

To Phase or Not to Phase: The Dynamics of Choosing Phased Retirement in Academe

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With the abolition of mandatory retirement, academic institutions are increasingly exploring alternative retirement options for their faculty. Early retirement, phased retirement, and other arrangements extending employment beyond the traditional retirement age(s) are alternatives that have emerged during a period best described as unsettled and exploratory. While approximately half of all colleges and universities now offer phased retirement options to their faculty, phased retirement is still a relatively new development and has not been studied to the point that any clear assessments of its effectiveness are available. This paper focuses on the experiences thus far of a small sample of institutions with phased retirement policies.

Our study, sponsored by the Alfred P. Sloan Foundation, was conducted during 2003-04 and is based on extensive interviews at twelve institutions and two state systems. We interviewed a wide array of faculty members who had elected phased retirement and institutional leaders including department chairs, deans, provosts, and system-level executives. We supplemented the interviews at (predominantly) comprehensive and research universities with a survey of (principally) smaller liberal arts colleges. Altogether, we have responses from approximately 150 individuals. The study is ongoing, with completion expected by late 2004. This paper is a preliminary report about selected findings.

Our project's original purpose was to explore institutions' and individuals' experiences with flexible employment arrangements – focusing on phased retirement. We expected to learn how flexing for late career faculty might lead to new ideas for flexing that could benefit early career faculty who are more often faced with the many demands of family and career. In fact, that aspect of our project has served to refocus our attention on retirement patterns. On the whole, retirement appears to be a distinct stage of life and career. Essentially, what may work to help faculty retire is sufficiently different from what junior faculty may want or need in the way of flexibility, that few explicit connections are warranted. Therefore, in this report we will address only the following questions: How and under what conditions do American academics prefer to (and choose to) retire? What options may be most appealing to which faculty? And what have institutions and individuals experienced and learned from the past decade's experiments with phased retirement?

Retirement Patterns Among Faculty: National Data

We analyzed data from the National Survey of Postsecondary Faculty (NSOPF) (1998) administered by the National Center for Education Statistics to generate descriptive data about faculty retirement patterns.¹ This survey of roughly 18,000 faculty and a large sample of institutions includes items asking about retirement plans and preferences. The 1998 survey was the first to be administered following expiration of mandatory retirement in 1994. These data are therefore the first look at how individuals and institutions were adapting to a watershed change in policy.

Half (50 percent) of all surveyed institutions reported offering a phased or early retirement option in 1998 (up slightly from 48 percent in 1993 when the previous survey was administered). Research institutions and public institutions were more likely to offer phased retirement options to their faculties. Our analysis suggested that institutions offering phased retirement intended it as an incentive for their

Note

¹ For a full report of this analysis, see: Leslie and Conley, Early and Phased Retirement Plans among Tenured Faculty: A First Look. Presented at the Annual Meeting of the Association for the Study of Higher Education, Portland, OR, November 13, 2003.

relatively “tenured” faculties, and that the incentive had been at least somewhat successful. However, institutions that did not report offering incentive programs experienced an increase in retirements between 1993 and 1999, suggesting that other factors (such as the overall aging of the faculty population and economic conditions) may play as substantial a role as incentives in the decision to retire.

On the whole, faculty responding to the NSOPF survey reported intending to retire at about age 65 (women) or 66 (men). We have dealt with the difference between men’s and women’s retirement patterns in more depth elsewhere. For purposes of this paper, we focus briefly on how faculty who elect early retirement differ from those who elect to retire after age 70, and on characteristics of those who say they plan to elect phased retirement.

Roughly 14 percent of faculty intend to retire at age 60 or earlier, and roughly 14 percent intend to retire at age 70 or later, with women far more likely to consider early retirement. Women in this group reported relatively high household incomes and relatively heavy teaching loads. Men who planned to retire *later* than age 70 were among the highest paid, the most “successful” by traditional measures (e.g., publications), the least likely to have heavy teaching loads, and the most satisfied with their jobs. Without going into more detail, these two patterns indicate varied motives and circumstances affecting retirement decisions, and suggest that whatever policies institutions may adopt should leave room to accommodate individual variability. Wealth, work-related concerns, and overall morale or satisfaction were among the factors that differentiated (to varied degrees) faculty according to their retirement plans.

