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Work-Life Balance and Labor Force Attachment at Older Ages

Marco Angrisani, Maria Casanova, and Erik Meijer *

Demographic trends over the last five decades have led to longer life expectancies and declining birth rates. The resulting concerns about the long-term sustainability of Social Security programs have focused attention on understanding what drives individuals' retirement decisions and on how to increase older workers' attachment to the labor force. A growing literature has identified work-life balance (WLB), defined as the absence of conflict between work and nonwork activities, as a key determinant of workers' evaluation of the relative attractiveness of work versus leisure, particularly at older ages. Workers whose jobs allow them to more easily manage their private life (doctor visits, caring for an elderly parent or sick spouse, etc.) may be more likely to remain employed than those who perceive that their jobs interfere with their personal activities and responsibilities.

A better understanding of the effect of WLB on retirement behavior and of the specific life circumstances during which WLB becomes valuable to employees provides a policy handle to affect workplace arrangements so as to facilitate longer labor force attachment. This line of research is particularly timely in view of the increase in women's labor force participation in the past decades, which has led to a growing number of female workers on the verge of retirement. Because of existing social norms related to gender roles, women are typically more sensitive to the trade-off between career and family life. At the same time, late fertility and longer life expectancy have placed more responsibility on middle-aged/older workers for supporting their own children and caring for their aging parents, thus increasing the strain on WLB.

In this paper, we use data from the Health and Retirement Study (HRS) to investigate the relationship between WLB and retirement transitions. We use a sample of workers ages 51 to 79 to assess the association between perceived WLB at a given point in time with subsequent employment choices. We perform our analysis separately for men and women to explore the possibility of differential labor supply responses by gender. Because of the prevalence of partial retirement and given that part-time work may be an important alternative to retirement in the face of WLB restrictions, we distinguish between full-time and part-time workers. Moreover,

* **Marco Angrisani** is an associate economist at the USC Dornsife Center for Economic and Social Research, University of Southern California. **Maria Casanova** is an assistant professor at California State University-Fullerton. **Erik Meijer** is a senior economist at the University of Southern California and an adjunct economist at RAND. This research brief is based on MRRC Working Paper 2017-366.

in our analysis, we jointly account for work strains that affect one's private life negatively (work-to-life interference, or WLI) and aspects of one's private life that may negatively impact one's productivity or work (dis)utility (life-to-work interference, or LWI). Additionally, we explore the extent to which WLB interacts with life circumstances in determining retirement decisions. In particular, we investigate how responses to a spouse's health shock differ by WLB levels before the onset of the shock.

Our results show that WLB is significantly associated with labor force transitions among older workers. The effect is largely driven by work-to-life conflict. A one standard deviation increase in WLI increases the retirement probability of men in part-time work by 5.9 percentage points, that of women in full-time work by 2.2 percentage points, and that of women in part-time work by 4.6 percentage points. These effects are sizeable, representing a 27 percent, 16 percent and 23 percent increase relative to the sample average, respectively. WLI does not significantly correlate with employment transitions of men in full-time work.

Life-to-work conflict has no effect on the labor supply of full-time workers. For part-timers, higher levels of LWI are associated with a higher likelihood of remaining in part-time work, but this effect is only marginally significant. Moreover, the net effect on labor supply is ambiguous, as part-time workers who report high LWI are slightly less likely to transition into full-time and to retire within the next two years.

We find that WLB moderates labor supply responses to a spouse's health shock. For male workers, the likelihood that full-timers remain in full-time employment following a spouse's health shock decreases as WLI increases, while there is no moderating effect of WLB for part-timers. Among women, labor supply responses to a spouse's health shock are stronger and interactions with WLB more apparent. For female full-time workers, the probability of switching to a part-time job following a spouse's health shock increases by 4-percentage points with one standard deviation increase in WLI. For women employed part-time, the probability of retirement is 8-percentage points higher for one standard deviation increase in WLI.

Previous research has suggested a potential link between WLB and retirement behavior by showing that full-time workers in their early 50s who experience low levels of WLB are more likely to report a preference for retiring within the next 10 years. Our study is the first to address and quantify the association between WLB and actual employment transitions of middle-aged and older workers. It further contributes to the literature by documenting the extent to which WLB moderates labor supply responses to spousal health shocks.

A limitation of our study is the lack of a strong source of exogenous variation in WLB, which may raise concerns about selection effects. We argue that our results are to be viewed as lower bound estimates of the effect of WLB on older workers' labor supply decisions. In fact, the most likely form of selectivity would lead to individuals with a high preference for leisure, who are more likely to retire, to sort into jobs with better WLB, thereby dampening the effect of WLB on retirement.

University of Michigan Retirement Research Center
Institute for Social Research 426 Thompson Street Room 3026
Ann Arbor, MI 48104-2321 Phone: (734) 615-0422 Fax: (734) 615-2180
mrrcumich@umich.edu www.mrrc.isr.umich.edu

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