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Session 9PD
Changing Patterns of Retirement Seminar: The Impact of Economic Conditions on Retirement

Track: Pension

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Summary: Why do employees retire when they do? What is the impact of conditions in the local and national economy on a person's decision to retire? How does offering retirement incentives impact these decisions? Included in this session are answers to these questions along with discussion of the current trends in retirement decision making.

MR. JOHN F. KALNBERG: We're talking about the general concepts of why people are in the plans that a lot of the pension actuaries are worried about. Speaking today is Bob Clark who's a professor of business management and economics at North Carolina State University. Bob has conducted research in the economics of the retirement decision and conversions between defined benefit (DB) and defined contribution (DC) plans and cash-balance (CB) plans. He's a Fellow of the Employee Benefits Research Institute and a member of the American Economic Association, the Gerontological Society of America, and the National Academy of Sciences. The other speaker today is Anna Rappaport who's a past-president of the Society, and well-known in actuarial circles. She's a principal at William Mercer in Chicago, and she has very special interests related to retirees and has done a lot of work on the economic impact of woman retirees.

DR. ROBERT L. CLARK: My part of the program is to provide a general overview of retirement trends, the factors determining those trends, and the special role that employer retirement policies play in retirement decisions. Then I will talk a little bit about retirement trends and the development of employer pension plans and other retirement policies in the 21st century.

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Note: The chart(s) referred to in the text can be found at the end of the manuscript.

As we think about retirement in general from an economic or social science standpoint, we ask, "What is it that determines when people retire?" Of course this is an important decision for any individual thinking about his or her own life cycle, and it's also important for companies. From an individual standpoint, you think about when is it that you want to retire? And, of course, that's based on a variety of issues. Some clearly are social. Some are health related. And some are economic in relationship. What we really think about is individuals trying to enhance or increase their total lifetime welfare. What decisions can you make that will make you better off in your lifetime? We know that things are rarely free. If you want to retire earlier, you're likely to have to save more—that is, consume less—during the early part of your years. You obviously understand the compounding interest rates and life expectancy and all of those other good things that make it work.

Choices are something that we in economics and in social sciences are considering when we think about retirement. But in addition to the economic factors, we also find things like the individual health, the health of spouse and the conditions of the family, parents and children to be important. A significant issue has always been the presence of children in the home and how you're treating them and building up their estates and bequests. But more recently there have been a lot of issues dealing with aging parents as more and more of us have our parents surviving even as we're getting ready for retirement, and what does that imply in terms of income needs in retirement?

Also, when we think about retirement we think about the transition from work to leisure or non-work. Of course, this is an important aspect for many of us. Anna tells me that actuaries love their work so much that they think it is their retirement already. But many people think of work as work, and so they would like to end that work at some point and enjoy more leisure. And the lifestyle that you want to enjoy in your retirement depends on how much money you have, to a great extent.

We think about the economic factors determining retirement. One is clearly the annual compensation, that is, what is your company paying you to continue to work? In general, the greater the gain from continuing to work, the more likely you are to continue to work. In addition, the whole area of household wealth, that would be assets that individuals have that they can convert into income if they stop working, and that would include all the liquid forms of wealth: stocks, bonds, and savings accounts. It would also include the value of your pension, the value of Social Security, and the value of your house. In general, one of the predictions of economic research would be that the bigger your income, the more wealth that you have, the more likely you are to choose less work or to retire earlier.

Pension coverage. The fact that you have pension income increases your lifetime wealth obviously, and that's going to influence your retirement decision, but also the incentives that are embedded into particular types of retirement plans play a major role. And I'm sure many of you are aware of the incentives that encourage people to retire at particular ages associated with DB plans and the fact that other types of plans like CB and DC plans particularly do not have those same age-specific incentives in them. One of the things that we'll be talking about later on is the transition that's occurring in the pension sector away from traditional DB plans toward these other types of plans that don't have age-specific incentives and the impact of that on retirement trends.

One factor that comes up over and over again when you look at individual data and you think about individual retirement decisions is health insurance and the fact that people either have it or they don't have it. If you think about the labor force, in the U.S., most of us have our health insurance coverage through our employer. Many of you may be part of that determination and the cost of that, but it means that individuals contemplating retirement have to think, what will their health insurance be like if they are not employed? And clearly one could pay $3,000-5,000 a year for health insurance in his or her 50s and 60s, and if there is a spouse, you could be talking about a significant amount of expense.

The total value of working would include not only your cash compensation but also your gain and your pension wealth if you keep working and the value of your health insurance and anything else that goes with work. When you compare that with retirement, the question is, how much income will you have from your pension and other non-work sources, and also do you have additional health insurance in retirement?

Clearly if you're over 65, you've got Medicare. That reduces the cost that you would have to pay. If you're less than 65, however, purchasing health insurance on the open market can become a very interesting activity for many people, making the issue of retiree health insurance provided by the employer a central issue. And, of course, that's an employee benefit that has been in somewhat of a decline over the last decade or so for a variety of reasons that we probably won't spend too much time on today. The cost of retiree health insurance has certainly altered employer decisions about offering it, and the coverage of retiree health insurance has gone down over time.

From a company standpoint, managers are also interested in retirement decisions. One of the things that I do in my research is talk about the aging of organizations as well as the aging of individuals. Companies are not only interested in the number of people that they have, but the age structure of the people that they're employing. And if you imagine, you could have a company that's got the optimal size of the labor force, but they're interested in a different mix of the labor force. You can just believe the fact that older workers are different from younger workers. So if you imagine a company that has a stable demand for their product year after year, they can evolve into an organization that would have an optimal size of its labor force, as well as the optimal age structure of its labor force, and they would set up policies, both human resource policies and retirement policies, that would help them achieve that optimal age structure. You look at turnover rates. You look at retirement rates. You put pension plans in place that encourage people to retire at the right age from the company's standpoint, but you have to worry about attracting, retaining and then orderly retiring workers, and you set up your human resource policies to achieve that.

Now, if that same organization is shocked and has a change in the demand for their product, suppose it's a 20% decline in the demand for their product, they've got too big of a labor force, and now they try to reduce it. There are lots of ways that you can reduce your labor force, but each of the ways that you might try to achieve that would have a different impact on the age structure of your labor force. Obviously human resources policies change with economic conditions. Ten years ago you were probably working for a company that was asking its human resources consultants to help it encourage older workers to leave. Today many of those same companies, or at least up until the last three months, many of those same companies were actively trying to find policies to keep those older workers on because they couldn't hire new workers if those workers left. And, of course, another thing that just drives managers crazy is when people look at their retirement benefit package, they choose early retirement, and then they go to work for a competitor. You are actually paying people to work for your competitor, which is another reason why companies are reviewing their overall retirement packages.

The next thing we want to look at is trends in labor force participation of older workers. If you've been around a while and looking at the color of people's hair, you would have thought 10-20 years ago there was all this concern about the continuing trend toward early retirement. One of the things about that is that it was always men. It wasn't women. It was a male trend.

If you looked at this throughout the entire 20th century, you had a decline in the labor force participation rates of older men. Even in the relatively recent past, in 1950, one out of every two men 65 and over was in the labor force. By 1985, one-third of a century later, that was down to one out of every six. There has been a major decline in labor force participation rates of older men.

Since 1985, however, there's been a little bit of a change, and that really has ended, and the labor force participation rates have basically been the same for the last 15 years. And so we had a continuing decline. Longer ago than I care to think about, I wrote a book called *Will the Trend Toward Early Retirement Continue?* It was about 1980 when I wrote that book. It turned out that I discussed a lot of reasons why it might not and looked at the various issues. The data weren't in then, but for the next 15 years it basically ended.

The question is, of course, why, and will we continue to have these more or less stable labor force participation rates? You'll see that this is, in fact, a major change over the previous years but also really a male phenomena.

I'm presenting graphs now based on some work by an economist at Boston College by the name of Joe Quinn, a good friend of mine. He and I have done some work in the past. One of the things he's been doing is tracking the labor force participation rates of men and women and seeing what's happened in the last 15 years, (Chart 1) so this is not necessarily a causal relationship. It's a plotting of data. The black diamonds are the actual data, and the unfilled-in circles or blocks are the fitted data, just the time trend based on the data prior to 1960. Between 1964 and 1985, the question is, what would have happened if the trend had continued? And so you see that for men 55-59 back as recently as 1964, over

90% were in the labor force. By 1985 that had dropped down to about 80%. And if that same trend had continued, we'd be down to about 70% now, but in point of fact, it's still at about 80%. For men on the verge of retirement you can see that the labor force participation rates stop going down and have basically stabilized over the last 15 years.

FROM THE FLOOR: These are data for men in the labor force?

DR. CLARK: Yes. These are economic data. The labor force participation rates, for those of you that don't follow government statistics and how we account for things, we do monthly surveys, and the government reports numbers on a variety of things. The number that you're probably most familiar with is the unemployment rate. And so they survey people, and ask them, "Are you working?" If your answer is yes, you are both employed and in the labor force. If your answer to that is no, they then ask you, "Are you looking for work?" If your answer to that is yes, you're in the labor force and unemployed. If your answer to that is no, then you're not in the labor force. To be in the labor force you have to be either working or looking for work, and then the unemployment rate is the number of people unemployed divided by the number of people that are employed plus those that are unemployed, or those that are in the labor force. And those are the numbers that we're looking at here.

