

A large green square is positioned in the top left corner of the page. A thin grey line extends from its bottom right corner, ending in a small yellow square. This line continues horizontally to the left, then vertically down, and finally horizontally to the right, ending in another small yellow square. A large, thin, light-brown arc starts from the top right and curves down to the right, ending near the second yellow square.

Attitudes of Individuals 50 and Older Toward Phased Retirement

March 2005



Attitudes of Individuals 50 and Older Toward Phased Retirement

**Data Collected by Knowledge Networks
Report Prepared by S. Kathi Brown**

**Copyright © 2005
AARP
Knowledge Management
601 E Street, NW
Washington, DC 20049
<http://research.aarp.org>
Reprinting with Permission**

AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. We produce *AARP The Magazine*, published bimonthly; *AARP Bulletin*, our monthly newspaper; *AARP Segunda Juventud*, our bimonthly magazine in Spanish and English; *NRTA Live & Learn*, our quarterly newsletter for 50+ educators; and our website, www.aarp.org. AARP Foundation is an affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

Acknowledgements

Knowledge Networks, of Menlo Park, California, collected the data for this study through its web-enabled panel. Evelyn Morton and Amy Shannon of AARP Federal Affairs provided subject matter input. Jeff Love, AARP Strategic Issues Research, managed the study and designed the survey. S. Kathi Brown, AARP Strategic Issues Research, prepared the report. For additional information, contact S. Kathi Brown at (202) 434-6296 or Jeff Love at (202) 434-6279.

CONTENTS

I. Executive Summary.....	3
II. Introduction.....	5
III. Detailed Findings.....	7
Appendix A: Demographic Profile of Sample.....	19
Appendix B: Demographic Differences for Selected Questions.....	20
Appendix C: Annotated Questionnaire.....	24

I. EXECUTIVE SUMMARY

This survey of individuals ages 50 and older was designed to gauge reactions to the concept of phased retirement and to determine the extent to which phased retirement would encourage workers near traditional retirement age to remain in the workforce longer than they would have otherwise. The sample included respondents who are working as well as respondents who are retired.

Although only about one in five (19%) respondents had heard of the term “phased retirement” prior to taking the survey, two in five expressed an interest in phased retirement after reading a description of how such a plan might work.

Reactions of Workers

Of all working respondents, nearly two in five (38%) said that they would be interested in participating in phased retirement.

Of workers who specifically expressed *interest* in phased retirement, 78% expect that the availability of such a plan would encourage them to work past their expected retirement age. When workers who expressed interest in phased retirement were asked at what age they would like to start phased retirement, they reported an average age of 61. Nearly half (46%) of workers with an interest in phased retirement said that they would like to start the process between the ages of 60 and 64.

When workers who expressed interest in phased retirement were asked how many fewer hours they would prefer to work if they participated in a phased retirement plan, approximately half (53%) reported that they would like to reduce their weekly schedule by at least 12 hours, while about two in five (39%) said they would like to reduce their weekly schedule by 10 or fewer hours.

Approximately half of all workers (48%) said that, if working under phased retirement meant that they would have to hold a different job with the same employer, this would make the plan less attractive to them. However, a similar number of workers (45%) said that this would have no impact on the plan’s attractiveness, and close to one in ten (8%) indicated that this would make the plan more attractive.

Reactions of Retirees

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.

Reactions to Plan Features

Across all respondents, there is widespread agreement that the ability to continue to accrue pension benefits while participating in phased retirement is important. In fact, a full 87% of respondents rated this as an important element of a phased retirement plan.

When asked to name the most attractive parts of the presented phased retirement plan, respondents were most likely to refer to the ability to reduce working hours and to the ability to access pension benefits while doing so. However, despite their interest in reducing work hours while gaining access to pension benefits, respondents were somewhat wary about the possibility that participating in phased retirement could lead to reduced final pension benefits after full retirement. In fact, when asked, 63% of all workers indicated that the likelihood that phased retirement could lead to reduced final pension benefits makes the plan less attractive to them.

Conclusions and Recommendations

During the next decade, older workers are projected to increase dramatically as a share of the U.S. workforce while the share of younger workers will decline. In order to prepare for this change, it will become increasingly important for employers to implement practices and policies that encourage workers who might otherwise consider retirement to remain in the workforce.

This survey shows that phased retirement is a practice that would appeal to many workers who are currently approaching traditional retirement age or who are already working beyond traditional retirement age. Close to two in five workers ages 50 and older expressed interest in participating in phased retirement, and nearly four in five of these interested workers expect that the availability of phased retirement would encourage them to stay in the workforce beyond the age at which they would otherwise retire.

Not only does the concept of phased retirement appeal to many workers ages 50 and older, but phased retirement would also benefit employers by enabling them to retain valuable, experienced employees who may otherwise leave their company and/or leave the workforce completely. However, because workers do express some discomfort with the possibility that phased retirement participants' final pension benefits could be reduced as a result of phased retirement, the impact of distributions on final benefits should be explained clearly in any information given to employees who are deciding whether to participate in such an arrangement. This concern also underscores the importance of enabling phased retirement participants to continue to accrue pension benefits.

II. INTRODUCTION

Over the next decade, the workforce in the U.S. is expected to experience a dramatic demographic shift driven largely by the aging of the baby boomers—the 76 million individuals born between 1946 and 1964-- and the significantly smaller size of the generation following the baby boomers. By 2012, workers ages 55 and older will represent 19% of the total U.S. workforce—almost one in five workers— compared to only 14% in 2002. From 2002 until 2012, the number of workers ages 55 and older will grow by 49% while the number of workers under the age of 55 will grow by only five percent. This represents a projected increase of more than 10 million workers ages 55 and older at a time when the number of workers under age 55 is projected to increase by only seven million.¹

In this landscape, employers who do not make an effort to attract and retain older workers are likely to have difficulty finding qualified workers. Employers who wish to hold onto this experienced and growing segment of the workforce will need to implement creative practices that are appealing to these workers.

Phased retirement, or the opportunity to work a reduced schedule prior to full retirement and simultaneously collect pension benefits, has the potential to help employers meet this need. Until now, however, employers who offer traditional defined benefit pension plans have faced significant obstacles to offering phased retirement arrangements.

