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COMMENTS BY: SENATOR BILL POSEY (R-FL)



POLICY LEADERSHIP SERIES

WORK-FAMILY INFORMATION FOR STATE LEGISLATORS

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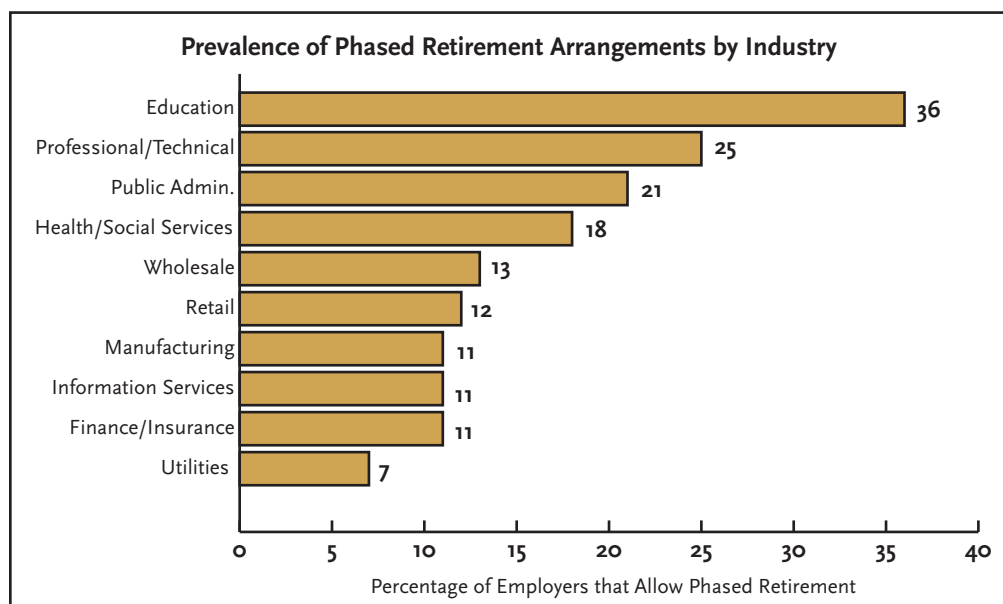
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OPPORTUNITIES FOR POLICY LEADERSHIP ON PHASED RETIREMENT

As the age of the workforce increases, and as Baby Boomers approach retirement, it will be increasingly important to consider ways to promote alternative employment options, such as phased retirement, that enable older workers to extend their participation in the labor force.

For some time, labor economists have predicted an increase in the number of older workers who will soon be in the labor force. Experienced, mature employees will be facing the age of retirement. Many of these employees will decide to continue to work, either because of financial need or because they enjoy working. However, research suggests that most older workers would prefer to work "less-than-a-full-time" schedule.



Phased retirement is a special type of part-time work arrangement designed specifically for older workers. It is a process which allows an older worker to gradually reduce the number of hours worked per week (or, in some situations, the number of hours per year).

Some businesses, state universities, and other workplaces have already instituted phased retirement options; however, many employees do not have access to phased retirement.

Chart Source: Watson Wyatt Worldwide Reprinted with Permission from Phased Retirement: Aligning Employer Programs with Worker Preferences © 2005. Watson Wyatt Worldwide. For more information, visit www.watsonwyatt.com.

Several surveys have found that older workers are hoping to have a phased retirement option so that they can transition into retirement gradually. For example, according to the Watson Wyatt Retirement Survey:

- "Two-thirds of workers over age 50 hope to phase into retirement at some point."¹

WHY IS PHASED RETIREMENT A POLICY MATTER?

- State legislatures could support efforts to provide information to employees and employers about phased retirement options.
- State legislators could consider ways to increase the availability of phased retirement programs for state employees.

"IT IS IMPORTANT TO REMEMBER THAT INDIVIDUALS AND FAMILIES PAY FOR ALL PUBLIC SERVICES, BENEFITS AND PROGRAMS FROM THEIR OWN INCOMES. THEY DESERVE PROGRAMS THAT DEMONSTRATE THE BEST STEWARDSHIP OF THE RESOURCES THEY PLACE IN THE HANDS OF ELECTED OFFICIALS WHO MAKE POLICY, AND THE EXECUTIVE BRANCH EMPLOYEES WHO CARRY OUT POLICY. IF EMPLOYERS HAD THE FLEXIBILITY TO CONTROL PHASED RETIREMENT WITHOUT FEAR OF NEGATIVE CONSEQUENCES, THIS EMPLOYMENT MODEL COULD BE EXTREMELY BENEFICIAL TO PHASED RETIREMENT WORKERS, PUBLIC AND PRIVATE SECTOR EMPLOYERS, AND THE PUBLIC AT LARGE."