It's the same numbers for men age 60-64 (Chart 2), and you see again a very pronounced decline over the first two decades of this period and then an essential leveling off after that. Men 65-69 (Chart 3) not only are leveling off, but there is an actual increase in the labor force participation rate. For these men and even those at age 70, (Chart 4) there is a decline, these numbers are much lower, but, again, there is a slight increase. Actually for the very oldest men, those 65 and over and 70 and over, there's actually been a slight increase in labor force participation in the last 15 years, after almost 100 years of decline. There has been a major change in the proportion of men in the labor force.

For women, the numbers are much lower in the past. If you looked at two major events up through 1985 that were going on in the U.S. labor market, one was the long-term decline in older men's participation rate, and the other was the dramatic increase of female participation rates of all ages. They started being much lower, and, of course, that meant that there's a lag before you get to the increase in the participation rates of the older women. And so, what you see here (Chart 5) is that prior to 1985 there was not a decline in the participation rate. It was fairly level, and what that was showing was each succeeding cohort (the women entering into the upper ages) had a greater history of working than their mothers did. And since 1985 that clearly has been going up. For women 60-64, (Chart 6) it's the same thing—basically stable before that time and then an increase: 65-69, (Chart 7) and then even those age 70 and over (Chart 8).

If we look at labor force participation rates, and what's been going on in the world over the last 15 years, what you observe is this long-term change for men—decline, decline, decline, leveling—maybe even a slight increase in men in the labor force. Now, this is a controversial issue about whether or not this is a long-term trend or simply an aberration. One of the things that we know is, at least for the last decade, we've had pretty good economic times. If you observe what companies were doing in the economy, instead of encouraging older workers to leave, many of those same companies, as I mentioned earlier, were encouraging older workers to stay. The fact that companies were not pushing and, in fact, maybe even pulling to some extent changed the tenor of job opportunities for older workers in the labor force.

MS. ANNA M. RAPPAPORT: Bob, I have a question for you. To what extent do you think the increase in labor force participation reflects growth in bridge jobs where people are working in other places?

DR. CLARK: The issue of employment opportunities is not only with your long-term company, your career job, but the term bridge job is a term that's crept into the economic and social science literature, meaning a job between your career job and your retirement. It used to be that we thought people worked full time for most of their lives, and this is a male phenomena that we think about careers, right? You worked most of your time in the labor force full time, and then you retired full time. Now, women obviously had a much different pattern over their life, in and out, and so they had a lot of different jobs in many cases, and tenure for women was much different than tenure for men, if you look at the statistics. All that's changing to a considerable degree now.

But now a lot of people don't just go from full-time work on a career job to complete retirement. Instead, they phase out, and they phase out in a variety of ways. They may go from full time on a career job to full time on another job, to part time on another job to full-time retirement, or they may go from full time on a career job to part time on a bridge job, and there are some reasons for that. The incidence of the use of these bridge jobs seems to have been increasing, and for those of you that are into the policy debate on phased retirement now, you know that there's a lot of interest in what's going on and the impediments to companies offering reduced hours of work for people on their current career jobs. I've got some numbers that we're going to talk about in just a minute.

More use of bridge jobs or phased retirement—Anna always anticipates what I'm about to say. A long-term increase in female labor force participation has pushed their rates up, and increased coverage of pensions with individual accounts that don't have these magic ages, that encourage retirement at particular ages, and in many cases it's relatively young ages. If you understand the accrual rates of DB plans, you know that at early retirement there's a big signal to leave, and you can set that at whatever age you like. I suspect that many managers ask either an HR consultant or maybe even actuaries, "How can we provide the biggest incentive for people to leave at particular ages? Here's the age that we'd like them to leave," and you can set up your pension plan that way. That has been changing as people have moved from one type of pension plan to another.

Watson Wyatt Worldwide did a study that shows a survey on phased retirement, and what you see is that the educational sector is an industry that is experimenting with phased retirement to a greater extent than many of the other sectors of the economy, and there are some reasons for that.

One is that this is a big public sector industry, so people aren't necessarily covered by all the rules of ERISA which allows some differences there. But what you observe is that there is a lot of interest in phased retirement, and there are some specific impediments that you probably know about in ERISA about in-service distributions and also the linkage to DB plans, about what happens to your average salary if you cut down on hours. There are some impediments there. The question is, can you get around those impediments or is this one of those things that's forcing workers to go to bridge jobs if they want to continue in the labor force but still take advantage of their pension income?

This is from a survey by the American Association of University Professors on the educational sector (Table 1). The categories here are different types of educational institutions, and doctoral institutions are, of course, institutions that award doctor's degrees. Master's institutions are those that award master's degrees but not doctor's degrees, and baccalaureate institutions are those that award only bachelor's degrees. And what you can see, out of the various areas, is that roughly one-third of all institutions of higher education are currently offering formal phased retirement programs. Three years ago my own university system introduced a phased retirement plan that essentially allows all tenured faculty members the option of going into phased retirement provided they're at least 50 years of age with 20 years of service or 60 years of age with five years of service, almost entirely at faculty choice. There are some safeguards to the university, but basically it's the worker benefit that allows people to choose phased retirement, and it's very specific. It's half-time work for half-time pay for a fixed period of time, generally three years.

Table 1

PERCENTAGE OF INSTITUTIONS WITH PHASED RETIREMENT PLANS

Category	Private	Public	Total
Doctoral	50	31	35
Masters	33	23	29
Baccalaureate	31	24	29

That's a characteristic that you see in many phased retirement programs — the opportunity for people to reduce hours at a prorated reduction in their salary. The company subsidizes phased retirement because it wants to actively encourage it, and some educational institutions do that because of the issue of tenure, and no-mandatory-retirement institutions are trying to balance their age structure of their faculty as well. But really this phased retirement is a very new area. It's very much a win-win situation for both the faculty and the university. It allows the university to do some optimal planning, and it's at workers' choice, so workers have the option of doing it. I've done a number of papers on phased retirement. If you're interested in that, I could provide you with some data on that as well.

Phased retirement is one thing that's going on. Another in the pension area is the movement away from traditional DB plans toward DC plans and also toward hybrid plans or CB plans. Here's a table that Syl Schieber and I have put together in a series of papers on comparing the trend toward CB plans over the last decade and a half (Table 2). He and I have written a number of papers over the last year or so.

Table 2

FEATURES OF ALTERNATIVE PLAN TYPES

Plan Feature	DB Plan	DC Plan	Hybrid	Tendency
Employer contributes	Always	Sometimes	Always	DB
Employee contributes	Rarely	Generally	Rarely	DB
Participation	Automatic	EE choice	Automatic	DB
Contribution Level	Automatic	EE choice	Automatic	DB
PBGC insurance	Always	No need	Always	DB
Early departure penalty	Yes	No	No	DC
Benefits easily portable	No	Yes	Yes	DC
Annual communication	Benefit at retirement	Current balance	Current balance	DC
Retirement incentives	Generally	Neutral	Most neutral	DC
Accrual of benefits	Back loaded	Level	Varies	Mixed
Financial market risks	Employer bears	EE bears	Shared	Mixed
Longevity insurance	Generally	Generally no	Not often taken	Mixed

This describes the basic characteristics. As you look down the table, you know the difference between DB and DC plans. But the key from our discussion today deals with how these different types of plans affect the retirement decision, and that is the lack of these age-specific retirement incentives in both the DC plan and the hybrid plan. If you're not familiar with the national statistics, basically, ever since the mid-1970s there's been a dramatic movement toward DC plans, away from DB plans, especially among small employers, just big changes. In the last decade the movement toward hybrid plans has been increasing. That's been primarily a big company change, and all of this has been a movement away from the traditional DB plan.

Of the people covered by pension plans, in 1979, 83% of the people indicated that they had a primary DB plan. By 1996, it was a little bit less than half with the sum of all DC plans, and this is just splitting out the general DCs from the 401(k)s. It's now more than 50% for the DC plans, and less than 50% for the DB plan, a big change.

And then there's the growth of the hybrid plans. I'm sure you're familiar with this. This is basically a large company phenomena. One of the things that Syl Schieber and I have been doing is looking at the reasons for these changes and their impact on retirement decisions. This (Chart 9) is an illustration of what the accrual rates for a traditional DB plan labeled "Prior Plan," with the line showing the value of the benefit plan at particular ages and the big increase that happens with early retirement (we refer to this as the early retirement subsidy) and then how that's reduced relative to the fact that if the person keeps working through the early retirement ages, you eventually get back to where there would be no early retirement program at all. And one of the things that we've done in a number of papers is look at instituting a CB plan. The same thing would be true if you talked about a DC plan, that, in general, young workers are better off under these plans. Mobile workers are better off. They leave the company prior to the early retirement age. And then we compare the switch from the traditional plan to the CB plan versus keeping the traditional plan and going to a no-early-retirement subsidy, which is what you could do.

If you wanted to eliminate your early retirement subsidy but keep your existing plan, you could do that. You could just eliminate the early retirement subsidy. I'm not sure we've found any companies that have actually done that.

