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Anticipated Ideas about Retirement Life and Retirement Timing

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This study investigates the relationship between the anticipatory ideas about positive and negative aspects of retirement life and the expected retirement timing. Samples of 4,492 pre-retirees from the first wave of Health and Retirement Survey are analyzed. Results suggest that people regard their ideas about retirement life concerning the expectation on when to retire. People who regard lack of pressure, relaxed lifestyle and more chances for travel as important aspects of retirement life have a lower probability of working full-time after age 62. On the contrary, people who value the advantages of being their own boss and having more time for volunteer work, and people who worry about not doing anything productive and not having enough income expect themselves to stay in the labor force after age 62.

As retirement approaches, people form expectations about when to retire based on information and resources that they have – such as their current and future economic situations, the health conditions of their families and themselves, or characteristics of their jobs. Extensive research has been conducted on these factors and their relationships to retirement timing. However, few studies have focused on what people think about retirement life itself. Life after retirement is much different from the previously held one, and has its own good and bad aspects – such as more time for hobby and decrease in income. People develop anticipatory ideas about the pros and cons of retirement life according to their situations, needs, or personal tastes, and they would consider these ideas when they decide when to retire: if a person anticipates good aspects of retirement life and values them highly, she/he may decide to advance retirement. On the contrary, if she/he is concerned about the negative changes which retirement will bring, she/he may prefer to postpone retirement.

The purpose of this study is to answer two questions: are people's anticipated ideas about retirement life related to their expectations concerning retirement timing? And if so, in what direction and to what degree are they related? By answering these questions, we can learn whether people make decisions based mainly on their objective life situations or also regard their ideas about life after retirement, and which aspects of retirement life attract people to retire or to postpone retiring. Also, by focusing on anticipatory retirement decisions which are not affected by unintended factors, we are able to know people's initial intentions concerning retirement timing¹.

Theoretical Framework

According to life course framework, people come to develop anticipatory ideas about life events which will occur in future, and prepare for them (Hall and Johnson, 1980). In modern society, retirement is regarded as normative transitional event which most workers experience. Thus workers are engaged with ideas about retirement for a considerable amount of time and decide what kind of actions to take (Ekerdt et al., 2000). These anticipatory decisions are consistent with subsequent actions, and factors related to the anticipation are also good predictors to the actual retirement timing (Pienta and Hayward, 2002; Honig, 1996b; Hall and Johnson, 1980; Hurd and McGarry, 1993).

During this process, people make decisions based on their resources and situations such as economic wealth, health conditions, or job characteristics (Kim and Moen, 2003). Among them, the economic factors are studied most widely, because they constitute the baseline of retirement life. According to the economic decision making model, people weigh between the values of retiring immediately (or at a certain age) or retiring later (keep working after that age). If the economic benefit from retiring immediately is greater than that from postponing retirement, people decide to retire. Otherwise they choose to keep working (Wise, 1997; Honig, 1996a). The economic information such as present and future earning

¹ According to Anderson and her colleagues (1986), actual retirement behaviors are affected by unanticipated events such as changes in social security policy of government or sudden health deterioration. These unexpected factors make retirement actions deviate from intended plans.

trajectories, pension and Social Security entitlements after retirement, future consumption rates and other available assets are main variables in this model.

Although economic factors are essential guidelines and are of major interest in the retirement process, they are not the only things influencing retirement decisions. People also make decisions based on other non-economic factors such as health, work conditions, or individual tastes on time spending. Health is a main factor determining retirement timing. Good health is a prerequisite for work activities (Mutchler et al., 1999) and increases the probability of continuing participation in labor force (Honig, 1998; Anderson et al., 1986), while having serious chronic diseases or disability advance retirement (Hall and Johnson, 1980; Pienta and Hayward, 2002). Work characteristics also influence retirement timing. Physical demands of job increase the probability of an exit from the labor force, while workers who report that their jobs require higher mental or cognitive demands are more likely to continue their jobs (Holden, 1988; Hayward et al., 1989; Pienta and Hayward, 2002). Being self-employed increases the expectations for later retirement than other employment status for many reasons such as less organizational regulation for retirement age, economic situation, and more flexible work conditions (Pienta and Hayward, 2002).

