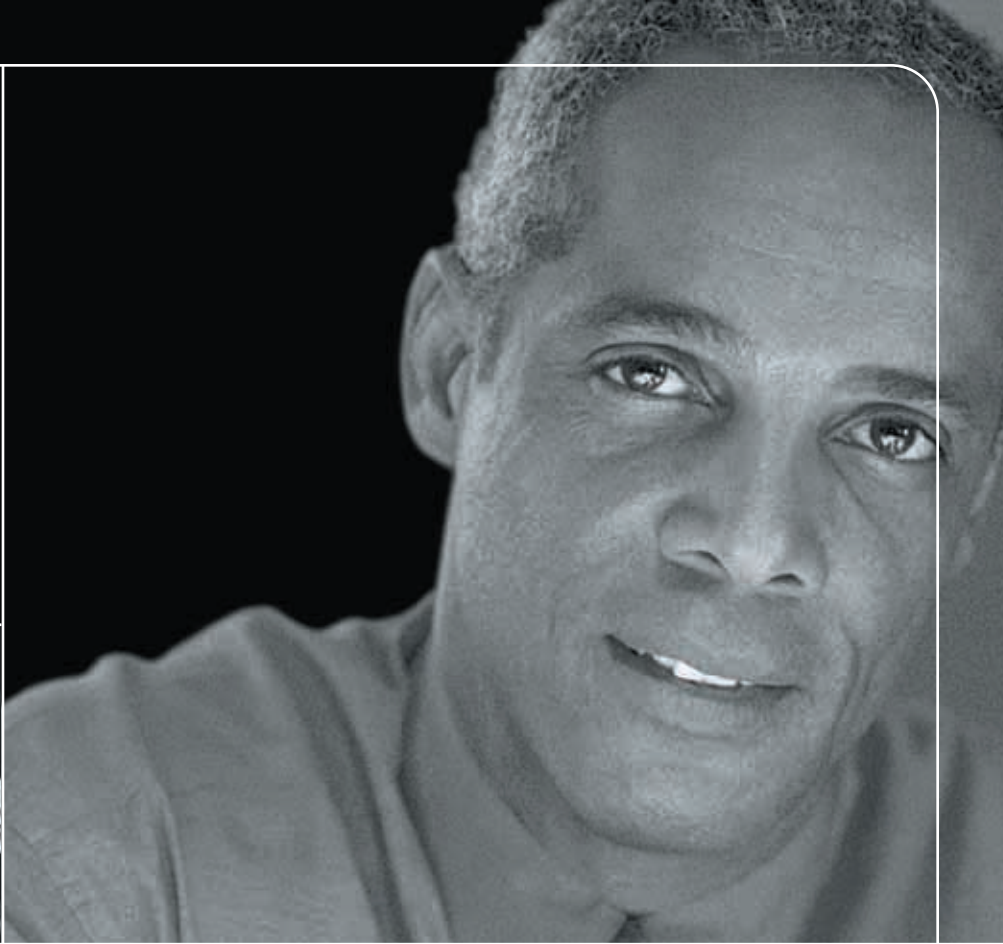


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STAYING AHEAD OF THE CURVE 2003:
THE AARP WORKING IN RETIREMENT STUDY



EXECUTIVE
SUMMARY

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STAYING AHEAD OF THE CURVE 2003: THE AARP WORKING IN RETIREMENT STUDY

EXECUTIVE SUMMARY

Introduction

Older workers today look for and expect dynamic retirements. They want stimulating environments where they have plenty of choices about how they spend the rest of their lives. Although most who are approaching retirement envision their retirement as a period that will include leisurely pursuits, new experiences, and time spent with loved ones, the majority also expect their retirements to include some form of work.

AARP recently conducted a nationwide telephone survey of 2,001 individuals between the ages of 50 and 70 years old who are employed on a full-time or part-time basis to explore their vision of retirement and to better understand the types of jobs that workers who plan to work in retirement imagine holding and the types of jobs currently held by today's "working retirees." For purposes of this survey, a working retiree is an individual who reports that he or she has retired from a job and is now employed on

either a full-time or part-time basis.¹ Of the individuals interviewed, more than eight in ten (85%) have never retired from a job; and fifteen percent report that they have retired from a job but either remained in the workforce after retiring or have since returned to the workforce. The phone interviews, which were conducted by RoperASW using random digit dialing, took place from April 9 through June 5, 2003.

