

May 31, 2002

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**Early retirement offers: U-M study shows how common they are,  
And the impact they have on employment of older workers.**

For release on Friday, May 31, 2002 at 12 :01 A.M. EDT

Washington, DC --- About 15 percent of Americans age 51-61 who were working in 1992 had received an early retirement offer from their employer by the year 2000, according to a University of Michigan study to be presented May 31 in Washington, D.C.

Those receiving an offer were 12 percent less likely to be employed in 2000 than those who did not receive such an offer, according to Charles Brown, an economist with the U-M Institute for Social Research (ISR) and the National Bureau of Economic Research (NBER).

“If we take this 12 percent difference as an indicator of the effect window offers have on the employment of those who receive them,” says Brown, “eight years worth of early-out offers have reduced the 2000 employment rate of this age group by about two percent.” This is a back-of-envelope estimate, Brown emphasizes, illustrating that such windows may be an important factor in understanding recent changes in employment by older workers.

Brown is presenting his findings at the annual conference of the Retirement Research Consortium, funded by the Social Security Administration. His analysis is based on data from the U-M Health and Retirement Study, which surveys a nationally representative sample of more than 20,000 Americans over the age of 50 every two years, with funding from the National Institute on Aging.

Information on the prevalence and impact of early-retirement windows is not generally available in national household surveys, Brown notes, with most of what’s known to date coming from case studies of individual employers and client surveys conducted by compensation consultants. The new findings from the U-M Health and Retirement Study not only provide the first national data on trends in early retirement offers in the 1990s, but they also follow workers to learn whether they go to work elsewhere or retire altogether after accepting such offers.

When the survey first started in 1992, participants were asked if they had ever been offered such an early retirement window, and during re-interviews every two years, continuing respondents were asked if they had received such an offer since the last interview.

Brown found that the frequency of such offers peaked in the mid-1990s, with just under five early-out offers per hundred workers ages 55 through 59 in 1992-1996, compared to less than two per hundred workers in that age group in 1990 and in 2000, the last year data from the study are available.

Overall, he found that about half of those who received an early-out offer since 1992 were not employed by 2000, compared to about 44 percent of their age mates who did not receive such an offer.

In general, workers who received offers were better paid, were almost always covered by a pension plan, and had been with their employer longer than workers who did not get an early-out offer. About two-thirds of workers who received an early-out offer were male, Brown found, and about the same proportion said their health was good or excellent. About 40 percent were college graduates, compared to 19 percent of workers their age who did not receive an early retirement offer.

Only about a third of the offers received were accepted, depending on the workers' ages. About three-quarters of those surveyed who accepted early retirement offers said that they would not have retired at that time without the special, time-limited inducement.

Slightly more than half of the window offers that were accepted included a cash bonus, Brown reports, and the median amount of the bonus, in 1992 dollars, was \$23, 800 dollars – just under a thousand dollars more than in rejected offers. Improved pension benefits were included in 36 percent of the accepted offers, but only in about a quarter of the rejected offers.

Nearly a third of those who accepted an early retirement offer went to work for another employer, Brown found. Two thirds of those who accepted offers were not working at all, compared to only one third of those who rejected offers.

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Established in 1948, the Institute for Social Research (ISR) is among the world's oldest survey research organizations, and a world leader in the development and application of social science methodology. ISR conducts some of the most widely-cited studies in the nation, including the Survey of Consumer Attitudes, the National Election Studies, the Monitoring the Future Study, the Panel Study of Income Dynamics, the Health and Retirement Study, the Columbia County Longitudinal Study and the National Survey of Black Americans. ISR researchers also collaborate with social scientists in more than 60 nations on the World Values Surveys and other projects, and the Institute has established formal ties with universities in Poland, China, and South Africa. Visit the

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