Pensions in the 21st century will clearly be dominated by these plans with individual accounts, both CB and other forms of innovative, new plans, but also traditional DC plans. They will be much more age-neutral, and you may be thinking, “Is that trend that we've observed over the last 15 years leveling off? Are they increasing? Are participation rates going to continue?” As long as we're continuing to move away from plans that have these early retirement incentives and toward those that don't, I would expect that to continue.

What we haven't seen yet is the impact of a slowing economy. We're getting some indications of a slowing economy now. The question is, as we don't have so much pressure on employers to seek out and retain their older workers, will we then go back to the more difficult times that older workers were having in finding and retaining jobs? Will companies go back to encouraging some older workers to leave the labor force? As I said, this has been a debate in the economics literature, and Joe Quinn has been part of that. Dora Costa, a professor at MIT, has been arguing on the other side. Joe Quinn seems to think that no further decline is likely to continue. Dora Costa takes a 200-year perspective and argues, maybe this has just been a temporary blip, and we'll go back the other way.

That's the debate of what's going on, and I'm not going to give you the final answer today, other than say that we ought to be looking at what's going to happen over the next year or so and see if we do observe companies changing their retirement policies back, if we do observe older workers now beginning to leave the labor force again. It's clearly an open question about what the longer term will be, but I think there are a lot of signals now that people are adjusting both their plans and companies are obviously adjusting their retirement programs and policies and retirement plans to retain older workers into the future. I would look personally for older workers who continue to stay in the labor force at about the rates that they are now and not look for a major decline in participation rates in the future.

MS. RAPPAPORT: We're going to talk about some of the background issues from my perspective as an employee benefit consultant, and then discuss some of the implications for the workplace. I'm going to share with you results of a survey on phased retirement that I was involved in that was done by Mercer. Then I want to talk with you about some plan design issues, getting down to the question, "How does this impact on pension plans?"

Let's start with the issues. One of them is: what are some of the incentives from the point of view of employer and employee? And that ties into the economic issues that Bob talked about, the war for talent, what's been going on with demography, and a little bit on changing retirement plans and the rise of bridge jobs.

From an employee point of view, as Bob mentioned, they want to get the best economic results, and their decisions are driven by economic resources, but they are also driven by some of the other issues he raised such as health and family needs and wanting to stay involved. I'd like to point out some opinion data on this topic so that if you want to speak from that point of view rather than the theory you want to look at, what do people say about this? The retirement confidence surveys done by Employee Benefit Research Institute (EBRI) go into this every year. From an employer's point of view, they're thinking about the talent needs and linked to specific skills and number of people.

I happen to be of the school that thinks that, in fact, people are going to leave the labor force later, but I'm not really convinced that it's necessarily going to be from the same employer in many cases. I think we're going to continue to see a lot of bridge jobs or people becoming contractors for those employers so that they show up as bridge jobs, but then they're doing more project work for them.

Employers are concerned about employees and, increasingly, the cost of different types of workers. I think that today employers are generally very aware of differences in, for example, health care cost by age; whereas I think if you went back 15 or 20 years ago, they weren't particularly aware. Their perceptions drive actions, and many of them have a lot of notions and ideas about workers in different groups. Decisions in employment are also often made locally, and in some of the work I did in surveying employers they say, "Well, you know, this is our company's policy." But the people in the field, they do what they need to do to get their work done, and, of course, benefits are very much provided incentives embedded into them.

If we think about the issues of attraction, retention and the war for talent, the war for talent is actually with us. This data is actually from a survey we did two years ago where we asked multinationals about their major priorities with regard to workforce issues. Controlling cost was the first one, and that would still clearly be the first among many. Over 90% said controlling the level of cost, but attracting new talent was second.

There are many different kinds of organizations that have high skill needs and are trying very hard to attract talent, and, in fact, the same organizations that may be doing layoffs are still working very hard to attract talent. It's still a big priority. It's just that they have a mismatch between the people they have and the skills they need today. That continues to be a high profile issue, even though the labor market certainly is not as crazy as it was a year ago, but unemployment rates are still at a relatively low level. Those were our top two issues, and we've had a big change in the way employers also look in terms of valuing people and retention.

Our next issue, generally a background issue, is population aging, and we're seeing significantly longer life expectancies. We'll see more frail elderly, and relatively low savings rates at the same time, but we need to be careful and think about how savings rates are measured because personal assets have grown. Elderly couples are better off than individuals, and more older men and women are working. We need to be thinking about this background on population aging. Individual decisions are, in fact, driven by family resources and family need. Ask those people who continue working, why they would want to do that. What are the reasons that people are continuing to work after retirement? We have two sets of reasons. People say, "I enjoy working and want to stay involved. It's about doing what I want to do." The second reason is to try a different career. That's about doing what I want to do. And all of the middle ones are about money. And that's interesting, that we have those two things about what people want to do and not money. I've heard Joe Quinn talk about the fact that you see a lot of work at later ages among the high end of the economic schedule, which is what I want to do and a lot at the lower end, which is about money.

We have some data here on bridge jobs; (Chart 10) and Bob talked a little bit about bridge jobs. This is from another study that I'd like to just cite as a very important source of data that I'd like to recommend to you. This is data based on the health and retirement study, and this is actually from Joe Quinn's work. I believe it's the same work that Bob was citing, but I'd like to point out to people that it's a study of long-term people's retirement behavior, and it's a good source of data.

Here we have men still working after retirement. Twenty-three percent are in a bridge job. These are people age 55-65 who left their career job. That's 11% of the total. If you add up the current job and last job held, that adds to 100, but the total of those to 34%, last job or current job was a bridge job, and that 41% can still go into a bridge job. I'm betting on half for bridge jobs. For women we're already at the half for bridge jobs.

I point this out because retirement behavior is going to look very different if you look at it from the perspective of your client who is one employer, versus looking at it from more of a social perspective. That's particularly true where you have plans that really encourage people to retire early.

I have some anecdotal evidence about what these bridge jobs look like. Some of these are people I interviewed. The first one is a retired training executive consulting for his former employer, and I interviewed this man. He also has some outside clients, but mostly he works for his former employer. He says, "I'm having a great time. I can do the projects that I want to do, and I can refuse the ones I don't want to do. I can work as much as I want." And I think we all know people that are in that situation.

The second one I believe is quite typical of the sales forces of America, and I interviewed this person, too. This is a retired sales representative. He had a major representation for many years. He had a profit-sharing plan, and then over the years, what happened? He was in the box business. He had customers that needed boxes that were a little different than the main company made, but they were good clients, so he gradually developed other relationships, and he had a side business. In his early 60s he retired from the main business, built up his side business, kept it 10 more years, and then sold it with a one-year transition business. By age 73 he was fully retired.

I think if you go to the life insurance industry, for example, which I used to be associated with, you find this very typical. I think you find lots of people there. This third example is a retired building contractor doing appraisals on a part-time basis. There's something very common about all of those anecdotes, and this is not true about all bridge jobs, but many. These people were all using the skills that they had used in their long-term career employment for their bridge job, and, of course, there are other bridge jobs where that's not true at all.

What about incentives and bridge jobs? Are we driving people into bridge jobs? Early retirement windows and subsidies make early retirement really attractive. I did some work once with the teachers. Teachers in one of the states got full benefits after 55 or 30 years of service, and they were out of there. We were talking about pilots who, as they retire from being pilots, become financial planners for other pilots. They build up a clientele of pilots. It was exactly the same thing with these teachers. A lot of them would go to work as financial planners, and their clientele would be teachers, or they'd do other things. People can get a better economic result by retiring and getting a new job. They also might get a better schedule. And bridge jobs frequently do give people flexibility in schedule and work, and they also might give some employers flexibility as well.

Now, these changes in retirement, are they primarily structural or are they cyclical? Joe Quinn said that he thought about two-thirds were structural and one-third cyclical. Now, I don't know. Bob, do you subscribe to that?

DR. CLARK: I hadn't thought about a particular ratio, but I think a lot of the changes are structural, a little bit cyclical.

MS. RAPPAPORT: Bob agrees there is a lot of structural change, and some of the structural changes included the Social Security system being more age-neutral. I'm also very curious to see the graphs that you all looked at a few minutes ago for the 65-69 age group. That really doesn't cover the period when the Social Security earnings test changed, and I'm predicting there's going to be a big hop-up in that graph because of the removal of the Social Security earnings test over age 65, the end of mandatory retirement being a signal, DC and CB plans being more age-neutral, which Bob mentioned. And there's a paper from someone in California, who I think is from UC Berkeley, that actually said retirement ages are two years later for people in DC and CB plans, and fewer physically demanding jobs. The cyclical things are all related to the economy.

We can think about all this from both the employer's and the employee's perspective. I can retire and get a bridge job, usually not at the career company. Some people try self-employment or part-time work, but some of that self-employment, how much I don't know, while it's self-employment, it's really doing projects for people that you knew from prior contacts. For employers, they're decreasing the early retirement subsidies in DB plans, and I think that's part of what they're going to talk about tomorrow in terms of the shift to CB.