These economic, health, or work related factors can be categorized as ‘situational’ factors which constraint the retirement timing. The anticipated ideas about retirement life can be distinguished from those factors in terms of that they represent people’s tastes or preference (Hall & Johnson, 1980). People make retirement decisions based on their situations in life. At the same time, they also consider their individual preference: people who prefer the relaxing time that retirement will bring may favor retirement and decide to retire earlier. On the contrary, people who worry about not leading active life after retirement would postpone retirement. These factors are important because they can tell us what aspects of retirement life attract people to retire or make them to postpone retirement. According to a study by Honig (1996a), the expected probability of working full-time after age 62 was low for people who regard having more time with spouse after retirement as important. The relationship remained significant after controlling other variables. This result suggests that people’s ideas play a meaningful role in retirement decision. To understand retirement decision process better, we need to know what pre-retirees think about retirement life and how it is connected to retirement decision.

Data and Variable Definitions

The data for this study is taken from the first wave of the Health and Retirement Study (HRS). The HRS is a national longitudinal survey which focuses on health, economic status, job history, and retirement process of people aged between 51 and 61 years in 1992 (HRS, 1995). The first wave survey which was conducted in 1992 includes a total of 12,652 respondents and 7,000 households. The study samples of this article are restricted to currently working people who reported themselves as ‘not retired at all’ and aged between 51 and 61 years old. The HRS did not ask about the anticipated pros and cons of retirement life to respondents who answered the question about planned retirement age as they will never retire. Thus those respondents were not included in the study sample. The total number of the sample is 4,739 including 2,280 males and 2,212 females.

The expectation concerning retirement timing, which is the dependent variable in this study, is measured by the probability of working full-time after age 62. Respondents were asked to answer “Thinking about work generally and not just your present job, what do you think are the chances that you will be working full-time after you reach age 62?” on a ten-point scale from 0 ‘absolutely no chance’ to 10 ‘absolutely certain’. Lower points suggest strong expectation of early retirement, while higher points indicate continuing labor force participation after age 62.

The anticipated pros and cons of retirement life were measured by ten items². For positive aspects of retirement life (the pros), respondents were asked to answer on a four-point scale where 1 equals ‘very important’ and 4 ‘not at all important’ about how important these aspects were to them. The items were; being own boss, lack of pressure, being able to take it easy, spending more time for hobby or sports, having more time for volunteer work, and having the chance to travel. For negative anticipations about retirement life (the cons), respondents answered 4 questions about how much they worry about these aspects that

² In the first wave survey, the HRS has 14 items measuring the pros and cons of retirement life, and, among them, four items are not included in this study. Two items about the positive aspects– spending more time with spouse and spending more time with children – are not included because the study samples include people who do not have either spouse or children. Other two items on disadvantages of retirement– being bored/having too much time on hands and worrying about the inflation in the cost of living – are excluded because of the high correlations (coefficients are over .70) between other items (not being productive or useful, and not having enough income to get by, respectively).

retirement would bring: not doing anything productive or useful, missing people at work, the prospect of illness or disability, and not having enough income to get by. The response scales were from 1 ‘worry a lot’ to 4 ‘worry not at all’.

From previous research, demographic variables, current and future economic situations and work related characteristics were chosen as background control variables. Sex, marital status, educational level and general health were included as demographic variables. Among economic variables, current (in year 1991) individual and household incomes, receipt of employer provided pension and health insurance covering retirement period were chosen. For work related variables, the importance of work itself compared to money was included as presenting the importance of the work role in the person’s life. Also, physical and cognitive demands of current jobs were measured for job characteristics. (for definition of variables, see <Appendix>)

Sample Description and Result of Analysis

<Table 1> shows descriptive characteristics of the study sample. The Sample consisted of 2,280 males and 2,212 females with a mean age of 55.5 years. In terms of anticipated pros and cons of retirement life, respondents valued highly the advantages which retirement would bring, especially the feeling of being free from pressure and being able to take it easy. They did not worry seriously about not doing anything productive or useful or missing people at work, but were concerned about not having enough income and the probability of illness or disability related with old age (see <Table 2>). As presented in <Table 3>, the correlations between the anticipated ideas about retirement life were not high as to bring the question of multicollinearity.

