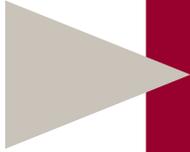


PHASED RETIREMENT: EMPLOYEE AND EMPLOYER PERSPECTIVES



The majority of current workers of all ages view retirement as a gradual process and regard opportunities for phased retirement as important or very important. Among older workers, many are already “partially retired” or “working in retirement”. Although employers recognize the need to mitigate potential knowledge loss as older workers retire, no more than half currently offer phased retirement to at least some employees, and relatively few report that they are considering doing so in the future. Perceived barriers include legal and regulatory concerns and rules related to modifying the distribution of pension benefits.

1

Do workers today expect to retire gradually?

Yes, the majority of current workers of all ages regard retirement as a gradual process. Survey respondents rate opportunities for phased retirement as important or very important aspects of a job. Among older workers, many are already “partially retired” or “working in retirement”.

Among workers aged 18-64, “a strong majority (64%) of workers envision a phased transition into retirement during which they will continue working, reduce hours with more leisure time to enjoy life, or work in a different capacity that is less demanding and/or brings greater personal satisfaction. Only 22% expect to immediately stop working when they retire. Baby Boomers, Generation X, and Millennials share similar expectations,” according to the 2014 TransAmerica retirement survey.¹

Among adults age 50+ who are employed full- or part-time or who are looking for work, “formal phased retirement programs were deemed ‘very important’ or ‘somewhat important’ by the majority of workers (57% and 52%, respectively),” according to a 2012 AARP/SHRM survey.²

“While partial retirement was virtually non-existent for 60-62 years

olds in 1960, over the past 20 years more than 15% of workers in this age group are categorized as partially retired. For 65-67 year olds, the recent partial retirement rate is over 20%, up from 5-10% in 1960, according to a 2013 analysis of data from the Social Security Administration.”³

Compared to those in pre-retirement careers, retirees who are employed “are nearly five times more likely to work part-time (83% vs. 17%),” according to a 2014 analysis of data from a survey by Merrill Lynch.⁴

According to the AARP 2013 career study on older workers (ages 45-74), in 2002 and 2007, 67% of workers ages 45 to 74 held full-time jobs. By 2012, the percentage with full-time jobs had decreased 11 points to 56%. The percentage working part-time has increased from 11% in 2002 to 16% in 2012.⁵

2

Are employers offering phased retirement opportunities to their employees?

Some do, but survey results vary widely. One survey of employers indicates that half of organizations offer phased retirement to at least some employees, while two other surveys report that only about one tenth of employers do so. In a recent survey of employees, around 20% reported that their employers are offering phased retirement options.

According to the 2014 National Study of Employers, 54% of organizations offer all or at least some employees to “phase into retirement by working reduced hours over a period of time prior to full retirement,” while 18% allow all or most employees to do so. Small employers [50-99 employees] are somewhat more likely than large employers [1000+ employees] to allow employees to phase into retirement (19% vs. 12%), although this difference is not statistically significant.⁶

The 2014 SHRM Employee Benefits Report found that “overall, 11% of organizations offered some type of phased retirement: 4% offered a formal phased retirement program and 9% offered an informal program”.⁷

In the 2014 Transamerica Retirement Survey, “just 21% of workers say their employers enable employees to reduce work hours and shift from full-time to part-time, and even fewer (14%) say their

employers enable employees to take positions which are less stressful or demanding. Baby Boomers (34%) are most likely to indicate that their employers do 'none of these' in reference to the listed practices and programs".¹

According to a 2012 Conference Board survey, "of survey respondents, 11% said they offer a phased retirement program and 30% said they rehire retirees".⁸

3

Is it likely that phased retirement options will increase in availability in the future?

Uncertain. Although employers recognize the need to mitigate potential knowledge loss as older workers retire, relatively few employers report that they are considering phased retirement programs for the future. Perceived barriers include legal and regulatory concerns and rules related to modifying the distribution of pension benefits.

Among steps that employers plan to take to mitigate the potential loss of knowledge as older workers retire, more than half of the employers say that they will try to keep older workers on as part-time workers or consultants (69%). Other steps include use of a knowledge transfer program to allow workers who are approaching retirement age to mentor or transfer knowledge to younger workers (53%), and they will use a succession plan for critical positions (51%). Almost half (46%) will try to entice older workers to remain as full-time employees, according to a 2011 AARP survey of over 1000 HR directors.⁹

When asked about their retirement plan initiatives for 2014, 6% of US employers report that they are very likely to evaluate phased retirement alternatives, while 20% report that they are somewhat likely to do so. Others say that they are somewhat unlikely (44%) or very unlikely (30%) to evaluate phased retirement alternatives for their employees, according to a 2014 report from Aon Hewitt.¹⁰

