



Racial Differences in Baby Boomers' Retirement Expectations

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Although recent evidence suggests baby boomers intend to work longer than previous generations, some demographic groups appear less likely to delay retirement. African-Americans expect to work less at older ages than other racial groups, even after considering differences in education, health, wealth, and other factors. Possible explanations include labor market discrimination, family care responsibilities, and cultural differences. African-American boomers risk jeopardizing their retirement security if they leave the labor force at relatively young ages.

Working Longer Would Help Secure Boomers' Retirements

Retirement prospects for the baby boomers—the large cohort born between 1946 and 1964—are uncertain.

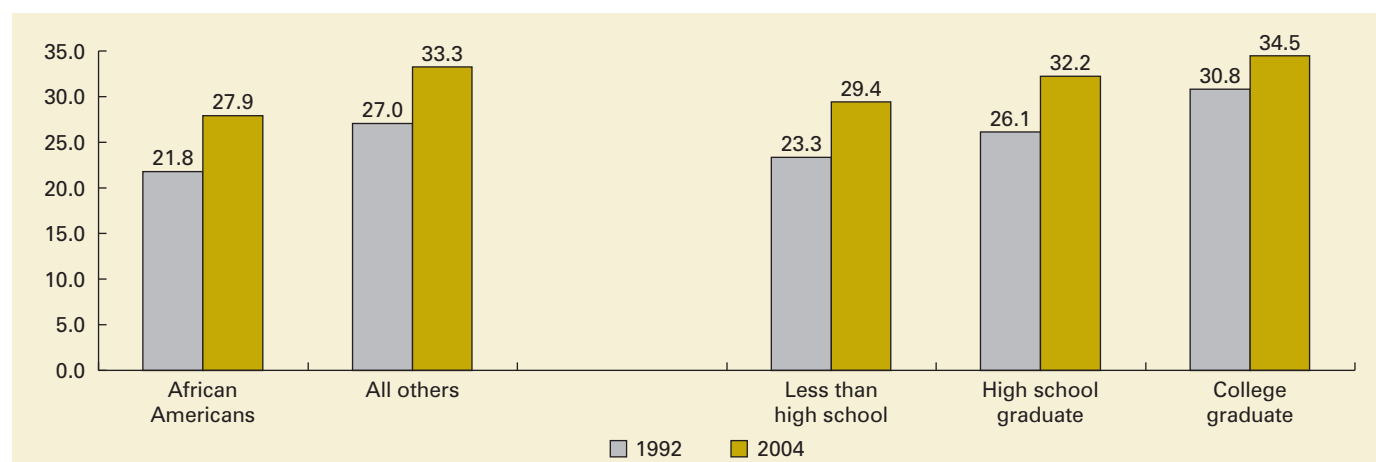
Studies suggest that, while the boomers are likely to have more wealth and higher incomes in retirement than earlier generations, they may not retire with the same prosperity they enjoyed as workers (Butrica and Uccello 2004; Congressional Budget Office 2003). And high-risk groups, including African Americans, will remain vulnerable. For instance, 22 percent of African American boomers are projected to have incomes below twice the poverty level at age 67, compared to 12 percent of white boomers (Butrica and Uccello 2004).

Working longer would brighten the boomers' retirement outlook. Those who delay retirement avoid early retirement cuts to their Social Security and defined-benefit pension benefits, accumulate more savings, and reduce the period when savings must be tapped. By working until age 67 instead of retiring at age 62, for example, a typical worker could gain about \$10,000 in annual income at age 75, significantly reducing the likelihood of falling into poverty at older ages (Butrica et al. 2005).

