

# TRENDS AND ISSUES

DECEMBER 2011

## SHOULD I STAY OR SHOULD I GO? *THE FACULTY RETIREMENT DECISION*

Paul J. Yakoboski  
Senior Research Fellow  
TIAA-CREF Institute

### EXECUTIVE SUMMARY

Senior faculty fall into three groups—25% who expect to retire by a normal retirement age; 15% who expect to, but would prefer not to, work past normal retirement age; and 60% who would like to and expect to work past normal retirement age. Financial necessity is a major reason for most of those reluctantly expecting to work past normal retirement age. Furthermore, it appears that many in this group were pushed into this status by the recession and crash in financial markets. By contrast, 90% of those expecting and hoping to work to an advanced age cite enjoyment of their work and the fulfillment it provides as a major reason. They generally view themselves as performing as well as ever in their faculty role.

Many colleges and universities are institutionally challenged by senior faculty who remain “too long.” Addressing the challenge requires addressing the relevant barriers dependent upon whether faculty are reluctantly reluctant to retire or reluctant by choice to retire. In each case, unconfirmed assumptions often appear to underlie the barriers.

Those reluctantly reluctant to retire often have not done a careful financial evaluation of when they can afford to retire, particularly with the assistance of a professional financial advisor. In light of macroeconomic events, a financial shortfall may be an obviously correct assumption for some. But for anyone, the magnitude of a shortfall and the likely time needed to make it up cannot be known without such financial analysis. For others, what they consider obvious may not be correct. Financial analysis may reveal manageable changes in behavior that would speed recovery. Those reluctantly expecting to work past normal retirement age may also be willing to enroll in a phased retirement program or accept a buyout if they are confident that the dollars add up to allow them to do so.

But making a breakthrough on the reluctant retiree challenge requires addressing the barriers of the 60% of senior faculty who are reluctant by choice to retire. In this case there is generally an implicit assumption that nothing else would provide the same fulfillment as continued faculty work—an unexamined assumption that may or may not be correct. Only one-half



of these faculty have carefully considered what they could do if they retired from academe. Less than 10% have engaged in such a life planning exercise with an advisor. Such evaluation would seem to be a prerequisite for moving those reluctant by choice into retirement. It does not guarantee it, but it's unlikely without it. The challenge for a college or university is creating a framework where senior faculty, especially the “right” faculty, go through such a life planning evaluation of alternatives to academe.

## INTRODUCTION

The issue of senior tenured faculty remaining in their positions past what is typically considered a normal retirement age has received increased scrutiny by college and university leadership in the aftermath of the 2008-09 recession, a weak economic recovery from the recession, and continued volatility and uncertainty in the financial markets. Where this phenomenon exists, it can create various problems for administrators (department chairs, deans and provosts) focused on keeping the faculty workforce dynamic for purposes of teaching, research and service, e.g., declining productivity among some senior faculty, limited advancement opportunities for junior faculty, a lack of openings for new hires and a lack of flexibility to reallocate resources across departments and programs. But while there are senior faculty members whose performance has declined, there are also senior faculty members who remain effective teachers, productive researchers and supportive colleagues.

Phased retirement programs and buyout packages have been common institutional responses. These are blunt instruments, however, that can result in unintended consequences, such as the encouragement of productive faculty to leave and accept an appointment at another institution and the potential encouragement of unproductive faculty to remain longer than they might have otherwise. But colleges and universities are increasingly interested in alternative and complementary strategies to address the faculty retirement challenge. Any such program will not be effective unless it is rooted in an understanding of how senior faculty decide, actively or passively, whether and when to retire. To this end, the TIAA-CREF Institute surveyed full-time college and university faculty age 60 and older regarding issues related to whether and when to retire.<sup>1</sup>

### “EXPECT TO...” VS. “LIKE TO...”

Senior faculty (age 60 and older) can be divided into two groups—those who expect to retire by a “normal” retirement age and those who expect to work past a “normal” retirement age or have already done so.<sup>2</sup> This latter group, referred to as “reluctant retirees,” accounts for 75% of the senior faculty population according to the survey.<sup>3</sup> The former group, accounting for 25% of the senior faculty population, is referred to as “traditional retirees.”

There is an obvious difference between the age at which one expects to retire and the age at which one would like to retire, even if those ages are the same. Eighty percent of those who expect to work past normal retirement age want to work past normal retirement age; these individuals are considered to be “reluctant by choice.” The remaining 20% of reluctant retirees would like to retire before normal retirement age and are thus considered to be reluctantly reluctant.<sup>4</sup>

Older faculty can thus generally be classified into three groups (figure 1):

- Traditional retirees: those who expect to retire by what is generally considered a normal retirement age (such as the age of eligibility for full Social Security benefits)
- Reluctant by choice: those who would like to and expect to retire after a normal retirement age, if ever.
- Reluctantly reluctant: those who would like to retire by a normal retirement age, but expect to retire later.

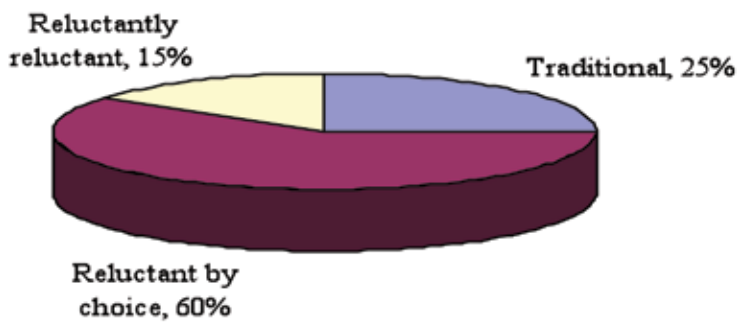
1 College and university faculty were surveyed by telephone between September 23 and October 6, 2011 by Mathew Greenwald & Associates.