According to a 2010 report based on a survey of 950 small and large employers, "637 (67%) of the establishments indicated that that phased retirement would be feasible for a generic white collar

worker, and another 142 (15%) of the establishments said that phased retirement was possible in some cases. In most of these establishments, the employer has in mind an informal arrangement that is negotiated with an individual worker and that occurs before official retirement. Formal phased retirement plans are rare, especially in small organizations".¹¹

Among mid-size and large employers, "more than half (52%) believe there are significant legal and regulatory barriers" to implementing a phased retirement program, according to a 2008 Hewitt survey.¹²

In a 2009 MetLife survey of "240 large employers who offer defined benefit (DB) and defined contribution (DC) plans, 76% of those who offer 'DC plans only' believe that regulatory complexities and ambiguities impact their organization's ability to offer a phased retirement program, compared to 65% of employers who offer both DB and DC plans. Similarly, 56% of employers who offer 'DC plans only,' and 45% of employers who offer both plans, believe that rules prohibiting the modification of plan distribution options (and other features) are a key barrier to phased retirement programs".¹³

References

- 1 Collinson, C. (2014). *The retirement readiness of three unique generations: Baby boomers, generation X, and millennials*. US: Transamerica Center for Retirement Studies. Retrieved from http://www.transamericacenter.org/docs/default-source/resources/center-research/tcrs2014_sr_three_unique_generations.pdf
- 2 Brown, S. K. (2012). *What are older workers seeking? An AARP/SHRM survey of 50+ workers*. Washington, DC: AARP. Retrieved from http://www.aarp.org/content/dam/aarp/research/surveys_statistics/econ/2012/What-Are-Older-Workers-Seeking-An-AARP-SHRM-Survey-of-50-Plus-Workers-AARP.pdf
- 3 Gorodnichenko, Y., Song, J., & Stolyarov, D. (2013). *Macroeconomic determinants of retirement timing*. (Working Paper No. 2013-281). Ann Arbor, MI: University of Michigan Retirement Research Center. Retrieved from <http://www.mrrc.isr.umich.edu/publications/papers/pdf/wp281.pdf>
- 4 Merrill Lynch. (2014). *Work in retirement: Myths and motivations*. U. S.: Merrill Lynch. Retrieved from http://www.wealthmanagement.ml.com/publish/content/application/pdf/GWMOL/MLWM_Work-in-Retirement_2014.pdf
- 5 AARP. (2014). *Staying ahead of the curve 2013: AARP multicultural work and career study: Older workers in an uneasy job market*. Washington, DC: AARP. Retrieved from http://www.aarp.org/content/dam/aarp/research/surveys_statistics/general/2014/Staying-Ahead-of-the-Curve-2013-The-Work-and-Career-Study-AARP-res-gen.pdf
- 6 Matos, K., & Galinsky, E. (2014). *2014 National Study of Employers*. New York: Families and Work Institute. Retrieved from <http://www.familiesandwork.org/2014-national-study-of-employers/>
- 7 SHRM. (2014). *2014 employee benefits*. Alexandria, VA: Society for Human Resource Management. Retrieved from https://www.shrm.org/Research/SurveyFindings/Documents/14-0301%20Benefitis_Report_TEXT_FNL.pdf
- 8 Levanon, G., Rappaport, A., Abel, A., & Cheng, B. (2012). *Recession aftermath: What the delayed retirement of mature workers means for business*. (Executive Action Report No. 375). New York: The Conference Board.
- 9 Perron, R. (2011). *Employer experiences and expectations: Finding, training, and keeping qualified workers*. Washington, DC: AARP. Retrieved from <http://assets.aarp.org/rgcenter/econ/finding-training-keeping-qualified-workers.pdf>
- 10 AonHewitt. (2014). *2014 hot topics in retirement: Building a strategic focus*. US: AonHewitt. Retrieved from http://www.aon.com/attachments/human-capital-consulting/2014_Hot-Topics-Retirement_Report_vFinal%281%29.pdf
- 11 Hutchens, R. (2010). Worker characteristics, job characteristics, and opportunities for phased retirement. *Labour Economics*, 17(6), 1010-1021
- 12 Hewitt Associates. (2008). *Retiring boomers prompt increased employer interest in phased retirement programs, according to Hewitt survey*. Retrieved January 28, 2009, from <http://www.hewittassociates.com/Intl/NA/en-US/AboutHewitt/Newsroom/PressReleaseDetail.aspx?cid=5451>
- 13 MetLife. (2009). *MetLife emerging retirement model study: A survey of plan sponsors*. New York: MetLife. Retrieved from http://https://www.metlife.com/assets/institutional/services/cbf/retirement/EmergRetireModelStudy_0912.pdf