Work after early retirement: an increasing trend among men

Despite essentially flat labor force participation rates for men aged 50 years and older during the past decade, early pensioners returned to work at increasing rates from 1984 to 1993

Diane E. Herz

In the 1980's, labor force participation rates for older men leveled off for the first time on record, suggesting an end to the long-term trend toward earlier retirement. Employers began turning to older workers as a solution to growing labor shortages associated with a long economic expansion and a shrinking pool of young workers. With the onset of a recession in 1990, however, concern about labor shortages quickly disappeared, and older persons were increasingly seen as a prime target for cost cutting through early retirement buy-outs, as well as layoffs. Growing numbers of older workers experienced labor market difficulties such as displacement and unemployment. In addition, other work force changes, including escalating health costs, changes in the nature of private pensions, and the continued shift in the types of jobs in the U.S. economy, affected both older and younger workers.

The leveling off of labor force participation rates since the mid-1980's suggests that retirement ages have stopped falling. However, anecdotal evidence tied to corporate restructuring and downsizing has pointed toward a continued decline in retirement ages, due to voluntary retirement, buy-outs, or withdrawal from the labor force following displacement. Clearly, then, analysts need a method of assessing work and retirement issues that goes beyond that typically used with labor force data or administrative statistics (such as data from the Social Security Administration).

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Pension income greatly affects individuals' work and retirement decisions. This is evident from sharp declines in labor force activity that occur at just two ages—62, when workers can first receive Social Security retirement benefits (the largest source of income for the majority of retirees), and 65, when they are eligible for full benefits. Some withdrawals from the labor force occur earlier, however, often coinciding with receipt of a private pension. Hence, data on receipt of pension income would appear to be a prerequisite for examining new work and retirement trends. But, for any *individual*, the link between receipt of a pension and retirement (often considered withdrawal from the labor force) is not clear. Many persons continue working or return to work—often full time—after receiving their first pension payment. Conversely, at any given time, some older persons with no apparent pension resources are out of the labor force. Thus, a preferred method of investigating trends in retirement ages and work after retirement is to analyze information on both receipt of a pension and current work activity. Accordingly, for the purpose of the analysis that follows, workers who receive pensions and continue to work are considered working retirees.

Data

Each March, the Current Population Survey (CPS), the monthly survey of 60,000 households from which the Government's official labor force estimates are obtained, includes supplementary questions on sources and amounts of income during the previous calendar year. This information, together with that from the regular monthly

Defining work and retirement

In this article, a worker is anyone who, during the March survey reference week, (1) did any work for pay, (2) was "with a job, but not at work" due to illness or similar reasons, or (3) worked for 15 or more hours without pay in a family business.

Work in the previous calendar year is not a prerequisite for being classified as a worker; however, nearly all persons who worked in March of any year also worked at least sometime during the previous year. Workers are defined as those who were employed in March, rather than those who had work experience during the previous year, because there is no way of ascertaining from the supplementary data whether work activity and receipt of a pension in a calendar year were concurrent (indicating a working retiree) or sequential (indicating that a retirement occurred during the year without any further work activity).

Persons classified as pension recipients must have reported in March that they received pension income in the previous calendar year. In the CPS, sources of such income include company or union pensions; Federal, State, or local government or U.S. military retirement benefits; U.S. railroad retirement income; and regular payments from annuities, insurances, or IRA, Keogh, or 401(k) accounts. Pension income also includes income from Social Security retired-worker benefits available at age 62. One-time distributions, such as lump-sum distributions, are excluded from the calculation of annual income and are thus also excluded from pension income.

Men under age 62 do not qualify for Social Security retired-worker benefits. To be counted as pensioners, they must have received another kind of pension, such as from a private company or the military. Persons receiving disability benefits but no other pensions are not in the count of pensioners.

questions on work activity, allows the analyst to examine pension receipt and employment in combination. Data from the March 1985, 1989, and 1993 Current Population Surveys are used in the following analysis to examine trends in work and retirement among men aged 50 and older during the past decade.[1] (See box for detailed definitions of *pension receipt* and *work*.)