We see the shift to DC and CB plans, flexibility, and individual work arrangements, not just for people who are nearing retirement age but in general as part of a move to be more family-friendly. Bob cited some data on phased retirement programs. Our study showed relatively few formal phased retirement programs, but a lot of things that you could say were really like phased retirement programs and that they supported phased retirement. The American Association of Retired Persons (AARP) study showed the same thing. We're seeing a lot of action in rehiring retirees.

I'm going to go on to some workplace issues now. Before I get to the Mercer study I want to share with you a quote from Wally Mayer of Daimler Chrysler, because he's talking about a different perspective on working with an aging workforce from a big picture issue, and it's not just an issue of retirement. Wally says, "Let me first discuss the major challenges that my company's confronting as we face the reality of an older workforce. First, it's become very clear there's a priority in designing jobs in a way to reduce the risk of injury. It's been established in our industry that standardized work practices are critical to injury prevention.

Second is training. You can have all the standardized work practices in the world, but unless workers are adequately trained to perform the job as designed, you're not going to avoid the risk of injury. Third, you have to have adequate supervision." And then he goes on to talk about wellness and healthy lifestyle.

I point this out because I think the aging workforce issues are a big picture, and I also think it's very important not to think about this as a pension plan problem. In my opinion, if you think about this as a pension plan problem, you've missed three-quarters of the boat because it's much more of an issue of building the right job design and arrangement, and then figuring out how to make the money work.

Mercer's survey results talk about the goals for employing older workers, programs that help people phase out, rehiring retiree practices, and retirement benefits. Our survey results for goals. More than half the people didn't have any specific goals. Thirty percent wanted to target people with special expertise or key relationships. Sixteen percent said they wanted to encourage all older workers to stay on. Only

10% said they wanted to enable early retirement. My prediction would have been that if we went back 10 or 15 years ago, that would have been a big number. Seven percent said they wanted to target other companies' early retirees.

Interesting story here—I interviewed somebody from a large not-for-profit with thousands of employees. They say half their people were basically other companies' retirees. They didn't pay as much, but people were devoted to the mission, and that was a great source of people for them. I mean that was a targeted thing. We also found a home-health agency that seemed to be very focused on targeting retirees, which would make sense. They probably didn't have the benefits that a hospital system would have, but they need the same kind of workers and can offer them more work flexibility.

Programs for phasing out. Nearly 25% had programs to help people phase out before they reached retirement, and these are the same programs that they used. Most of these were not specifically for phasing out. They were programs that essentially involved different kinds of work schedules, temporary part-time work, consulting work, and special assignments. Special assignments included mentoring younger employees and transitioning responsibilities, research and development projects, and conducting training programs. Two-thirds of them have been mentoring, of the people that had special assignments, which was about 15% of our respondents.

Of the 60% of respondents that had a rehire policy, 63% took people as part time or temporary people and 61% as contractors or consultants. Some would allow people to come back full time after a wait, and here there was concern about the pension laws, and if we had changes in the pension laws, more people would do that for sure. Fifteen percent had retiree pools, which I think is actually a very interesting idea. The Travelers has had a retiree pool that's been well known for 20-some years.

FROM THE FLOOR: Anna, can you explain what a retiree pool means?

MS. RAPPAPORT: I'll tell you about the retiree pool. I interviewed somebody from a university who said they have a retiree pool. They have about 50 people in their pool, and basically when somebody retires they say, "Would you like to come back to work if we have a project or we need a temporary person?" And they have a list, and if something comes along for which they need a project they go to the list, and they use those people as temps. The Travelers' program, I didn't interview the people, but from what I understand from the literature, they actually not only allow their retirees in, but they allow others in as well. But if they need temporary employees, and that would probably be a much bigger group, instead of going to a commercial agency, they have an internal agency, and they have a list of people willing to work as temps.

The people I interviewed said, just like my top three bridge job people also, that most of the time people were getting placed in these temporary pools in a job that builds on their prior skill. They weren't placed in their old job, but it was something that used the skills they had.

The academic world, as Bob pointed out, is entirely different. They have many more programs than some of the programs we're looking at. I also think they're different because they have tenure, and the whole employment arrangement is really different, and we were focused away from that in our survey.

The AARP and EBRI found one formal phased retirement program out of 65 companies, but they surveyed 65 of 100 companies cited by *Working Mother* as best for working mothers, and they found out that 40 of them hire back retirees. Twenty offer part-time work or flexible schedules. Only one said they had a formal phased retirement program. Well, my answer is, "Hey, these people are doing stuff to facilitate phased retirement."

If you said to them, "Do you have phased retirement?" That would be the wrong question in that they'd say, "No." But are you doing stuff to facilitate phased retirement? "Yes," which has led me to believe that it's a very tricky question to find out who's doing what, and you have to be careful. But also there's much more action on hiring back retirees because of the way the benefits are structured.

We asked people about suspending benefits, and half of our respondents said they suspend benefits both before and after normal retirement age. Twenty-one percent said they pay lump sums. I said I don't care whether they say if they suspend or not because the money's gone. Let's consider them a different category. And 19% said they didn't for those who come back after normal retirement age.

What can employers do? If you're going to think about this, don't start with thinking, "How do I fix the pension plan?" I think the right place to start is to find out, from my business point of view, "What people do I need here? Are a lot of these people near retirement age?" Last night I talked to someone with thousands of employees who said, "In three years, half of my workforce is going to have an average age of 50." Think about that. Average age of 50 in three years from now. There is an average age in the mid-40s now. And this is not so uncommon in utilities.

Find out what the issues are. Also, find out who the people are who are near retirement age, and that you might be vulnerable. How do they contribute to the organization? If you happen to be running a research lab, and it's the key scientist, you might have a big problem. We interviewed people from a drug organization where seven of their key scientists are close to walking out the door. They're in big trouble.

Find out what the situation is, develop goals, and in thinking about a program, I think it's more important to start with a job and the assignment. Figure out what works for the people. You have to figure out something that works for the company and the employees, do appropriate training, and then get the the benefit and compensation structures, and you need a supportive corporate culture. We all know situations where a company develops a great program, and they tried to put it in, and what happens? The people in the field, they didn't support it, and it didn't work.

We're going to move on to plan design issues. First, set policy for plan design. What are some of the observations we've got about this? What about alternative work schedules? Lump sums? And paying benefits when people work? These are some of the plan design issues. The questions to setting policy for plan design include: Should retirement plans be age-neutral? Should the plans be a vehicle to encourage specific behaviors? Should we encourage early retirement or late retirement? Should we facilitate work schedule flexibility before retirement? Should we encourage it? Should we view retirement plans as a workforce management tool? For many years that's what they've been. Now, is that important? And it'll vary depending on who our organization is.

Some observations. Traditional plans promote retirement at specific times. Final average pay plans are incompatible with alternative work schedules and gradual phase-out. The prohibition on partial payment if the work schedule is reduced before normal retirement age. That is, in the private sector with ERISA plans we can't tell people you can collect your pension. You can work half time, get half your pay and get half your pension under ERISA plans, before normal retirement age. There's been some effort to get laws changed. No problem to retire, collect benefits, but most academic plans are DC plans where essentially people can collect their benefits.

DR. CLARK: That's not exactly correct in the sense that many public plans are part of state retirement systems. Public universities either require only the public plans or they give people the choice. The private institutions are almost exclusively DC plans.

MS. RAPPAPORT: Okay. The public plans that are part of the state systems are still not subject to ERISA?

DR. CLARK: Correct.

MS. RAPPAPORT: Yes. Universities have a whole different deal. Final average pay plans, we mentioned that. It's no problem to retire, collect your benefits, and work someplace else, and that's the critical thing, and people like the idea of collecting their benefits and working. You know, it's more money.

For alternative work schedules some of the things to think about are, how is the job structured? How are you going to pay people? And what about benefits after we leave with alternative work schedules? Can saved assets be used to supplement pay during the period of reduced work schedule? And point out that while you can't do in-service distributions from the DB plan, you could certainly do them after age 59.5 from a DC plan. And how alternative work is going to affect the ultimate retirement benefit, that's important.

We see many more benefits in the U.S. payable as lump sums. Some people retire, take the lump sum, and they go to a job some place else. Some people retire, take the lump sum, and even get rehired in the same place. And there are questions about also handling, from the individual's point of view, the risks of the post-retirement period, which is not our subject for today, but it's a big concern of mine.

We see a lot more participation in DC plans. Bob cited a set of data. This is from a different study. This is from Jac VanderHein and EBRI, and he says that in 1997, for 44% of the people in this database, their primary plan was a DC plan. I believe this is a study based on the Investment Company Institute (ICI) database. Are lump sums good? Are they bad? Yes, they're good in some ways, and they're bad in some ways. Some of the benefits—they allow people to control their assets and have flexibility in planning, but the assets are available for their heirs. Some of the threats are that money will be spent for non-retirement purposes, and there's quite a bit of documentation that that's a real problem.

A big issue is that the retiree and his or her spouse may outlive their assets, something that we fear is not on the radar screen of a lot of people. That's far away. And another concern is that some retirees are sort of unwilling to use their assets.

