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# His way, her way: Retirement timing among dual-earner couples

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ABSTRACT

This article examines how the retirement timing of husbands and wives has evolved in the face of women's rising economic resources. Using 11 waves of data from the Health and Retirement Study, I trace individuals into retirement, examining how spousal employment characteristics may facilitate or hinder one's own ability to retire and if such spousal influences have changed across cohorts. Results from event history models indicate that the retirement trajectories have changed for the leading baby boom cohort, as evidence implies they are delaying retirement longer than previous cohorts. Despite women's rising labor force attachment, the findings do not generally support the notion that wives are influencing their husbands' retirement timing more or that the influence of husbands on wives' retirement timing has declined across cohorts.

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## 1. Introduction

For many years now, policymakers and researchers have expressed concern that the baby boomers would face greater challenges during the retirement transition (Easterlin, Schaeffer, & Macunovich, 1993; Gale, 1997). On the one hand, higher levels of education and good health provide reason to be optimistic about baby boomers. More education and better health should enable this group to work longer and earn more, giving them more time to save and prepare for retirement. Since more women of this cohort are active in the labor force, couples should be more likely to have two income and pension sources to draw on in retirement. Both men and women from the baby boom are more likely to work in white-collar occupations than their predecessors, making it easier for them to extend their careers into older ages if needed or desired (Gale, 1997). And boomers who were able to consistently invest their savings in the stock market in the 1980s and 1990s could take advantage of historic gains made in the U.S. and around the world.

While the baby boom generation possesses some advantages over earlier cohorts as they enter the retirement transition, a number of developments provide reasons to worry about the ability of this cohort to maintain adequate living standards in old age. Members of this generation will most likely depend on their own savings much more than any employer-provided pension. These savings would also need to last longer, as the life expectancy of baby boomers is projected to be longer than previous cohorts (Gale, 1997). While the increased labor force participation of women certainly has enhanced the living standards of many households, several problems have disproportionately afflicted members of the baby boom generation. The competitive, global, and service-based economy of the past 30 years has squeezed many men out of the labor force. Forces such as downsizing and outsourcing have made the labor market increasingly volatile and people susceptible to economic shocks such as unemployment (Szinovacz, Davey, & Martin, 2015). Boomers have faced pressures at home as well as at work, with the divorce revolution leaving many divorced adults without the benefit of a spouse and in a precarious financial situation during their working years (Bouvier & De Vita, 1991). Many boomers have also fallen into "sandwich" roles where they simultaneously support children and parents. These economic challenges, alongside the changing position of women and men in the economic order, provide reason to believe that the retirement process will look different for couples of the baby boom (Griffin, Loh, & Hesketh, 2012). This paper seeks to empirically test whether the retirement choices of people within dual-earning married couples has changed across cohorts in response to economic and social transformation.

The decision to retire is an individual choice but one's family, particularly one's spouse, can influence the process (Matthews & Fisher, 2012). The move to partial or complete retirement has great implications for household income, health insurance coverage, marital satisfaction, and personal happiness. Therefore, it is no surprise that prior research has found that the retirement of one spouse can influence the other partner (Johnson & Favreault, 2001; Moen, Huang, Plassman, & Dentinge, 2006; O'Rand & Farkas 2002; Pienta & Hayward, 2002; Pienta, 2003; Shuey, 2004). Indeed, many couples prefer to retire at the same time (Johnson, 2004). The coordination of joint retirement often proves to be unmanageable,

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however, as a number of forces can prevent married couples from retiring together.

Over time, changes brought on by the gender revolution have increasingly shaped the lives of each new cohort of retirees. The work lives of women in the latter half of the twentieth century became much more similar to men. Many women have made significant investments in education and their work skills, allowing them to establish careers (Clarkberg & Moen, 2001). Even among women who have not attained college or vocational credentials, opportunities have expanded greatly (Goldin, 1990). Furthermore, wage stagnation among those lacking a college education and the downsizing of many male-dominated jobs in manufacturing has led to a decline in men's labor force participation for large segments of the population. As a result, families increasingly depend on two incomes in order to maintain their lifestyle, meaning many women have become important contributors to household income despite the ever present and substantial wage gap that often makes them secondary earners. Long, well-established work histories mean that many women bring their own market resources to the table. For many couples, the question of when to retire must now factor in spouses' savings, Social Security eligibility, pension assets, health insurance coverage, and personal preferences

Essentially, we do not know how the interplay of market and spousal forces has changed over time and across cohorts. My aim is to find out whether new challenges confronting married couples lead them to coordinate retirement decisions more together or apart than in the past. The premise behind this paper is that the influence of one's spouse has evolved in the face of economic transformation, albeit in different ways for husbands and wives, leading to more divergent paths within couples. By using the life course perspective, I can look at retirement against the backdrop of broader societal and institutional forces, as well as individual trajectories and family situations.