Recently, however, the Internal Revenue Service proposed new regulations that would help remove these barriers by allowing employees covered by traditional defined benefit pension plans to begin phased retirement as early as age 59 ½. This survey of individuals ages 50 and older was designed to gauge reactions to the concept of phased retirement as outlined and to determine the extent to which phased retirement in general would encourage workers near traditional retirement age to remain in the workforce longer than they would have otherwise.

Overview of Methodology and Sample

Knowledge Networks, a research firm based in California, administered this survey using its web-enabled panel of people who have agreed to participate in surveys. Conducted from January 6th through January 15th 2005, the survey was fielded to panel members who were ages 50 or older. This panel is designed to be representative of the U.S. population and was built by providing Internet devices and Internet service connections to people who have agreed to serve on the online panel. By providing Internet access to willing participants, Knowledge Networks allows individuals who would otherwise have no access to the Internet to participate in online research.

A total of 2,167 individuals participated in the survey. Of all respondents, approximately one-third were workers between the ages of 50 and 65 who plan to retire by age 65, about one-quarter were workers between the ages of 50 and 65 who plan to continue working beyond age 65, approximately one in ten were workers ages 66 or older, and the remaining one-quarter were

¹ Mitra Toossi, “Labor Force Projections to 2012: The Graying of the U.S. Workforce,” *Monthly Labor Review*, February 2004.

individuals ages 50 or older who are currently retired. The distribution of the sample is shown in the table below.

Distribution of Sample (n=2167)	
Workers ages 50-65 who plan to retire by age 65	33%
Workers ages 50-65 who do not plan to retire by age 65	27%
Workers ages 66+	11%
Retirees ages 50+	28%
Total Respondents	100%

Demographic Profile of Sample Groups²

Workers 50-65 Who Plan to Retire by Age 65

Individuals who plan to retire by age 65 have an average income of \$65,000, which exceeds the average income of respondents in the other sample groups. More than four in five (86%) workers 50-65 who plan to retire by age 65 are currently working for someone other than themselves, and 14% are either self-employed or an owner or partner in a small business or farm. Workers who plan to retire by age 65 are less likely than those who plan to work beyond age 65 to be self-employed or an owner of a small business.

Workers 50-65 Who Plan to Work Beyond Age 65

Workers 50-65 who plan to work beyond age 65 have an average income of \$56,000, which is roughly equivalent to the average income of workers ages 66 and older. Three in four (75%) are working for someone other than themselves, and approximately one-quarter (24%) are either self-employed or an owner or partner in a small business or farm. They are more likely than workers who plan to retire by age 65 to be self-employed or a small business owner or partner.

Workers Ages 66+

Workers 66+ have an average income of \$57,000, which is roughly equivalent to the income of workers ages 50-65 who plan to work beyond age 65. As might be expected, their average income falls below the average income of workers who plan to retire by age 65 (\$65,000) but exceeds retiree average income (\$41,000). Approximately two in three (66%) workers ages 66 and older are working for someone other than themselves, and nearly one in three (32%) are either self-employed or an owner or partner in a small business or farm. They are more likely than workers ages 50-65 to be an owner or partner in a small business or farm.

Retirees

Retirees have the lowest average income (\$41,000) of all respondents. By definition, they are not employed. Approximately seven in ten of the retired respondents are age 66 or older.

² See Appendix A for a more detailed demographic profile of each of these four groups.

III. DETAILED FINDINGS

A. REASONS FOR CONSIDERING WORKING IN RETIREMENT³

In order to assess motivations for working beyond traditional retirement age, all respondents were asked to indicate the relative importance of various factors in the decision to work in retirement. Respondents were most likely to identify the *need for money* (61%) as a major reason. However, the *desire to stay mentally active*, the *desire to stay physically active*, and the *desire to remain productive or useful* were each identified as major reasons by approximately half of respondents. Approximately half also named the *need for health benefits*. The fact that about half of respondents named several non-financial considerations as major reasons for working in retirement suggests that the desire for personal fulfillment plays an important role in decisions regarding retirement work. In fact, the percentage of respondents who identified the *desire to stay mentally active* and the *need for health benefits* as major reasons were statistically equivalent.

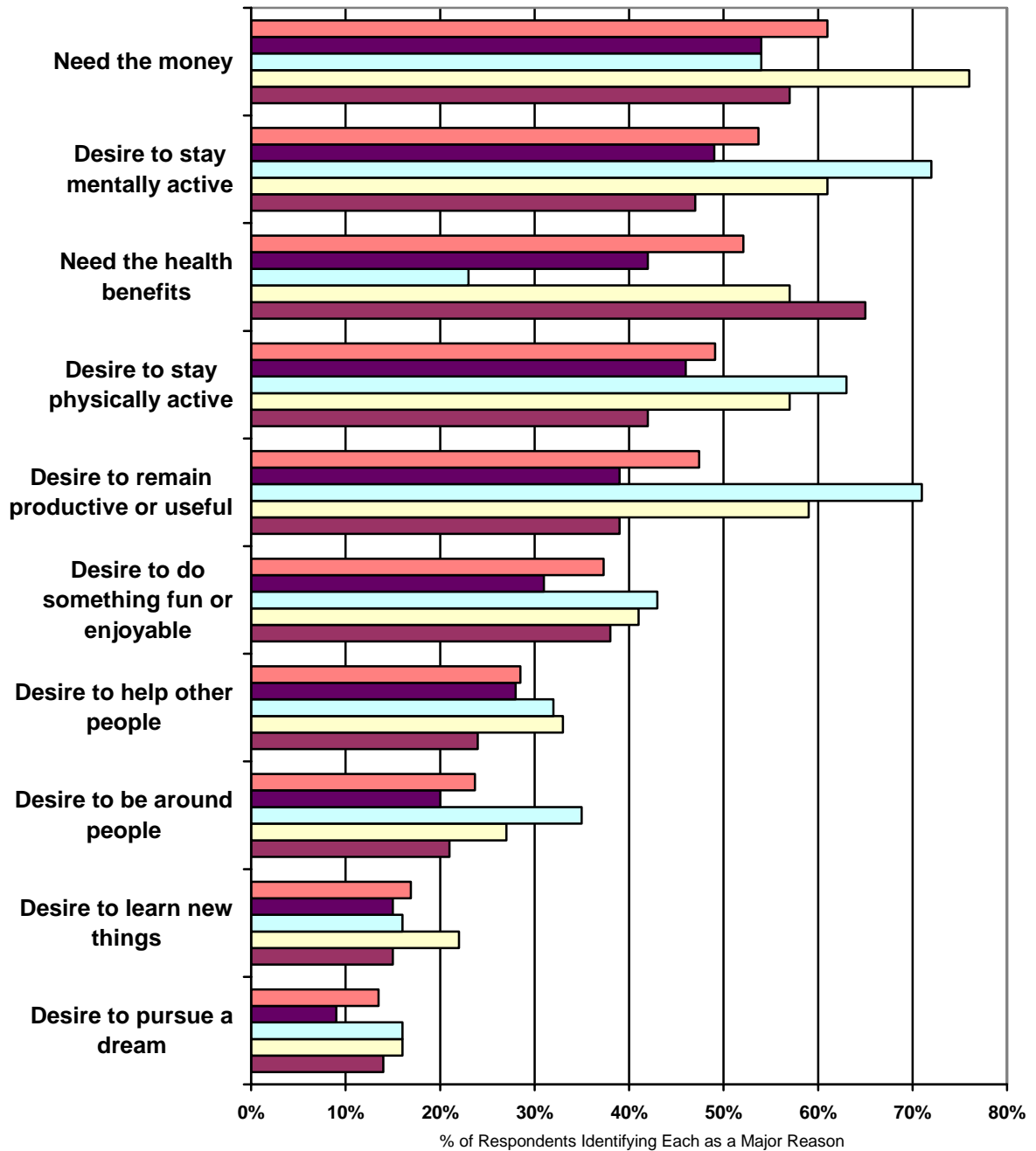
Interestingly, workers ages 50 to 65 who plan to continue working after age 65 (76%) were significantly more likely than other respondents to identify *the need for money* as a major reason to work in retirement.