What about payment of benefits when people are working? If people want to work after normal retirement age, should we start the benefits at normal retirement age anyway? That is, if you want to work beyond normal retirement age, should the plan pay benefits? It could pay benefits if you are working on any basis, or it maybe would only pay benefits if you were working part time. In a new job there's usually no adjustment even though there are situations where in certain industries you can't work in that industry and collect benefits. That would be more common, I think, with a multi-employer-type situation. After rehire, suspension requirements drive the payment, and most people limit their work so they don't get under the suspension. So essentially the suspension will have a lot of impact on how much people work. This is an area where I'd expect to see a lot of change. Social Security also, by its change in the earnings test, I think created a precedent.

I'm going to close with my questions and challenges to society. How does society support appropriate retirement? What's an appropriate policy with regard to retirement age, and what are good options for leaving the labor force? Will lump sums be good or bad, and for whom? I worry about this in connection with the privatization debate as well. What's the safety net for those who are in poverty or near poverty? And how concerned are we about widows? I'm concerned about widows big time.

Challenges to employers—how do we compete for people and enhance retention? How do we effectively capitalize on the aging of the workforce? I mean it's here and it affects lots of different kinds of people, particularly those in utilities and health care. I mean some of these are industries that are ahead of others right now. What's our role in addressing risks through life? How do we enhance satisfaction with our retirement program? This has become a very big issue with our clients. How do lump sums affect retirement behavior? And how do we balance the needs of employees who leave with those who stay for a full career? And for you and me, for individuals, how can I understand the post-retirement risks? How does my family plan for retirement on both a family and an individual basis? I think this is particularly important for women because they're very often longer-lived and spend many years as widows. What options are there to not outlive assets? What's the best way to invest my money? And if I want or need to work after retirement, what's the best way to do that?

MR. DOUGLAS W. ANDREWS: Just tying together the two presentations, there is this question of what the labor force participation rates are going to look like in the future. I think they're going to look like increasing participation rates for these older groups which I think Anna thought might be the case as well; although it's from bridge jobs, because I think the factor that we're not seeing in these age groups is the impact of the baby boom generation moving forward. They haven't yet reached those charts. And I expect that will cause labor force shortages. There will be a need to have more workers probably on a bridge basis. In that respect, Anna, when you were dividing up the factors between structural and cyclical, it showed labor force shortages as cyclical. I see that labor force shortage continuing for a generation. I wouldn't call that cyclical, but a very long cycle.

DR. CLARK: Let me just comment on that, even though you addressed it to Anna. Without speaking for her, labor force shortages arise from both supply-and-demand conditions, and certainly on the demand side you have peaks and valleys. Right now, up until recently, we obviously had a tremendous demand side that was creating a shortage or making it difficult for employers to hire workers of any age, and so they were actively trying to retain all of their existing workers. That's the sort of cyclical effect that the people who think that this might turn down again argue about. Certainly the long-term demographic trend of a slowly growing labor force is going to be around. That's very much a structural change and seems unlikely to change in at least the next 30 years or so that we would be able to project from.

MS. RAPPAPORT: I would agree that we're not going to have very much growth in the labor force. I think one of the things we don't know about is what the impact of exporting work is going to be, though, and we all traditionally know that the the cars that we get, they might say "Made in the USA," but three quarters of the parts could have been made God knows where. But think about this. The last time you called up a call center to make an airline reservation or because you had an issue on your health claim, where was the person that you called? I went to a fascinating presentation at the Pension Research Council. And one of the things that they're doing is setting up call centers in India. They're training these people so they sound like they come from right next door. There are a lot of call centers in India and Ireland. As things are becoming more automated, a lot of the programming that's done today and the code that's written, even though the company might be headquartered in the U.S., is done overseas. There's a lot more work that's being exported.

MR. CHARLES J. PARNOW JR.: I actually had a question for each presenter. For Dr. Clark, one of the things that we've seen in early retirement windows, it's not a major element, but people, a year or two after making the choice to go in a window realize they made the wrong decision for whatever financial reasons. Is there any data on either phased retirements or bridge retirements where people are starting to reverse themselves or wish they could reverse themselves?

DR. CLARK: I think most of the phased retirement programs, formal ones, are too new to be observing that. I know at my own university we started this three years ago, and people are just now working through the length of their terms, but the programs are very explicit in a sense that almost all the programs in the academic sphere require you to give up tenure to enter the program. Now, what that means is that you no longer have the right to reclaim your position or retain it, but there's no restriction on the university recontracting with you. If you get to the end of the formal program, and you're still a highly productive performer, and the university would like to retain you, they can do so, and so you would have the option of re-upping, but the terms of trade are different.

Instead of your option, it's their option, and that certainly makes a difference. But we haven't seen people who have been unhappy with the choice that they made yet. In fact, we're observing a little bit, and I think over time you're likely to observe more that some people will figure out that they like this retirement, and they don't even complete the time that they could stay, rather than pushing to the end and wanting to re-up.

MS. RAPPAPORT: I think that you're likely to see those people more in the free-agent workforce. I actually talked with someone who is in a firm where they do "re-careering." It's not like an outplacement firm, in that it's much more focused on training people. She said that their main clientele are people who have retired, frequently taken windows, they're in their 50s, and they play golf for a year or six months. They've got plenty of money, and then they want to go on and do something else. I think there are people that are deciding to go on and do other things, but it's not usually going back or, if it's going back, it's more likely going back as a free agent.

MR. PARNOW: The second question is for Ms. Rappaport. With the survey that you went through, we've been hearing over the last 10 or 15 years at pension meetings that possibly the retirement experience that was very disparate between hourly labor type workforces and the managerial salaried workforces was very different, and maybe they were converging. Did you see any aspects of that, and could you comment on the latest surveys? I mean the difference seems to be pretty big if you look at the comments by the CEO of Daimler, right? He's more concerned about the physical aspects of a labor job.

MS. RAPPAPORT: In the survey that I was involved in last year, we didn't distinguish between hourly and salaried workforces. I'm trying to think about the representation of manufacturers, but I don't have any findings where I could say to you that I saw something specifically different between hourly and salaried at the same time. The place that people were rehiring retirees the most or the way of doing it is often individual deals, which are targeted at specific people and specific situations. There is an hourly workforce issue that has surfaced in several situations that I'm aware of, and that's where you have people who have a particular skill. I was in Pennsylvania at a plant with highly skilled people the other day talking with people who were reaching retirement age. There are certain skilled groups of people and there's nobody that's learning to do those skills. Leather workers would be an example of this. I know of a group of leather workers, and they're very concerned that there are no new ones coming along. There are some special problems in hourly workforces with skilled groups that are just not replaceable, unless we start training people for something different.

MR. WILLIAM D. PARTRIDGE: I just wondered if you could give us an update on those legislative proposals that are out there to change some of the rules relative to enhancing phased retirement.

MS. RAPPAPORT: As far as I know, nothing is happening now with them.

MR. THOMAS B. LOWMAN: I was looking at the labor force participation rates over age 65, and I know they're pretty small for males and females, but there was a difference, and the females are lower, and I might have even guessed maybe the opposite, but I know it's affected by the kind of jobs that are available for males versus females at those ages based on their prior work history, or maybe it's economics or maybe it's health. Why do you think the females are so much lower than the males above age 65, knowing that they're both under 50%?

DR. CLARK: If you look at the female participation rates for all women over 65, not just the 65 to 69, for years and years they've been pretty stable at less than 10%, and older women just didn't work. If you look at the long-term trends, what you observe is wave after wave of successive cohorts of women having higher and higher labor force participation rates. And in part what's happened is that the life-cycle profile of women at work has been moving up, looking more and more like that of men all the time, not yet there but getting closer and closer. And so if you now look at the 65+ rates, what had happened was the male rate had come down to about 16, and the female rate was still holding at about 10. The fact that during this period of time when the male rates were dropping so rapidly that the female rates stayed constant is, in fact, saying that there was some dynamic that was propping them up. The dynamic was that more and more of the women aging into those categories had worked and looked more like men, and you are getting closer and closer together but are simply not there yet.

Now, why are they so low? I think for the older women it was just the fact that older women in the U.S. had never played a major role in the labor force, and will that change? There's been no evidence that that's been moving up at all.

MS. RAPPAPORT: Bob, do you know what percentage in that age group would be involved in heavy care-giving responsibilities? Because there's certainly some significant number, and my guess is if you took the difference and you looked at the women with heavy care-giving responsibilities, you'd find out that was bigger than the difference.

DR. CLARK: It certainly could be. I don't have any numbers on that. I guess we'd have to agree on what heavy meant, but certainly older women play a much greater role in care for both their older husbands who are frailer in most cases and if there are existing parents still to care for.

MR. KEITH T. SARTAIN: I have two questions. It struck me that when you were looking at the reasons people were doing bridge jobs or continuing to work instead of retire, you pointed out that a lot of the reasons were financial. So it struck me as ironic that we'd look at ways to give them access to retirement monies sooner if they're having trouble with financial things now, that you have to balance that from a public policy point of view. If we diminish their retirement income later in life, then there's going to be some problems.

MS. RAPPAPORT: I think that's a very good point, but they have access and want the retirement money, and want to make that choice. I think the reason for doing things like phased retirement is they'll take the money and go to work elsewhere. But that's a very good point, and clearly, for example, access to Social Security benefits and the point which you've accessed, there's a big change in labor force participation linked to that. And Robert Berkhauser, I believe, who's an economist at Syracuse, did some work where he shows this year by year, and you can see the change with the Social Security money, too.