Findings

The major finding of the analysis presented in this article is that both full- and part-time work among retired men (those receiving income from a pension) younger than 65 has increased markedly in recent years. Overall labor force participation rates have not reflected this increase, as other groups—nonpensioners aged 50 years and older and pensioners older than 65—have continued to reduce their work activity. The article presents various hypotheses that might explain why work activity among early (before age 65) pensioners has increased of late; it then examines data that support or refute each hypothesis. The following discussion does not provide definitive explanations of older men's work and retirement behaviors; however, it points out a trend and provides a first glance at some possible explanations that may stimulate further research.

Table 1 presents data on the employment status of men aged 50 years and older in March of 1984, 1989, and 1993. Each age group is stratified according to receipt of pension income during the previous calendar year and then by employment status during March of the relevant year. The overall proportion of men aged 50 years and older who received a pension increased slightly between 1984 and 1993. Actually, the increase was limited to those between the ages of 62 and 64; it reflected a continuing trend among men toward opting for reduced Social Security benefits, rather than waiting to receive full benefits at age 65.

The most striking trend shown in the table is the increase in work activity among pensioners under age 65. Because retirement ages have been dropping for decades, any increase in work activity among a group of older men is noticeable. Between 1984 and 1993, the proportion of pensioners who were working increased among all groups younger than 65, the age at which workers are eligible for both full Social Security retired-worker benefits and health insurance coverage through medicare. Increases were large among the youngest (and smallest) group of pensioners—those aged 50 to 54 years. The employment-to-population ratio of this group increased from 64 percent in 1984 to 73 percent in 1993. Work activity was up even more among men aged 55 to 61 years; just under half worked in 1993, up from 37 percent in 1984. And 24 percent of pensioners aged 62 to 64 years were employed, compared with 19 percent less than a decade earlier. Both full- and part-time (less than 35 hours per week) work activity rose among all these groups of retirees, although a disproportionate share of the increase among those 50 to 61 years was in part-time work.

Work status of younger pensioners

Why would men who received income from pensions in 1993 be more likely to work, either full or part time, than those who received such income in 1984? There are a number of possible reasons. Any influence that, over the period, increased the expenses or reduced the income of those receiving pensions obviously would be important. Among such influences might be declines in the real value of pensions or other income or increases in health care or other costs. Other possible explanations would include changes that made work more attractive, such as improved job opportunities. The remainder of this article examines some of these explanations.

Changes in the value of pensions. The most apparent explanation for an increase in work activity among young pensioners over the 1984–93 period would be that there was a decline in the real (inflation-adjusted) value of their pension benefits or other income over that period. It would follow reasonably from this hypothesis that such declines in income would encourage new pensioners to work to supplement their pension income. However, data on private pension, Social Security, and total money income indicate that no overall declines of this nature occurred during the period.

Income data for persons aged 55 and older derived from March CPS supplements are published every other year by the Social Security Administration and provide some insight into trends in pension values of people in their fifties and early sixties. Table 2 shows real average private pension amounts received by married couples of which at least one member was between the ages of 55 and 61 or between the ages of 62 and 64.[2] While the amounts for each of the two age groups showed somewhat different patterns over the 1984–92 period, in general, both increased slightly—by about 1 to 2 percent per year. Overall money income received by older married couples and by unmarried men, also shown in the table, was relatively flat.[3] In addition, the real value of Social Security amounts rose over the period. Thus, there is little support for the hypothesis that large-scale declines in real pension amounts or other income explain the

Table 1. **Employment of men aged 50 years and older, by receipt of pension in previous calendar year and work status, March 1984, 1989, and 1993**

[Numbers in thousands]