SENATOR BILL POSEY (R-FL) CONCERNING PHASED RETIREMENT LEGISLATION.



HOW DOES THE AVAILABILITY OF PHASED RETIREMENT OPTIONS AFFECT YOUR CONSTITUENTS?

Having access to phased retirement could contribute to the quality of life of the older workers in your state. Older workers who do not need the income of full-time jobs may find that phased retirement is a positive alternative for them. In some situations, phased retirement makes it possible for older workers to defer using any retirement funds they might have.

- "32 percent of phasers retired completely from their career jobs but later re-entered the workforce after becoming disillusioned with retirement."¹
- "Forty-two percent of the planned phasers cited 'enjoyment of working' as their most important reason for phasing."¹
- "When asked if they would have been interested in phased retirement if it had been offered to them while they were still employed, 40% of retirees responded affirmatively, and one-third of retirees (33%) indicated that the availability of such a plan would have prompted them to remain in the workforce longer."²

WHO HAS ACCESS TO PHASED RETIREMENT?

While phased retirement options are sought after by employees and are becoming more widely available, most employees do not think it is possible at their workplaces to make a gradual transition into retirement.

- "73% of establishments, when asked if they offered phased retirement, responded, 'Yes, something could be worked out...'. However, only **14% of employers have formal policies** which apply to all employees, allowing phased retirement."³
- "About 30 percent of older white-collar workers are employed in an establishment that would not only allow them to phase retirement prior to official retirement, but would let them remain in their current job."⁴
- "...approximately half of all colleges and universities now offer phased retirement options to their faculty..."⁵

HOW DOES PHASED RETIREMENT AFFECT BUSINESSES?

Employers who have phased retirement options may find that there are business benefits.

- "92% of establishments that permit some form of phased retirement also reported that they had increased their hiring over the last 3 years."³
- "In a study of college and university departments, benefits from phased retirement were: (1) it provides the department with more time to develop a hiring strategy (cited 41 times) and (2) released salary funds give the department head more degrees of freedom to meet staffing needs (cited 31 times). In nine cases, the respondents said that phased retirement encourages earlier retirement of less productive faculty."⁶

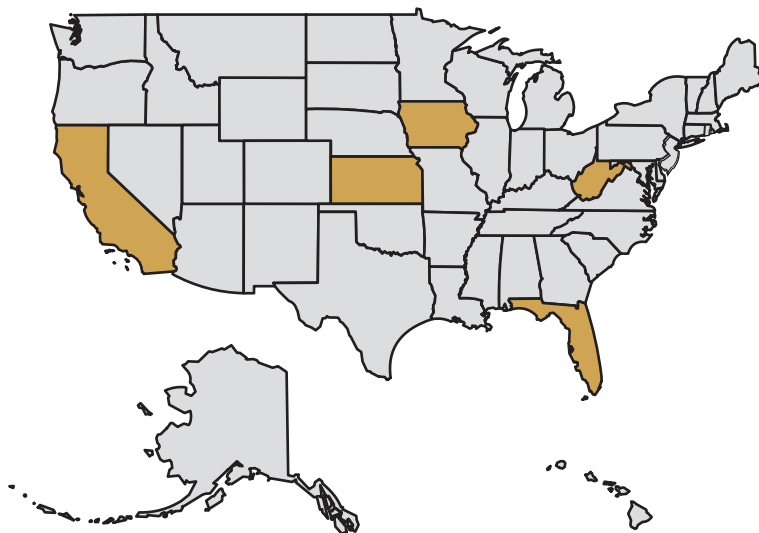
Phased retirement can be a "win" for older workers and a "win" for the workplace.

WHAT CAN BE DONE?

State policies that encourage state agencies to "model" phased retirement programs could encourage employers in the private sector to offer phased retirement options to their employees as well.

5 states have passed statutes that address the availability of phased retirement.

- 4 states (CA, FL, KS, and WV) have laws related to reemploying retired faculty members as adjunct professors in higher state educational institutions and allowing for phased retirement with other educational staff members, such as librarians and counselors.
- 1 state (IA) has laws related to phased retirement programs offered to state employees.



For more statutes related to phased retirement, visit wfnetwork.bc.edu/bills.php

HAVE ANY BILLS ON PHASED RETIREMENT RECENTLY BEEN CONSIDERED IN YOUR LEGISLATURE?

