

In comparing the labor force behavior of military retirees to that of civilian in similar age and education groups, L_2 , the proportion of retirees who were employed or seeking employment at the time of the survey was used as the measure of labor force behavior. This measure is consistent with the available civilian measure.⁹ If, within each age-level-of-school-completed class, all that distinguished retirees from other civilians was the military pension received as income by the retirees, we would expect the labor force participation rates of retirees to be below those of other civilians in the same age-education classifications.

The racial distribution of retirees and civilians is one factor which differs between the two populations. There are proportionately fewer nonwhite military retirees than there are other civilians. However, evidence available on differences in labor force behavior between white and nonwhite males in the age groups under study suggests that such differences are small.¹⁰

Table 2 compares the labor force participation rates of the military retirees and all civilians and the actual and expected number of white retirees in the labor force. The expected number of white retirees in the labor force is calculated by applying the civilian labor force participation rate for each age-education group to the total number of white retirees in that group of the sample.¹¹ The total number of white retirees in the labor force is smaller than the number expected based on civilian labor force behavior in 15 of the 24 cells. The differences between the actual and expected number of white retirees in the labor force are statistically significant.¹² This implies that the distribution of retirees in the labor force is different from what it would have been if participation rates were the same for retirees and civilians.

Labor force behavior of retirees is believed to be affected both by the level and composition of their family incomes. It is expected that the higher the level of their family income, other things (including wage and salary income of retirees) being equal, the smaller their labor force participation rate (the income effect), and that, the higher their wage and salary level, other things (including the level of family income) being equal, the higher their labor force participation rate.

⁹ There is one notable difference between the measures. The statistic employed for military retirees is based on their labor force status at the time of the survey. For the bulk of the retirees, this was June 1966 and, for the remainder, some time between June and September. For the civilian labor force, the statistic employed refers to behavior in March 1966.

¹⁰ W. G. Bowen and T. A. Finegan, "Labor Force Participation and Unemployment," in A. M. Ross, editor, *Employment Policy and the Labor Market* (Berkeley, Calif.: University of California Press, 1965), pp. 115-161, employed a race variable in their cross-section analysis of labor force participation of males in the age groups, 25-54 and 65 or more years of age. It had no significant effect on participation rates for the latter age group, and was only significant in 1 of 3 cross-section analyses for the former age group. Furthermore, the estimated parameter of the race variable was quite small in the case where it was significantly different from zero. In addition, U.S. Bureau of Labor Statistics, "Educational Attainment of Workers, March 1965," *Special Labor Force Report*, No. 65, p. 257, found that the 1965 labor force participation rates of white and nonwhite males were "generally similar within the same age and education categories."

The evidence of the sample of retirees suggests that a larger proportion of nonwhites is associated with slightly higher participation rates.

¹¹ The actual number of white retirees is associated with a lower participation rate than that for all retirees while the participation rate for civilians is expected to be slightly higher than that for whites only. The two errors tend to minimize the calculated differences.

¹² A chi square test performed found a value of chi square=138.124 for 23 degrees of freedom between the expected and actual frequencies.