Age in March	Population	Received a pension in the previous year					Did not receive a pension in the previous year			
		Total	Percent	Worked in March			Total	Worked in March		
				Total	Percent of pensioners	Percent part time		Total	Percent of non-pensioners	Percent part time
Total, 50 years and older:										
1984	26,445	13,401	51	2,379	18	41	13,044	10,379	80	5
1989	27,606	14,799	54	2,823	19	43	12,807	10,359	81	6
1993	29,183	15,619	54	2,854	18	42	13,563	10,469	77	6
50 to 54 years:										
1984	5,296	374	7	241	64	5	4,921	4,179	85	3
1989	5,445	406	7	294	72	7	5,039	4,373	87	5
1993	6,147	379	6	276	73	12	5,767	4,751	82	4
55 to 61 years:										
1984	7,455	1,278	17	472	37	19	6,178	4,856	79	5
1989	7,140	1,322	19	597	45	18	5,818	4,621	79	5
1993	7,265	1,341	18	656	49	26	5,924	4,492	76	6
62 to 64 years:										
1984	2,889	1,611	56	303	19	46	1,278	998	78	9
1989	2,944	1,743	59	351	20	54	1,200	941	78	10
1993	2,939	1,809	62	434	24	41	1,130	851	75	9
65 to 69 years:										
1984	4,083	3,647	89	668	18	50	436	301	69	14
1989	4,553	4,046	89	812	20	57	507	367	72	12
1993	4,334	3,852	89	713	19	51	482	304	63	16
70 years and older:										
1984	6,722	6,491	97	695	11	58	231	45	19	27
1989	7,524	7,282	97	769	11	57	243	57	23	18
1993	8,498	8,238	97	775	9	60	260	71	27	20

increase in work among early retirees during the period studied.

Other pension trends. The foregoing data are only averages; the experience of particular groups in the population may be quite different. Some segments of the population—for example, individuals with certain types of pension plans—might have seen the value of their pensions erode substantially. A number of workers may be responding to the presence or absence of specific provisions in their pension plans. For instance, some employers grant ad hoc increases in their retirees' pension benefits to help those benefits keep pace with inflation. Such increases were common as recently as 10 years ago, but have all but disappeared of late. In 1983, 51 percent of all active workers with pension plans were covered by plans that had granted at least one increase to current retirees in the previous 5 years. By contrast, only 6 percent were covered by plans that granted increases between 1989 and 1993. Automatic cost-of-living adjustments have always been rare among private employers: only 4 percent of all private pensions included such adjustments in 1993, about the same as in earlier years.[4]

Because private pension benefits are so rarely indexed, the value of most annuities quickly erodes. Recent data indicate that not only are workers tending to receive pensions earlier, but also, they are living longer. Therefore, the value of pension benefits for those retiring in recent years is likely to erode over a greater period than that for previous retirees. Lifespans have been increasing for many years and continued to increase over the 1984–93 period. In fact, according to the latest data available, the average life expectancies for both 55- and 62-year-old men increased by about a year in just the 7 years between 1984 and 1991.[5]

In recent years, researchers have noted an increase in health complementary to that in lifespan among older persons. A number of studies have found declines in disability rates among older persons during the past decade.[6] Thus, the pool of early retirees in 1993 was probably somewhat healthier than that in 1984 and, at least incrementally, was more likely to be *able* to work.

Finally, it is also possible that increases in work activity partly reflect increases in the numbers of early retirement incentives or buy-outs during the past decade. Studies by the Hewitt Associates show that many more companies are offering early retirement windows than in the past. Seventeen percent of companies surveyed offered either an early retirement window or another separation plan in 1984. In 1991, the last full year covered by the surveys, 43 percent of employers offered such plans.[7]

Some workers may have taken advantage of early retirement plans because they were attractive, while others may have done so to avoid an impending job loss. Two-thirds of employers in the 1992 Hewitt Associates survey, which covered the 1988–91 period, said that the plans were offered in an attempt to avoid mandatory layoffs. The two-thirds figure was up from 55 per-

Table 2. **Real private pension, Social Security, and total money income of unmarried men and married couples aged 55 to 61 years and 62 to 64 years,[1] 1984–92**

[In 1992 dollars]