Although the age of 65 has customarily been associated with retirement, suggesting that the large baby boomer cohort (those born between 1946 and 1964) will begin to leave the workforce in 2011, this study and previous research indicate otherwise. For example, in a 2002 AARP survey of 50-70 year old investors, about one in five (21%) investors who had not yet retired reported that they had already postponed retirement as a result of stock market losses, and many of them indicated that they would not retire before the age of seventy.²

¹ For purposes of this survey, working retirees are defined as individuals who are currently employed on either a full-time or part-time basis and who answered "yes" when asked if they have ever retired from a job. This method of identifying individuals who have "retired" was chosen due to the absence of a retirement definition that applies to all workers. For example, while many workers may equate retirement with eligibility to receive payments from private pension plans or retirement benefits from Social Security, many workers have no access to private pension plans, others may choose to retire before receiving such benefits, and still others may choose to receive certain retirement benefits before fully retiring.

² AARP, *Impact of Stock Market Decline on 50-70 Year Old Investors* (Washington, DC: AARP, 2002).

Moreover, in this latest study, nearly 70% of workers who have not yet retired report that they plan to work into their retirement years or never retire, and almost half indicate that they envision working into their 70s or beyond.

While research clearly identifies financial need as a primary reason that individuals are choosing to work longer, studies also show that the non-financial benefits of work influence the decision to remain in the labor force. For example, AARP's 2002 Work and Career Study found that the top motivations for working in retirement included not only the *need for extra money* but also a general desire to *work for enjoyment, to have something interesting to do* and to *stay physically active*.³ As may be expected, motivations for working in retirement vary by type of worker, a topic which is explored further in this latest study. These new attitudes toward retirement and work coupled with a burgeoning aging population will result in a much older

U.S. workforce than in years past, creating new opportunities and demands for employers and society at large.

According to the Bureau of Labor Statistics, 17% of the nation's workforce will be comprised of adults ages 55 and older by the year 2010, up from 13% in the year 2000. By 2050, older adults are projected to account for 19 percent of the workforce. During this same time period, younger workers between the ages of 25 and 54 are expected to decline as a percentage of the workforce, from 71 percent in 2000 to 67 percent in 2010 and 65 percent in 2050.⁴

If today's older workers continue to delay retirement, or work well into it, while the aging baby boomers simultaneously swell the ranks of those in their "pre-retirement" years, the average age of the working population will increase substantially. As this occurs, it will be more important than ever for employers to recognize and address the needs of an aging workforce.

³ AARP, *Staying Ahead of the Curve: The AARP Work and Career Study* (Washington, DC: AARP, 2002). A nationally representative telephone survey of 1500 people between the ages of 45 and 74 who were either employed or looking for work.

⁴ Mitra Toossi, "A Century of Change: The U.S. Labor Force, 1950-2050," *Monthly Labor Review*, 125 (May 2002), 15-28. Howard Fullerton and Mitra Toossi, "Labor Force Projections to 2010," *Monthly Labor Review*, 124 (November 2001), 21-38.

Imagining a Vibrant Retirement: The New Vision

While it's not surprising that many pre-retirees still cling to traditional images of retirement, such as spending more time with loved ones, receiving pension and Social Security benefits and engaging in activities they previously had no time for, a new, more multifaceted vision of retirement is emerging.

Specifically, when asked to describe their personal definition of retirement, at least seven in ten older workers who have yet to retire state that *spending more time with*

family and friends, receiving Social Security and pension benefits, relaxing, having more fun, and doing things you never had time for are “very much” or “somewhat” a part of their personal definitions of retirement.

However, the majority also report that their personal definition of retirement includes some form of work. For example, just over half (53%) state that their definition of retirement includes *working for enjoyment, not money*, and 42 percent report that their retirement definition includes *having to do some kind of work to help pay the bills*.