Workers 50-65 who plan to retire by age 65 (65%) were more likely than other respondents to identify the *need for health benefits*. In fact, the *need for health benefits* was the issue that workers 50-65 who plan to retire by age 65 named more frequently than any other issue as a major reason for considering work in retirement. This suggests that continued access to health benefits could encourage those who otherwise intend to leave the workforce by age 65 to remain in the workforce longer.

Compared to workers 50-65, workers 66+ (23%) were substantially less likely to identify the *need for health benefits*, which may be a reflection of their Medicare eligibility. In fact, workers 66+ were significantly more likely to name personal fulfillment matters as major reasons for working in retirement than to name financial considerations. For example, the *desire to stay mentally active* (72%) and the *desire to remain productive and useful* (71%) were the issues most frequently identified by workers 66+ as major reasons for working in retirement.

³ Reasons for considering working in retirement were identified through Question 2 of the survey. Question 2 was posed to all survey respondents; however, the wording varied slightly based on the subgroup. Respondents who are working and plan to retire by age 65 were asked whether each issue would cause them to consider not retiring. Respondents who are working and plan to continue working after age 65 as well as workers ages 66 and older were asked whether each issue is a reason in their decision to remain in the work force. Respondents who are fully retired were asked whether each issue would cause them to consider returning to the work force. See annotated questionnaire in Appendix C for more information.

Major Reasons for Working in Retirement



■ Will retire by 65
 ■ Won't retire by 65
 ■ 66+Workers
 ■ Retirees
 ■ All

B. AWARENESS OF PHASED RETIREMENT

Only 19% of all survey respondents reported that they had heard of the term “phased retirement.”

Awareness of phased retirement varied by income and by gender, but did not vary significantly by age or employment status. Specifically, the demographic differences observed included:

- Compared to other respondents, respondents with low incomes (under \$25,000) were significantly less likely to have heard of phased retirement while respondents with high incomes (\$75,000 and above) were significantly more likely.
- Men were more likely than women to report having heard of phased retirement.

Awareness of Phased Retirement by Demographics	
	% Who Have Heard of Phased Retirement*
All Respondents (n=2,159)	19%
Household Income	
Less than \$25,000 (n=437)	10%
\$25,000 - \$49,999 (n=726)	18%
\$50,000 - \$74,999 (n=485)	17%
\$75,000 (n=511)	28%
Employment Status	
Paid Employee (n=1234)	18%
Self-Employed / Partner in Small Business (n=309)	20%
Retired (n=605)	20%
Gender	
Male (n=1075)	21%
Female (n=1084)	17%
Age	
50-65 (n=1505)	19%
66+ (n=654)	18%

* Percentages should be read horizontally across rows. For example, of all respondents 50-65, 19% have heard of phased retirement

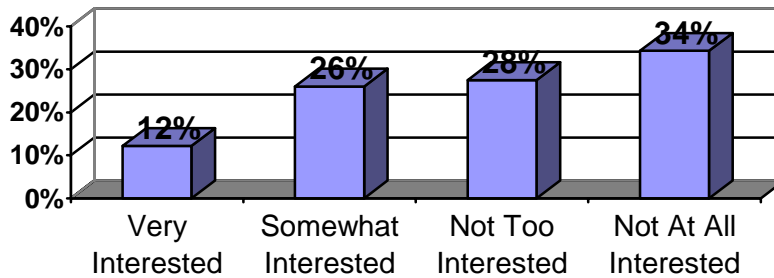
C. INTEREST IN PHASED RETIREMENT AMONG CURRENT WORKERS

In order to gauge reactions to the concept of phased retirement, respondents were asked to read a description of a sample phased retirement plan. The plan was presented as a work arrangement that employees with traditional pension plans would be eligible to participate in once they reached age 59 ½. It was explained that the plan would allow participating employees to work a reduced schedule prior to full retirement while simultaneously collecting a portion of their pension benefit. Participants would continue to accrue pension benefits while participating in the phased retirement

plan. Once participants reach full retirement, their final pension benefit would probably be less than what they would receive if they had not taken advantage of phased retirement.⁴

After reading the description of the plan, 38% of all respondents who are currently working reported that they would be either *somewhat or very interested* in participating in this phased retirement plan. Workers between the ages of 50 and 65 who plan to retire by age 65 (43%) were more likely than those who plan to work beyond age 65 (37%) to express interest.

**Interest in Phased Retirement Among Current Workers
(n=1552)**



Workers' Interest in Participating in Phased Retirement: Comparison by Age and Projected Retirement				
	All Working Respondents (n=1552)	Worker 50-65, will retire by 65 (n=752)	Worker 50-65, won't retire by 65 (n=576)	Worker 66+ (n=224)
Very / Somewhat Interested	38%	43%	37%	25%
Very Interested	12%	14%	11%	9%
Somewhat Interested	26%	29%	26%	16%

*Q7. "How interested would you be in participating in this type of phased retirement plan?"

