



## TRANSITIONS FROM WORK TO RETIREMENT: EVIDENCE FROM LEED

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### Abstract

*Survey evidence suggests that the majority of New Zealanders would prefer to make a gradual transition from work to retirement, rather than move abruptly from full-time work to non-employment. This study describes the employment patterns and transitions of people who were aged in their 60s and moved from wage or salary employment to inactivity during the 1999–2005 period, using longitudinal data from the Linked Employer-Employee Dataset. Four different types of transition to retirement were defined and the relative frequency of each explored. We find that phased transitions, involving either part-time work or a number of transitions in and out of employment before the final exit, were far more common than discrete transitions from full-time work to non-employment. Men were more likely than women to take a traditional path from work to retirement. There were some significant variations in the frequency of different work-to-retirement paths across major industries, but phased transitions were more prevalent than traditional in all major industries.*

### Introduction<sup>1</sup>

This paper describes the work-to-retirement transitions of employees who retired when they were aged in their 60s, using data from the Linked Employer-Employee Dataset (LEED). It has two main objectives. The first is to describe the employment patterns of employees who are aged in their 60s, in the years immediately prior to their full retirement. The second is to assess whether abrupt or phased transitions from work to retirement are more common.

Survey evidence indicates that a high proportion of working-aged New Zealanders express a preference for gradual transitions from work to retirement, rather than abrupt transitions. The EEO Trust conducted a non-representative Internet survey in April 2006 to gather information on what people want from work as they get older, and what workplace conditions would encourage them to stay in paid work for longer (EEO Trust, 2006). The survey was completed by around 6,500 New Zealanders, the majority of whom were aged from 45 to 64 years.<sup>2</sup> Nearly half of the respondents who were still in the workforce said that their ideal pattern of transition from work to retirement would involve part-time work or flexible hours. Another 20 percent said they would prefer to move to a less demanding job before retiring, and about 10 percent said they would like to move to self-employment. Only 10 percent said they would like to retire straight from full-time work.

Phased retirements are likely to have a number of benefits for older workers. A phased retirement allows a

worker who is experiencing age-related reductions in fitness or health to reduce their job effort, while still retaining some of the financial and social benefits of working. A phased retirement also allows a person to gradually develop new non-work activities and social networks, which will occupy and support them during full retirement.

Phased retirements may also provide benefits to employers and to society as a whole. Flexible work arrangements offering reduced hours have the potential to help employers retain experienced, older staff who are no longer willing or able to work on a continuous full-time basis. There may be wider benefits if the availability of flexible work options encourages older workers to remain employed until a later age, extending the period in which they have earnings from employment, and reducing their reliance on government income support.

New Zealand is an interesting case for a study of transitions to retirement because the employment rates of older New Zealanders have been rising rapidly during the past 15 years. The employment rate of 60- to 64-year-olds rose from 23 percent in 1992 to 41 percent in 1997, and to 65 percent in 2007.<sup>3</sup> The employment rate of 65- to 69-year-olds more than doubled in ten years, rising from 13 percent in 1997 to 29 percent in 2007. Although the increases in the aggregate employment rates are well known, there has been little examination of the work histories and longitudinal employment patterns of older employees, which are also undergoing considerable change.<sup>4</sup>

The study population for this analysis is New Zealanders who were born between 1 April 1936 and 31 March 1940 and who did some wage or salaried employment between 1 April 1999 and 31 March 2007. This range of birth dates was chosen to ensure that all members of the study population had reached 66 years by the final year of the observation window.

The paper examines the longitudinal employment patterns of study population members who left a wage or salary job for the final time at least three years after the start of the LEED observation window, and at least two years before 31 March 2007, the end of the observation window. We describe the employment patterns of these workers during the final three years before complete retirement, and estimate the proportions taking different transition paths to retirement.

Section 2 discusses the data source, the study population and the samples of older workers that were selected for the analysis. Section 3 presents the main empirical results. Given the limitations of LEED as a data source, it is worth considering the paper's findings in the context of the international literature on phased retirements. Section 4 summarises recent findings of that literature. Section 5 concludes.

