



## Worker characteristics, job characteristics, and opportunities for phased retirement

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### ABSTRACT

This paper uses a telephone survey of 950 employers to examine employer-side restrictions on phased retirement. The survey not only collected information on establishment level policies, but it also asked questions about a specific worker's opportunity for phased retirement. The paper uses these data to first establish that employers are selective when offering opportunities for phased retirement. It then examines what worker and job characteristics are particularly important in the selection process.

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Phased retirement is often seen as a way to encourage continued labor force participation by the baby boom generation.<sup>1</sup> The basic idea of phased (or gradual) retirement is that a worker remains with his or her employer while gradually reducing work hours and effort. Some argue that this could not only provide a more satisfying path to full retirement, but could also preserve specific human capital and thereby enhance productivity. In light of such potential benefits, it is rather surprising that phased retirement is so rare. Studies from the 1980s find that for a cohort of retirees, less than 10% took phased retirement; most retirements took the form of moving from full-time work to full-time withdrawal from the labor force.<sup>2</sup> More recent data provides no evidence of a substantive increase in such numbers.<sup>3</sup>

Since older employees often express an interest in phased retirement,<sup>4</sup> one explanation for its scarcity focuses on employers. Perhaps employers simply do not permit workers to take phased retirement. That explanation has now been questioned by at least two recent surveys of employers; [William M. Mercer, Inc. \(2001\)](#) and [Hutchens \(2003\)](#) find that while formal phased retirement policies are rare, most employers can and do negotiate hours reductions by older workers on an informal basis.

But perhaps such findings do not go far enough. When employers say that they would permit some form of informal phased retirement, perhaps what they are really saying is that phased retirement is an option for a select group of high performing hard-to-replace older employees. By this argument, since only a few workers fall into this select group, most older employees do not, in fact, have an opportunity for phased retirement. This paper uses unique data on older white collar workers to investigate whether, in fact, employers are selective in granting opportunities for phased retirement.

The data come from a representative sample of 950 establishments. Thanks to a grant from the Sloan Foundation, the University of Massachusetts Center for Survey Research conducted telephone interviews with employers on the topic of phased retirement by white collar workers. [Hutchens and Grace-Martin \(2006\)](#) use these data to analyze why establishments differ in their policies toward phased retirement. Although this paper uses the same survey, it exploits a different and unique set of questions on an individual worker. The paper's contribution to the literature lies in both describing a survey methodology for obtaining information on an individual worker from an employer, and in analyzing those data with multivariate methods. The results indicate what types of workers have especially good (or bad) opportunities for phased retirement.

The next section discusses the rationale for the survey, describes the survey questions that focus on phased retirement, and discusses theoretical explanations. [Section 2](#) presents the data, [Section 3](#) discusses missing data and multiple imputation, and [Section 4](#) analyzes the data using ordered probit models. The results indicate that employers are, in fact, selective in offering opportunities for

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<sup>1</sup> For example, [Committee for Economic Development \(1999\)](#) or [AARP \(2000\)](#).

<sup>2</sup> See [Quinn et al. \(1990\)](#), and [Ruhm \(1990\)](#).

<sup>3</sup> For example, [Chen \(2003\)](#) or [Cahill et al. \(2006\)](#).

<sup>4</sup> [United States General Accounting Office \(2001\)](#), p. 27.

phased retirement, and that employee characteristics—including age and performance—influence the likelihood of selection.

### 1. Selective opportunities for phased retirement

Much of the empirical literature on phased retirement is based on individual level data. The basic goal in this literature is to explain reduced hours (and in some cases earnings) by older workers in the context of a labor supply model, e.g., [Gustman and Steinmeier \(1983, 1984, 1985\)](#), [Reimers and Honig \(1989\)](#), [Ruhm \(1990\)](#), and [Quinn et al. \(1990\)](#). As such, the key explanatory variables are the individual's demographic characteristics, wage, and financial wealth (perhaps including pension and social security wealth). Such research leads naturally to a question about the role that employers play in the phased retirement decision. If employers restrict phased retirement opportunities, with some workers having better opportunities than others, then models estimated in individual level data may not reflect labor supply behavior. While that is not a new idea (see, for example, [Gustman and Steinmeier, 1983](#)), it highlights how little we know about opportunities for phased retirement. There is simply no information about whether or why employers are selective in permitting workers to take phased retirement. A survey of employers is a good way to learn about that.

As such, a telephone survey of 950 establishments was undertaken between June 2001 and November 2002. In order to obtain detailed information in a relatively brief interview, the survey focused on white collar workers.<sup>5</sup> The survey research firm first contacted a sample establishment and asked for the person who is best able to answer questions about flexible work schedules and employee benefits, for example a human resource manager or benefits manager. Although details of the survey are provided in [Section 2](#), it is useful at the outset to introduce two survey questions (labeled Q1 and Q2) that were used to assess opportunities for phased retirement.

