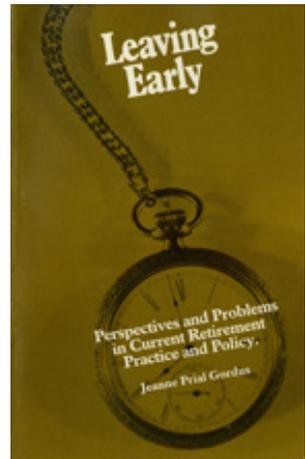

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Introduction

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Leaving Early: Perspectives and Problems in Current Retirement Practice and Policy

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Introduction

Early retirement, a term once susceptible to simple definition, is in fact a phrase which describes different kinds of detachments from the labor force of individuals at ages earlier than had once been arbitrarily determined as normal, that is 65 years of age. Less than two decades ago, an early retiree was a person who chose to leave the labor force before 65 years of age, usually between 62 and 64 years of age. At present, because of increasingly liberal benefits as well as decreasingly rigid criteria for eligibility, that definition no longer holds. Instead, there is now an array of individuals who have retired early. At one end of such an idealized array are affluent persons in their mid or early 50s whose pension benefits and private investments or other income permit them to pursue lives in which either leisure, community service, or second careers are relatively well-subsidized. At the other end of such an array are persons who are, for all practical purposes, unemployed and becoming increasingly unemployable, but who differ from the long term older unemployed persons of previous decades by virtue of the source of the income which they now have—early retirement pension benefits.

This study of early retirement was undertaken as an effort to draw together what is known about this new phenomenon from materials already developed on the subject. The pur-

poses of such a review were not strictly theoretical. For one thing, the study began at a time when it appeared that public pressures were producing a situation which was paradoxical. Early retirement had been enshrined, for some at least, with those long sought and hard won benefits—medical coverage, workers' compensation, and pension benefits of all kinds—which help assure a decent working and post-working life. But at the same time, legislation had finally been passed to raise mandatory retirement age from 65 to 70 in many establishments and occupations. These countercurrents are more than just another example of disagreement about issues of public policy. They both express and act upon concerns and serious reservations about early retirement as an appropriate method of labor force reduction at a time when it is not clear whether early retirement benefits all who take it and when the continuing state of constriction of the nation's retirement resources is already worsening. In fact, it is possible that these resources could become drastically reduced in another two decades because of demographic pressure alone, and perhaps even completely exhausted should the trend toward early retirement continue at its present level.

The aging of societies and the problems of retirement are very modern phenomena. In the course of human history, only a handful of persons could expect to reach the normal span of life, 70 or more years, before death. A vast majority failed to reach 35 years of age. Not until the nineteenth century did sufficient numbers of persons live long enough to make age or aging, or the support of the aging, a problem suitable for public intervention. In the late nineteenth century, retirement had begun. Poverty among elderly Americans had always been a problem, but as more Americans survived to older ages and more of them withdrew from the labor force, the problem became more severe and widespread. Private pension plans were developed

gradually, and with the enactment of social security legislation, the threat of poverty to older Americans who were no longer working was reduced. The extensions of these arrangements to provide options and incentives for Americans to retire early—not just after years earlier than 65, but as early as 55—took place much more rapidly. This development in labor force policy could have substantial impact on the economic system, the social structure and individual lives in the coming decades.

As the second chapter of this study emphasizes, when the option to retire early had developed, it became clear that not all persons availed themselves of this opportunity. If, in fact, early retirement is not as advantageous to proper deployment of the American labor force as once commonly held, it was important to know who chose this detachment from the world of work and who delayed retirement. In general, some tentative answers can be provided to that question. Involuntary early retirement is closely associated with prolonged unemployment or declining health. Voluntary early retirement is associated with favorable postretirement income prospects, good health, and substantial planning preparation for the retirement experience. Some early retirements are more difficult to categorize and seem to result from the availability of benefits, some pressure from employers, and a perceived lack of reward from the work role.

The third chapter of this study begins with individual issues. The individual experience is an essential element for investigation because certainly how retirement is perceived by those presently in that state will have some impact on those who decide in the future. The specific methods, as well as the conceptual bias brought to the retirement experience by those who have studied it, provide a source of confusion as well as enlightenment, but it is clear that those who have retired early with sufficient resources and good health and who chose to do so, experience retirement as a beneficial ar-

rangement which probably even prolongs life. Those not so favored may find early retirement better than unemployment or unsubsidized disability, but the experience is radically different from and much less fulfilling than that of their more favored cohorts. As the third chapter demonstrates, there are social consequences—and ultimately policy issues—involved with individual retirement experience. For example, social service systems and adult and higher education in America have begun to focus on older Americans as a population to be served, in some instances transferring their function from a younger dependent population to another population which happens to be older.

The final chapter considers implications for future research and public policy. If, as many assert, the nation's retirement resources will be subject to burdens which it cannot sustain within the next two decades, a reconsideration of early retirement policies is essential. While such a reconsideration may arise from concern over whether the nation can afford maintained or increased levels of early withdrawal from the labor force, it must proceed from information about how the early retirement decision is made and how the experience is perceived. Early retirement, for those who are financially secure and healthy and who plan for this stage in their life cycle, is a thoughtful decision and a positive experience. Early retirement can also be beneficial for those whose health is deteriorating, but it is possible that early retirement for these persons is simply another type of extended and perhaps liberalized disability. Other involuntary early retirees, those whose employment histories have been troubled, might be assisted by policies directed toward retaining them in the work force in some capacity. Still other early retirees do not make a truly voluntary decision and may not experience retirement positively. They have responded to a mixture of liberalized benefits, job dissatisfaction, a perceived lack of employment-related rewards, and pressure from

employers and coworkers. If that is the case for some workers, and this literature review indicates that it is, the focus for research and policy should extend beyond incentives and disincentives or early retirement to include the employment problems of older workers.