## Data Source and Methods

### *The Data Source*

For information on the Linked Employer Employee Data, see Dixon (2008).

### *The Study Population and Analytical Samples*

The study population for this analysis is all individuals who were born between 1 April 1936 and 31 March 1940, who had some wage or salaried employment between 1 April 1999 and 31 March 2007, and were still alive and resident in the New Zealand at the age of 66. The range of birth dates was chosen to ensure that all study population members had reached 66 years by 2006/07, the final year of the data. We restricted the study population to people with at least one payment recorded in LEED at 66 years of age<sup>5</sup> in order to minimise the effects of sample attrition due to deaths and migration. Because the vast majority of usual residents who are aged 65 and over receive New Zealand Superannuation payments, the restriction is unlikely to exclude many usual residents who theoretically should be included.

The available data provides eight years of data for each individual in the analytical sample, covering at least two years before and at least two years after their 65th birthday. The oldest individuals (born in the year ended March 1937) are observed in the years that they were aged 63–70, and the youngest individuals (born in the year ended March 1940) are observed in the years they were aged 59–66.

A subset of this sample was used in the analysis of transitions to retirement. People whose last work episode was at least three years after April 1999 and at least two years before March 2007 were selected. These timing restrictions were made so that all selected persons met our criteria for retirement (not working for a minimum of two years), and could be observed in LEED for at least three years prior to their final work episode.

Fifty-one percent of all individuals in LEED who were born between 1 April 1936 and 31 March 1940 and met the survival to 66 years criteria, and had a non-imputed birth date, undertook some wage or salary employment during the observation period. Of these, 26 percent worked for the final time between March 2002 and March 2005. This latter group represents the transition-to-retirement subsample.

Table 1 compares the characteristics of the transition-to-retirement subsample with the characteristics of all employees in the analytical sample, those who didn't retire in the observation window, and those who did retire but weren't selected for the analysis because of insufficient pre-retirement data. All employees are shown in the first column; those who retired during the study period are shown in the third column; and those who were selected into the retirement transition subsample are shown in the final column. The retirement transition subsample is not fully representative of all employees in the study population who retired, but it is broadly similar in terms of its gender mix, the percentage of months that were worked in the three years before the individual's final exit from work, and the proportion of those working months that generated full-time earnings. The retirement transition subsample retired at a later age on average than all retiring employees (65.4 years rather than 64.1). Individuals in the transition to retirement subsample also had somewhat lower mean monthly earnings during the observation period than all retiring employees.

**Table 1: Characteristics of the transition-to-retirement subsample**

	All employ- ees	Not retired at end of period	Retired at end of period		
			Total	Not in transition-to- retirement subsample <sup>(1)</sup>	Transition-to- retirement subsample
Percentage female	46.2	45.0	47.6	49.8	45.9
Mean monthly earnings (\$)	2,670	2,530	2,840	3,280	2,480
Percentage of months employed during the 3 years prior to final exit from employment	69.9	70.9	68.8	70.3	67.7
Percentage of employment months with full-time earnings <sup>(2)</sup>	55.5	57.7	52.8	49.7	55.4
Mean age at final month of work (years)	66.4	68.3	64.1	62.5	65.4
Number of people	53,830	28,840	24,990	11,110	13,880

(1) These individuals were not selected because they ceased working less than three years before the end of the observation period.

(2) The percentage of months with full-time earnings was estimated as the percentage with earnings equal to or above the full-time, full-month equivalent of the minimum wage.

## The Nature of Transitions to Retirement

### *Definitions of Retirement and the Alternative Transition Paths*

In this study 'retirement' is defined as a long-term withdrawal from employment that is assumed to be permanent. We require that an individual did not receive any employment income for a minimum of two years, and had no further employment income recorded in LEED, in order to classify them as retired. Note that the definition of retirement used here does not necessarily match individuals' own view of their retirement process. For example, some people may consider themselves to be retired after they leave a career job or once they start to draw a pension, even if they continue to work. When we use the phrase 'transition to retirement' in this study we are essentially looking at the way the employment patterns of older workers change in the years before they stop working in paid jobs for the final time.