PERSONAL DEFINITION OF RETIREMENT

Base: Those who have never retired from a job, n=1,637

	Very much %	Somewhat %	Very much/ Somewhat %
Spending more time with family and friends	54	24	78
A chance to relax	48	25	73
A chance to have more fun	48	25	73
Receiving retirement benefits from Social Security or pension payments	49	23	72
A chance to do things you never had time for	47	25	72
A chance to travel	38	28	67
Doing volunteer or charity work	19	39	57
Slowing down & working fewer hours/part-time	24	32	56
Working for enjoyment, not money	25	27	53
A chance to stop working for pay completely	23	25	48
Having to do some kind of work to help pay bills	15	28	42
A chance to leave your main career to try a different type of work	12	17	28
Feeling less useful or less productive	7	14	20

Question 1: “Different people expect to do different things in retirement. When you think about **your own** future retirement, how much is each of the following part of your personal definition of retirement: very much, somewhat, only a little, or not at all? If you never plan to retire, please tell me.”

In fact, when asked what they plan to do in retirement, close to seven in ten pre-retirees report that they will either work during retirement or never retire. Specifically, 63 percent state that they plan to work at least part-time in retirement, and an additional 5 percent say that they never expect to retire, suggesting that a full

68 percent of pre-retirees plan to work during a time traditionally reserved for activities other than work. Alternatively, fewer than three in ten (29%) respondents indicate that they will not work for pay at all in retirement, which is similar to the findings from AARP's 2002 Work and Career Study.⁵

PLANS FOR RETIREMENT

Base: Those who have never retired from a job, n=1,637

Not work for pay at all	29%
Work part-time, doing the same type of work you do now	24%
Work part-time, doing something different	22%
Start your own business/work for yourself, doing the same type of work you do now	5%
Start your own business/work for yourself, doing something different	5%
Work full-time, doing the same type of work you do now	5%
Work full-time, doing something different	2%
Never expect to retire {not read}	5%
Work/Never expect to retire	68%
Don't know {not read}	3%
Total	100%

Question 3: "Which of the following, if any, best represents what you plan to do during your retirement?"

When to Retire: Health Benefits and Income are Paramount

Findings reveal that pre-retirees are much more likely to view eligibility for retirement benefits and achievement of retirement savings goals as central to their decision about when to retire than to emphasize the achievement of career goals. Specifically, when asked to rate factors which will influence the timing of their

retirement, more than seven in ten pre-retirees say that it is "very important" to them to be *eligible for retiree health benefits (75%) and payments from a retirement savings plan (71%)* by the time they retire. Additionally, more than six in ten say that eligibility to receive *retirement benefits from Social Security (66%)* and the achievement of *retirement savings goals (64%)* will be "very important." In comparison, only three in ten (29%) describe

⁵ Although AARP's 2002 Work and Career Study focused on individuals between the ages of 45 and 74 who were either employed or looking for work, which is broader than this survey's base of individuals ages 50 to 70 who are employed, the 2002 study found that similar percentages of respondents planned to work in retirement (69%) and not work in retirement (28%).

the realization of *job-related goals* as “very important” to their retirement decision.

In contrast, working retirees (94% of whom retired before age 65) are more likely to say that they retired after accomplishing certain career goals than after becoming eligible for any specific benefits. However, when asked whether they are *currently* receiving retirement benefits, more than eight in ten (84%) working retirees report that they are either currently receiving at least one type of retirement benefit or that they have at some point received a retirement benefit as a lump sum payment.

Why are They Working in Retirement?

When asked to indicate why they have decided to work in their retirement years, pre-retirees and working retirees are *initially* more likely to identify non-financial reasons than financial considerations. Staying ‘mentally and physically’ active and remaining ‘productive or useful’ top the list.

However, when respondents are forced to select only one major factor in their decision to work, it becomes clear that the *need for money* is the primary motivator. Specifically, when asked to choose only one major influence in their decision to work, both pre-retirees and working retirees are more likely to cite the *need for money* than any other factor.

MAJOR FACTORS IN DECISION TO WORK IN RETIREMENT (%)

	Pre-retirees who plan to work in retirement (n=1,020)	Working retirees (n=364)	Total (n=1,384)
Desire to stay mentally active	87	68	83
Desire to stay physically active	85	61	80
Desire to remain productive or useful	77	73	76
Desire to do something fun or enjoyable	71	49	66
You’ll need the health benefits	66	20	56
Desire to help other people	59	44	56
Desire to be around people	58	47	55
You need the money	54	51	53
Desire to learn new things	50	37	48
Desire to pursue a dream	32	20	29