The data did not sort in particularly meaningful ways in our search for patterns related to the likelihood that an individual would opt for phased retirement if it were available except where strong financial incentives exist. Overall job satisfaction was the most “significant” discriminator, although it was far from determinative. We would expect to find, holding other things equal, job satisfaction might tip the scale toward opting for phased retirement.

But other things are clearly not equal. This was perhaps the principal conclusion of the interview/survey phases of our study. Faculty who approach retirement age vary dramatically on almost every measure and their choices about how to retire reflect two kinds of interactions. First, aspects of their personal and professional lives interact to predispose them differently to retirement options and opportunities, and, second, their personal economic circumstances interact with the incentives and penalties they confront in deciding when and how to retire.

Using the data from our interviews and surveys, we examine why institutions offer phased retirement plans and the results of that choice. We also review individual choices and satisfactions with phased retirement.

Why Do Institutions Offer Phased Retirement?

Institutional rationales for offering phased retirement programs are of two kinds. On one hand, institutions have felt the need (and in some cases have been directed to by their boards or other sources of policy oversight) to provide incentives to assure that retirement – no longer mandatory – is attractive to older faculty. A balance must be struck to assure that plans are nondiscriminatory, yet are sufficiently attractive to faculty approaching or past traditional retirement age. Phased retirement is seen as one tool that can help institutions plan and control their academic workforces and as a benign way to help long-standing employees make difficult decisions about when and on what terms to retire. Phased retirement policies also provide consistency and fairness in an essentially unstructured

environment that tempts institutions to “wheel and deal” with individuals over retirement packages that, as Palmer, Flusche, and Johnson (2004) in Chapter 8 of this volume point out, may “result in both higher overall expense and very different treatment of faculty with similar characteristics.”

Planning and Controlling

Older faculty are, of course, among the highest paid at just the time when institutions are suffering economic reverses – and at a time when they both foresee the need to and have begun to compete for the newer generation of academics. The bulge of faculty hired in the '60s and '70s will inevitably retire in the near and very predictable future, just as enrollment pressures are bearing down on institutions and as states struggle just to continue level funding of colleges and universities. The pressure to offer more higher education at lower cost leads inexorably to the payroll. Leaders we interviewed often noted that they hoped phased retirement plans would attract enough “takers” to allow banking of half-salaries that could be allocated to new positions.

Institutions also faced additional pressures to shift faculty positions from fields that had been more popular 20 or 30 years ago when current senior faculty had earned tenure. Newer fields needed more faculty positions, and those positions could only come from vacated lines. Also, without mandatory retirement, institutions felt they had lost some ability to plan and control the distribution of positions and salary dollars. Phased retirement plans typically commit individuals to a firm retirement horizon – say, five years – that helps institutions clarify and control the flow of both dollars and positions. This assumption, however, only holds when sufficient numbers of faculty commit to phasing, which has not been the experience of most of our case-study institutions. Phased retirement policies are usually one-sided as to when individuals may terminate their active employment, meaning that phased retirees can decide to opt out of their jobs at their own discretion. One of our respondents said, “I can walk away if things aren’t as I’d like.” When random departures mount up, institutions may be left with too many vacancies for which they had not planned.

Also, patterns of work, funding, and staffing profiles differ so substantially from discipline to discipline that any given policy will serve only some interests well. For example, one vexing problem has emerged in the hard sciences. The start-up costs for a new faculty member’s laboratory may far exceed the continuing cost of retaining a seasoned scientist with an established lab. The institution is reaping returns on their (usually relatively small) investment in the older lab that produces a continuing flow of grants, while it would have to re-invest at a much higher (and more speculative) level in a new lab for a junior faculty member without an established track record. In either case, the institution’s ability to obtain an individual’s commitment to retiring at a pre-established time, as with phased retirement, may provide the institution with increased foresight and thus allow administrators to engage in improved financial and administrative decision making.