A 'phased' retirement is defined as a situation where an employee works on a part-time or discontinuous basis for a period of time before they leave the labour force for the final time. This contrasts with a 'traditional' retirement, in which an abrupt transition is made from continuous full-time employment to inactivity, with no return to work at a later date.

Four types of transition were defined:

**Traditional** – people who had a single exit from wage employment, worked continuously on a full-time basis before the exit, and did not return to work

**Single-exit with some part-time work** – people who had a single exit from wage employment and did not return, but worked on a part-time basis or undertook a mixture of full-time and part-time work before the exit

**One pre-retirement exit** – people who had one spell of non-employment recorded in LEED before their final exit into retirement

**Multiple pre-retirement exits** – people who had two or more spells of non-employment before their final exit into retirement.

The second, third and fourth types of transition can be regarded as 'phased' transitions.

In the following sections, we analyse the employment patterns of the transition-to-retirement sample during the 36 months leading to each individual's final work episode. The objective is to assess the frequency of the different types of transition pattern, and to identify any associations that exist between personal or employment attributes and the type of transition that was made.

**Table 2: Characteristics of workers by type of transition**

	Trad- itional	Single exit with part- time work	One pre- retirement exit	Multiple pre-retire- ment exits	Total
Percentage taking each transition path	23.5	12.4	28.3	35.8	100.0
Mean age at final exit from work (years)	65.2	65.3	65.3	65.5	65.4
Percentage female	32.1	65.5	45.0	48.8	45.9
Mean monthly earnings if employed (\$)	4,410	1,410	2,160	1,510	2,370
Mean months of employment (capped at 36)	36.0	36.0	18.6	17.6	24.5
Number of people	3,270	1,720	3,920	4,970	13,880

**Table 3: Type of transition to retirement by age last worked**

Age last worked	Traditional retirement	Single exit with part- time work	One pre- retirement exit	Two or more pre- retirement exits
	Percent			
62	22.7	9.7	31.8	35.8
63	19.6	12.9	30.7	36.8
64	22.6	12.4	29.0	36.0
65	32.1	13.1	25.9	28.9
66	17.7	12.3	28.9	41.1
67	13.9	11.3	30.0	44.8
68	17.5	10.5	26.6	45.5
Total	23.5	12.4	28.3	35.8

### *Characteristics of Workers Taking Alternative Paths to Retirement*

The frequency of the different retirement paths is shown in table 2. Employees whose retirement took the traditional form, who worked continuously on a full-time basis before making a single, permanent exit from work, made up 24 percent of the total. Twelve percent worked continuously before making a single permanent exit, but worked part-time for some or all of their final three years. Twenty-eight percent had a single spell of non-employment (lasting for at least one calendar month) prior to their final exit. The remaining 36 percent had two or more non-employment spells in the three years prior to their final exit. Based on the classification scheme adopted, therefore, phased retirement transitions were much more common than traditional transitions.

In this sample, the average age of employees at the time of their final work episode was 65.4 years. The average age at final retirement does not vary much across the four transition groups. Note that the mean age at retirement is likely to be affected by the study population selection criteria – had we selected younger birth cohorts for study, the average age of the individuals who were

observed leaving work for the final time would also have been lower.

Gender breakdowns indicate that women were over-represented in the non-traditional transition groups, especially the ‘single exit with some part-time work’ group. Women were under-represented in the group with the most traditional retirement path.

Employees who made a traditional retirement had substantially higher mean monthly earnings than the other transition groups. This is at least partly because they were the only group that worked on a full-time basis throughout the three-year reference period.

The association between type of path to retirement and the age when an individual last worked is shown in table 3. Those who stopped working at 65 were most likely to make a traditional retirement transition: 32 percent did so, compared with 24 percent overall. Many of the people in the ‘traditional’ retirement group retired at ages 62–64, or 66–68 years, however. Although 65 was a popular age for traditional retirements, the association between having a traditional retirement and retiring at 65 is not an especially strong one.

