

IMPACT BRIEF

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Phased Retirement: Opportunities for Some but Not for All

Research question: What opportunities are available to white-collar workers for phased retirement, that is, for gradually reducing full-time work hours prior to retirement while remaining with the same employer?

Conclusion: Nearly three-quarters of employers surveyed indicate that some form of phased retirement could be worked out for white-collar employees aged 55 and older. Workers' willingness to take advantage of this option, however, may diminish when employers' terms and conditions are factored in. In other words, the majority of white-collar workers are presented with constrained opportunities for phased retirement when the possibility arises.

Workplace impact: Phased retirement remains a rare phenomenon despite employers' apparent embrace of the concept. Employers often prefer informal policies and arrangements for their inherent flexibility; i.e., the opportunity to make a decision based on business conditions, the type of work performed by the employee, scheduling issues, and the like. Employees may shun phased retirement because they do not like the terms under which it is offered; for example, the employer may require the worker to formally retire and then be re-hired, take a different job, and/or accept modified health insurance coverage.

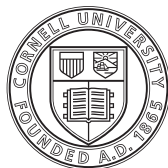
Abstract: The idea of phased retirement has long been

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popular with policy experts and older Americans. But for all its seeming appeal, phased retirement has yet to catch on. One possible explanation may be lack of opportunity. The research literature offers few clues about what kinds of white-collar workers have the chance to choose phased retirement and, secondarily, what form that semi-retired status would take. Indeed, a variety of worker characteristics (such as age, gender, and education) and establishment characteristics (such as industry, type of pension plan, and size of the worksite) may, in combination or singly, influence employers' willingness to permit white-collar workers to ease into retirement once they turn 55.

General policies about phased retirement are often set by a parent company but in practice are interpreted and implemented locally. Regardless whether the establishment (one single location where business is conducted) is an independent entity or part of a larger organization, managers consider the impact on co-workers and the business when considering a white-collar employee's request for phased retirement. Employers may therefore stipulate conditions under which phased retirement is possible, which, from the employee's point of view, may foreclose the opportunity.

The researchers used results from a survey conducted for this project in combination with another data set to examine how opportunities change when phased retirement is defined in alternative ways. The most expansive approach has the employer simply responding affirmatively to a request for reduced hours. In this case, 51% of older white-collar workers have the opportunity to



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ease into retirement. But this affirmative response may come with conditions. Employers could, for example, require the employee to shift to a different job or retire and then be rehired as a part-timer. Research results indicate barely 30% of older white collar workers could take phased retirement without having to accept these conditions. Then there is the matter of health insurance. Because phased retirement usually involves part-time work, many employers may opt to cut off the coverage entirely or somehow limit its scope. Here, the research suggests less than 10% of white collar employees have an opportunity for phased retirement that does not necessitate a loss of, or change in, health insurance; does not require taking on a different job; and does not entail retiring and subsequent rehiring.

The survey used in this study found that certain types of establishments are more likely to sanction phased retirement. The opportunity is more prevalent within the fields of health, education, and social services and less common at all levels of government. Opportunities for phased retirement are greater at establishments that are in a hiring mode and that employ part-time white-collar workers. Smaller organizations are associated with more opportunities for phased retirement while unionized establishments are associated with fewer. In these latter two cases the researchers speculate the results may reflect employers' preference for informal agreements on phased retirement; that is, larger organizations and those with labor contracts may favor a level of

formality and consistency in policy and practice that may be incompatible with informally-arranged phased retirement.

Individual worker characteristics likewise affect opportunities to reduce work hours. In other words, some white-collar employees are better candidates for phased retirement than others. Favorable variables include holding a professional job rather than a managerial position, being in a non-union job, and being at least 60 years old. Gender and education seem to have little effect. Employees with defined benefit pensions also encounter obstacles on the path towards phased retirement, partly because of Internal Revenue Service regulations. In addition, pension payouts are often based on wages earned in the final years of employment and phased retirement inevitably reduces pay.

Methodology: The researchers surveyed 950 establishments, generating a response rate of 61% and completing surveys with 89% of the establishments that satisfied the screening qualifications (e.g., at least two white-collar employees aged 55 and older). Using multivariate analysis, the survey results were combined with data drawn from the University of Michigan's biannual Health and Retirement Study.

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