Supporting Loyal Employees

The catalyst for widespread institutional implementation of phased retirement programs may have been the 1994 federal prohibition of the mandatory retirement age. The policies we have reviewed almost all condition eligibility on a combination of age and length of service, a combination that reflects institutional loyalty. For example, eligibility might be restricted to individuals with 15 years of service who have attained the age of 55, or any other combination of age and service equaling “70 years.” But phased retirement may also be seen (perhaps perversely) as one resourceful way to encourage the retirement of “curmudgeons,” as one administrator infelicitously – but with real feeling – termed them, who would otherwise remain indefinitely and work for years beyond their most productive capacities.

However, institutions also calculate that phased retirement programs may work as an incentive to retain those individuals who continue to add value to the institution. One administrator declared, “We aren’t as anxious to get rid of the older faculty as we might once have been,” largely because of their experience and institutional memories on which the college or university depends. Ideally, phased retirement would provide an environment where the productive stay longer and the nonproductive leave earlier, thereby increasing the overall effectiveness of departments, programs, and institutions. Allen, Clark, and Ghent (2004) in Chapter 9 of this volume report evidence showing exactly this result of one state system’s phased retirement policy.

Administrators at many of the institutions we visited conveyed sincere interest in phased retirement programs simply as a reward for an individual’s continued and productive service to the institution, especially at a time when financial and other benefits are in short supply. This motivation was clearly articulated by an administrator who believed phased retirement serves to cultivate faculty morale by promoting, “a more humane working environment [that] represents a caring attitude on the part of the university.”

These two imperatives – improved planning or control and provision of a humane retirement process – are not always mutually compatible, nor even mutually reinforcing, although our interviews suggested they do complement each other in both intended and unintended ways. Clearly, there are cases where individuals have taken advantage and “gamed” the system – often those individuals whom the institution would prefer to have retired. Other individuals simply choose to extend their employment as long as possible without regard for how this arrangement serves the institution.

Perhaps more difficult, though, is how faculty salary compression has eroded whatever financial gains the institution expected from early or phased retirements. Quite simply, half of a senior person’s salary is no longer adequate to hire a junior replacement, especially if that junior person expects a lab or other research support. Also, because half of a senior person’s salary is relatively high, the rest of that salary (the vacated amount) is not enough to hire a full-time replacement. These facts have led to increased hiring of temporary or adjunct faculty on at least some campuses, the unintended consequences of which may include a delay in hiring full-time replacements, and as one institutional leader called it, “a squeeze on midcareer faculty between [phased retirees] and lecturers.”

Terms and conditions on which faculty “phase” are, more often than not, mutually satisfying for both the individual and the institution, as our respondents reported. But there are ways for the relationship to go awry. Pencavel (2004), Chapter 10 in this volume, indicates that phased retirement is more attractive to individuals in a defined benefit plan. Indeed, the Faculty Early Retirement Plan (FERP) offered by the California State University System’s (CSUS) contract with its faculty union provides incentives that are very attractive to participants in the California Public Employees’ (defined benefit) Retirement System (CALPERS). We found that roughly 80 percent of all retirees in the CSUS now elect to phase, an indication that the terms and conditions are so generous that the result is indiscriminate participation. And that, of course, means indiscriminate results that constrain institutions’ capacity to plan and control the size and deployment of their faculty workforce. In another case, a new department chair indicated that he felt seriously hamstrung in his efforts to realign his faculty with the teaching and service demands on his department. His predecessor had agreed to terms and conditions with phasees that absolved them of certain duties, and left the new chair struggling to manage. Misunderstandings between individuals and their deans or department chairs also led to discontent in some cases. Heavier workloads than anticipated – or less productivity than expected – accounted for some of this discontent.