MR. SARTAIN: Maybe if you make the benefits more age-neutral, then I can see there being problems with people taking early retirement and making it easier for them to take early retirement, not having income later in life. It's still a risk to leave your job and try to find a bridge job or another job.

MS. RAPPAPORT: What I don't know, and maybe Bob knows more; of the people that have left early, how many left early under situations in which they were going to get extra money for doing it now? They were going to get an especially good deal, or that they felt that the business conditions were going to change, and the job was going to disappear. I think some of them either had a significant incentive or no choice at all based on the fact that there was some kind of change in the workforce.

MR. SARTAIN: You pointed out that the people likely to be interested in phased retirement are the ones who have a lot of incentives right now to retire early, and they feel like they have to leave to take those incentives. Then they go and do another bridge job because they want to keep working or they need to keep working. For companies that have these retirement incentives, and maybe they have a 30-and-out provision or something like that, it doesn't seem like those workers are real interested in giving up those retirement incentives in terms of just experience you've seen at IBM and people's reaction to raising the Social Security retirement age and other things like that.

MS. RAPPAPORT: I think that's another good point. One of the reasons that the action we're seeing now is around rehiring retirees. They get those benefits, but they still need that skill. They rehire the people as retirees.

MR. SARTAIN: The suggestion that you might redesign your retirement programs to have fewer age incentives, to be more age-neutral, going to a CB program or something like that, it doesn't seem to fit with those kind of employers that right now have a lot of these early-retirement subsidies. I mean several of those employers that we've worked with have said our workers want to stay in a full career, and this is like a reward for retirement, and they want to be able to leave early, and the people that are putting in CB programs and primarily DC programs seem more interested in saying, "Our workforce isn't interested in retirement. They come and work for five to 10 years and leave, and we have high turnover, and that's why we're putting in that type of age-neutral program."

DR. CLARK: I think you're exactly right on that point in the sense that one of the things that I always tell my students is that companies are diverse, right? Companies have different interests, and so it shouldn't surprise us that there are some companies out there that expect workers to stay a long period of time. They encourage them to do so because of higher training costs, high turnover costs, and all those other things, and they want to put into place a wide range of human resource policies that will encourage people to stay for the long term. They also want to reward people because that encourages them to stay.

There are other companies that are less interested in that. Not that anybody wants high turnover rates, but it's just not the same sort of level, and those are companies that have to appeal to workers that may also want to move around. And so companies are choosing. What happens is that over time, the proportion of companies that choose one type of plan versus another can change, and one of the things that can drive that is economic conditions, obviously. The other that can drive it is change in government regulatory policy. When the government changes the rules that make one plan more costly than the other, guess what? Companies respond. And it shouldn't surprise us that there's a mix out there and that we'll continue to see that mix over time.

On your access question, I think that's an issue as well in terms of having individual employees, as Anna was saying, and they are trying to make a choice to stay with the company, move to some other company, or retire completely. If you've got good workers that have opportunities, and he or she can take your benefits and go and get the same salary at another company, he or she can certainly augment their income there. Those workers, if they could start their benefits and keep the same salary, would stay with you. Do you want them to leave or not? If the answer is, "This is a good worker," then you'd like the policies to be changed so that you could let the worker have access to his or her benefits. The whole notion of push and pull and whether the worker is on the job, thinking about leaving, considering opportunities, he or she can find the bridge job before he or she leaves, or is pushed out, and then starts looking for the bridge job. And if you look at people who move across the economy, it's a wide range of people. Some people are voluntarily moving into these bridge jobs. Others are doing it because they have to because they've been fired, cut back, laid off, whatever.

A final point on this whole movement is that I think If you look at retirement income in the 21st century, there are reasons to be concerned, saying it in slightly different words than Anna did. There are reasons to be concerned about what retirement income in the future might look like, and there are reasons to be optimistic. DC plans and CB plans will give more people more benefits in the future than they would have in the past. However, those people that would have stayed in a career for the long term with the same company will have fewer benefits in the future in many cases than they had in the past. DC plans and CB plans, the borrowing provisions, the lump-sum distributions—there are lots of reasons you ought to be concerned about that. Any plan that is voluntary that starts participation and makes contributions voluntary runs some risk that people will start too late, and that they'll contribute too little. We don't have the data in yet to say what the total effect of this transition is going to have on retirement income.

MS. RAPPAPORT: I wanted to just throw in one more point on what I think was a very good comment, and I agree with the diversity. One of the comments made over the years that has just sort of stuck with me was by someone in a banking and financial services organization that had been very traditional historically and had very much of a career motivation. This HR person said to me, "I know that every time we acquire a new bank, one-third of the back office people are going to be out of here. I want to know that if people have to leave here any day of their career that I'm fair and square with them." And it wasn't that he didn't want career people there, but he knew that the organization was going to be put in a position where people were going to be laid off. They might be very good long-term people, but he wasn't going to be able to do anything about it because of this problem of duplicate people. That's just another thing to think about depending on the industry and the business strategy.

FROM THE FLOOR: Professor Clark, is your institution becoming more heavily female over time? And, really, is this a factor in labor?

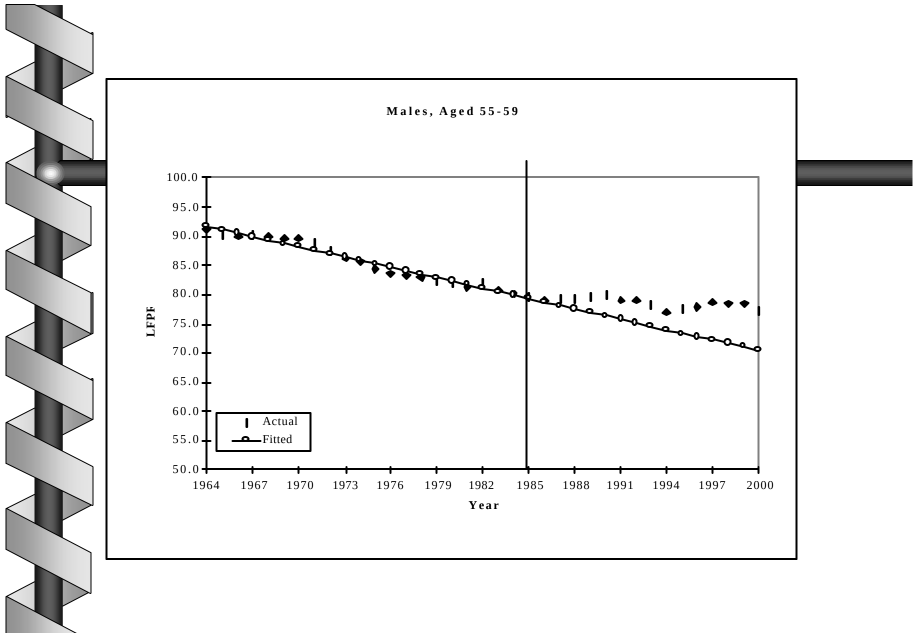
DR. CLARK: I think there are a lot of institutions that are increasingly female. University of North Carolina at Chapel Hill is now, I think, about 60% female. What you observe is that enrollment rates of women vary substantially by discipline and profession. For example, veterinary medicine is now increasingly dominated by women. My institution is dominated by engineering, agriculture and some other programs, so we are less female than some of our other larger state universities. It depends on the mix of the university. The faculty is still dominated by men, but there are increasingly more females there. And our age structure, Anna, if you look at the college faculties around the country, the average age of tenured faculty is already over age 50.

FROM THE FLOOR: Quick question about formal phased retirement programs. Most companies probably have people they wish would retire and go away, and other people that they cringe at the thought that they would retire. Is there a problem setting up a formal program and not extending it to all employees?

DR. CLARK: I think if you look at most institutions of higher education and also in most private cases, we've always had essentially that. It hasn't been a formal program, but it's been a known program, and people have cut individual deals. I don't exactly know any federal regulations that would make one illegal or not. I'd certainly talk to my lawyers before I did it. But, you know, I think phased retirement is an interesting program that can appeal to both groups. We've heard the discussion so far today. There are employees who, if you force them to work full time, will leave and you would rather they stay; and they would be happy or more likely to stay if they could work some part-time. There are other employees who you would like to leave. You can't get rid of them at a university, let's say you have tenure, but they would be more likely to give up tenure and go into phased retirement. And one of the things that I've done in some studies is to try to look at who takes phased retirement because it really is a very important management issue. What we've found so far, is that if you look at the previous rate of salary increase and use that as a measure of recent performance (we hope we're good managers and we reward performance); the people who have entered into phased retirement have been more likely to have had a lower-than-average salary increase, and that would suggest that it's the lower performers that have taken the program. One of the big problems with window programs in general is that if you offer the same program to everybody, the good performers will take it because they have these other opportunities, and so they can get essentially the same wage at another program. But I don't have any particular knowledge of federal regulations that would apply.