**Table 4: Employment patterns prior to the final exit from work, by type of transition**

	Trad- itional	Single exit with part- time work	One pre- retirement exit	Multiple pre- retirement exits	Total
<b>Continuity of employment</b>					
Percentage of months employed	100.0	100.0	51.7	48.9	68.0
Continuously employed (%)	100.0	100.0	0.0	0.0	35.9
At least 90 percent of months (%)	0.0	0.0	30.6	8.6	11.7
50-<90 percent of months (%)	0.0	0.0	22.0	41.1	20.9
Less than 50 percent of months (%)	0.0	0.0	47.4	50.3	31.4
Percentage of months employed in final year	100.0	100.0	57.2	50.1	70.0
<b>Duration of employment, non-employment, and job spells</b>					
Longest employment spell in months (capped at 36)	36.0	36.0	16.3	10.1	21.1
Longest job spell in months (capped at 36)	34.4	33.3	15.3	9.6	20.0
Longest non-employment spell in months	0.0	0.0	17.4	11.5	9.1
At least one non-employment spell of 12 months+ (%)	0.0	0.0	54.1	40.1	29.6
<b>Estimated hours worked</b>					
Percentage of employment months that were full-time and full-month	100.0	35.4	30.8	19.1	43.5
All (%)	100.0	0.0	0.0	0.0	23.5
At least 90 percent (%)	0.0	13.4	13.8	1.8	6.2
At least 50 percent (%)	0.0	23.3	18.0	14.9	13.3
Less than 50 percent (%)	0.0	63.2	68.3	83.4	57.0
Percentage of months in final year that were full-time and full-month	100.0	28.6	26.8	13.9	39.6
<b>Employer attachment or mobility</b>					
Mean number of employers	1.3	1.5	1.4	2.1	1.7
Only one employer (%)	80.3	65.6	69.4	45.1	62.8
Three or more employers (%)	4.7	12.4	9.1	26.4	14.7
At least one new employer in months 13-36 (%)	12.5	22.7	68.2	61.3	47.0

### *Employment Patterns and Job Characteristics Associated with Each Path to Retirement*

To summarise the employment patterns of the transition-to-retirement sample, we constructed measures of employment continuity, job tenure, hours worked per month, and strength of attachment to a particular employer, for the employees in each transition group. These measures are shown in table 4.

By definition, employees in the 'traditional' and 'single-exit with part-time work' retirement groups worked 100 percent of months in the reference period, up to their final month of employment. Those in the other two transition groups worked much less – just 52 percent and 49 percent of months. If the proportion of months worked during the three-year reference period is compared with the proportion of months worked during

the final year, the differences are fairly minor. This indicates that the continuity of the work undertaken by people in the 'one pre-retirement exit' and 'multiple exits' groups was low throughout the period studied, rather than tailing off mainly in the final year.

Measures of job tenure and the duration of non-employment spells (bounded by the three-year observation period) were calculated. Employees in the first two transition groups had relatively long job spells. The job spells of employees in the other two transition groups were much shorter, on average. For example, the longest job spell of employees in the 'one pre-retirement exit' group was 15–16 months on average. More than half of this group had a non-employment spell that lasted for 12 months or longer within the reference period. People in the 'multiple exits' group tended to have a mixture of short and longer gaps. Their longest job spell

lasted 10 months on average. Forty percent had a non-employment spell of at least 12 months. The remaining 60 percent were out of work for several shorter periods.

Employment intensity was measured using the percentage of employment months that yielded earnings greater than the full-time full-month equivalent of the minimum wage. The employment intensity measures suggest that the likelihood of working part time is strongly associated with the type of transition to retirement. By definition, people in the traditional retirement group worked full time in every month. In contrast, people in the multiple exits group earned less than the full-time, full-month minimum wage in 83 percent of their working months. The proportion of part-time or part-month employment was also high for the other two transition groups.

Measures of employer attachment are given in the bottom section of the table. For the total transition-to-retirement sample, the mean number of employers per employee during the three-year reference period was 1.7. However, about two-thirds worked for just one employer in the three years leading to their retirement, while approximately 20 percent had two employers and around 15 percent had three or more employers. A small number of people worked for a large number of different employers, raising the overall mean.