Year	Real private pension amounts of married couples aged—		Real Social Security amounts of—		Real total money income of—			
			Married couples aged—	Unmarried men aged—	Married couples aged—		Unmarried men aged—	
	55 to 61 years	62 to 64 years	62 to 64 years	62 to 64 years	55 to 61 years	62 to 64 years	55 to 61 years	62 to 64 years
1984	$7,859	$7,562	$7,629	$5,334	$40,213	$31,841	$15,286	$14,530
1986	7,937	6,951	7,527	6,234	40,656	33,923	15,515	14,913
1988	9,734	7,867	8,171	6,762	42,748	31,830	17,505	15,718
1990	8,041	8,006	7,895	6,290	42,401	33,842	16,422	15,614
1992	8,227	8,219	8,352	6,063	42,117	33,171	15,177	14,905
Percent change, 1984–92	4.7	8.7	9.5	13.7	4.7	4.2	–.7	2.6
Average annual change	.6	1.1	1.2	1.7	.6	.5	–.1	.3

[1] The age of a married couple is defined as the age of the husband, unless he is under 55 years and the wife is 55 years or older, in which case it is the age of the wife.

SOURCE: March supplements to the Current Population Survey; data published by the Social Security Administration. See text, footnote 3.

NOTE: Real income figures are adjusted for inflation using the Consumer Price Index for all Urban Consumers (CPI-U).

cent in the 1986 survey (which covered 1981–85). It is plausible that, in many cases, younger pensioners—whose retirements typically occurred earlier than they otherwise would have—would be more likely to work after retirement than would early retirees who had planned the date of their departure from their job. And the Hewitt Associates data clearly suggest that the number of involuntary retirees was on the rise over the survey period.

It appears likely, then, that despite an absence of a large-scale decline in pension amounts or in overall income during the 1984–93 period, other pension-related trends may have influenced the work decisions of retirees under age 65. Reductions in the number of ad hoc increases granted by employers; erosion of retirees' annuities due to inflation, coupled with longer life expectancies and improved health; and increases in the share of retirees taking unplanned retirements may all have played a part in the increase in the work activity of early retirees.

A shift toward lump-sum distributions in pension plans. One possible contributor to increases in the number of younger pensioners opting to work is their having spent lump-sum distributions they received either before or at the time of retirement. Since the passage of the Employee Retirement Income Security Act in 1974, there has been a trend toward providing retirement benefits in the form of lump-sum distributions upon departure from a job.[8] This reflects a shift away from defined-benefit pension plans, which generally provide benefits in the form of an annuity, to defined-contribution plans, which provide lump-sum distributions at retirement. In addition, the provision of lump sums has become more common in defined-benefit plans.

The trend toward providing retirement benefits in the form of lump sums (or lump-sum and annuity combinations) has meant that more retirees and more workers have had access to and control of their retirement income either at or before retirement age. If these workers spend their preretirement or retirement distributions upon receiving them, they may need to work to supplement their income from other sources.

The March income supplements to the CPS do not include questions on either the receipt or the amount of lump-sum distributions. Data from a special CPS supplement on pension benefits conducted in 1993, however, provide some insight into this phenomenon.

The use of defined-contribution retirement plans became increasingly popular in the 1980's and continues to expand today. These plans have been adopted by employers for many reasons, including the relative ease with which they are started and the greater portability afforded workers who participate in them.[9] The growth of 401(k) plans in particular has been especially strong. Such plans typically allow workers to make tax-deferred contributions (often at least partially matched by employers) to an investment fund that they withdraw when they leave the employer. Upon departure from the job, pension funds are distributed to the employee in a lump sum, which can be "rolled over" without penalty into a tax-deferred plan such as an individual retirement account or into another employer's plan. This increases the portability of contributions and avoids erosion of pensions as workers reinvest pension benefits and continue to contribute to one or more funds. Twenty-seven percent of full-time workers in the private sector were participating in 401(k) plans in 1993, up from only 3 percent a decade earlier.[10] At the same time, the proportion of workers participating in other types of pension plans fell from 50 percent to 33 percent. (Ten percent participated in both types of plans in 1993, and 50 percent did not participate in a pension plan.)