First, after asking a series of question about the characteristics of the establishment and its human resource and pension policies, the interviewer posed the following question:

Q1. Think of a secure full-time white-collar employee who is age 55 or over. One day that person comes to you and says that at some point in the next few years he/she may want to shift to a part-time work schedule at this establishment. Could this person's request to shift to part-time employment be worked out in a way that would be acceptable to your establishment?

If the response was “yes” or “in some cases,” then additional questions were asked about the nature of this hours reduction and the conditions under which it could occur.

While this question about a generic white collar employee is useful in that it provides information on the employer's policy regarding phased retirement, it does not permit an assessment of whether phased retirement is used selectively for workers in specific types of jobs or for particularly productive workers. That issue was pursued by asking questions about an actual older worker. The interview proceeded as follows:

So far, we have been talking about general policies at your establishment. I'd now like to ask about more specific situations. In order to answer these questions, it is easiest to talk about an actual person who does an actual job in your establishment.

To begin with, I would like you to give me the first names of three [men/women] age 55 or over who are full-time white-collar employees in your establishment. If it would make you more comfortable, you can give me fictitious names, but please think of specific employees. You should know the work of these employees reasonably well. For example, they may be people you supervise. If possible, it would be best if these three employees have different job titles.

This question was randomized on gender. Roughly half of the employers were asked for three men, while the other half were asked for three women.<sup>6</sup>

Given the three first names, one name was chosen at random and the subsequent questions focused on characteristics of the selected worker, the nature of that worker's job, and the worker's opportunity for phased retirement.<sup>7</sup> Of course, if the employer had indicated that phased retirement was not permitted at the establishment, we obtained the other information but did not ask about the selected worker's opportunity for phased retirement. If, however, phased retirement was possible, we asked the following:

Q2. Earlier you indicated that it might be possible for a full-time employee age 55 or over to shift to a part-time work schedule.<sup>8</sup> On a scale from 1 to 5, where 1 means not at all likely and 5 means very likely, how likely is it that [fill person's first name] could shift into a part-time position?

This question provides a means to assess whether some employees have better opportunities for phased retirement than others.

Note that the question focuses on employer perceptions rather than the occurrence of actual phased retirements. That is in line with the goal of this paper, which is to examine opportunities for phased retirement. The occurrence of an actual phased retirement not only requires that an employer provide the opportunity, but also that an employee decide to seize that opportunity. By implication, data collected from employers is deficient for studying whether phased retirements actually occur; by their nature such data do not include information on the determinants of an employee's decision to seize the opportunity.<sup>9</sup>

[Table 1](#) presents summary statistics on Q1 and Q2 for the 950 surveyed establishments. According to the second column, 639 (67%) of the 950 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.

As indicated in the third column of [Table 1](#), information was obtained on a selected worker in most of these establishments, and employer responses to Q2 are reported in columns labeled “1” through “5” on the right side of the table. It is interesting to note how dispersed the answers are. Employers who said “yes” to phased retirement for a generic white collar worker (Q1) would often say “yes” to phased retirement for the selected worker. Thus, there are real workers who have a real opportunity for phased retirement. But that was not always the case. Some selected workers got a clear “no.” The policy is obviously not the same for all; the results in [Table 1](#) are thoroughly consistent with the hypothesis that employers are selective in granting opportunities for phased retirement.<sup>10</sup>

<sup>6</sup> Of course, if the respondent did not know of three older men (women) in the establishment, we accepted the other gender.

<sup>7</sup> The approach is similar to studies of a focal child in research on families. Why not two names? Since we could not draw true random pairs within the establishment (employers do not readily provide researchers with lists of employees), and since interviews with employers must be kept short, we sought in-depth information on one employee rather than a few questions on two.

<sup>8</sup> This simplifies matters to facilitate exposition. In reality we asked two questions: one regarding shifting to a part-time work schedule before official retirement and the other regarding a part-time work schedule after official retirement.

<sup>9</sup> For example, data collected from establishments are unlikely to include accurate information on employee wealth or living arrangements. A study of when phased retirements actually occur would ideally utilize linked employer-employee data.

<sup>10</sup> A recent EBRI survey (noted by a referee) reinforces that conclusion. The survey found that 61% of older workers would have responded positively to an employer request to delay retirement (EBRI Issue Brief No. 319). That is consistent with employers selectively controlling opportunities for delayed retirement.

<sup>5</sup> Blue collar and white collar workers often have different work arrangements and pensions. A thorough treatment of both blue and white collar workers would have required a longer survey and resulted in lower response rates.

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