MS. RAPPAPORT: You would want to work with your attorneys. It depends what the components of a program are. If you start changing qualified pension plans, you've got to worry about pension plan non-discrimination rules, but you might have programs that are job class specific. For example, if you're in health care, you might have a program for nurses, and that would probably be okay. If you have programs that were only available to non-highly comps, that solves one kind of pension problem, but you have Age Discrimination in Employment Act issues. You need to be careful, but you could certainly do some things that you wouldn't just blanket and make available to everybody. Most of what's going on today is individual deals.

Chart 1



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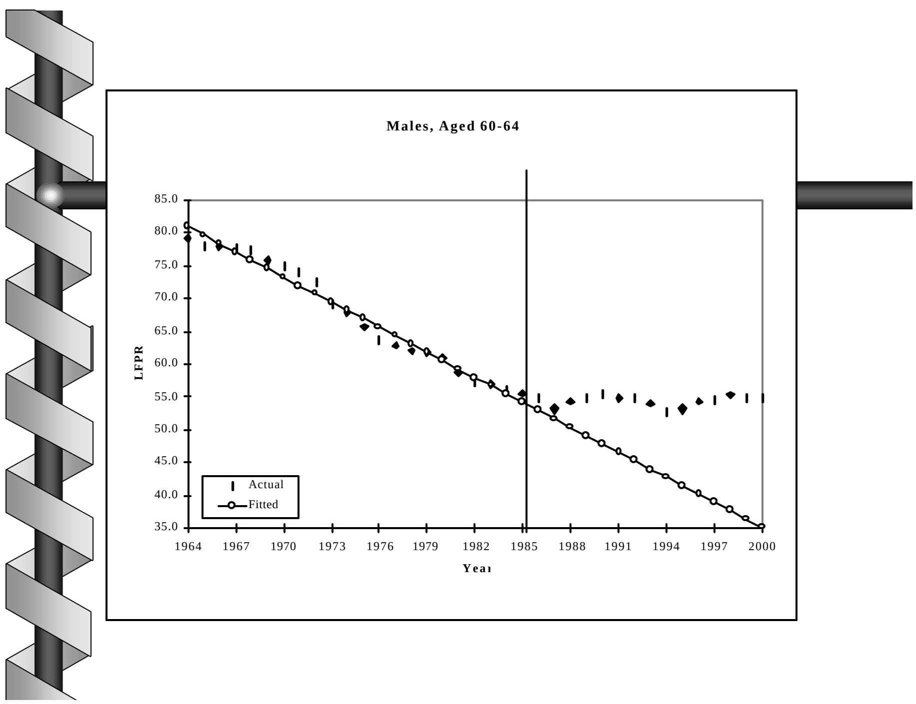

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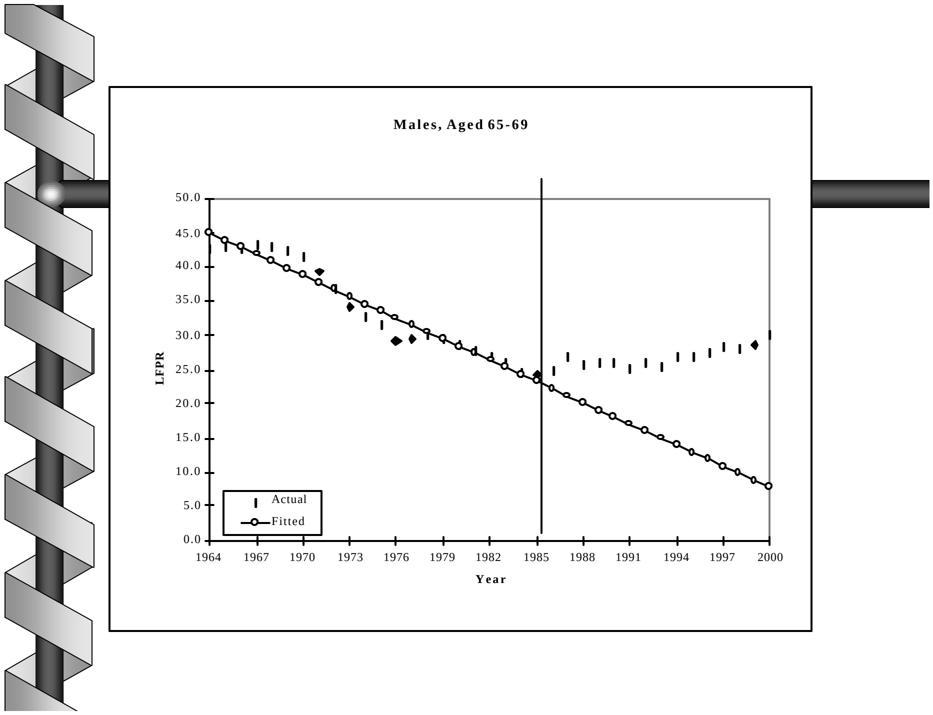

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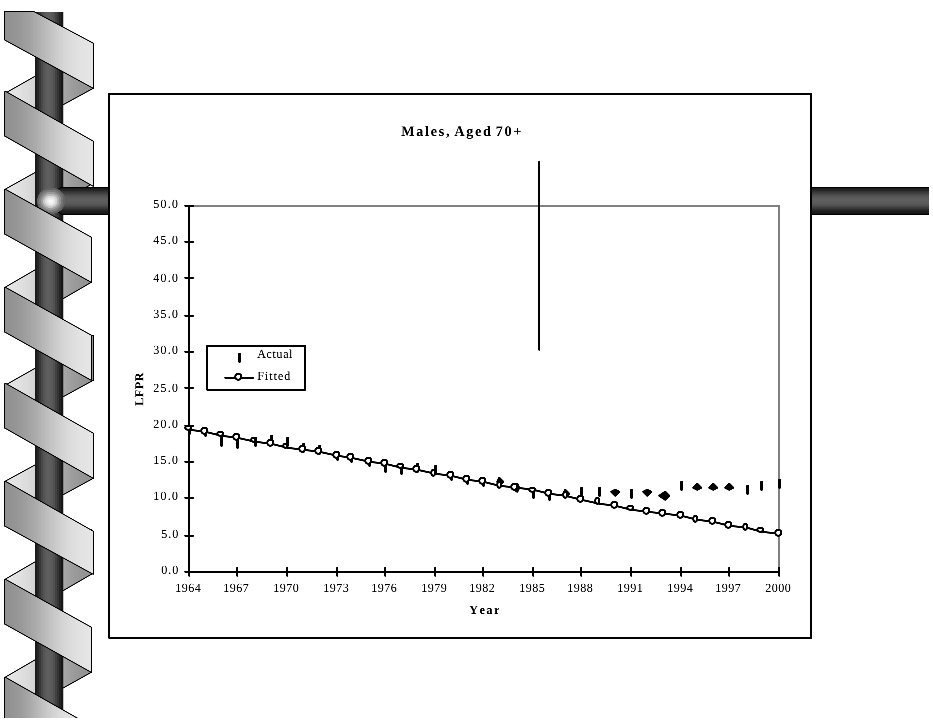

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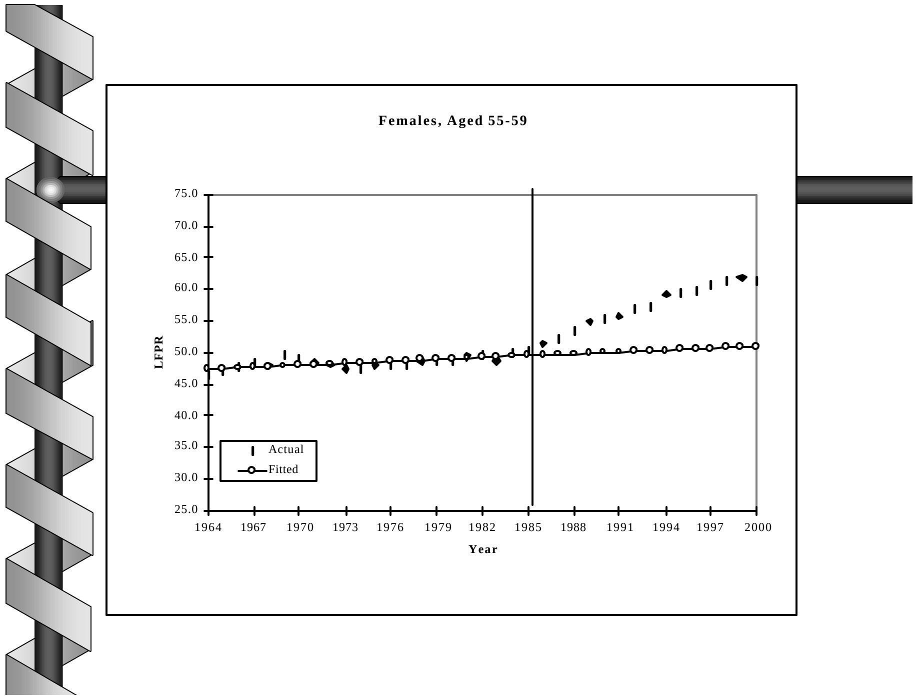