Effects on Departments

We found some divergence of views between central administrators and department chairs about the impact of phased retirement. When individuals elect phased retirement, institutions can more efficiently plan ways to recapture and reallocate the resources associated with the individual's commitment to retirement. However, for the phasee's particular department, phased retirement can create a sort of financial limbo wherein the department is left scrambling for itself to cover the full work load of the part-time phased retiree with fewer funds.

For example, at many institutions, the monies freed up by the part-time status of phased retirees are reclaimed by the central administration for distribution to other areas and departments. As one department head noted, "Departments [with phased retirees] get a raw deal." Departments in which several faculty had elected to phase felt especially deprived. As one institutional leader with several phased retirees in her department noted, when a "cascade of health problems hit" it was "harder to adapt and fill in."

Department heads also report mixed satisfaction with the varied and unpredictable productivity of phased retirees. One administrator declared, "They [phased retirees] can't advise graduate students or serve on committees because that is a continuous, full-year process. Nominally, they are carrying 1/2 FTE load, but functionally they are really working less than that." Another administrator agreed, stating that because of phased retirement, "departments have had to scramble to find instructors." Departments are further inconvenienced when more unproductive individuals opt for phased rather than full retirement. One administrator claimed, "Many good full-time faculty members are not so during their phased retirement" and another asserted that the reality of phased retirement is that, "Tired and less effective people can still hang on longer than they should." Other departmental problems have also been noted when, as one institutional leader observed, phased retirees "have tried to maintain control over departmental affairs, which is awkward."

Conversely, some department heads reported great satisfaction with the productivity and value added by their phased retirees. One administrator asserted, "Many who enrolled in the [phased retirement] program were the "backbone" of [the institution] and have been 'good citizens'." Another administrator noted, "The program gives the department a chance to hold people for their talents and their reputations." At one institution we were told that, "Keeping older faculty here preserves institutional memory, expands the pool of potential mentors for junior faculty, provides a pool of experienced people to take on service assignments, and preserves departments' pools of expertise."

Thus, for departments where phased retirees pull their weight, managing phased retirement appears to be less difficult than for departments faced with unproductive phasees, or too many phasees. But, problems notwithstanding, the institutions we visited predominantly reported that their phased retirement policies had served both sides benignly – neither a cure-all to the abolition of mandatory retirement nor a boondoggle of which faculty took undue advantage. The one exception occurred in the California State University System where most retiring faculty elected to phase as a matter of right, removing all discretion and flexibility from institutions.

Individuals and Outcomes of Phased Retirement

By far the most satisfied partner to phased retirement agreements, individuals expressed very positive views of their phased retirement experiences. Overall, those who had elected to phase were pleased with the financial security they were able to assure for themselves, with the balance found between more free personal time and the time spent at work, and with the ability to gradually ease into full retirement. However, the emergent reality of participation meant – to some – that there are unintended negative consequences, such as working more than anticipated or feeling marginalized within the department, which may challenge individuals' preconceived notions regarding phased retirement.

The Financial Reality

The terms and conditions offered under the many varied phased retirement policies we reviewed differentially affect the financial attractiveness of the option for individuals. Institutions differ on how they structure the reduced-pay, reduced-work package. Policies vary on whether, for example, the institution will continue to contribute to pensions and other benefits at full-time (or part-time, or not at all) rates during the phased period, as well as on whether phasees are eligible for merit and other raises.

Individuals who are eligible to draw from Social Security and who are covered by Medicare or continued health benefits and who are eligible to receive annuities from their pension provider during the phased period while they are also receiving half or more of their full-time salaries, may actually make more money than they had while working full time. As one faculty member reported, "The college was quite generous in its offer to pay me a lot of money to work half-time." Another stated, "I get 160 percent pay [in phased retirement]. It is a godsend." Of these types of financial windfalls at certain institutions with generous phased retirement plans, one administrator remarked, "Enough years in the system with the possibility of [phased retirement] and you'd never want to leave."