## 2. Literature

The predominant models of the twentieth century on retirement timing focused on the unilateral movement of men from full-time work to complete retirement. Functionalist concepts such as role differentiation considered gender roles highly distinguished across the life course. Women's roles existed mainly in the domestic sphere while men participated in the labor force (Henretta & O'Rand, 1983). Men were the main decision makers concerning retirement as they were the primary earners and the ones who possessed benefits such as Social Security and occupational pensions (Hardy, 2002). For couples, work drove men's retirement patterns while women retired due to family or spousal-related reasons (Pienta, 2003). The paid work of wives who were in the labor force was seen as secondary, meaning such women generally followed the lead of their spouse and retired when their husband was ready (Henretta, O'Rand, & Chan, 1993).

According to traditional life-cycle models, early life course events were not very important. Instead, the focus of researchers centered on factors affecting individuals later in life as people neared retirement (Henretta et al., 1993). Models developed by economists typically supported this notion, finding that pension coverage, wealth accruals, Social Security, and Medicare accounted for much of the variation in retirement preferences (Samwick, 1998; Santos & Ferreira 2011). Finally, the prevailing retirement transition consisted of leaving full time work to join the ranks of the completely retired (Cahill, Giandrea, & Quinn, 2006; Giandrea, Cahill, & Quinn, 2009). Transitions that consisted of moving from full time to part time work and then complete retirement were not commonplace.

However true or not this traditional view of retirement and the family was, it does not adequately explain the retirement patterns of dual-earning couples today. The work characteristics of people as they reach retirement age is important, but previous employment history and circumstances also place constraints and opportunities on individuals as they face retirement. Furthermore, changing labor force trends for women have broken down many of the old gender roles that separated the two sexes. The work histories of couples (especially women) approaching retirement today are more diverse, which has opened up more pathways to retirement and more complexity for marital partners who want or need to synchronize their retirement. Finally, workers often gradually reduce their time spent in paid work, with many partially retiring and engaging in "bridge jobs" before completely exiting the labor force (Cahill et al., 2006; Giandrea et al., 2009). In this literature review, I discuss the changing context of retirement, especially two recent trends that have altered traditional notions of retirement for couples: changes in the relationship between employers and workers as a result of economic restructuring and women's increased labor force participation.

The timing and way in which people move into retirement has become more varied over the past few decades in response to structural changes in the labor market. Most companies have abandoned mandatory retirement policies and retirement packages that encourage workers to retire early (Kinsella & Phillips, 2005; Smith & Moen, 1998). As a result, the decline in labor force participation among older age groups has reversed and is now on an upward trajectory. At the same time, individual retirement preferences vary greatly, leading to much heterogeneity in how people respond to changes in retirement benefit systems (Hanel & Riphahn, 2012; Santos & Ferreira, 2011). As some economists have pointed out, individuals retire when the gains brought by market work are not high enough to offset the loss in utility that comes from sacrificing leisure (Samwick, 1998; Moen, Sweet, & Swisher, 2005). The utility that individuals derive from leisure or paid work, however, varies according to endogenous preferences and the way in which social institutions such as Social Security affect those preferences (Santos & Ferreira, 2011).

Traditionally, the foundations for a secure retirement in the U.S. depend upon three pillars: Social Security, employer pensions, and personal savings. The age in which individuals are eligible to receive the first pillar, Social Security, is highly associated with workers reducing or ceasing their participation in the labor force (Hank & Korbmacher, 2013). The overwhelmingly majority of employers and individuals pay payroll taxes in order to provide a nearly universal pension that individuals can access as early as age 62 or as late as 70. The goal of Social Security is to provide a basic financial foundation for retirees, protecting them from poverty in old age by providing them with a monthly benefit (that is also adjusted annually for cost-of-living increases) that will be there for people even if they exhaust their personal savings.

Employer-provided pensions, the second pillar of retirement security in the U.S., is less universal. Not all workers have access to pensions, but many employers offer some sort of occupational pension, and most employees near retirement age have access to a plan (Giandrea et al., 2009; Munnell, Cahill, & Jivan, 2003; Pienta, 2003). Individuals who participate either receive a defined-benefit plan (DB), a defined-contribution plan (DC), or both. A defined-benefit plan offers a fixed monthly income (often adjusted for inflation) for life upon reaching a certain age and years of service to an employer. Defined-contribution plans are special retirement savings accounts that workers contribute to pretax, often with a match from their employer, and may start withdrawing without penalty at age 59 and one-half. Defined-contribution plans carry greater risk for the worker because their value is not set as with defined-benefit pensions, but they do have the advantage of

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