Differences in Interest by Demographics

Interest in phased retirement varied by income, employment status, gender, and age. Specifically, the differences by demographics were as follows:

- Workers with incomes between \$25,000 and \$75,000 were more likely than workers with incomes below \$25,000 or above \$75,000 to be interested in phased retirement.
- Individuals who work for someone other than themselves were more likely than self-employed individuals to be interested in phased retirement.
- Women were more likely than men to be interested.
- Workers between the ages of 50 and 65 were more likely than workers ages 66 and older to be interested.

⁴ For the complete description of the phased retirement plan as presented to respondents, see Question 6 of the questionnaire. (Appendix C)

Interest in Participating in Phased Retirement By Demographics* (Base: Respondents who are currently working)	
	% Who Are Very / Somewhat Interested
All Respondents (n=1552)	38%
Household Income	
Under \$25,000 (n=246)	34%
\$25,000 - \$49,999 (n=476)	41%
\$50,000 - \$74,999 (n=387)	42%
\$75,000 + (n=443)	34%
Employment Status	
Paid Employees (n=1233)	41%
Self-Employed / Partner in Small Business (n=308)	29%
Gender	
Male (n=773)	36%
Female (n=779)	40%
Age	
50-65 (n=1328)	40%
66+ (n=224)	25%

*Percentages should be read horizontally across rows. For example, of all respondents 50-65, 40% are very or somewhat interested.

D. RETIREES' THOUGHTS ABOUT PHASED RETIREMENT

Of all retired respondents, 40% indicated that they would have been either somewhat or very interested in participating in this type of phased retirement plan if they were still employed. Furthermore, one-third (33%) of retirees indicated that they would have remained in the workforce longer if such a phased retirement plan had been offered to them.

Differences by Demographics

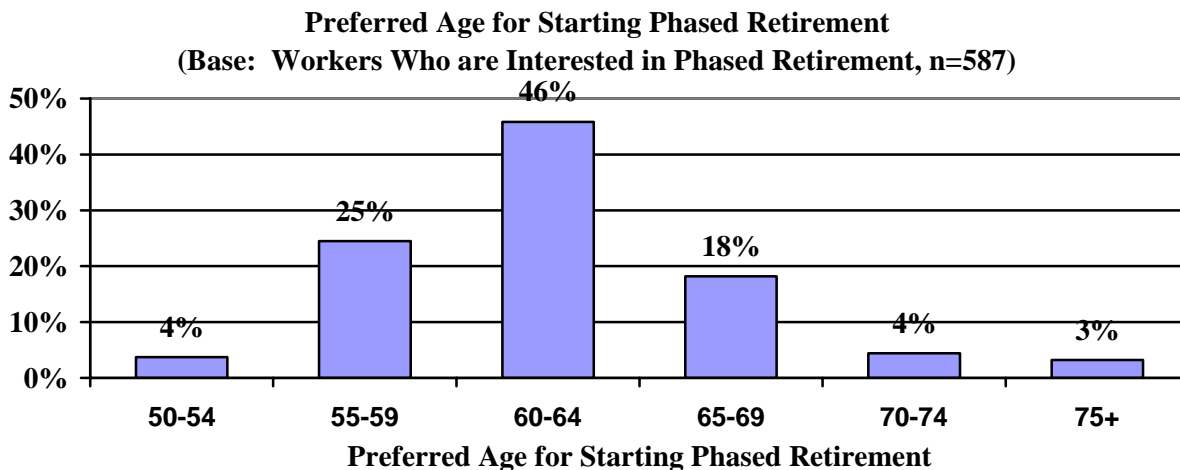
Retirees' thoughts about phased retirement varied by age but did not vary significantly by income or gender. Compared to retirees 66+, retirees between the ages of 50 and 65 were more likely to say that they would have been interested in participating in phased retirement if it had been offered to them while they were still employed. These younger retirees were also more likely than the retirees 66+ to report that phased retirement would have caused them to remain in the workforce longer.

Retirees' Thoughts About Phased Retirement: Comparison By Demographics* (Base: Respondents who are retired and not working, n=603)		
	Interest in Phased Retirement if Still Employed	Would Phased Retirement Have Prompted You to Remain in the Workforce Longer?
	% Very / Somewhat Interested	% Yes
Household Income		
Under \$25,000 (n=193)	38%	32%
\$25,000 - \$49,999 (n=246)	41%	34%
\$50,000 - \$74,999 (n=95)	42%	32%
\$75,000+ (n=69)	38%	36%
Gender		
Male (n=300)	37%	32%
Female (n=303)	43%	34%
Age		
50-65 (n=176)	49%	38%
66+ (n=427)	36%	31%

*Percentages should be read horizontally across rows. For example, of all retirees with incomes under \$25,000, 38% were interested in phased retirement. Additionally, of all retirees with incomes under \$25,000, 32% believe that phased retirement would have prompted them to remain in the workforce longer. (Differences by employment status are not shown above as the retirees in this survey are, by definition, not working.)

E. PREFERRED AGE FOR STARTING PHASED RETIREMENT

When workers with an interest in phased retirement were asked at what age they would like to begin phased retirement, they reported an average age of 61. Nearly half (46%) reported that they would like to start phased retirement between the ages of 60 and 64. Another 29% would like to start before the age of 60, while 25% would like to start at the age of 65 or later.



Differences in Preferred Phased Retirement Start Age by Demographics

Respondents with incomes above \$25,000 were more likely than respondents with incomes under \$25,000 to be interested in starting phased retirement before the age of 65. Of all respondents, respondents with the highest incomes (\$75,000+) were the most likely (82%) to be interested in starting phased retirement before the age of 65. This suggests that the preferred age for starting phased retirement is likely linked to financial means.

The preferred age for starting phased retirement did not vary significantly by current employment status or gender.