< Table 1> Descriptive characteristics of sample

| | | Frequency / Mean | Percent [std.dev] |
|--|--|------------------|-------------------|
| | Total | 4,492 | 100.0 |
| Sex | male | 2,280 | 50.8 |
| | female | 2,212 | 49.2 |
| Age(year) | | 55.5 | [3.1] |
| Marital status | married/with partner | 3,466 | 77.2 |
| | single | 1,026 | 22.8 |
| Health | excellent | 1,152 | 25.6 |
| | very good | 1,472 | 32.8 |
| | good | 1,337 | 29.8 |
| | pair | 445 | 9.9 |
| | poor | 86 | 1.9 |
| Education level | Without high school diplom ^{a)} | 940 | 20.9 |
| | High school graduate ^{b)} | 2,435 | 54.2 |
| | College or over | 1,117 | 24.9 |
| Individual income(in 1991,\$'000) | | 30.8 | [37.8] |
| Household income(in 1991,\$'000) | | 57.5 | [50.7] |
| Employer provided health insurance covering retirement | don't have | 2,589 | 57.6 |
| | have | 1,903 | 42.4 |
| Employer provided pension | don't have | 1,450 | 32.3 |
| | have | 3,042 | 67.7 |
| Self-employed | not self-employed | 4,031 | 89.7 |
| | self-employed | 461 | 10.3 |
| Importance between work and money | money | 2,161 | 48.1 |
| | work | 1,447 | 32.2 |
| | procons | 884 | 19.7 |
| Job is physically demanding | all of the time | 937 | 20.9 |
| | most of the time | 840 | 18.7 |
| | some of the time | 1,309 | 29.1 |
| | none of the time | 1,406 | 31.3 |
| Job is requiring concentration | all of the time | 2,163 | 48.2 |
| | most of the time | 1,671 | 37.2 |
| | some of the time | 538 | 12.0 |
| | none of the time | 120 | 2.7 |

a) having less than 12 years of education and having no high school diploma or equivalency

b) having high school diploma or equivalency, or having education more than 13 years without high school diploma

<Table 2> Distribution of the anticipated pros and cons of retirement life (%)

| Positive aspects (the Pros) | Very important | Moderately important | Somewhat important | Not at all important |
|-----------------------------|----------------|----------------------|--------------------|----------------------|
| Being own boss | 42.6 | 21.2 | 15.9 | 20.3 |
| Lack of pressure | 52.5 | 18.9 | 16.0 | 12.6 |
| Take it easy | 46.9 | 24.8 | 20.6 | 7.7 |
| Time for hobby | 35.0 | 30.1 | 23.2 | 11.6 |
| Time for volunteering | 18.9 | 24.0 | 34.6 | 22.4 |
| Time for travel | 46.6 | 25.4 | 17.8 | 10.2 |
| Negative aspects (the Cons) | Worry a lot | Worry somewhat | Worry little | Worry not at all |
| Not being productive | 9.7 | 17.0 | 18.8 | 54.5 |
| Missing people at work | 6.7 | 23.6 | 28.7 | 41.0 |
| Illness/disability | 19.3 | 29.8 | 27.0 | 23.9 |
| Not having enough income | 28.0 | 28.8 | 24.0 | 19.2 |