Also, choosing to phase, as opposed to retiring fully, sometimes appeals to individuals who participate in defined contribution plans that experienced setbacks during market downturns. For these faculty, deciding to phase allowed more time to add to retirement funds. More often, however, individuals experience a real reduction in pay during the phased retirement period. Their pay may be prorated based on their reduced work assignment and the consequences must be balanced against the decision to continue to work full time for full pay and benefits. As one individual reported, "the deal is not as good" as it had seemed.

Some institutions, however, provide bonus pay or balloon incentives that make phased retirement more attractive. Two institutions among those we visited scaled their pay to phasees at a higher level than others. (In one case, individuals typically received 75 percent of their full-time pay for a 65 percent work assignment.) One institution provided a balloon payment to all fully retired faculty that amounted to about 165 percent of an individual's annual salary. (Individuals would commit to retire two years in the future without any work assignment during these remaining two years, but they would remain on contract and receive a reduced paycheck in exchange.) These bonus and balloon policies were generally seen as win-win propositions by all involved.

The Element of Time

Most individuals expressed contentment with the newfound time for balance between personal and work obligations afforded by their reduced work schedules in phased retirement. As one faculty member noted, ". . . [the terms of phased retirement are] reasonably attractive enough where buying time for yourself is more important than the pay." Phasees largely echoed one individual's sentiment

that phased retirement “allowed me to spend more time with my family and extended family [as well as provided me with] more time to travel.” Also, the reduced time spent at work was more selective and focused, allowing individuals to concentrate on more rewarding aspects of their jobs while avoiding the more annoying duties. One respondent remarked that the more rewarding aspects of phased retirement involved “teaching two favorite courses, still seeing colleagues, but without the usual distractions or responsibilities of departmental matters, faculty politics, etc.”

Nevertheless, for some individuals the phased retirement period turned out to be less of a winding-down period than hoped for. An administrator at one institution noted, “Lots took phased retirement. . . but many found the continuing obligation to teach relatively heavy loads to be too painful and didn’t continue for the full [phased retirement] period.” One phasee also noted, “I have to keep telling myself the problems of the department are not mine to worry over [and I have to] force myself to stay home because I’m not able to finish everything” in part-time mode. Another individual stated of his purported half-time phased retirement assignment, “. . . it is only the actual classroom teaching that has been cut in half; advising of various forms continues unabated, so that on balance I am working probably about 75 percent of full-time.” A different phasee agreed with this reaction asserting, “I am continuing to do research [while phasing], which I love – but I should be paid for this. My work and its success accrue to the benefit of [my institution]. . . I feel some bitterness at this.” Thus, perceived time inequities affected some phasees satisfaction with phased retirement.

The Psychological Effects of Phasing

Phasees overwhelmingly believed that phased retirement was providing them with the psychological transition they required to ease into full retirement. One reported, for example, “I feel badly that I’ll soon have no job, no professional status, and no identity as a faculty member. . . but tapering off by phasing is a lot better than going cold turkey into retirement.” Another said,

“The pervasive dread of facing life without contact with. . . undergrads makes me want to break down and weep. I love what I do – and can still do it well. I receive so much energy and enthusiasm from walking into a classroom of bright, motivated, and personable young people that the thought of NOT teaching causes the bile to rise and fester.”

One unintended negative psychological consequence of the phased retirement period was a reported feeling of marginalization within the department. One individual declared, “Our colleagues treat us differently – they know exactly when we are retiring and that we no longer have tenure. This has affected how they think of us – whether they realize it or not.” Other phasees felt this marginalization as they were forced out of their offices to temporary spaces. One individual stated, “We [phased retirees] usually have to vacate [our regular] offices, and I didn’t learn about my new assignment until the last minute. It is harder to work from temporary or shared offices,” (a transition that no doubt has a negative psychological impact as reiterated by other phasees).