Preferred Age for Starting Phased Retirement: Comparison by Demographics*				
(Base: Workers who are interested in phased retirement, n=587)				
	Start at 50 – 59	Start at 60 – 64	Start at 65+	Total
Household Income				
Under \$25,000 (n=81)	30%	33%	37%	100%
\$25,000 - \$49,999 (n=193)	23%	50%	27%	100%
\$50,000 - \$74,999 (n=161)	28%	45%	27%	100%
\$75,000+ (n=152)	34%	48%	18%	100%
Employment Status				
Paid Employees (n=494)	28%	46%	26%	100%
Self-Employed / Partner in Small Business (n=88)	30%	47%	24%	100%
Gender				
Male (n=275)	28%	48%	24%	100%
Female (n=312)	29%	44%	27%	100%
Age				
50-65 (n=533)	31%	48%	22%	100%
66+ (n=54)**	6%	28%	67%	100%

*Percentages should be read horizontally across rows. For example, 28% of men are interested in starting phased retirement between the ages of 50 and 59.

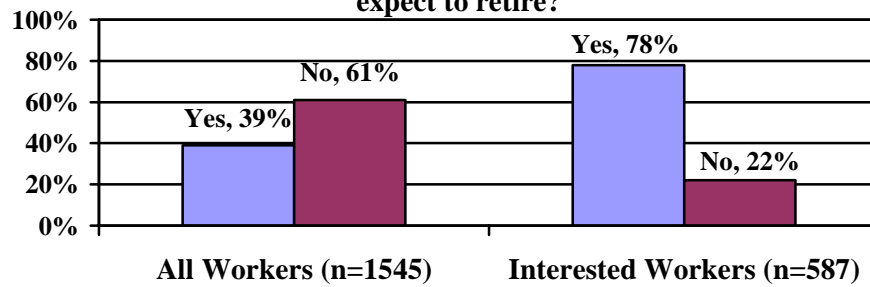
Note that differences by age of respondent are largely due to the fact that 66+ workers are by definition already at least 66 years of age.

** Note small base of respondents 66+.

F. IMPACT OF PHASED RETIREMENT ON FINAL RETIREMENT AGE

Of *all* respondents who are currently working, approximately two in five (39%) indicated that the availability of a phased retirement plan would encourage them to work past the age at which they expect to retire. More importantly, however, of those workers who expressed interest in participating in phased retirement, the vast majority (78%) felt this way.

Would phased retirement encourage you to work past the age at which you expect to retire?



Differences by Demographics

Expectations regarding phased retirement’s impact on retirement age varied by age, income, and employment status. These differences were as follows:

- Compared to respondents 66+, younger respondents were more likely to expect that phased retirement would encourage them to work beyond their expected retirement age.
- Respondents with incomes between \$25,000 and \$75,000 were more likely than those with incomes under \$25,000 to feel this way.
- Compared to self-employed individuals, respondents who are working for someone else were more likely to feel this way.

Responses did not vary significantly by gender.

Impact of Phased Retirement on Final Retirement Age: Comparison by Demographics (Base: All respondents who are currently working, n=1545)	
	% Who Would Be Encouraged to Work Past Expected Retirement Age Due to Phased Retirement*
Household Income	
Under \$25,000 (n=244)	34%
\$25,000 - \$49,999 (n=474)	41%
\$50,000 - \$74,999 (n=386)	41%
\$75,000+ (n=441)	38%
Employment Status	
Paid Employees (n=1227)	41%
Self-Employed / Partner in Small Business (n=307)	33%
Gender	
Male (n=768)	37%
Female (n=777)	41%
Age	
50-65 (n=1321)	40%
66+ (n=224)	31%

* Table shows percentage of respondents who answered “yes” to Q8: “Would the availability of this type of phased retirement plan encourage you to work past the age you expect to retire?” Percentages should be read horizontally across rows. For example, of all working respondents 50-65, 40% report that the availability of phased retirement would encourage them to work past the age at which they expect to retire.

G. IMPACT OF PHASED RETIREMENT ON WORK SCHEDULE

When workers who expressed interest in phased retirement were asked how many fewer hours they would prefer to work if they were offered the chance to participate in a phased retirement plan, nearly two in five (38%) reported that they would prefer to reduce their weekly schedule by 16 hours. Of all of the possible schedule reductions presented to respondents, the largest —16 hours—was the most popular and was selected approximately twice as frequently as each of the next most popular options (8 and 10 hours). Compared to workers 50-65 who already plan to continue working after age 65, workers 50-65 who plan to retire by age 65 were more likely to be interested in reducing their weekly schedules by 16 hours.⁵

Preferred Weekly Schedule Reduction If Offered Phased Retirement* (Base: Workers who expressed interest in phased retirement, n=590)	
8 hours	19%
10 hours	20%
12 hours	11%
14 hours	5%
16 hours	38%
Not interested in phased retirement	7%
Total	100%

* Q12. “If you were offered the chance to work under a phased retirement plan, how many fewer hours per week would you prefer to work?”

H. REACTIONS TO SPECIFIC CONDITIONS OF PHASED RETIREMENT

Ability to Reduce Working Hours

When asked to identify the *most attractive* parts of this phased retirement plan, respondents were most likely to refer to the ability to reduce their working hours. In fact, more than one-third (36%) of respondents identified the ability to reduce working hours as the most attractive feature.

Ability to Access Pension Benefits While Working

When asked to identify the *most attractive* part of this phased retirement plan, approximately 15% of respondents identified the ability to gain access to pension benefits while reducing work hours.

Continued Accrual of Pension Benefits

When asked how important it is that employees working under a phased retirement plan continue to build their employer-provided pensions, a full 87% of respondents rated this as *very important* or *somewhat important*, including nearly two-thirds (64%) who rated it as *very important*.

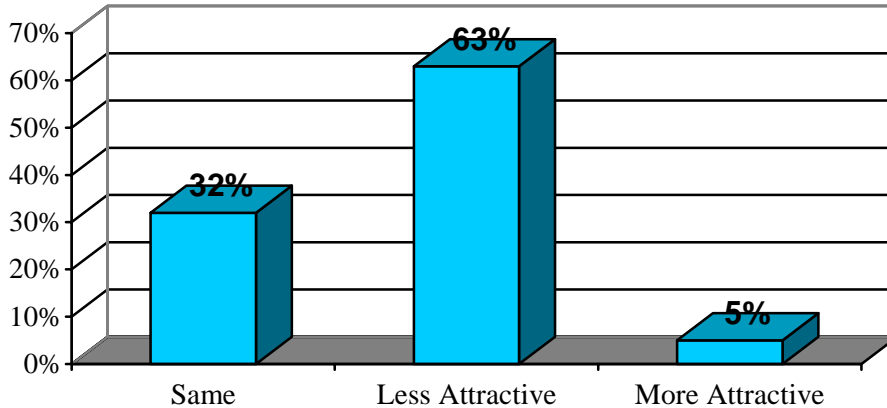
Reduced Final Pension Benefit

When identifying the *least attractive* part of the plan, respondents were most likely to refer to the possibility that participating in phased retirement could reduce the pension income that they receive after fully retiring (22%).