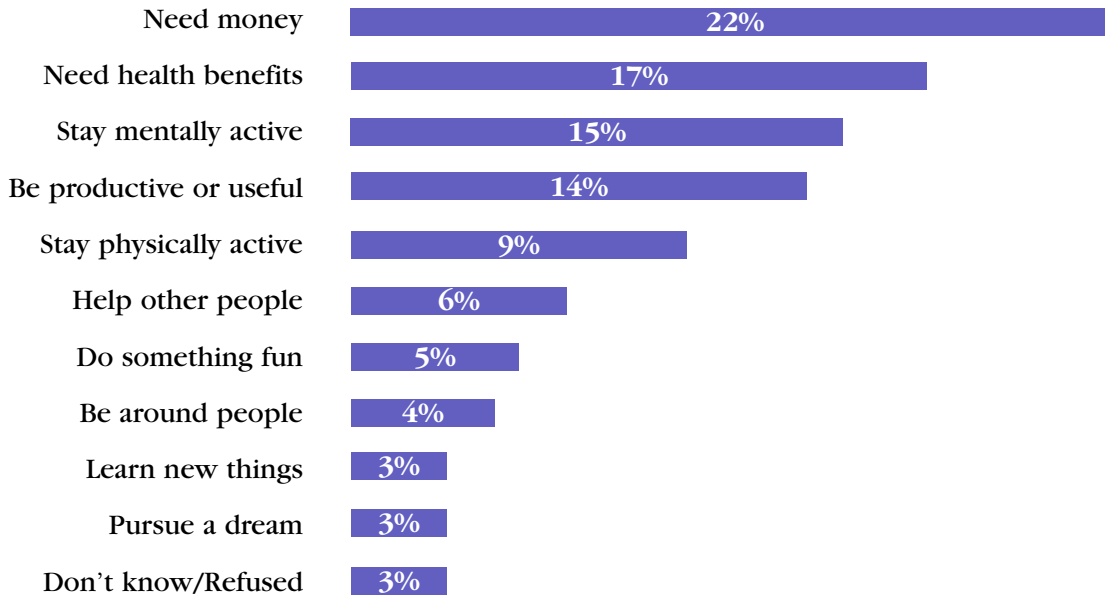
Question 6: (Pre-retirees who plan to work in retirement): “Now, I’m going to read you several reasons why some people continue to work in retirement. For each one, I’d like you to tell me whether it is a major factor, a minor factor, or no factor at all in your decision to work in retirement.”

Question 32: (Working retirees): “I’m going to read you several reasons why some people continue to work in retirement.

For each one, I’d like you to tell me whether it was a major factor, a minor factor, or no factor at all in your decision to work in retirement.” For each item, table shows the % of respondents who identified that item as a “major factor.”

ONE MAJOR FACTOR IN DECISION TO WORK IN RETIREMENT

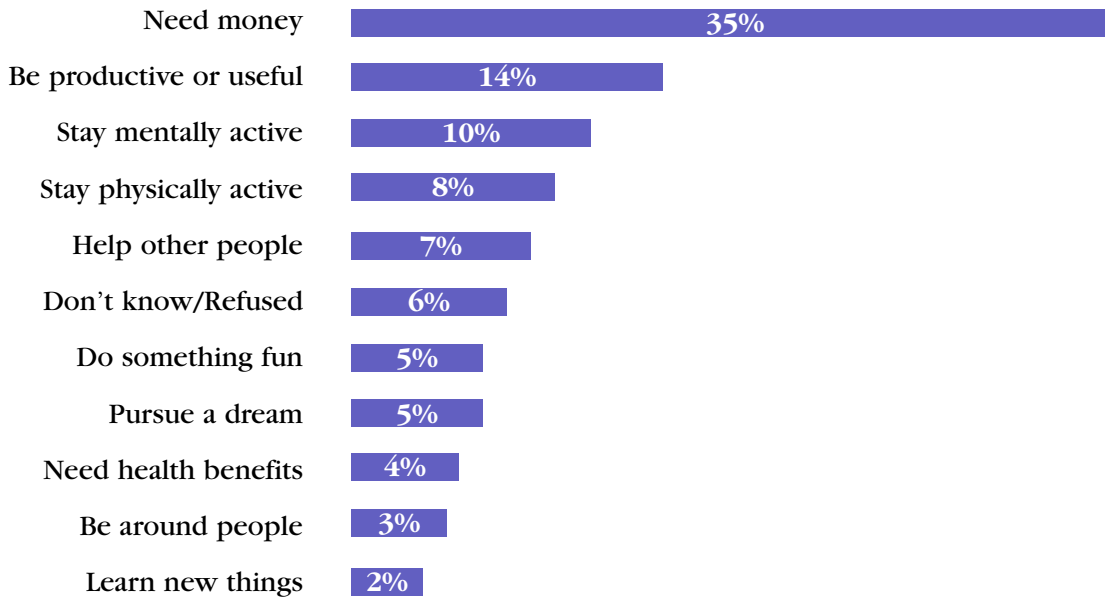
Base: Pre-Retirees Who Plan to Work in Retirement, n=1020