Recent research has shown that, despite having to pay taxes on the income, as well as incurring a penalty for withdrawing funds before reaching a plan's official retirement age, many employees spend their funds upon leaving an employer, rather than transferring them into a savings or investment account.[11] A 1993 supplement to the CPS that focused on employee benefits examined the distribution of lump sums in that year and found that only 32 percent of the disbursed funds went entirely into retirement or other savings or investments. (See table 3.) Thus, many workers are spending all or some of their retirement benefits either before the time they reach retirement age (such as when they change employers) or at retirement. Because of their longer years of service, older workers tend to receive much larger disbursements than younger workers do and are much more likely than younger workers to put the money into investments. Sixty percent of workers aged 55 to 64 who received distributions in 1993 put the funds entirely into retirement or other savings, while 20 percent spent their entire disbursement; the remaining 20 percent put their funds to other, sometimes multiple, uses. By contrast, less than half of workers just 10 years younger (45 to 54 years) put their disbursements entirely into savings or investments; this group was also nearly twice as likely as the older group to spend the money. If workers in their fifties and sixties in 1993 had spent some or all of their distributions in previous years, their retirement security may have been threatened.

An additional concern about the move to defined-contribution plans revolves around the fact

Table 3. Percent distribution of lump-sum recipients aged 25 to 64 years, by use of distribution and age at receipt

Use of lump-sum distributions	Total	Age at receipt of most recent lump sum: Under 25 years	25 to 34 years	35 to 44 years	45 to 54 years	55 to 64 years
Total recipients (in thousands)[1]	11,814	914	5,305	3,278	1,540	446
Percent distribution						
Total	100	100	100	100	100	100
Retirement savings[2]	21	3	14	27	34	42
Other savings or investments[3]	12	11	11	13	13	18
Put into business or house or paid debts	23	19	28	22	17	10
Spent[4]	29	56	32	23	21	10
Multiple uses	11	6	10	12	13	17
Other	4	4	4	4	2	3
Median lump-sum distribution	$3,840	$1,110	$2,890	$5,890	$10,010	$16,740

[1] Includes approximately 332,000 recipients for whom age at receipt could not be determined.

[2] Retirement savings include individual retirement accounts, plans with a new employer, and other retirement programs.

[3] Other savings or investments include savings accounts and other financial instruments.

[4] Consumer products purchased; medical, educational, or general expenses paid; and other expenditures.

SOURCE: *Pension and Health Benefits of American Workers, New Findings from the April 1993 CPS* (Department of Labor, Social Security Administration, Small Business Administration, and Pension Benefit Guaranty Corp., 1994), p. D–5.

that employees have control over the amount of money they contribute to their plans, as well as the types of investments into which the money is placed. Research has shown that individuals are often very conservative in their investment decisions, potentially threatening their retirement security.[12] Thus, it is possible that the shift toward individual control of pension accounts, together with the frequent spending of distributions, encourages continued work activity after a retiree receives the first benefit.

A decline in retiree health coverage. While much research has focused on health status as an influence on retirement, the availability and cost of health insurance coverage also undoubtedly comes into consideration as individuals examine their work and retirement options. At age 65, retirees are eligible for medicare; before that time, however, employers often cover the cost of health care benefits for their retirees. Those not covered by employment-based insurance must purchase individual policies or risk a period without insurance until they are 65.

In recent years, employers have become less likely to pay entirely for their retirees' health insurance. Many are increasingly shifting costs to their current retirees or eliminating benefits to future retirees altogether.[13] The findings from several studies lend support to the hypothesis that health costs may be playing an important role in the work and retirement decisions of men over age 50:

- The National Bureau of Economic Research examined the effect of mandated continuation coverage laws, such as the Consolidated Omnibus Reconciliation Act (COBRA) of 1985, on retirement behavior and suggested that health insurance coverage is an important component of the decision to retire, continue working, or return to work.[14]
- Data from the BLS Employee Benefit Survey dramatically illustrate declines in retiree health coverage and increases in retiree health costs. In 1985, 73 percent of full-time employees in medium and large establishments could have their health coverage continue into retirement; by 1993, the proportion had dropped to 52 percent. Similarly, of those employers that did offer a plan, 41 percent required retirees under 65 years to fund all or part of the coverage in 1985, compared with 75 percent in 1993.[15]
- A 1994 study using the Survey of Income and Program Participation found that about 1 in 5 men who were early retirees experienced a change in the source of their health insurance coverage at retirement. About 8 percent of these early retirees aged 55 to 61 and 6 percent of those aged 62 to 64 had no coverage at all after retirement; half of those in each group had been covered by their previous employers. Other retirees switched from one type of coverage to another, such as from an employer plan to coverage through the plan of a spouse or a former employer, or switched to private coverage.[16]

Thus, continuing to work after the initial receipt of a pension may enable workers to afford increased cost sharing with their employers—including that available from continued coverage mandates—or may enable them to pay for private coverage.

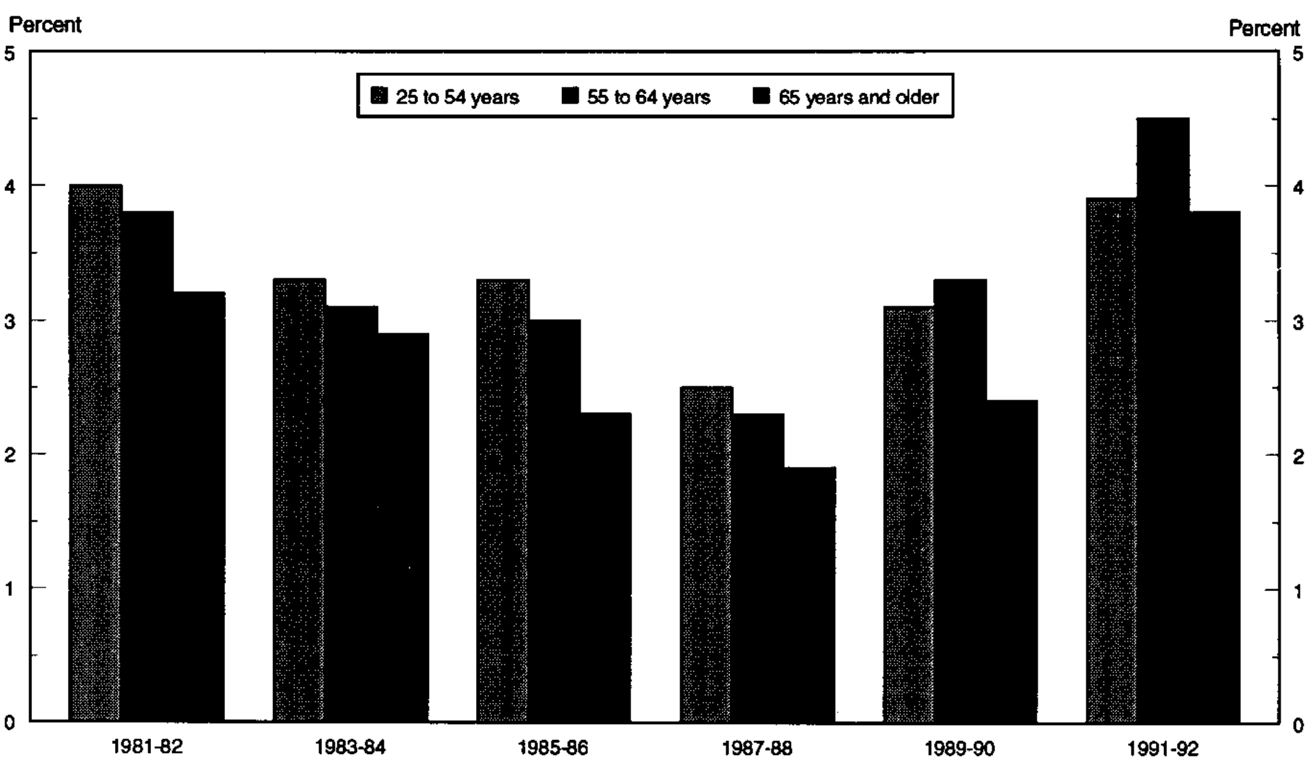
Trends in the labor market. In examining changes in the work activity of early pensioners, it is also important to look at influences related to the labor market during the 1984–93 period. In this regard, the role of overall changes in demand for older workers from 1984 through 1993 is ambiguous.