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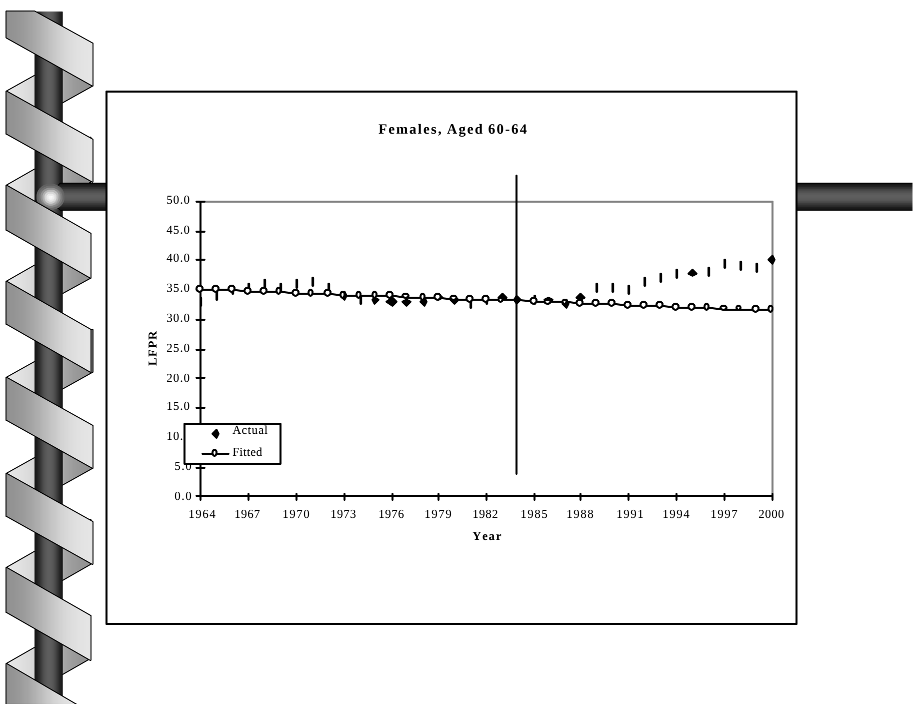

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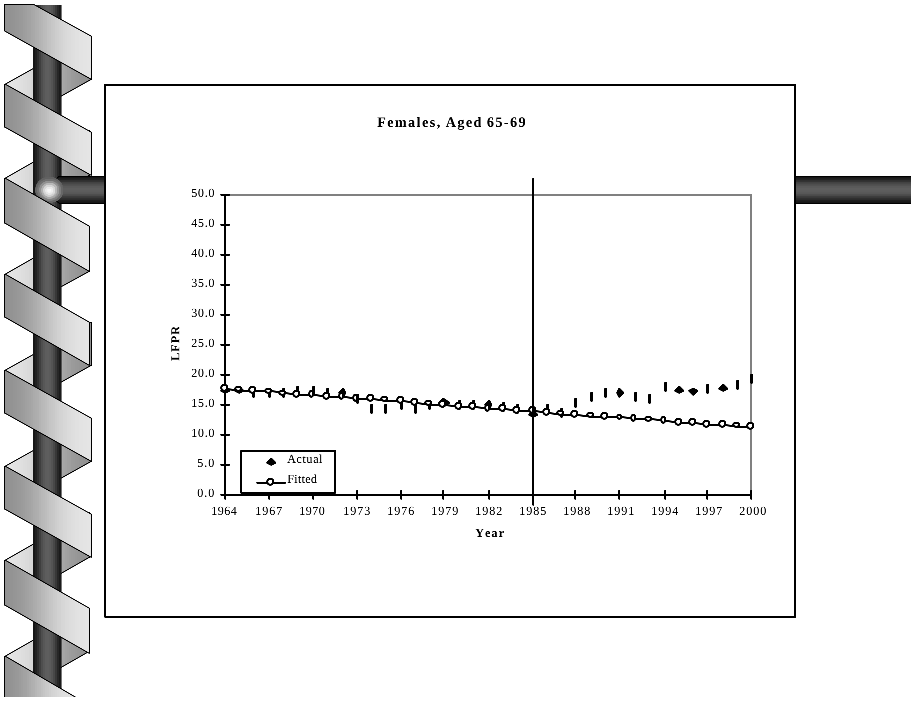

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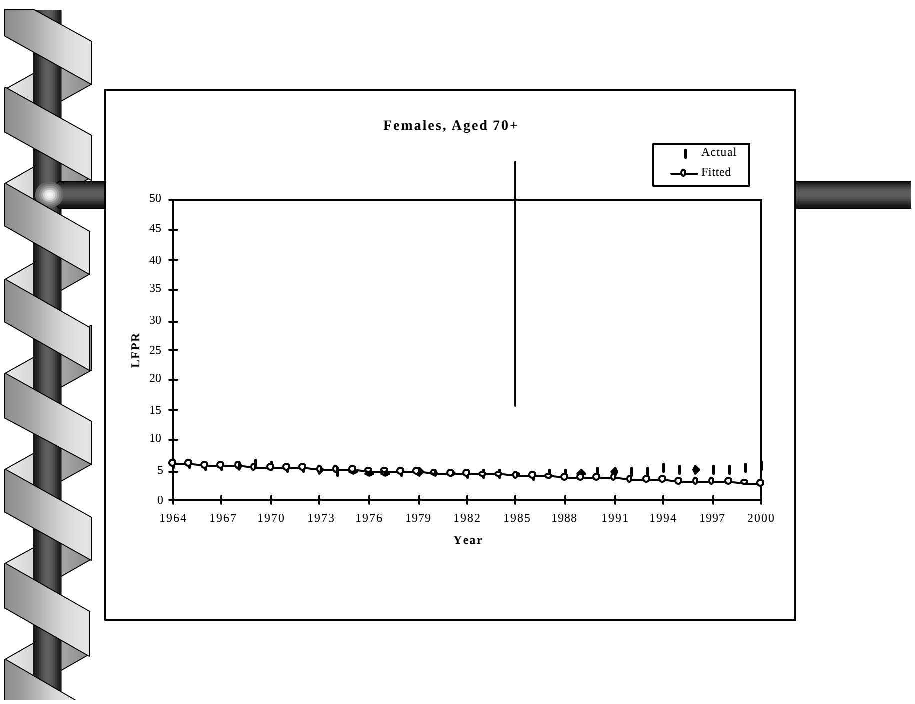


Chart 9

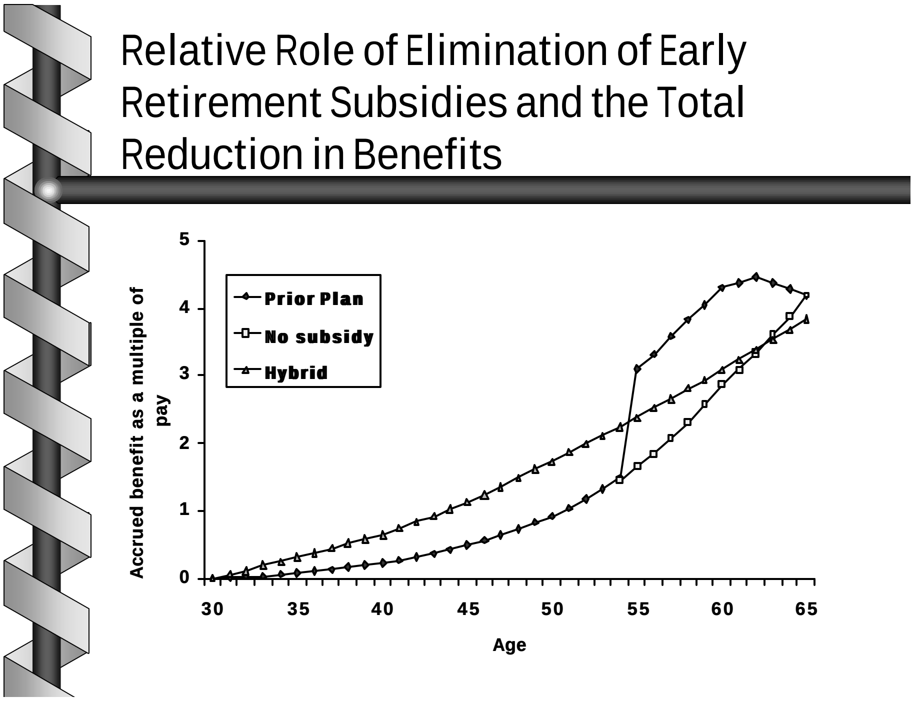
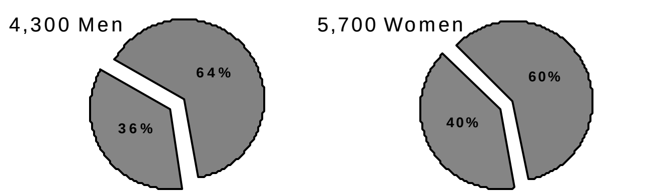


Chart 10

Changing Retirement Patterns
Growth of Bridge Jobs

A 1996 study of 8,000 "career workers" aged 55-65 shows a high incidence of bridge jobs



	Not working	Still working	Not working	Still working
	Last job held	***Current job***	***Last job held***	***Current job***
Full-time career job	**25%**	**41%**	**17%**	**34%**
Bridge job	**11%**	**23%**	**23%**	**26%**

Source: J.F. Quinn, Boston College, 2000

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