< Table 3> Correlation coefficients of the anticipated pros and cons of retirement life

| | Being own boss | Lack of pressure | Take it easy | Time for hobby | Time for volunteering | Time for travel | Not productive/useful | Missing people at work | Illness/disability | Not enough income |
|------------------------|----------------|------------------|--------------|----------------|-----------------------|-----------------|-----------------------|------------------------|--------------------|-------------------|
| Being own Boss | 1.00 | 0.45*** | 0.30*** | 0.19*** | 0.17*** | 0.18*** | 0.05*** | 0.01 | 0.06*** | 0.06*** |
| Lack of Pressure | | 1.00 | 0.45*** | 0.22*** | 0.18*** | 0.17*** | 0.02 | 0.00 | 0.11*** | 0.10*** |
| Take it Easy | | | 1.00 | 0.25*** | 0.19*** | 0.21*** | -0.02 | -0.02 | 0.06*** | 0.09*** |
| Time for Hobby | | | | 1.00 | 0.34*** | 0.31*** | -0.08*** | -0.02 | -0.02 | -0.02 |
| Time for Volunteering | | | | | 1.00 | 0.27*** | 0.01 | 0.04* | -0.02 | 0.00 |
| Time for Travel | | | | | | 1.00 | -0.03* | -0.02 | -0.02 | -0.05* |
| Not productive /useful | | | | | | | 1.00 | 0.36*** | 0.37*** | 0.32*** |
| Missing people at work | | | | | | | | 1.00 | 0.26*** | 0.17*** |
| Illness /disability | | | | | | | | | 1.00 | 0.49 |
| Not enough Income | | | | | | | | | | 1.00 |

* p<0.05, ** p<0.01, *** p<0.001

The probability of working full-time after age 62 was treated as an ordered categorical variable, because the values denoted the rank order of people's subjective estimation. Thus the ordered logistic regression model was used to estimate the probabilities of selecting higher rank according to independent variables (Powers and Xie, 2000).

The results suggest that, among the demographic variables, sex, age, and health condition are significantly related to the probability of continuing to work full-time after age 62 (see <Table 4>). Females have a higher probability of leaving the labor force before age 62 than males. Age is positively related with the probability. It can be interpreted such that people who remain in the labor force after a certain age prefer to work or have to keep working, so they are more certain to stay in the labor force. Healthier people think themselves to remain labor force after age 62. Educational level and marital status are not significantly related to the retirement expectation.

All four economic measures are significantly related to the expected retirement timing. Higher individual income increases the probability of working, while household income decreases it. The receipts of employer provided health insurance and pension, also, increase the probability of early retirement. This

result supports the validity of the economic retirement decision model. The current individual income indicates the benefit from postponing retirement, so decreases the probability of retirement. On the contrary, the current household income, pension and health insurance work as the non-labor income source which people can rely on after retirement, and attract people to retire earlier. The results are consistent with other studies on economic factors (Honig, 1996a; Wise, 1997).

Self-employed people have a higher expectation on retiring after age 62 than those of other employment status. As expected, people who think work itself is more important than money plan to keep working after controlling economic situations. In terms of work characteristics, if one's job requires a lot of physical effort, one considers retiring before age 62. However, the need for intense concentration or attention is not significantly related to retirement expectation.

The anticipated pros and cons of retirement life are partially related to the expectations of retirement timing. Among the positive aspects of retirement, three items – the lack of pressure, being able to take it easy, and having chance to travel – are positively related to the probability of early retirement. People who regard these as important benefits of retirement have a lower probability of working full-time after age 62. Relaxing life style without pressure would attract people to earlier retirement. Interestingly, however, being one's own boss and having time for volunteer work are negatively related to the expectation of earlier retirement. People who cherish the opportunity to be their own boss and to do volunteer work have a higher expectation of continuing to work full-time after age 62. Even though the odds ratios of choosing higher probability are small (0.070 and 0.086, each), they are statistically significant (p-values are 0.005 and 0.002, each). One of the possible explanations is that people who prefer the aspects of being their own boss and doing volunteer work are also active in their field of work, and thus prefer to keep working. This result suggests that the retirement process is complicated one and further study is needed to understand it better.

The negative changes of retirement life increase the possibility of staying in the labor force. People who worry about not doing anything productive or useful or not having enough income are more likely to keep working. The concern about economic situation has the strongest relationships to retirement timing (odds ratio is 0.240) among the pros and cons. The prospect of illness or disability is correlated with a negative anticipation of economic situation (see <Table 3>). Thus after controlling the economic situation

variables, the estimates decreased from 0.148 (without other anticipatory ideas variables in the model) to 0.018.