A measure of new employer job starts was constructed, counting person-firm matches that began in the second or third year of the reference period. In this measure, a 'new employer' is defined simply as an employer that the individual did not work for during the first year of the study period. Forty-seven percent of the employees in the total transition-to-retirement sample had at least one new employer start.

Employees in the 'traditional' and 'single exit with some part-time work' retirement groups were fairly unlikely to start work with a new employer during their final two years in the workforce. Only 13 percent of 'traditional' retirees and 23 percent of 'single exit with part-time work' retirees had at least one job start with a new employer. Presumably, the majority of people in these

two groups continued working in an existing employment relationship. By contrast, about two-thirds of employees in the other two retirement groups had at least one new employer relationship that began in the final two years.

Our measure of the percentage of employees who started new employer relationships probably over-estimates the true frequency at least a little, because we did not track employer relationships further back in time. Timmins (2008) finds that repeat job spells (in which an employee returns to an employer they had worked for previously) are much more common among workers aged 65 or over than prime-aged employees. This means it is likely that some of the jobs that are classified here as 'new' were actually repeat spells with a previous employer, following a gap of more than 12 months. Taking this bias into account, it is fair to conclude that the majority – more than 50 percent – of the employees in our retirement transition sample probably did *not* enter a new employer relationship within two years of their final exit from work. At the same time, entering into a new employer relationship in the two years prior to retirement was clearly not an unusual event, with perhaps 40 percent of the sample doing so.

Variations in work scheduling arrangements and employment agreements in different industries and occupations are likely to encourage or impede different types of transition to retirement. Table 5 shows the relative frequency of each transition path by employees' industry of employment at the start of the observation period.

Employees with traditional retirement patterns were more likely to be working in the manufacturing industry, and to a lesser extent in wholesale trade and government administration, than other sample members. Employees who made a single exit from employment following some part-time work were over-represented in retail trade and in health and community services. Employees who made multiple transitions in and out of work before retirement were over-represented in agriculture, forestry and fishing, business services, and education.

**Table 5: Industry of first main employer, by type of transition**

Industry	Trad- itional	Single transition with part- time work	One pre- retirement exit	Multiple pre-retire- ment exits	All
					Percent
Agriculture, forestry & fishing	1.5	4.8	7.5	11.5	7.1
Manufacturing	22.9	10.6	13.4	10.9	14.9
Electricity, gas & water	0.8	0.0	0.4	0.2	0.4
Construction	5.4	1.8	4.8	3.5	4.0
Wholesale trade	6.6	5.3	5.6	3.9	5.2
Retail trade	6.5	15.3	8.3	7.1	8.3
Accommodation, cafes and restaurants	1.8	4.6	4.4	3.7	3.6
Transport & storage	5.9	2.5	4.0	4.1	4.4
Communication services	1.5	2.3	1.6	1.0	1.5
Finance & insurance	4.5	2.5	2.6	2.3	2.8
Property & business services	8.5	11.0	11.7	11.5	10.6
Government administration	8.7	2.3	5.5	5.9	5.7
Education	9.6	6.7	9.2	17.4	11.9
Health & community services	10.4	22.9	13.3	10.0	12.9
Cultural & recreational services	1.5	2.8	2.7	3.5	2.6
Personal & other services	3.7	4.6	5.0	3.5	4.2
Total	23.5	12.4	28.3	35.8	100.0

Note: Results are for each person's first employer during the transition period, ie the employer they worked for three years prior to their final exit from the labour market. Employees in the mining industry and people whose industry could not be identified are excluded from the table because of small sample sizes. For this reason, column totals do not sum to 100 percent.

### *Changes in the Employment Patterns of all Employees Aged in their 60s*

The analysis of retirement transitions presented so far covers a relatively short period (three years), and uses the records of a minority of all the employees in the study population who were working while aged in their 60s. This could prompt some concerns about the representativeness of the findings. To address this concern, we also analysed the employment patterns of all study population members (ie, all people born between 1 April 1936 and 31 March 1940 who undertook some waged or salaried employment between 1 April 1999 and 31 March 2007). The objective was to assess whether the employment patterns of the transition-to-retirement subsample were unusually discontinuous or fragmented, compared with those of other employees aged in their 60s.