Question 6a: "Which of the things we just talked about is the ONE major factor in your decision to work in retirement?"

ONE MAJOR FACTOR IN DECISION TO WORK IN RETIREMENT

Base: Working Retirees, n=364



Question 32a: "Which of the things we just talked about was the ONE major factor in your decision to work in retirement?"

Some Plan Traditional Retirements

While many older workers plan to contribute to the workforce indefinitely, close to three in ten (29%) pre-retirees intend to retire the old-fashioned way—they plan *not* to work. Instead, they expect to use their time as they please, spending more of it with their family and friends and relaxing.

Important Features of Retirement Work

Like many younger workers, many 50–70 year old workers seek work/life balance and a healthy, vibrant work environment in which they can learn new skills, grow, and perform at their personal best.

When working retirees and pre-retirees who plan to work in retirement were asked to rate the importance of job attributes as they relate to working in retirement, at least half described the following as “very important:”

- working in an environment where employee opinions are valued;
- working for a company that lets older employees remain employed for as long as they wish to work;
- being able to take time off to care for relatives;
- being able to set their own hours;
- working for a company that offers good health benefits;
- working for a company that offers health benefits to retirees.

Additionally, more than half of respondents rated the following attributes as either “very important” or “somewhat important:”

- having new experiences;
- learning new skills;
- being able to work a reduced schedule before completely retiring;
- working for a company that offers a good pension plan;
- being able to work from home.

Interestingly, both pre-retirees and working retirees place great emphasis on *keeping mentally active*, with more than seven in ten rating this as “very important” in retirement work. In fact, more than half of respondents rate each of the following as “very important” in a retirement job:

- keeps you mentally active;
- makes you feel useful;
- is fun or enjoyable;
- keeps you physically active;
- enables you to support yourself and your family;
- lets you interact with other people;
- lets you help other people;
- is not too stressful.

What Kind of Work Will They Do in Retirement?

As older workers have wide-ranging interests and expansive skill sets, it is not surprising that respondents who plan to work in retirement expect to engage in a broad range of fields and in some cases, eagerly anticipate trying something new. In fact, slightly more than one in four (27%) pre-retirees who say they will work in retirement expect to find employment that is

entirely different from the work they do now.

Professional occupations represent the most common type of work in which pre-retirees plan to engage in retirement, followed by skilled and semi-skilled *labor* jobs, *service* positions, and *sales* jobs. Interestingly, approximately one in five pre-retirees who expect to work in retirement are still cultivating their interests, stating that they don't know what kind of work they will do in retirement.

TYPE OF WORK PLANNED FOR RETIREMENT⁶

Base: Pre-retirees who plan to work in retirement, n=1,020

	Those who plan to work in retirement, but not for self (856)	Those who plan to work for self in retirement (164)	Total (1020)
Professional specialties	20%	21%	20%
Skilled and semi-skilled labor	13%	20%	14%
Service and protective workers	14%	9%	13%
Sales	11%	14%	11%
White collar/clerical (non-supervisory)	7%	4%	7%
Technician/minor administrative	6%	2%	5%
Executive/Administrative/Management	4%	4%	4%
Owner—small retail store/business	1%	6%	2%
Farmer	1%	7%	2%
Unskilled labor	*	-	*
Don't know	21%	11%	19%
Refused	1%	1%	1%

Question 8: (pre-retirees who plan to work for themselves in retirement): "You indicated that you plan to work for yourself during your retirement. What type of work do you think you will do?"

