

RETIREMENT IN JAPAN AND THE UNITED STATES: CROSS-NATIONAL COMPARISONS USING THE JAPANESE STUDY OF AGING AND RETIREMENT (JSTAR) AND THE U.S. HEALTH AND RETIREMENT STUDY (HRS)

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Comparisons of data across developed countries can offer insights into the retirement process. To this end, we examine data on older persons aged 50-70 using the new Japanese Study of Aging and Retirement (JSTAR) and compare results with the U.S. Health and Retirement Study (HRS). Though both countries have relatively high employment at older ages, the Japanese have longer life expectancy, higher levels of financial wealth, and a lower public pension eligibility age.

Our analysis, the first to compare these two rich data sources, suggests two tentative conclusions (subject to revision when data weights become available). First, older Americans differ in key ways from their Japanese counterparts, particularly along educational, health, and wealth dimensions. Second, in some cases, there is a distinctly different impact of these factors on labor force outcomes. Specifically, age, sex, education, and wealth influence behavior differently across the two countries, though being overweight or having better mental acuity/financial literacy scores has no differential impact. Thus observed differences in work patterns between Americans and Japanese at older ages are attributable to several specific and identifiable factors.

Five key outcomes are used in the comparative analysis: for all respondents, the probabilities of not working, being retired, and receiving a social security (government) benefit; and for workers, we separately analyze the number of work hours per week and the age they expect to receive social security benefits. Interim results indicate that many more HRS respondents (60%) are not working, compared to only one-third (34%) of the Japanese, consistent with other evidence that labor force attachment is higher at older ages in Japan. Also more HRS respondents (52%) receive government-provided pension benefits than in the JSTAR (44%). By contrast, however, only 39% of the HRS group considers itself retired, versus only 8% of the Japanese. Evidently, not working, being retired, and having claimed benefits mean very different things to people, both within and across countries. Focusing only on workers, individuals in the two countries become more similar, averaging around 40 hours of work per week. And the HRS workers anticipate claiming benefits only about half a year later than their JSTAR counterparts.

Some of the work dissimilarities are attributable to differences in demographic and economic factors, while others are due to differences in responses to the factors themselves. Age differences across the samples are virtually nil, by design (only those aged 50-70 are included). Yet HRS respondents are less likely to be male and married than in the JSTAR, whereas Americans have more living children and are better-educated than the Japanese in this age bracket. Only one-quarter of the HRS has own children co-residing with them, whereas in Japan the proportion

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is close to half. Financial wealth measures in the two datasets are very skewed, but reported wealth in the JSTAR is more compressed than in the HRS. Two-fifths of the older US population report negative assets, whereas in Japan the percentage of respondents with negative financial wealth is 3%. The fractions of those with wealth over \$100,000 are closer, 21% in the US and 18% in Japan (to be verified with weighted data when available).

One of the most striking differences between older persons across the two nations concerns the prevalence of bad health. Over one-quarter of the HRS respondents are in worse health than average, versus only 16% in the JSTAR. Additionally, three-quarters of the Americans are overweight (or heavier), versus one-quarter of the Japanese. Older Americans fare better on the word recall test, but they score worse on the Serial 7's and financial literacy tests. Such differences in functioning translate into very different self-assessed probabilities of living a long time. Only two-fifths of older Americans have an optimistic assessment of the chances of living to age 75, whereas two-thirds of the Japanese are optimistic along this dimension. These patterns persist for workers.

Next we test whether the impacts of these variables differ significantly across the two datasets, after controlling on differences in the explanatory variables. To summarize, in the HRS, age is generally significant in boosting the chances of not working, being retired, receiving social security benefits, and working more weekly hours. In the JSTAR sample, age plays a confounding role: older persons are less likely to say they are not working, more likely to claim they are retired, and less likely to have social security benefits than Americans. Conditional on working, age reduces hours by more than in the HRS. American men are more likely to say they are not working, be retired, and have claimed benefits; conditional on working, they work more hours. The interaction effects suggests that Japanese men are much less likely to report not working or receiving benefits; on the other hand, they are more likely to describe themselves as retired. Education has similarly mixed effects: in the US, the more educated have a higher probability of working (and working more hours), and a lower chance of having claimed benefits. For the Japanese, those with a middling amount of education are more likely to not work, say they are retired, and receive social security benefits. (All findings must be confirmed with weighted data.)

Interestingly, health factors have remarkably similar impacts on work and retirement overall across the two countries. In the US, having below-average health is strongly associated with not working, being retired, and claiming benefits. Poor health has no differential effect on the Japanese respondents' chances of working, though it does greatly reduce the probability that someone calls himself retired or receives social security benefits. In extended models, being overweight is positively associated with being retired for Americans; there is no differential impact for the Japanese. Those with higher levels of mental acuity and financial literacy are more connected to the labor market across the board, in both the US and Japan. Finally, among workers, there are also relatively few factors that differentiate hours worked and expected benefit claiming ages: in both countries, wealthier persons work fewer weekly hours with no substantive differential effects.

In sum, we draw two key conclusions (subject to revision when the needed weights are provided). First, Americans aged 50-70 do differ in key ways from their Japanese counterparts, particularly along educational, health, and wealth dimensions. Second, there is a distinctly different impact of these factors on labor force outcomes in some cases. Specifically, age, sex, education, and wealth influence behavior differently across the two countries, though being overweight or having better mental acuity/financial literacy scores has no differential impact. Accordingly, observed differences in work patterns between Americans and Japanese at older ages can be attributable to a key subset of identifiable factors; moreover, the results can potentially be used to project future responses to changes in education, age, health, and wealth.

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