The results are presented in Dixon (2008). Very briefly, they show that part-year and part-time employment were common, and the majority of employees had at least one gap in their employment history before their final exit from the labour force.

### **Summary**

The results presented in this section indicate that a high proportion of employees in New Zealand who move from work to retirement while aged in their 60s experience some sort of 'phased' transition, featuring a period of time in which they do not work continuously or do not work full time. Three-quarters of the transition-to-

retirement subsample followed a transition path that could be described as 'phased'. Within the whole of the study population, part-year and part-time employment were common, and the majority of employees had at least one gap in their employment history before their final exit from the labour force.

The analysis has some significant limitations. First, we can't tell if the employment patterns observed during the pre-retirement period represented a new phase in the working lives of these individuals, or the continuation of lifetime patterns. At least some individuals in our sample are likely to have worked intermittently or part time for a significant portion of their working lives. Ideally, if a longer time series of data were available for each individual, we would distinguish between employees who had long-duration full-time jobs at an earlier stage of their lives, before embarking on a phased retirement and reducing their level of work activity, and those with a lifelong pattern of part-time or intermittent work. The significance of working part-time or part-year during the final years of one's working life is likely to vary between these two groups.

Second, we can't tell whether the breaks in employment and part-time jobs that are recorded in LEED were the product of individual preferences to work less, or due to constrained choices in the labour market, preventing some people from working for as many hours as they wished. The only relevant evidence on this is the underemployment measure provided by the Household Labour Force Survey (HLFS), which suggests that only a very small percentage of workers in their 60s are

working for fewer hours than they desire. The HLFS measures underemployment as the number of employed people who worked for fewer than 30 hours in the reference week, who said that they would prefer to work more hours. The percentage of employed persons aged 60–64 who were underemployed was 4.2 percent, on average during the period from the June 1999 quarter to the March 2007 quarter. This is lower than the underemployment rate for all age groups, which was 5.0 percent on average during the same period.

## International Comparisons

This section summarises some of the recent findings of international literature on phased retirements, in order to put the New Zealand results reported in this paper into a broader context. Researchers in other countries have drawn evidence from data sources such as longitudinal surveys, which are superior to LEED in a number of respects. For example, they often include information on retirement decision-making, individuals' life-time work histories, and the non-wage characteristics of jobs.

### *How Common are Phased Retirements?*

Recent studies from Britain and the US have concluded that pre-retirement transitions to 'bridge' jobs, involving shorter hours or shorter job tenure, are relatively common. Cahill et al (2005) analysed data from the Health and Retirement Survey on the work histories of a sample of Americans who were aged 51–61 in 1992 and were followed in the survey for the next 10 years. They found that one-half to two-thirds of respondents who had worked in a full-time career job at some stage in their work history, moved to a short-duration or a part-time job before leaving the labour force completely. Maestas (2004), also analysing data on older Americans from the Health and Retirement Survey, found that more than one-third of retirees aged in their 50s returned to work after their initial exit to retirement.

Lissenburgh and Smeaton (2003) analysed labour force survey data on the employment transitions of older workers in Britain. They found that 38 percent of men and 55 percent of women aged 50 or over who left a permanent wage or salaried job were working in a part-time or temporary job, or were self-employed, one year later. The most common type of transition was from full-time to part-time work.

Although phased retirements achieved through transitions to bridge jobs are relatively common, at least in the United States and Britain, retiring gradually by reducing one's hours or responsibilities within a previously full-time career job appears to be more unusual. Hutchens (2007a) reports that in the 1990s, only 2–5 percent of older workers aged under 65 who were in full-time wage or salary employment when surveyed in the Health and Retirement Survey, had become part-time employees with the same employer two years later. A somewhat larger proportion moved to part-

time work by changing their employer. Hutchens also reports that reducing one's hours within an ongoing employment relationship tends to be a white-collar phenomenon (Hutchens, 2007a).

