

Consortium on Law and Values in Health, Environment & the Life Sciences 2019-20 Proposal Cover Page

To use checkboxes, place cursor on box; right click; select Properties; select Checked under Default value

Applicant Information

Applicant name(s): Yun taek Oh

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Project title: Role of Health and Occupation Switch on Retirement of American Midlife Workers

Department: Applied Economics

College: College of Food, Agricultural and Natural Resource
Sciences (CFANS)

Degree program: Ph.D.

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How did you hear about this funding opportunity?

ACCU Consortium website The Brief Dept. email/newsletter Law School email Other

Funding

Total amount of funding requested: **\$ 6,617.50**

Executive summary (maximum 200 words)

An increasing number of midlife Americans are financially unprepared for retirement. While delaying retirement at a current job may be a plausible option to accumulate retirement savings, deterioration of health and physical abilities with age makes the work at the current job physically more demanding and therefore discourages the labor force participation of aging workers. Switching occupation to postpone retirement is an implementable solution that accommodates health and physical abilities deterioration and labor force participation. I will use the Health and Retirement Study longitudinal data set to investigate the relationship between health deterioration and workers' decision of switching occupation, the impact of switching occupation on postponing retirement, and the efficacy of switching occupation on retirement preparation. This dissertation will provide important empirical evidence on retirement decisions of older workers that have gradual health deterioration with age and introduces a novel view of switching occupation to explain retirement decisions by connecting with health deterioration and occupational requirements.

Approvals

Check all appropriate approvals required for your proposal. It is not necessary to have all approvals at the time of proposal submission; however, approvals must be obtained prior to receipt of funding. If you have applied for approval but have not yet received it, indicate that below.

IRB required? Yes No NA If yes, is application pending? Approval date or number: 09/09/2019

Other/s required? Yes No NA If yes, is application pending? Specify type of approval: Restricted data access (Access approval date: 11/21/2019)

Checklist—for reviewer use only. DO NOT COMPLETE.

- The proposal is 1000 words or less excluding budget, biographies, references and citations.
- The proposal includes a work plan with a specific timeline using months or quarters to identify work to be done and completion dates.
- The proposal includes a 1-2 paragraph biography of the applicant and all co-investigators.
- The budget form is complete including the funds sought for this project, other pending applications for this project, and the amount/source of matching or other funds.
- The applicant's faculty advisor is copied on the application email. Professional students w/o advisors check No Advisor.
- All necessary approvals are pending or received.

Background

An increasing number of midlife Americans are financially unprepared for retirement. A recent report shows that 39% of baby boomers have retirement savings less than \$250,000, below the recommended amount, and 16% among them even have less than \$25,000 saved (Julavits and Kerr, 2019). Some people try to avoid the post-retirement financial difficulties by postponing their retirement. A recent report from MetLife shows that the proportion of workers who expect to postpone their retirement due to financial reasons has rapidly increased from 37% in 2015 to 52% in 2019 (MetLife, 2019). Similarly, some retirees even return to the labor force for the same reason. Maestas et al. (2019) shows that 39% of current workers age 65 and older were previously retired at some point, meaning that a significant number of retirees return to the labor force. However, this may not be an affordable option for those whose health and physical abilities do not meet the occupational requirements, such as physical demands and environmental conditions, due to aging. Munnell et al. (2019) discusses that health plays a crucial role in early retirement not only by worsening the work capability faster than what workers expected but also by letting workers overestimate how long they can work.

Switching occupation may be an alternative option to postpone retirement and accommodate deteriorating health and physical abilities with age at the same time. The burgeoning of online ‘gig economy’ platforms allows more flexible work hours and less physically demanding temporary jobs which are preferable options for many older workers. For instance, a 60-year-old full-time plumber who feels plumbing work is now too burdened physically may choose to become a part-time Uber driver instead of being retired. The Bureau of Labor Statistics also introduces ‘gig employment’ as one of the career options for older workers for its flexible work hours and a variety of occupational options (Toossi and Torpey, 2017). While it is likely that switching occupation may be an implementable solution for the retirement preparation of aging workers, scholars have overlooked the impact of switching occupation, particularly on its persistent relationship with health deterioration with aging and labor force participation. This work will contribute to the economic literature on labor supply and aging policy by promoting the understanding of how the deterioration of health with age affects the work decision and retirement preparation of midlife workers.

There are two aims in this dissertation. **The first aim is to determine whether health deterioration is involved in workers’ decision of switching occupation and whether switching occupation postpones the retirement of midlife workers or not.** While standard economic models provide limited insight, adding health and occupation’s physical ability requirements into the standard model can provide theoretical interpretation on why workers switch their occupations and how switching occupation postpones

retirement. However, no empirical research has examined this theoretical insight. This study will provide both theoretical and empirical evidence of how aging workers postpone retirement by switching occupation. **The second aim is to evaluate whether switching occupation helps the retirement preparation of midlife workers.** Although recent studies provide some evidence that postponing retirement allows subsequent accumulation of retirement savings (e.g. Vernon, 2017; Bronshtein et al., 2019), an extensive evaluation is needed in this case because wage and work hour reductions are generally involved in switching occupation. This study will evaluate occupation switch as a solution to the retirement preparation by simulating how much additional income and savings do occupation switchers gained by switching occupation.