< Table 4> Expectation on working full-time after age 62^{a)} : Ordered logistic regression

| | Estimate | S.E. |
|--|------------|---------|
| Sex ^{b)} [female] | -0.339 *** | (0.064) |
| Age | 0.066 *** | (0.009) |
| Marriage ^{c)} [single] | 0.080 | (0.076) |
| Health ^{d)} | 0.166 *** | (0.028) |
| Education ^{e)} [under highschool] | -0.042 | (0.075) |
| [college or over] | 0.125 | (0.070) |
| Individual income(ln) | 0.309 *** | (0.050) |
| Household income(ln) | -0.359 *** | (0.060) |
| Employer provided health insurance covering retirement ^{f)} | -0.167 ** | (0.058) |
| Employer provided Pension ^{g)} | -0.184 ** | (0.069) |
| Self-Employed ^{g)} | 0.340 *** | (0.097) |
| Importance ^{h)} [work] | 0.186 ** | (0.064) |
| [procons] | 0.211 ** | (0.072) |
| Physical demand ⁱ⁾ | -0.054 * | (0.026) |
| Mental demand ⁱ⁾ | 0.012 | (0.035) |
| Being own boss ^{j)} | 0.073 ** | (0.026) |
| Lack of pressure ^{j)} | -0.106 *** | (0.030) |
| Take it easy ^{j)} | -0.125 *** | (0.032) |
| Time for hobby ^{j)} | -0.048 | (0.030) |
| Time for volunteering ^{j)} | 0.090 ** | (0.029) |
| Time for travel ^{j)} | -0.056 * | (0.029) |
| Not being productive /useful ^{k)} | 0.068 * | (0.030) |
| Missing people at work ^{k)} | -0.054 | (0.031) |
| Illness/ disability ^{k)} | 0.018 | (0.031) |
| Not having enough money ^{k)} | 0.274 *** | (0.030) |
| N | | 4,492 |
| Chi-sq. | | 466.369 |
| df | | 25 |

a) 0=absolutely no chance, 10=absolutely certain

b) 0=male

c) 0=married

d) 0=high school graduate

e) 1=poor, 5=excellent

f) 0=don't have

g) 0=not self-employed

h) 0=money is more important than work

i) 1=(almost) none of the time, 4=(almost) all the time

j) 1=not important at all, 4=very important

k) 1=not worry at all, 4= worry a lot

* p<0.05, ** p<0.01, *** p<0.001

People's anticipatory ideas about retirement life remain significantly related to their decision concerning retirement timing after controlling other situational variables – such as demographic, economic, and work related factors. This suggests that people consider their tastes or preferences when they form

expectations about when to retire with their situational variables, and more study is needed on what people think and expect about retirement life to fully understand the retirement process.

Conclusion

This study focuses on the anticipated ideas about retirement in the process of retirement decision. People consider many factors – such as current and future economic situations, health conditions or job characteristics – when they project future retirement timing, and there have been many studies about them. However, what people think about the advantages or disadvantages of retirement life is rarely studied with the relationship to their expected retirement decisions. Samples of 4,492 currently working respondents aged from 51 to 61 are taken from the first wave of HRS. The changes in the probability of continuing to work after age 62 are analyzed as the measure of expectation on retirement timing. Analysis shows that people who favor the lack of pressure, relaxed lifestyle and more chance for travel have a lower probability of working full-time after age 62. On the contrary, people who value the advantages of being their own boss and having more time for volunteer work, and people who worry about negative consequences of retirement like not doing anything productive or useful and not having enough income expect themselves to stay in the labor force after age 62. Results suggest that the importance of anticipatory pros and cons of retirement life are significantly related to the expectation of retirement timing. However, the directions of relationship are not consistent. Some favorable aspects of retirement are related to the expectation of postponed retirement. Further study is needed to understand these complicated relationships.