⁵ See Appendix B to learn how responses to this question and the questions addressed in Section H varied by demographics.

Furthermore, when specifically asked if their interest in phased retirement would be impacted by the likelihood that their final pension benefits could be reduced, nearly two-thirds (63%) of workers reported that that possibility made the plan less attractive to them. However, close to one-third (32%) indicated that their interest in phased retirement was not affected by the possibility that their final pension benefits would be reduced.

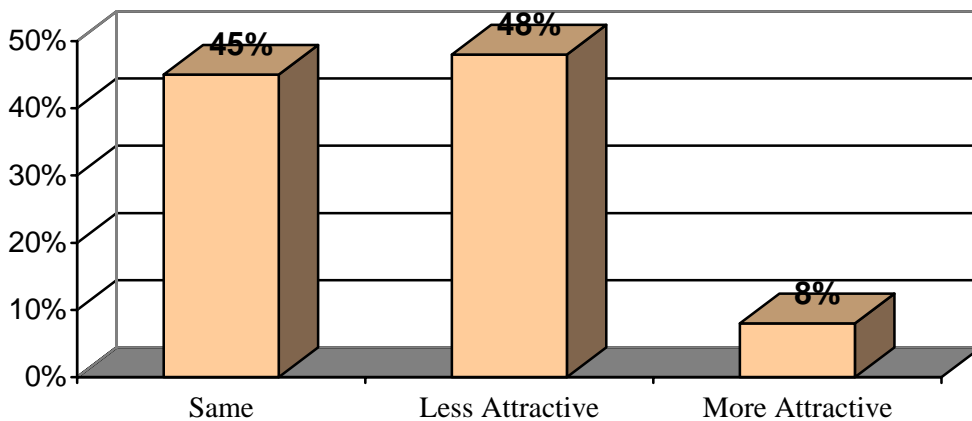
Impact of Reduced Final Pension Benefit on Attractiveness of Phased Retirement
(Base: All Working Respondents, n=1542)



Changing Jobs With the Same Employer

Compared to the possibility that phased retirement could result in reduced final pension benefits, respondents were relatively more comfortable with the possibility that participating in phased retirement would require that they move to a different job for the same employer. Specifically, just under half (48%) of workers reported that this possibility made the plan *less attractive* to them, and a similar number (45%) reported that their interest in phased retirement was not affected by this possibility.

If phased retirement meant you would have to do different work for the same employer, would this make the plan more attractive, less attractive, or about the same? (Base: All Workers, n=1542)



I. CONCLUSIONS AND RECOMMENDATIONS

During the next decade, older workers are projected to increase dramatically as a share of the U.S. workforce while the share of younger workers will decline. In order to prepare for this change, it will become increasingly important for employers to implement practices and policies that encourage workers who might otherwise consider retirement to remain in the workforce.

This survey shows that phased retirement is a practice that would appeal to many workers who are currently approaching traditional retirement age or who are already working beyond traditional retirement age. Close to two in five workers ages 50 and older expressed interest in participating in phased retirement, and nearly four in five of these interested workers expect that the availability of phased retirement would encourage them to stay in the workforce beyond the age at which they would otherwise retire.

Not only does the concept of phased retirement appeal to many workers ages 50 and older, but phased retirement would also benefit employers by enabling them to retain valuable, experienced employees who may otherwise leave their company and/or leave the workforce completely. However, because workers do express some discomfort with the possibility that phased retirement participants' final pension benefits could be reduced as a result of phased retirement, the impact of distributions on final benefits should be explained clearly in any information given to employees who are deciding whether to participate in such an arrangement. This concern also underscores the importance of enabling phased retirement participants to continue to accrue pension benefits.

APPENDIX

APPENDIX A: DEMOGRAPHIC PROFILE OF SAMPLE

Demographic Profile of Sample					
	Workers 50-65, will retire by 65 (n=754)	Workers 50-65, will <u>not</u> retire by 65 (n=577)	Workers 66+ (n=229)	Retirees (n=607)	All Respondents (n=2167)
Household Income					
Under \$25,000	12%	19%	19%	32%	20%
\$25,000 - \$49,999	30%	31%	32%	41%	34%
\$50,000 - \$74,999	24%	28%	23%	16%	22%
\$75,000+	34%	22%	25%	11%	24%
Average HH Income (\$ thousands)	\$64.7	\$55.5	\$57.3	\$40.8	\$54.8
Employment Status					
Paid Employees	86%	75%	66%	NA	57%
Self-Employed	9%	18%	19%	NA	10%
Owner or partner in a small business, professional practice, or farm	5%	6%	13%	NA	5%
Work at least 15 hours a week without pay in a family business or farm	**	1%	1%	NA	1%
Retired	NA	NA	NA	100%	28%
Gender					
Male	51%	49%	45%	50%	50%
Female	49%	51%	55%	50%	50%
Age					
50-54	43%	39%	NA	3%	26%
55 - 65	57%	61%	NA	26%	44%
66+	NA	NA	100%	71%	30%

*Percentages should be read vertically down columns. For example, of all workers 50-65 who plan to retire by 65, 9% are self-employed.

**Less than 0.5%.

APPENDIX B: DIFFERENCES BY DEMOGRAPHICS FOR SELECTED QUESTIONS⁶

IMPACT OF PHASED RETIREMENT ON WORK SCHEDULE

Q12: “If you were offered the chance to work under a phased retirement plan, how many fewer hours per week would you prefer to work?”

Among workers who are interested in phased retirement, anticipated impact of phased retirement on weekly schedules varied by income and gender. The specific differences were as follows:

- Compared to interested respondents with incomes under \$75,000 (35%), interested respondents with incomes of at least \$75,000 (48%) were more likely to select the largest schedule reduction of 16 hours per week.
- Men who were interested in phased retirement (43%) were more likely than women who were interested (34%) to select the largest schedule reduction of 16 hours per week.

