



# EBRI News

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## New Research from EBRI:

### Survey Suggests Incentives That Might Persuade Older Workers to Delay Their Decision to Retire

WASHINGTON—Employers have a narrow window of up to two years in which they may be able to change retiring workers' decisions by offering them incentives to remain with the company, according to results of a survey released today by the nonpartisan Employee Benefit Research Institute (EBRI).

“Although no single incentive is likely to motivate the majority of retirees to stay longer with their employer, it appears that employers may be able to assemble a toolkit of alternatives that would be effective in retaining substantial numbers of workers,” said a report on the survey, published in the July 2008 *EBRI Issue Brief*. Steps likely to be most successful are: making workers feel needed, offering them a full or partial pension while working part time, and making seasonal or contract work available.

The timing of the offer of a delayed retirement incentive is important, the survey found. Nearly two-thirds of retirees (63 percent) report that these offers would have been a lot more effective if the retirees had known about them in the two years before they communicated their intention to retire.

The “EBRI 2008 Recent Retirees Survey” is based on responses from 4,981 workers in aerospace and defense industry companies who retired in 2003 or later and are currently between the ages of 55 and 65. Of the total survey sample, 3,321 were engineering/technical services retirees, 79 percent were men, and 83 percent were married at the time they retired. A full report on the survey results is available at [www.ebri.org](http://www.ebri.org)

The purpose of the survey was to better understand the tools and practices that might encourage workers to postpone retirement and remain longer with their company. The survey found that a strong majority of retirees (61 percent) would have been open to an approach from their employer asking them to stay longer, and, as indicated above, money alone is not necessarily the major factor in convincing older, experienced workers to stay.

The survey tested 19 possible incentives that might encourage retiring workers to postpone retirement, and found the following appeared likely to be especially persuasive:

- **Feeling truly needed:** Half of retirees (48 percent) indicate that feeling truly needed for an assignment would have been *extremely* or *very* effective in encouraging them to delay their retirement. Moreover, of those ranking this as one of the top two most effective incentives, 72 percent say it might have prompted them to stay at least two more years with the company.
- **Receiving a pension while working:** Half of retirees with a defined benefit pension state that receiving a *full* pension while working part time would have been effective in delaying their retirement (50 percent), and almost as many feel this way about receiving a *partial* pension while working part time (44 percent). Seven in 10 of those rating each of these incentives among the top two most effective report they would likely have stayed at least two more years if it had been offered to them (72 percent for full pension, 71 percent for

partial pension). However, this would necessitate a change in federal law, and several other compensation-related incentives may be almost as compelling.

- **Contract work:** Thirty-eight percent report that being able to work seasonally or on a contract basis would have been effective in encouraging them to delay retirement. Among those rating this as one of the top two incentives, more than three-quarters (77 percent) say it might have prompted them to stay two years longer with the company.

According to the survey, other incentives that received significant support from recent retirees include:

- **A pay raise:** Receiving a pay increase (33 percent of all retirees say it would have been effective, 56 percent ranking it among top two most effective might have stayed two years or longer).
- **Health benefits:** Continuing to receive company-subsidized health insurance benefits at the same level as full-time workers while working part time (46 percent effective, 56 percent two years or longer).
- **More meaningful work:** Doing more meaningful work (36 percent effective, 67 percent two years or longer).
- **Guaranteeing pension income:** Locking in pension benefits that were already earned (42 percent of those receiving pension effective, 54 percent two years or longer).
- **Working from home:** Telecommuting, so as to avoid the daily commute (28 percent effective, 68 percent two years or longer).
- **Part-time work:** Being able to work part time rather than full time (36 percent effective, 64 percent two years or longer).

In general, workers begin thinking seriously about retirement not long before they actually retire, the survey found. Twenty-two percent of the surveyed retirees first began thinking seriously about retiring only six months before they left the company, while another 22 percent began thinking seriously about it a year beforehand. Twenty-eight percent started thinking about it 18 months (10 percent) or two years (18 percent) before.

Employee benefits typically play an important role in the retirement decision, and most of the aerospace and defense industry retirees surveyed have benefits that are becoming increasingly rare in the private sector: a defined benefit pension plan (98 percent) and retiree medical insurance (70 percent). The vast majority (95 percent) also report having a work place retirement savings plan, such as a 401(k).

One of the primary reasons that aerospace and defense industry company workers retire when they do is because retirement becomes affordable (76 percent rate it as *extremely* or *very* important), the survey found. The two other reasons for retiring mentioned by a majority of retirees are their job satisfaction (63 percent) and a desire for more personal or family time (60 percent). Almost half (46 percent) say their health was an extremely or very important factor.

The questionnaire for the study was designed by Mathew Greenwald & Associates, a Washington-based market research firm, in cooperation with EBRI, the HR Policy Association, and 11 aerospace and defense industry companies participating in the project. Online interviewing for the survey was conducted by Greenwald between March 24 and April 7, 2008. The margin of error for the total number of respondents is plus or minus 1 percentage point. Details of the methodology are contained in the *Issue Brief*.

The questionnaire for the study was designed by Greenwald & Associates, in cooperation with EBRI, the American Benefits Council, HR Policy Association, and the aerospace and defense industry companies participating in the project: BAE Systems Inc., Ball Corporation, The Boeing Company, General Dynamics Corporation, Harris Corporation, Honeywell International Inc., Lockheed Martin Corporation, Northrop Grumman Corporation, Raytheon Company, Textron Inc., and United Technologies Corporation.

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