Labor market trends were generally favorable for older workers during the 1980's. Between 1984 and 1989, the employment situation improved for all age groups of workers. Job displacement—which was extremely high in the early 1980's—continued, but fewer workers were displaced each consecutive period, until the onset of recession in 1990.[17] (See chart 1.) During the latter part of the expansion, labor shortages began to occur in some areas of the country. Employers sought older workers as solutions to these shortages, and some targeted recruitment efforts specifically at retirees. Thus, increasingly favorable employment conditions for older workers during the 1980's may have drawn some pensioners into the work force.

As recession came in the 1990's, however, many older workers lost jobs, and employers pared their payrolls with layoffs and early retirements. Both displacement rates and unemployment increased faster for older workers than for other age groups. Displacement rates were higher for workers aged 55 to 64 than for other workers for the first time since the BLS compiled statistics on displacement, and such job losses pushed some older workers out of the labor force. Early retirement packages were also used to trim payrolls. While some of these packages undoubtedly provided attractive options to eligible employees, others who were eligible may have taken them to avoid losing a job. Those who took such unplanned retirements were probably more likely than other retirees to return to work after leaving their employers. The extent to which each of these labor market influences encouraged early pensioners to work is not known.

Finally, the continuing shift of employment opportunities into service-sector jobs during the 1980's and to the present would seem to have opened more attractive employment opportunities for early pensioners, both full and part time, than were previously available. These jobs often

Chart 1. **Displacement rates for 2-year periods from 1981 to 1992, by age**



NOTE: Displacement rates estimate the percentage of workers in any age group who lost a job they had held for 3 years or more during the specified period due to a plant or business closing, the abolishment of a position or shift, or insufficient work.

provide more flexible schedules and require fewer physical demands than do jobs in other industries in which older men have predominated, particularly manufacturing. Because in the CPS sample the number of early pensioners who have returned to work is fairly small, shifts in the occupations or industries in which these pensioners have been employed over the past decade cannot be reliably discerned from the data.

IN SUM, between 1984 and 1993, work activity increased among men under age 65 who were collecting a pension. It is likely that both positive and negative factors influenced that trend. A number of these factors may have led more early pensioners to work than in the past: changes in types and provisions of pensions, increases in health care costs, longer and healthier life expectancies, increased layoffs, unexpected retirements, and expanded opportunities to work under reduced or flexible schedules and relatively low physical demands. Further research into this new trend is necessary to fully understand the new patterns of work and retirement among early pensioners. □

Footnotes

[1] Note that women are excluded from the analysis because the techniques employed do not apply well to them. In particular, while for men, receipt of a pension is invariably based on their own work histories, this is not necessarily the case for women. Many women—even those with extensive work histories—receive Social Security retirement benefits based on their husband's eligibility. Also, women are more likely to receive survivor's benefits unrelated to their own work histories than are men.

Note also that data were not tabulated for different racial or ethnic groups of men, as the number of pensioners was too small to calculate reliable figures for these groups.

The years 1985, 1989, and 1993 were chosen because the economy was expanding, allowing for more meaningful comparisons. Data for 1994 were not included because the redesign of the CPS, introduced with the January 1994 survey, could have affected some of the labor force measures. (Indeed, the 1994 data for men 65 years and older show a notable increase in labor force participation that can be traced to the revisions in the questionnaire.) For a discussion of these revisions, see Sharon R. Cohany, Anne E. Polivka, and Jennifer M. Rothgeb, "Revisions in the Current Population Survey Effective January 1994," *Employment and Earnings* (Bureau of Labor Statistics, February 1994), pp. 13–39.

[2] Data are not shown separately for unmarried pension recipients, because the number of such men under age 65 is quite small.

[3] See Susan Grad, *Income of the Population 55 or Older, 1992* (Department of Health and Human Services, May 1994). See also the same publication for 1990, 1988, 1986, 1984, 1982, and 1980.