Other evidence suggests that some workers who would like to reduce their hours before retirement do not do so because the adjustment is difficult to make in their current job. Abraham and Houseman (2004) compared older workers' plans for work and retirement with their subsequent outcomes, using panel data from the Health and Retirement Survey. Among those who had made retirement plans, about half indicated that they would like to cut back on their hours or change they type of work they did prior to retiring. Only 35 percent of this group actually did so in the following two years. Individuals who believed they would need to change their job in order to reduce their working hours were less likely to have made plans to reduce their hours, and if they *had* made plans, were less likely to follow through on them than workers who believed they *could* reduce their hours in their current jobs.

### *Which Types of Employee are Most Likely to have Phased Retirements?*

Cahill et al (2005) found that older Americans who left career jobs at younger ages, were in good health, had wages at the upper or lower ends of the wage distribution, or were not members of a defined-benefit pension scheme, were more likely to take on bridge jobs rather than making an abrupt transition into retirement.

Lissenburgh and Smeaton (2003) report that older workers who left permanent jobs in the UK were less likely to enter bridge jobs if they had been with their employer for a long time, were older, or if they had health problems. Older worker were more likely to move to bridge jobs if they had relatively high levels of skills. Hutchens (2007b) and Hutchens and Grace-Martin (2004) analysed information obtained from an employer survey to identify which types of white-collar workers are more likely to be given the opportunity for a phased retirement, in which they reduce their hours from full time to part time in a continuing job. They found that the opportunities for phased retirement within an existing employer relationship are greater in establishments and jobs that already make use of part-time workers and have flexible starting times.

### *Are Phased Retirements Associated with Movement to High Quality or Poor Quality Jobs?*

Although more than half of working-aged respondents surveyed in countries such as the United States and New Zealand say that they would prefer to retire gradually (Calvo et al, 2007, EEO Trust, 2006), this does not necessarily mean retirees will actually be better off if they retire gradually. Two aspects of the well-being question have been considered in the literature. The first

issue is whether the bridge jobs that gradual retirees tend to move into, offer a high or a low quality of working life. The second is whether gradual retirees are indeed happier than those who made abrupt transitions, taking into account their levels of happiness prior to retirement.

Lissenburgh and Smeaton (2003) found that the quality of the bridge jobs taken by older workers who left permanent wage or salaried jobs in Britain was highly variable. The self-employment jobs they studied were relatively stable and offered high levels of job satisfaction, but only the most skilled workers who moved to self-employment earned incomes that were comparable with their previous incomes as permanent employees. Temporary jobs with full-time hours and fixed-term contracts paid relatively high earnings and were more likely to offer training than permanent jobs. Temporary jobs in agency or casual employment were associated with relatively low earnings and little training. Permanent part-time jobs were also associated with relatively low earnings and little training.

### *Do Phased Retirements Enhance Happiness?*

Calvo et al (2007) attempted to assess the impact of gradual versus abrupt retirements on happiness. Their study analysed longitudinal data from the Health and Retirement Survey on Americans who were aged 51–61 in 1992, and surveyed every two years until 2004. The analysis compared the change in each person's self-reported level of happiness (using a set of indicators) over the period in which they moved from full employment to full retirement. The regression models included controls for a variety of personal and job characteristics and other aspects of the retirement transition, such as changes in health and pension scheme coverage. Controlling for other factors, the type of transition made (gradual or abrupt) did not have a significant effect on the happiness indicators. The authors concluded that what really matters is not the type of transition, but whether people perceive their retirement as chosen or forced.

### **Conclusion**

This paper has used data from LEED to examine the employment patterns of a sample of employees in New Zealand who were still working while in their sixties, during their final three years in the workforce. We grouped these employees into four 'type of transition to retirement' categories and described their differing employment patterns.

Only a minority of the retirement transitions examined, 24 percent, took the traditional form of a single discrete transition from continuous full-time employment to complete retirement. Men were over-represented in the 'traditional' transition group. About 80 percent of the employees in this group worked for a single employer for the entire three years, while 20 percent had two or more

employers. Employees in this group were more likely to be working in the manufacturing industry, wholesale trade or government than other retiring employees, yet were widely spread across major industry groups.