Question 9: (pre-retirees who plan to work for someone other than themselves in retirement): "You indicated that you plan to work during your retirement. What type of work do you think you will do?"

* = Less than 0.5%.

⁶ White-collar occupations include executive/administrative/management, professional specialties, white-collar clerical/non-supervisory, technician/minor administrative, and sales. Blue-collar occupations include skilled and semi-skilled labor and unskilled labor. Each respondent's planned job was classified into one of the above ten occupation categories using RoperASW's occupation classification methodology.

So, what are pre-retirees' areas of interest?

- The specific occupations that pre-retirees are most likely to be considering for retirement include *teaching* (6%), *office support* (4%), *craft work* (4%), *retail sales* (3%), *consulting* (3%), *farming and ranching* (3%), *nursing* (2%), and *other health services work* (2%).
- Approximately one in six (16%) pre-retirees who expect to work in retirement plan to work for themselves or start their own business. For these individuals, the most popular retirement jobs under consideration include *craft work* (9%), *farming and ranching* (8%), and *consulting* (7%). Other lines of work under consideration by those who expect to be self-employed in retirement include *construction, real estate, home improvement/home repair*, and *artist*.

**JOBS MOST LIKELY TO BE UNDER CONSIDERATION FOR RETIREMENT WORK*
(AMONG PRE-RETIRES WHO PLAN TO WORK IN RETIREMENT)**

Teaching —teacher, teaching assistant, substitute teacher, college professor, seminar instructor	6%
Office support/clerical work —administrative assistant, secretary, receptionist, clerk	4%
Crafts —making and selling crafts	4%
Retail sales —sales associate, unspecified work in a department store	3%
Consulting	3%
Farming and ranching —farmer, rancher, agriculture	3%
Nursing —nurse, nursing assistant	2%
Health services aide —health aide, home health aide, hospital worker	2%
Cleaning —janitor, housekeeper, custodian	2%
Child care —child care provider, babysitter, day care worker	2%
Home improvement/home repair/handyman	2%
Construction	2%
Manager/supervisor/assistant manager	1%
Customer service representative	1%
Cashier	1%
Sales (other than retail)	1%
Real estate agent/real estate appraiser	1%
Computer work —unspecified	1%
Insurance —insurance agent, insurance investigator	1%
Engineer	1%
Bookkeeper	1%
Counselor/Psychologist	1%
Truck driver	1%
Manufacturing/assembly line work/factory work	1%

* Table lists those job types mentioned by at least one percent of pre-retirees who plan to work in retirement. Together, the job types listed above represent those mentioned by 47% of the 1,020 pre-retirees who plan to work in retirement. All percentages shown above are rounded to the nearest percentage point.

Question 8: (pre-retirees who plan to work for themselves in retirement): “You indicated that you plan to work for yourself during your retirement. What type of work do you think you will do?”

Question 9: (pre-retirees who plan to work for someone other than themselves in retirement): “You indicated that you plan to work during your retirement. What type of work do you think you will do?”

Jobs Currently Held by Working Retirees

Similarly, working retirees are contributing to a vast array of sectors and more than half (54%) indicate that their current work is *entirely* or *fairly different* from the job that they held prior to retirement. Fewer than half (45%) say that their work in retirement is *similar* or *identical* to their pre-retirement work.

In many respects, the jobs currently held by working retirees mirror the type of work pre-retirees plan to engage in during their retirement. For example, not only do *professional* jobs top the list of occupations in which pre-retirees plan to engage in retirement, but they are also the jobs that are most prevalent among today's working retirees. Specifically, close to one in four (24%) working retirees hold jobs in *professional* fields. However, retirees are also working as *skilled and semi-skilled labor* (15%), *service and protective workers* (14%), *clerical workers* (11%), *salespeople* (10%), *technicians and minor administrators* (8%), and *executives and managers* (7%).

The specific occupations in which working retirees are most likely to be engaged include *teaching* (10%), *office support* (7%), *management* (5%), and *driver or courier* (5%).

Approximately one in five (21%) working retirees are self-employed. Among self-employed retirees, the most common lines of work are *consulting* (10%), *real estate* (9%), *farming and ranching* (6%), and *private investigation* (6%).

