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## Retirement [Encyclopedia entry]

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## RETIREMENT

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*Retirement* is a general term that has traditionally referred to older adults' disengagement from the

workforce. As an area of research inquiry, it is a broad concept that has been studied by a number of disciplines, including economics, gerontology, and organizational behavior, as well as developmental and industrial and organizational psychology. Appropriately, these fields have offered many different perspectives on the concept of disengagement. Some frame it in terms of the amount of participation in the workforce (i.e., the number of hours worked), whereas others frame it in terms of the receipt of pensions as a source of income rather than paid work. Still other fields focus on disengagement as a form of commitment to and reliance on work as a source of personal identity and fulfillment. These differing viewpoints—and the theoretical perspectives that underlie them—are all valuable because each provides important insights into the concept and process of retirement. However, such divergent perspectives can make the systematic study of retirement challenging for students and researchers.

### RETIREMENT TRENDS

Increasing interest in the topic of retirement on the part of researchers, students, policymakers, organizational decision makers, and the general public has been fueled by at least three demographic trends. The first and most notable of these trends is the gradual aging of the nearly 80 million people born between 1946 and 1964, commonly known as the baby boomers. At present, this group represents approximately 50% of the U.S. population in the prime working years (between ages 25 and 64). As this cohort continues to age over the next decade, the percentage of adults between 55 and 64 (when retirement is a realistic option) will increase by approximately 65%. As a result, the baby boomers will no doubt redefine the concept of retirement, as they have so many other concepts as they have moved through their life course.

The second demographic trend is the decline in workforce participation of older adults, namely men, during the second half of the 20th century. The workforce participation rate for men between the ages of 55 and 64 was 87% in 1950 but just 67% in 2000. For men over the age of 65, the workforce participation rate dropped from 46% in 1950 to a mere 17% in 2000. However, this decreasing trend appears to have leveled out somewhat since approximately 1985. For women between the ages of 55 and 64, workforce participation rates increased from 27% in 1950 to 52% in

2000. The workforce participation rate for women over the age of 65 also increased, from 8% in 1950 to 11% in 2000. Similar trends have been observed in most developed countries. As a result, the divergent trends for men's and women's late-life workforce participation rates will no doubt redefine the concept of retirement for generations to come.

The third demographic trend is the increasing longevity of the population in developed countries. In 1950, for example, the average 65-year-old could expect to live 13.9 more years; however, by 2002, that number had increased to 18.2 years (approximately 22% longer). Given this trend toward increased longevity, the way we define and study retirement will need to change to accommodate the fact that we may now spend upwards of one third of our lives or more in retirement.

Taken together, these trends indicate that more workers will be experiencing retirement and will do so for a longer period of time than ever before. The sheer magnitude of this phenomenon raises a number of social, organizational, and individual concerns. At the societal level, the most prominent issue is the looming strain that will be placed on public (e.g., Social Security) and private pension systems by the large number of retiring baby boomers. Thus, public policymakers will need to make many difficult yet crucial decisions in the near future about how we can best address the projected shortfalls in pension systems, particularly Social Security.

At the organizational level, both public- and private-sector employers will be faced with the loss of well-trained, highly experienced employees and, in some sectors, potential labor shortages as the massive baby boomer cohort begins to retire in earnest in 2010. Thus, employers will be faced with the decision of where and how to spend depleted resources. Should they work to retrain older workers? Provide incentives to keep older, more experienced workers from contemplating retirement? Develop mentoring programs to tap the wisdom of older workers who are quickly approaching retirement? Restructure jobs to make them more appealing and accommodating to older workers? Choosing among these options will be challenging for organizational decision makers.

## RETIREMENT AND THE INDIVIDUAL

For individuals, the questions center predominantly on deciding whether and when to retire, how to

finance retirement, and quality of life after retirement. These highly personal decisions are becoming more and more complex for those approaching retirement.

Research on decisions about whether and when to retire shows that these choices appear to be influenced by a number of factors. At the individual level, demographic variables such as age, health, and wealth show some of the most consistent relationships with the decision to retire. Older workers, those whose health limits their ability to work, and those who can financially afford to stop working (because they are eligible to receive Social Security or private pension income) are more likely to retire.

Familial variables and gender are also related to retirement decisions. For example, married couples generally tend to coordinate the timing of their retirements. Those having higher quality of marital and family life appear to find retirement more attractive. Gender is also related to retirement decisions, but this relationship is more complex and likely influenced by the presence of dependents (including a spouse or aging parents) in the home. For example, women tend to retire when there are dependents in the home, presumably to engage in caregiving, whereas men tend to continue working, presumably to meet the financial demands created by having dependents in the home. In addition to these factors, lower commitment to aspects of the work role and a positive attitude toward retirement are also related to the decision to retire.

Research on quality of life after retirement suggests that, contrary to the once-popular belief, most retirees do not experience retirement as a stressful crisis. Rather, most retirees adjust to retirement fairly well. Studies examining adjustment to retirement suggest that it is influenced by many of the same factors that influence the retirement decision. For example, those with better financial situations and better health tend to be more satisfied with retirement. Those who have engaged in more retirement planning also tend to have higher satisfaction with retirement. With regard to gender, men and women with similar circumstances appear to experience retirement similarly. However, when their circumstances differ, there are often important differences between the sexes. For example, women may have fewer financial resources, and therefore they are less able to afford the retirement lifestyle they prefer. Beyond these factors, people with more social contacts and social support are more likely to experience a higher quality of life in retirement. Contrary to popular belief, less than 10% of retirees

move out of state, presumably to warmer climates and more affordable locations, after retiring.

## EVOLVING CONCEPTIONS OF RETIREMENT

At one point in time, retirement meant a complete disengagement from the workforce. However, recent trends suggest this definition of retirement is inaccurate. Indeed, in 2000, 38% of men and 33% of women receiving income from private pensions were also employed. In one survey of adults between the ages of 36 and 54, 55% reported that they planned to work part-time and 32% planned to work full-time after they retire. This continued paid work during retirement is sometimes referred to as *bridge employment*, *phased retirement*, or *blurred retirement*. This transitional phase between full-time work and complete retirement allows older workers to try out retirement and determine whether it is a good fit for them. Given the trend toward increased longevity, this transition phase is likely to become more prevalent and lengthen considerably over time. However, as past research has shown, not all individuals (particularly less-educated and minority workers) have equal opportunity to engage in such a transitional phase. Thus, policymakers need to consider how best to provide transitional retirement to as many individuals as possible, regardless of their means or demographic background.

Retirement is a rapidly evolving phenomenon. We must keep in mind that retirement is a continuous process of preparation, transition, and adjustment. Demographic factors are altering the way we define, view, and experience retirement. The idea that an individual can work for the same company for 30 to 40 years and then retire at age 65 with a gold watch and enjoy a life of leisure is quickly becoming extinct, if it ever really existed at all. Instead, we are seeing what scholars refer to as the “widening trajectory” of the life course. That is, we are observing a wider array of what is considered normative in terms of retirement. As a result, scholars, researchers, and students will be challenged in studying the retirement concept and experience.

Organizational decision makers will be challenged to determine how best to meet staffing and training needs. Policymakers must also determine how best to meet the needs of the public, and individuals on the front lines may be at a loss as to how to determine when, how, or even whether they should retire, given

the increasing lack of normative standards to rely on. Only through continued diligent scholarship, study, and research will we be able to keep pace with the moving target that is known as retirement.

—Gary A. Adams and Kenneth S. Shultz

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