

When unemployment goes up, so does number of 'partially-retired'

By Kerry Pechter *Thu, Nov 28, 2013*

High inflation also "discourages full-time work and encourages partial and full retirement," according to a trio of researchers from UC-Berkeley, the University of Michigan and the Social Security Administration.

Over the half-century from 1960 to 2010, the fraction of the overall white male labor force represented by "partially retired workers" rose from virtually zero to about 15% for 60-62 year olds, and the average length of spells of "partial retirement" has steadily increased.

This finding was reported in "Macroeconomic Determinants of Retirement Timing," an NBER working paper by Yuriy Gorodnichenko of the University of California at Berkeley, Jae Song of the Social Security Administration and Dmitriy Stolyarov of the University of Michigan.

Hoping to estimate how variations in unemployment rates, inflation and housing prices affect the timing of retirement, they determined that "flows into both full and partial retirement increase significantly when the unemployment rate rises," especially for workers close to normal retirement age.

"Workers who are partially retired show a differential response to a high unemployment rate," they found. "Younger workers increase their partial retirement spell, while older workers accelerate their transition to full retirement. We also find that high inflation discourages full-time work and encourages partial and full retirement." Changes in housing prices had no significant impact on retirement timing.

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