[4] Data are available for active workers only; no comparable figures exist for retirees. See *Employee Benefits in Medium and Large Private Establishments, 1993*, Bulletin 2456 (Bureau of Labor Statistics, November 1994), table 156, p. 129; *Employee Benefits in Medium and Large Firms, 1983*, Bulletin 2212 (Bureau of Labor Statistics, August 1984), table 50, p. 53; and *Employee Benefits in Small Private Establishments, 1992*, Bulletin 2441 (Bureau of Labor Statistics, May 1994), p. 80.

[5] See *Vital Statistics of the United States, 1991, Life Tables*, vol. II, part A, section 6 (Department of Health and Human Services, forthcoming).

[6] "Shall Age Weary Them?" *The Economist*, Dec. 4, 1993, pp. 87–88. See also Vicki A. Freedman and Beth J. Soldo, eds., *Trends in Disability at Older Ages: Summary of a Workshop* (Washington, National Academy Press, 1994).

[7] The Hewitt Associates studies surveyed 529 companies in 1987 and 694 in 1993. Because the samples were not large enough to be nationally representative, the actual proportions of all establishments offering early retirement plans may vary. Still, the data indicate that such plans are growing in popularity. (See *Plan Design and Experience in Early Retirement Windows and Other Voluntary Separation Plans* (Lincolnshire, IL, Hewitt Associates, 1986); and *Early Retirement Windows, Lump Sum Options, and Postretirement Increases in Pension Plans, 1992* (Lincolnshire, IL, Hewitt Associates, 1992). The data from the 1992 survey are more restricted than the earlier data; thus, the growth in early-out plans may be even larger than indicated.

[8] *Pension and Health Benefits of American Workers, New Findings from the April 1993 CPS* (Department of Labor, Social Security Adminstration, Small Business Administration, and Pension Benefit Guaranty Corporation, 1994), p. 7.

[9] Other reasons for the shift to defined-contribution plans include voluntary terminations of overfunded defined-benefit plans (particularly in the 1980's), limited employer commitment to defined-benefit plans, looser regulation in defined-contribution plans than in defined-benefit plans, disinterest on the part of employers in starting up new defined-benefit plans, and general business trends that favor simplicity and mobility, which are more characteristic of defined-contribution plans than defined-benefit plans. (See Michael J. Alderson and Jack L. Vanderhei, "Pension Asset Reversion," in *Trends in Pensions, 1992* (Pension and Welfare Benefits Administration, 1992), pp. 531–38; and "The Changing Characteristics of Pensions: Where Employers Are Headed," in Richard V. Burkhauser and Dallas L. Salisbury, *Pensions in a Changing Economy* (National Academy on Aging, Employee Benefit Research Institute, 1994), pp. 33–40.

[10] *Pension and Health Benefits*, p. 7.

[11] *Pension and Health Benefits*, p. D–5.

[12] *Salary Reduction Plans and Individual Saving for Retirement*, EBRI Issue Brief No. 155 (Employee Benefit Research Institute, November 1994), pp. 16–19.

[13] For a thorough examination of these issues, see Jeannette A. Rogowski and Lynn A. Karoly, "The Consequences of Early Retirement for Health Insurance Status," RAND internal paper, April 1994.

[14] The Consolidated Omnibus Budget Reconciliation Act of 1985 extends group health insurance coverage to employees for up to 18 months after they have left a job. The costs of the plan are often paid for entirely by the retiree and are not allowed to exceed 102 percent of the insurance premium paid for jointly by the employer and/or employee during the latter's tenure on the job.

[15] *Employee Benefits in Medium and Large Private Establishments, 1993*, pp. 85, 86; and *Employee Benefits in Medium and Large Firms, 1985*, Bulletin 2262 (Bureau of Labor Statistics, July 1986), pp. 25, 33.

[16] Rogowski and Karoly, pp. 9–13.

[17] See Jennifer M. Gardner, "Worker displacement: a decade of change," this issue, pp. 45–57.