Conclusion

The principal reason cited by institutional administrators for initiating and promoting phased retirement among faculty is that phased retirement humanizes employee relations. As one interviewee noted, phased retirement “allows the institution to get beyond the bottom line of money,” while another said, “The benefits [of phased retirement] accrue mostly to individual faculty.” Phasing into retirement has psychological benefits, health benefits, morale benefits, and represents a more humane way (organizationally) to deal with the

inevitable.” Thus, institutional administrators repeatedly refer specifically to the individual benefits provided by phased retirement programs when asked about the overall benefits of such programs.

Administrators were far less certain that phased retirement advantaged the institution financially, programmatically, organizationally, or strategically. In fact, one institutional leader stated of the institution’s phased retirement policy that it “is a huge giveaway to faculty, and was not thoughtfully rationalized from the system’s perspective. It is costly, hurts campuses, and disrupts departments.” But at a time when colleges and universities are pressed to keep salaries at a level commensurate with the market, and when both individuals and institutions are still exploring how best to navigate the new policy environment regarding retirement, the option to phase is more often seen, at least in theory, as an attractive benefit to prospective faculty as well as a useful option that attracts some who might otherwise find retiring to be a more difficult process.

Our general analysis suggests that phased retirement policies fill a niche, but that they are not a universal solution to whatever problems institutions may face in the absence of mandatory retirement. Experience is now sufficient – without mandatory retirement – to affirm that individuals will “normally” retire in their mid-60s, commensurate with their eligibility for Social Security and Medicare, and commensurate with the prospective payout from their retirement plans. Relatively small percentages of faculty elect to retire earlier or later than the norm, and these individuals often do so because their financial, health, family, or career situations are atypical.

Phased retirement policies that aim for “conventional” retirees with a generic set of terms and conditions probably will not attract large numbers, nor have the desired budgetary or human resource impacts. They do represent a humane and attractive side-benefit for faculty who find the prospect of retirement difficult for both financial and other reasons. But we were struck by the degree to which the policies had less impact than might have been intended, except in cases where the phased retirement package offered by the institution was considered inordinately generous. The unintended consequences of too many faculty opting for phased retirement have been discussed elsewhere in this paper.

While it is premature to offer recommendations, we conclude that phased retirement policies should focus more purposefully on particular institutional or individual needs and be made, as one administrator suggested, “to fit the culture of the institution.” We suggest the following questions as starting points in considering more tightly focused policies:

- Could phased retirement opportunities be offered selectively to departments based on their staffing and enrollment levels?
- Could phased retirement eligibility be expanded to all faculty, regardless of longevity of service to the institution, but be qualified by waivers of certain obligations on the part of the institution (e.g., by limiting phasees pay to adjunct pay rates if they do not meet eligibility standards?) Some faculty have enough assets or other income (from consulting, for example) to make working at more than a bare minimum unnecessary. They might accept adjunct pay rates in return for minimal duties.
- Could phased retirement be made more attractive to faculty whose pay has eroded, either because of inflation or because they have not received full merit increases, by more creative use of bonus or balloon payments?
- Could phased retirement be arranged cafeteria-style, allowing individuals to trade benefits (like health insurance) for pay?

- Could phased retirement be made more attractive if more counseling support – financial, personal, and career – were available to help faculty and their spouses come to grips with the realities of retirement? (One of our surveyed institutions provided \$3,000 credit toward services of a financial advisor. Some faculty might be willing to consider outplacement services or marital and personal advice to help them face what they genuinely fear – life beyond their careers.)
- Could, as one administrator suggested, some sort of “mutual benefits analysis” be conducted for the individual and the institution when a faculty member is considering phased retirement (to ensure that fully informed choices are made on both sides)?
- Could department chairs be provided with better information (e.g., training sessions on negotiation) on how to approach faculty members when they near retirement (again, to help ensure that faculty are fully aware of their choices and consequences)?

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