REACTIONS TO SPECIFIC CONDITIONS OF PHASED RETIREMENT

Q10. “What do you think is the *most* attractive part of this phased retirement plan?” (open ended)

Ability to Reduce Working Hours

Respondents with higher incomes, those who are currently working for someone other than themselves, and those who are younger were more likely than other respondents to identify reduced working hours as the most attractive part of the plan. Specifically, the differences were as follows:

- Compared to respondents with incomes under \$25,000 (28%), respondents with incomes of at least \$25,000 (38%) were more likely to identify reduced working hours as the most attractive part of the plan.
- Respondents who are currently working for someone other than themselves (38%) were more likely than retirees (31%) to identify reduced working hours as attractive.
- Compared to respondents over the age of 65 (28%), respondents 50-65 (39%) were more likely to identify reduced working hours as attractive.

Ability to Access Pension Benefits While Working

Respondents who were more likely than others to identify the ability to access pension benefits while reducing work hours as the most attractive part of the plan included respondents with lower incomes and women. Specifically, the differences were as follows:

- Compared to respondents with incomes of \$75,000 or more (12%), respondents with incomes below \$75,000 (16%) were more likely to identify this as the most attractive part of the plan.

⁶ Appendix B explains how responses to certain survey questions varied by demographics. For most of the survey questions not addressed in this appendix, information about the extent to which responses varied by demographics may be found within the body of the report.

- Women (18%) were more likely than men (13%) to identify this as the most attractive part of the plan.

Q11. “What do you think is the *least* attractive part of this phased retirement plan?” (open ended)

Reduced Final Pension Benefit

Those who were more likely than other respondents to identify reduced final pension benefits as the least attractive part of the plan included women and retirees. Specifically, the differences were as follows:

- Women (25%) were more likely than men (19%) to identify reduced final pension benefits as the least attractive part of the plan.
- Retired respondents (26%) were more likely than respondents who are working for someone other than themselves (21%) and self-employed respondents (17%) to identify reduced final pension benefits as the least attractive part of the plan.

Q11a. “How important is the fact that employees working under a phased retirement plan continue to build their employer-provided pensions?”

Respondents with higher incomes, those who are retired, and workers who plan to retire by age 65 were more likely than other respondents to indicate that the ability to continue to build their pensions is an important feature of the plan. Specifically, the differences were as follows:

- Compared to respondents with lower incomes (86%), respondents with incomes of at least \$75,000 (90%) were more likely to identify this as important.
- Retirees (89%) were more likely than working respondents (86%), particularly self-employed respondents, to identify this as important.
- Retirees (89%) and workers ages 50-65 who plan to retire by age 65 (88%) were more likely than workers ages 50-65 who plan to work beyond age 65 (84%) to identify this as important.

Importance of Continuing to Accrue Pension Benefits: Comparison By Demographics and Work Plans (Base: All Survey Respondents, n=2145)	
	% Who Selected Very / Somewhat Important*
Household Income	
Under \$25,000 (n=434)	83%
\$25,000 - \$49,999 (n=718)	87%
\$50,000 - \$74,999 (n=480)	87%
\$75,000+ (n=513)	90%
Employment Status	
Paid Employees (n=1227)	87%
Self-Employed / Partner in Small Business (n=311)	84%
Retired (n=597)	89%
Gender	
Male (n=1068)	86%
Female (n=1077)	88%
Age	
50-65 (n=1499)	86%
66+ (n=646)	88%
Sample Group: Age and Work Plans	
Workers 50-65, will retire by 65 (n=751)	88%
Workers 50 -65, won't retire by 65 (n=572)	84%
Workers 66+ (n=225)	87%
Retirees (n=597)	89%

*Percentages should be read horizontally across rows. For example, of all workers ages 50-65 who plan to retire by age 65, 88% believe that the ability to build pension benefits would be an important feature of a phased retirement plan.

Q13. “Because persons working under phased retirement receive some of their pension benefits, their final pension benefit when they actually retire will probably be less than if they had not taken advantage of phased retirement. Does this make the phased retirement plan more attractive to you, less attractive to you or about the same to you?”

Workers with higher incomes were more likely than those with lower incomes to report that the possibility of a reduced final pension benefit made the plan less attractive. In contrast, self-employed workers and workers ages 66 and older were more likely than others to say that this did not affect the plan’s attractiveness. The significant differences were as follows:

- Workers with incomes of at least \$50,000 (66%) were more likely than workers with lower incomes (60%) to report that this would make the plan *less attractive* to them.
- Self-employed workers (42%) were more likely than those who are working for someone else (29%) to report that this would not affect the attractiveness of the plan.

- Workers ages 66 and older (37%) were more likely than workers 50-65 (31%), particularly those workers who plan to retire by age 65, to say that this would not affect the attractiveness of the plan.

Q 14. “ If working under a phased retirement plan meant you would have to do different types of work for the same employer, would this make this phased retirement plan more attractive to you, less attractive to you or about the same to you?”

Compared to other workers, those who work for someone other than themselves and workers 50-65 who plan to retire by age 65 were more likely to report that a requirement to take a different job with the same employer would make the plan *less attractive*. Although very few respondents indicated that this would make the plan *more attractive*, men were more likely than women to feel this way. Workers with lower incomes were more likely than other workers to say that a requirement to move to a different job with the same employer would have no affect on the plan’s attractiveness.

- Workers with incomes under \$50,000 (49%) were more likely than workers with incomes of at least \$50,000 (40%) to say that moving to a different job with the same employer would not affect the attractiveness of the plan.
- Workers who work for someone other than themselves (49%) were more likely than self-employed individuals (43%) to report that this would make the plan *less attractive*.
- Men (9%) were more likely than women (6%) to report that this would make the plan *more attractive*.
- Workers ages 50-65 who plan to retire by age 65 (51%) were more likely than workers ages 50-65 who plan to work beyond age 65 (43%) to report that this would make the plan *less attractive*.

APPENDIX C: ANNOTATED QUESTIONNAIRE

We are interested in finding out more about your work and retirement plans. This survey will help us understand the national portrait of Americans as they face decisions about employment and retirement.