Significance and Innovative Contribution

This dissertation will contribute important empirical evidence on the retirement decision of older workers who are at risk of being retired without sufficient financial preparation while getting more incapable of performing as usual in the current occupation. While previous literature associated occupation switch with job tenure and loss of occupation-specific human capital to explain the wage variation, this study introduces a novel view of switching occupation to explain retirement decision by connecting gradual health deterioration and occupational requirements.

Data

The Health and Retirement Study (HRS) is a biannual longitudinal data of midlife Americans ages 50 and above, containing measures of labor force participation, sources of income, and various physical and mental health. The HRS restricted data includes occupation and imputed lifetime earnings information, which the access to restricted data had been approved prior to the consortium research awards application. The samples are the household heads (N=3,522 per observation year) born between 1942 and 1953 and surveyed biannually from 2004 to 2016. The HRS data will be merged with the Occupational Information Network (O*Net), an online database that contains extensive information about the requirements of each occupation including physical, social, and organizational factors, types of skills and knowledge. The merged data set will allow me to investigate the two aims. Furthermore, imputed lifetime earnings will allow me to evaluate the financial trend in retirement preparation before and after switching occupation.

Work Plan

	2020						2021					
	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Data analysis	■	■	■									
First draft manuscript and presentation				■	■							
Revision of empirical framework					■	■						
Data analysis with revised frameworks							■	■	■			
Draft manuscript for journal submission									■	■	■	
Report submission to Consortium												■

Biography

Yun taek Oh is a PhD student in Applied Economics at the University of Minnesota and a second-year population studies trainee at the Minnesota Population Center. He received the Master of Public Policy from the Humphrey School of Public Affairs, and completed his Bachelor of Science in Economics, with *magna cum laude*, and Bachelor of Art in Statistics from the University of Minnesota. While obtaining his undergraduate degree, he was engaged and committed to the research on the welfare of vulnerable populations. Therefore, he wrote his honors thesis on the impact of government intervention on single parents' work decisions and pursued his master's degree in public policy studying food insecurity within community and government intervention programs.

Yun taek is now devoted to interdisciplinary research on the issues of aging workers, particularly on the impact of gradual health deterioration on the labor force participation and retirement preparation of midlife workers.

References

- Bronshtein, G., Scott, J., Shoven, J., & Slavov, S. (2019). The Power of Working Longer. *Journal of Pension Economics and Finance*, 18(4), 623-644.
- Julavits, R., & Kerr, S. (2019, October 18). Retirees Live a 20th Century Retirement in the 21st Century, Wells Fargo Survey Finds: Wells Fargo Online Newsroom.

Maestas, N., Mullen, K. Powell, D., Von Wachter, T. & Wenger, J. (2019). The American Working Conditions Survey Finds That Nearly Half of Retirees Would Return to Work. (Research Brief No. 9973-1-APSF). *RAND Corporation*.

MetLife. (2019). *Thriving in the New Work-Life World*. Retrieved from <https://www.metlife.com/employee-benefit-trends/ebts-thriving-in-new-work-world-2019/>

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Toossi, M., & Torpey, E. (2017, May). Older workers: Labor force trends and career options : Career Outlook. *The Bureau of Labor Statistics*.

VanDerhei, J. & Copeland, C. (2010). The EBRI Retirement Readiness Rating:™ Retirement Income Preparation and Future Prospects. (Issue Brief No. 344). *EBRI*.

Vernon, S. (2017, November). How to “Pensionize” Any IRA or 401(k) Plan. *Stanford Center on Longevity*.

Project Title: Role of Health and Occupation Switch on Retirement of American Midlife Workers

Provide justification along with costs.		Requested funding
Category& instructions	Justification	Amount
Your stipend (maximum amount is \$5,000)	200 hours at \$23.00/hour (average rate of graduate research assistantship in Applied Economics) = \$4,600 This stipend will be used in this project for following tasks, primarily through Summer and Fall 2020: - Data Analysis (125 hours): programming STATA and analyzing output - Writing (75 hours): writing publication manuscript, presentation, and materials for the Consortium	\$4,600.00
Travel <i>Indicate the purpose of the travel, estimated dates of travel, transportation, housing and allowable per diem costs (see travel.umn.edu).</i>	Presentation of findings at the Society of Labor Economists (SOLE) 2021 annual meeting in Philadelphia, PA. Dates of travel will be from May 13th to 16th. Below is the list of cost and fee for the travel: - SOLE annual meeting registration fee: \$450 - Estimated transportation: \$450 - Estimated housing: \$900 (\$300/night × 3 days at Sonesta Philadelphia) - Per diem: \$217.50 (\$61 per day and \$45.75 on travel day in Philadelphia, PA, rate at fiscal year 2020)	\$2,017.50
TOTAL BUDGET		\$6,617.50

Other funding: List other or matching funding you have requested for this project.

Funding source	Amount