Boomers Expect to Work Longer but Racial Differences Persist

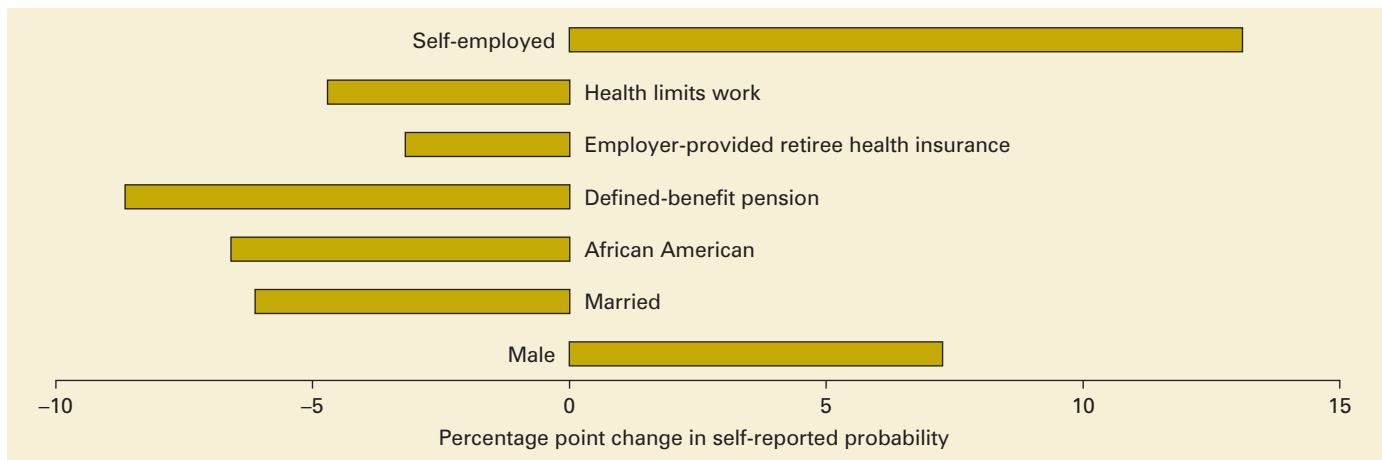
The good news is that most boomers, including African Americans, favor a later exit from the workforce. Analysis based on data from the Health and Retirement Study shows that the leading edge of the baby boom generation expects to work longer than the generation born shortly before World War II. Between 1992 and 2004, the self-reported probability of working full-time past age 65 for all workers ages 51 to 56 increased from 26.6 percent to 32.8 percent. Expectations of working

FIGURE 1. Self-Reported Probability of Working Full-Time Past Age 65, Workers Ages 51 to 56 in 1992 and 2004



Source: Authors' estimates from the 2004 Health and Retirement Study.

Note: Differences among race and education groups are statistically significant ($p < .01$).

FIGURE 2. *Impact of Selected Factors on Self-Reported Probability of Working Full-Time Past Age 65*

Source: Authors' estimates from the 2004 Health and Retirement Study.

Notes: The sample includes 2,155 workers ages 51 to 56. Results come from a regression of the self-reported probability of working full-time past age 65, controlling for sex, marital status, education, nativity, pension coverage, health insurance, retiree health insurance, health, self-employment, probability of living past 75, earnings, household income, and household wealth. All factors listed above are statistically significant ($p < .01$).

past age 65 increased across most demographic groups, including by race and education (figure 1). Lower rates of retiree health insurance offers from employers, higher levels of educational attainment, and lower rates of defined-benefit pension coverage account for most of the increase in work expectations (See Mermin, Johnson, and Murphy 2006).

Although fiftysomething African Americans plan to work longer than they did a decade ago, they lag behind other racial and ethnic groups. African American boomers report a 28 percent chance of working full-time past age 65 as opposed to 33 percent for all other racial groups. Differences in characteristics such as education, health status, wages, or wealth may be a factor here. For example, less-educated groups may be more likely to work in physically demanding jobs that become difficult for older workers.

Figure 2 shows that, even after controlling for numerous factors, African Americans still expect to retire earlier than other groups. All else equal, the self-reported probability of working past 65 is almost 7 percentage points lower for African Americans. Other factors that reduce work expectations are health-related work limitations, retiree health insurance coverage, defined-benefit pension coverage, and marriage. The self-employed and men expect to work longer.

Discussion

African Americans expect to retire earlier than other racial groups. Even after considering factors that might affect their decision to retire earlier—relatively

lower education, health status and wage levels—African Americans are significantly less likely than whites or Hispanics to say that they expect to work past age 65. Other factors, not measurable in this study, must also influence retirement timing. African American workers may be more likely to have family members in need of their care. They may have lower levels of job satisfaction, place a higher value on leisure time at older ages, or experience labor force discrimination. Other cultural influences could explain part of the difference.

Persistent racial differences in retirement expectations are reason for concern, even though what causes those differences remains unclear. African American boomers will feel an economic pinch if they leave the labor force before other groups. Policies aiming to address racial differences in retirement income security should focus not only on wages, pension coverage, and savings, but also on the age at which workers retire.

References

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