[Workers 50-65:]

S1. Do you plan to retire at or before age 65? (n=1331)

I plan to retire at or before age 65 (57%)

No, I do not plan to retire at or before age 65 (43%)

[ALL]

Q 1 Are you currently eligible to receive payments from any of the following types of pension plans or retirement plans? (n=2,047)

a.) A traditional pension plan that your employer funds but to which you do not contribute money (27%)

b.) Pension payments for veterans provided by the U.S. government (4%)

c.) Payments from an individual retirement account, or IRA (31%)

d.) Payments from a 401(k) or 403(b) retirement account (29%)

e.) Payments from a Keogh retirement plan (2%)

f.) Retirement benefits from social security (62%)

g.) Payments from another kind of retirement plan, including federal, state and local pensions (21%)

h.) None of the above (14%)

[Ask different versions of question stem according to sample group]

Q 2 This question asks about some reasons why people continue to work in retirement. (n=2,142)

(IF Worker 50-65 who plans to retire by age 65:) Please indicate whether each reason below would be a major reason, a minor reason, or no reason at all if you were to consider not retiring and staying in the work force. (n=750)

(IF Worker 50-65 who does not plan to retire by age 65 or Worker 66+:) Please indicate whether each reason below is a major reason, a minor reason, or no reason at all in your decision to remain in the work force. (n=797)

(IF Retiree:) Please indicate whether each reason below would be a major reason, a minor reason, or no reason at all if you were to consider returning to the work force. (n=595)

You'll need the health benefits (52%)

You need the money (61%)

Desire to pursue a dream (14%)

- Desire to learn new things (17%)
- Desire to be around people (24%)
- Desire to help other people (29%)
- Desire to remain productive or useful (47%)
- Desire to do something fun or enjoyable (37%)
- Desire to stay mentally active (54%)
- Desire to stay physically active (49%)
- Some other reason (Please specify: (7%)

[Workers 50-65 who plans to work after age 65 or Workers 66+:]

Q 4 Which of the following, if any, best represents what you plan to do during your retirement?
(n=722)

- Start your own business or work for yourself, doing the same type of work you do now (18%)
- Start your own business or work for yourself, doing something different (14%)
- Work part-time, with the same employer you have now (24%)
- Work part-time, with a different employer (25%)
- Work full-time, with the same employer you have now (14%)
- Work full-time, with a different employer (5%)

Main Questions

[ALL]

Q 6 Have you ever heard of “phased retirement?” (n=2159)

- Yes (19%)
- No (82%)

Display Screen1

[ALL]

Here is how a phased retirement plan could work.

One way phased retirement could work would be to combine retirement and working. After an employee reaches age 59 ½ the employee would work part-time for their current employer and start to collect a portion of their pension benefits.

Employees would have to work at least 20% less than they do now, so someone who works a 40 hour week full time would have to work 32 hours or less under phased retirement.

If an employee has a traditional pension (one that their employer pays into but they do not), the employee would receive a partial pension benefit while they participate in phased retirement. For

example, an employee who reduces their hours by 30% would receive 30% of pension benefits for which they qualify while they are working in phased retirement.

When they fully retire, the employee would get a pension benefit based on their years of service, including benefits earned while working under phased retirement. The employee’s final pension benefit when they actually retire will probably be less than if they had not taken advantage of phased retirement

[Workers 50-65 or Workers 66+:]

Q 7 How interested would you be in participating in this type of phased retirement plan? (n=1552)

- Very interested (12%)
- Somewhat interested (26%)
- Not too interested (28%)
- Not at all interested (34%)

[Workers 50-65 or Workers 66+:]

Q 8 (For Group A & B) Would the availability of this type of phased retirement plan encourage you to work past the age you expect to retire? (n=1545)

	All Workers (n=1545)	All Workers Who Selected “Very / Somewhat Interested” in Q7 (n=587)
Yes	39%	78%
No	61%	22%

[Workers 50-65 or Workers 66+ AND Q7=Very/Somewhat Interested:]

Q8a. At what age would you be interested in starting phased retirement? (n=587)

Mean: 61

[Workers 50-65 or Workers 66+ AND Q7=Very/Somewhat Interested:]

Q8b. Would you be more likely to use phased retirement to: (n=587)

- (1) shorten the number of years you had planned to work full time (49%)
- or
- (2) lengthen the number of years you can stay in the work force because of phased retirement (51%)

[Retirees:]

Q 9 When you were still employed, how interested would you have been in participating in this type of phased retirement plan? (n=603)

Very interested (15%)
Somewhat interested (25%)
Not too interested (25%)
Not at all interested (36%)

[Retirees:]

Q 9b If such a phased retirement plan had been offered to you when you were employed, would it have prompted you to remain in the work force longer? (n=604)

Yes (33%)
No (67%)

[ALL]

Q 10 What do you think is the most attractive part of this phased retirement plan? (open-ended)
INCLUDE HYPERLINK BACK TO PLAN DESCRIPTION [DISPLAY SCREEN]

[ALL]

Q 11 What do you think is the least attractive part of this phased retirement plan? (open-ended)
INCLUDE HYPERLINK BACK TO PLAN DESCRIPTION [DISPLAY SCREEN]

[ALL]

Q11a. How important is the fact that employees working under a phased retirement plan continue to build their employer-provided pensions? (n=2145)

Very important (64%)
Somewhat important (23%)
Not too important (7%)
Not at all important (7%)

[ALL]

Q11a. Please tell us about which parts of the plan are vague or not clear to you. (open-ended)
INCLUDE HYPERLINK BACK TO PLAN DESCRIPTION [DISPLAY SCREEN]

[Workers 50-65 or Workers 66+:]

Q 12 If you were offered the chance to work under a phased retirement plan, how many fewer hours per week would you prefer to work? (n=1549)

Hours	All Workers (n=1545)	All Workers Who Selected “Very / Somewhat Interested” in Q7 (n=587)
8	11%	19%
10	11%	20%
12	5%	11%
14	2%	5%
16	21%	38%
Not interested in phased retirement	50%	7%

[Workers 50-65 or Workers 66+:]

Q 13 Because persons working under phased retirement receive some of their pension benefits, their final pension benefit when they actually retire will probably be less than if they had not taken advantage of phased retirement.

Does this make the phased retirement plan more attractive to you, less attractive to you or about the same to you? (n=1542)

More attractive (5%)
Less attractive (63%)
Same (32%)

Q 14 [Workers 50-65 or Workers 66+:]

If working under a phased retirement plan meant you would have to do different types of work for the same employer, would this make this phased retirement plan more attractive to you, less attractive to you or about the same to you? (n=1542)

More attractive (8%)
Less attractive (48%)
Same (45%)

[ALL]

Q15. Have you ever experienced what you consider to be age discrimination in hiring, promotions, or treatment by superiors or co-workers? (n=2152)

Yes (26%)
No (74%)