Win-Win: Older Workers Willing to Take Jobs with High Projected Growth⁷

Employers will be pleased to learn that pre-retirees and working retirees are willing to contribute to vocations currently on the rise, thereby filling potential gaps. When asked to rate their willingness to take a variety of jobs in retirement that are projected to grow rapidly over the next few years, about half of respondents indicated that they would be either "very willing" or "somewhat willing" to take a job in retirement as a:

- *customer service representative*
- *teaching assistant*
- *teacher*

Additionally, at least three in ten respondents say that they would be willing to take a job in other occupations expected to experience high growth, including *retail salesperson, landscaper or groundskeeper, cashier, computer support specialist, real estate agent, and secretary or receptionist*.

Tomorrow's New Workforce: Implications

Because older workers are choosing to prolong their working years at a time when the oldest baby boomers are approaching their sixties and the share of workers ages 25 to 54 is projected to decline, older workers are expected to grow as a percentage of the labor pool over the next decade and beyond. Faced with these

⁷ Jobs titles included in question 18 and 40 of the survey represent a selection of occupations projected to grow fastest from 2000 to 2010, occupations projected to experience the largest numerical increases in employment during the same time period, or occupations with the greatest replacement needs for workers retiring from 1998 to 2008. Job titles were adapted as necessary to facilitate respondent comprehension. Sources: (1) U.S. Department of Labor Bureau of Labor Statistics' Occupational Outlook Handbook, 2002/2003 Online Edition. (2) Arlene Dohm, "Gauging the Labor Force Effects of Retiring Baby Boomers," Monthly Labor Review (July 2000), 17-25.

projections, employers should be prepared to address the needs of an aging workforce or potentially face difficulty filling critical positions in their organizations. Specific implications for employers are as follows:

Older Adults—Bridging the Gap

Employers with positions of high interest to older workers, such as teaching, office support, retail sales, consulting, nursing, and health services, should work to recruit and retain this experienced segment of the labor force. Targeting older workers for these positions is likely to be particularly advantageous as many of these occupations are expected to experience significant growth while workers ages 55 and over are projected to increase as a percentage of the workforce.

Training is Key

As many mature workers welcome opportunities to continue learning, advance their skills and remain mentally agile, employers should actively provide training opportunities to all of their workers, regardless of age.

Capitalize on Their Expertise

Although many of today's working retirees are currently engaged in retirement jobs which are unlike their pre-retirement careers, employers should recognize that most pre-retirees who plan to work in retirement hope to build on their accumulated expertise by remaining in a line of work that is similar to their current occupation. Employers should actively tap into this labor pool's talent and expertise while keeping in mind that new experiences are valued by many older workers.

Work/Life Balance and Flexibility

Many older workers put a high premium on workplace flexibility as they attempt to juggle family and work responsibilities, suggesting that employers who have yet to implement flexible scheduling practices may lose valuable employees. In fact, the majority of older workers who don't plan to work in retirement say that they would consider retirement work if their employer were to provide flexible scheduling options such as allowing them to *set their own hours or phase into retirement*.

Retirement Security

A secure retirement comprises four pillars: Social Security, private pensions and personal savings, earnings and health insurance. The growing number of individuals choosing to work after traditional retirement age suggests that current public policy and private programs may not be sufficient to enable workers to adequately prepare for financial security in retirement. Economic, financial, demographic and health care trends have combined in recent years to erode the foundation underlying each of the four pillars. In particular, the escalating costs of health care and the cutbacks in employer-sponsored retiree health coverage in recent years have made it difficult if not impossible for workers to plan for and pay for major medical costs after retirement. There are a number of positive steps that can and should be taken to strengthen Social Security and the private pension system and encourage individuals to save and invest wisely. New laws, incentives and policy must be implemented to sustain and enhance the private pension and retiree health-care systems. And the prompt enactment of a prescription drug benefit in Medicare is an essential first step in providing for the retirement security of older Americans. ■

AARP is a nonprofit, nonpartisan membership organization dedicated to making life better for people 50 and over. We provide information and resources; engage in legislative, regulatory and legal advocacy; assist members in serving their communities; and offer a wide range of unique benefits, special products, and services for our members. These include *AARP The Magazine*, published bimonthly; *AARP Bulletin*, our monthly newspaper; *AARP Segunda Juventud*, our quarterly newspaper in Spanish; *NRTA Live and Learn*, our quarterly newsletter for 50+ educators; and our Web site, www.aarp.org. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.



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