Another relatively small group of retirees (12 percent) made a single transition from continuous employment that was either entirely part time or a mixture of full-time and part-time work. Women were over-represented in this group. About two-thirds of the employment months worked by this subsample generated earnings below the full-time, full-month equivalent of the minimum wage. About two-thirds of the subsample members worked for a single employer for the entire three years. Employees in this group were more likely to be employed in retail trade and in health or community services than other retiring employees.

The remaining 60–70 percent of the retirees in our transition-to-retirement sample had at least one non-employment spell in the three years before their final work episode. This broad group included individuals who worked at least 90 percent of the time, some who worked more than half of the time, and a fairly large proportion who worked for less than half the time in the three years prior to their final work episode. Part-time employment was the most common employment pattern for these employees. Many worked for just one employer during the reference period, but performed multiple spells of work with the same firm. About 44 percent worked for more than one employer. Within this group, the employees who made several transitions in and out of employment in the three years prior to complete retirement were over-represented in the agriculture, forestry and fishing, business services, and education industries.

The paper also examined the employment patterns of all employees who were born between April 1937 and March 1940, to check that the findings for the transition-to-retirement subsample were not atypical. That analysis showed that part-year employment and part-time employment were relatively common and increased in prevalence with increasing age.

The employment patterns described in this paper suggest that there are several common routes from work to retirement. Some employees (a minority of the total) move straight from continuous full-time jobs to non-employment and do not return. A much larger proportion of employees appear to work in 'bridge' jobs as an intermediate stage between a career job and complete retirement. The fact that a high proportion of the employees in this study worked on a discontinuous or part-time basis during their final three years in the workforce suggests that a high proportion had already moved from the long-term and full-time jobs they held at younger ages, into 'bridge' jobs. Finally, there is likely to be a group of employees whose long-standing patterns of work were intermittent or part time. These employees do

not need to make a substantive change in their working patterns to achieve a phased transition to retirement.

Overall, the findings of the study suggest that the majority of older employees in New Zealand, who leave the labour force while aged in their 60s, make a gradual rather than an abrupt transition from work to retirement.

### Future Research

Future research could explore the factors that shape exits from career jobs and entries into 'bridge' jobs, the quality of bridge jobs, and levels of satisfaction with work during the transition to retirement.

### Notes

1. This study was undertaken while the author was on secondment to Statistics New Zealand, and was funded by the Department of Labour. Any views expressed are those of the author not Statistics New Zealand or the Department of Labour.
2. Women and people in professional and managerial occupations were over-represented among survey respondents. The results are unweighted, and therefore should be interpreted with caution.
3. These are June quarter figures from the Household Labour Force Survey.
4. See Dixon and Hyslop (2008) for some background information on the changing employment rates and employment patterns of those aged over 60.
5. The payments that are recorded in LEED include New Zealand Superannuation, all of the main income support benefits, earnings from wages or salaries, self-employment income from businesses, and earnings-related payments from ACC.

### Access to data

Access to the data used in this study was provided by Statistics NZ under conditions designed to give effect to the security and confidentiality provisions of the Statistics Act 1975. Only people authorised by the Statistics Act 1975 are allowed to see data about a particular person or firm. The tables in this paper contain information about groups of people so that the confidentiality of individuals is protected. The results are based in part on tax data supplied by Inland Revenue to Statistics NZ under the Tax Administration Act. These tax data must be used only for statistical purposes, and no individual information is published or disclosed in any other form, or provided back to Inland Revenue for administrative or regulatory purposes.

Any discussion of data limitations or weaknesses is in the context of using the Linked Employer-Employee Database (LEED) for statistical purposes, and is not related to the ability of the data to support Inland Revenue's core operational requirements. Careful consideration has been given to the privacy, security and confidentiality issues associated with using tax data in this project. Any person who had access to the unit record data has certified that they have been shown, have read and have understood Section 87 (Privacy and Confidentiality) of the Tax Administration Act. A full discussion can be found in the LEED Project Privacy Impact Assessment paper (Statistics NZ, 2003).

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