Subsequent Analysis

First, even though people's expectations about retirement timing and actual retirement decision are consistent with each other (Honig, 1996a, 1996b), they are not identical and there may be changes during the process. The HRS is a panel survey, and it will be possible to follow up the real retirement behavior to see their actual decisions. By analyzing the longitudinal process, we would know whether the anticipated

ideas about the retirement would change as time passes and whether they keep working as significant factors in retirement decision.

Second, to understand the anticipated ideas about retirement life, future study will investigate factors related to them. People get information about retirement life from various sources and evaluate them based on their situations, needs, or tastes. The anticipated pros and cons and their effects on retirement decision would be molded by these factors. As an example, the saliency of negative economic situation after retirement would vary according to people's current and future economic situation. By finding factors related to the anticipated ideas, we would be able to connect various parts of retirement process together and understand retirement process more precisely. As mentioned earlier, the directions of the relationships between anticipated ideas and retirement decision are irregular. Analysis on factors affecting the ideas about retirement will give an explanation to this inconsistency.

Finally, the anticipated pros and cons are specific to certain areas of retirement life— such as spending time, chances for hobbies, or economic situations. The attitude to retirement in general would be different from these area-specific ideas. The first wave of the HRS data has an item measuring the general attitude to retirement – about whether pre-retirees look forward to retirement in general or feel uneasy about it. The relationships between these two anticipations and also to retirement timing would give more chances to understand retirement and will be included in the future study.

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< *Index : Measures of variables in the first wave of HRS* >

General Health : Would you say your health is excellent, very good, good, or poor?

5 = Excellent 4 = Very good 3 = Good

2 = Fair 1 = Poor

* Recoded reversely from the HRS data

Individual Income : Male and Female job earnings during year 1991 (US\$1,000)

Household Income : Total household income for 1991 (US\$1,000)

Sum of earnings, unemployment and Workers' Compensation, pensions and annuities, SSI and welfare, capital income, disability income, other income received by R1 and R2, and income of other household members

Employer-provided Health Insurance for Retiree : Do you have any type of health insurance coverage obtained through your employer, former employer or union, such as Blue Cross-Blue Shield or a Health Maintenance Organization? Is this health insurance plan available to people who retire?

1 = have 0 = don't have or don't know

Employer-provided Pension : Aside from IRA or Keogh plans, are you included in any pension plans or tax-deferred savings plans through your work?

1 = have 0 = don't have or don't know

Self Employed : Do you work for someone else, or are you self-employed?

1 = self-employed // 0 = not self-employed

Relative importance of Money and Work : Some people think of their work as important mainly because of the money. Others think of the money as less important than the work itself. What about you? Do you think of work as important mainly because of the money or of money as less important than the work itself?

1 = Work important mainly because of the money

2 = Work itself the most important thing 3 = Pro-con

Physical and Mental Demands of Work : Is this true all or almost all of the time, most of the time, some of the time, or none or almost none of the time?

-(My job requires) lots of physical effort.

-(My job requires) intense concentration or attention

4 = All or almost all of the time 3 = Most of the time

2 = Some of the time 1 = None or almost none of the time

* Recoded reversely from the HRS data

Anticipated Pros and Cons of Retirement Life: I am going to read you a list of things that some people say are good about retirement. For each one, please tell me if, for you, they are very important, moderately important, important, or not important at all.

- Being own boss
- Lack of pressure.
- Being able to take it easy.
- Spending more time on hobbies or sports.
- Having more time for volunteer work.
- Having the chance to travel.

4 = Very important 3 = Moderately important

2 = Somewhat important 1 = Not important at all

* Recoded reversely from the HRS data

Now for things that worry some people about retirement. Please tell me if they worry you a lot, somewhat, a little, or not at all.

- Not doing anything productive or useful.
- Missing people at work
- The prospect of illness or disability.
- Not having enough income to get by.

4 = Worry a lot 3 = Worry somewhat

2 = Worry a little 1 = Worry not at all

* Recoded reversely from the HRS data