FL	HB 147	Provides that disabled veterans, under the State Retirement System, may be reemployed.
	HB 587	Provides that the Community College System may employ a retired member into a phased retirement position.
	HB 663	Provides that the Community College System may employ a retired member into a phased retirement position.
	HB 885	Amends existing definitions of phased retirement programs in relation to the State Retirement System.
	HB 1097	Relating to public school employment after retirement.
	HB 1201	Amends existing definitions of phased retirement programs in relation to the State Retirement System.
	SB 788	Provides that the Community College System and the State University System may employ a retired member into a phased retirement position.
	SB 814	Relating to the State Retirement System, prescribing conditions for the reemployment of a retired member of the correctional system.
	SB 1446	Relating to Public Employee Optional Retirement programs.
	SB 1974	Authorizes members of the Community College Optional Retirement Program to transfer into the Florida Retirement System defined benefit program.
	SB 2256	Provides that disabled veterans, under the State Retirement System, may be reemployed.
KS	HB 2037	Authorizes development and implementation of a phased-retirement program for unclassified employees of state educational institutions.
	SB 99	Authorizes development and implementation of a phased-retirement program for unclassified employees of state educational institutions.
MN	HB 1120	Providing voluntary unpaid leave options and early retirement incentives to state employees.
	SB 1057	Providing voluntary unpaid leave options and early retirement incentives to state employees.
WV	HB 2537	Allowing for phased retirement policies in the strategic plan of each state institute of higher education.

For additional bills related to phased retirement or other work-family related bills, visit our website at <http://wfnetwork.bc.edu/bills.php>.

WOULD YOU LIKE ADDITIONAL INFORMATION ABOUT PHASED RETIREMENT?

The following resources about phased retirement might also be of interest to you.

- Employment Policy Foundation. (2005, March 31). Phased retirement: IRS regulations leave hurdles to be overcome. *The Balancing Act Newsletter*. Washington, DC: The Employment Policy Foundation.
 - To download this issue of the Employment Policy Foundation's Balancing Act Newsletter, please visit: <http://www.workandfamily.org/newsletters/index.asp?page=6>
 - To read more about the Employment Policy Foundation, please visit: <http://www.epf.org/default.asp>
- Hutchens, R. (2004). *The Cornell study of employer phased retirement policies: A report on key findings*. Ithaca, NY: School of Industrial and Labor Relations, Cornell University.
 - To download the full status report, please visit: <http://digitalcommons.ilr.cornell.edu/lepubs/1/>
 - To read more about the School of Industrial and Labor Relations at Cornell University, please visit: <http://www.ilr.cornell.edu/>
- Perun, P. (2002). Phased retirement programs for the twenty-first century workplace. *John Marshall Law Review*, 35(4), 633 - 672.
- Brown, S.K. (2005). *Attitudes of individuals 50 and older toward phased retirement*. Washington, DC: AARP.
 - To download this report, please visit: http://www.aarp.org/research/work/retirement/attitudes_of_individuals_50_and_older_toward_phase.html
 - To read more of AARP's retirement research, please visit: http://www.aarp.org/research/work/retirement/index_html/?filter=report&sort-on=da

Sources cited in this Policy Leadership Sheet

- 1 Watson Wyatt Worldwide (2004). *Phased retirement: Aligning employer programs with worker preferences*. Washington, DC: Author.
- 2 Brown, S.K. (2005, March). *Attitudes of individuals 50 and older toward phased retirement*. Washington, DC: AARP Knowledge Management.
- 3 Hutchens, R.M. (2003). *The Cornell Study of Employer Phased Retirement Policies: A report on key findings*. Ithaca, NY: Cornell University, School of Industrial and Labor Relations.
- 4 Hutchens, R.M., & Chen, J. (2004, March). *The role of employers in phased retirement: Opportunities for phased retirement among white collar workers* (Working Paper). Ithaca, NY: Cornell University, School of Industrial and Labor Relations and Department of Economics.
- 5 Leslie, D.W., & Janson, N. (2004). *To phase or not to phase: The dynamics of choosing phased retirement in academe*. New York, NY: TIAA-CREF Institute Policy Brief.
- 6 Allen, S.G. (2004, May). *The value of phased retirement* (Working Paper # 10531). Cambridge, MA: National Bureau of Economic Research.

The Sloan Work and Family Research Network can provide you with additional research-based information about working families.

PLEASE VISIT WWW.BC.EDU/WFNETWORK, EMAIL WFNETWORK@BC.EDU, OR CALL 617.552.1708.