2 Among faculty age 60 and older, 73% are age 60-66 and 27% are over age 66.

3 The age at which individuals can begin collecting full Social Security benefits is used as the normal retirement age; this is 65 years to 66 years for those age 60 and older in 2011.

4 An individual currently over age 66 may have liked to retire before age 66; this person would best be considered reluctantly reluctant. The nine reluctant retirees reporting that they would like to retire now were classified as reluctantly reluctant as opposed to reluctant by choice.

**FIGURE 1**  
**DISTRIBUTION OF FULL-TIME FACULTY, AGE 60 AND OLDER**



Source: *Faculty Retire/Not Retire Survey*, TIAA-CREF Institute (2011).

**BEYOND THE LABELS**

Why do faculty continue working or expect to continue working past a normal retirement age? Enjoyment of their work and fulfillment in it is a major reason that 90% of those reluctant by choice expect to keep working past a normal retirement age (table 1). In addition, 74% of those reluctant by choice responded that a major reason for continued work was that they remain effective in carrying out their faculty responsibilities. In fact, almost all are convinced that they are still good at their job—77% feel that their performance as a faculty member at this point in time is as good as ever, while 22% feel that it has slipped just below their best; only 1% consider it well below their best.

**TABLE 1**  
**REASONS FOR WORKING OR EXPECTING TO WORK PAST A NORMAL RETIREMENT AGE**

	RELUCTANT BY CHOICE		RELUCTANTLY RELUCTANT	
	MAJOR REASON	MINOR REASON	MAJOR REASON	MINOR REASON
Personal finances necessitate continued work	36%	39%	76%	14%
Need the health insurance provided by current employer	36	31	53	19
Enjoy and feel fulfilled by your current work	90	9	54	32
Remain effective in carrying out your faculty responsibilities	74	17	45	29
No reason to retire	48	25	13	31
Would miss colleagues and other campus associations	31	46	12	55
No attractive alternatives for how to spend your time	20	31	7	19
Have not really considered the possibility of retirement	16	25	8	19

Source: *Faculty Retire/Not Retire Survey*, TIAA-CREF Institute (2011).

From the perspective of faculty who are reluctant by choice, there is no problem—they are doing what they enjoy, what gives them fulfillment and they are still good at it. One would expect that phased retirement programs and financial incentives would have a limited impact on this group.

By comparison, other factors tend to be more important for a greater share of faculty who are reluctantly reluctant to retire (table 1). For these individuals, financial considerations tend to be the primary driver—76% report that a major reason for working past a normal retirement age is personal finances necessitating continued work and 53% cited the need for health insurance as a major reason. Ninety percent of those citing personal finances as a major reason for continued work report that they would retire sooner than their current expectation if personal finances were no longer an issue.

Furthermore, it appears likely that many of those reluctantly reluctant to retire were made that way by the recession and crash in the financial markets—72% reported that these economic events caused a delay in their expected timing of retirement. Among those, 44% reported a delay of 5 years or more, 46% reported a delay of 2 to 4 years and 4% reported a delay of less than 2 years (table 2). By comparison, 33% of those reluctant by choice and 37% of traditional retirees reported a resulting delay. So depending on age and length of the expected delay, some faculty would have moved from “traditional” status to “reluctantly reluctant,” while others who were already reluctantly reluctant would have experienced an increase in the gap between their expected and their preferred timing of retirement.

**TABLE 2  
ECONOMIC EVENTS AND THE TIMING OF RETIREMENT**

	<b>TRADITIONAL RETIREES</b>	<b>RELUCTANT BY CHOICE</b>	<b>RELUCTANTLY RELUCTANT</b>
Recession and crash in financial markets delayed expected timing of retirement	37%	33%	72%
Expected delay			
5 years or more	14%	35%	44%
2 to 4 years	68	53	47
Less than 2 years	12	6	4
Don't know/Refused	6	7	5

Source: *Faculty Retire/Not Retire Survey*, TIAA-CREF Institute (2011).

But financial considerations are not the only reason that some faculty reluctantly expect to work past a normal retirement age—54% report enjoyment and fulfillment in their faculty work as a major reason. Like those who are reluctant by choice, those reluctantly reluctant feel that they are still effective in their faculty role—77% think they are as good as ever and 17% think they are just below their best. (These self evaluations are also basically the same as those of traditional retirees, 74% of whom view themselves as being as good as ever and 26% as being just below their best.) So older faculty reluctantly expecting to work past normal retirement age may have more issues impacting their thinking than those reluctant by choice.

**HOW TO RESPOND?**

Relative differences in the importance of factors impacting the thinking of senior faculty regarding continued work versus retirement imply a need for differences in outreach to those who are reluctantly reluctant and those who are reluctant by choice. But common to both is a need to address assumptions held by many in each group.

**RELUCTANT BY CHOICE**

Among faculty already working or planning to work beyond normal retirement age by choice, 37% have thought a lot about whether and when to retire, 41% have thought about it some and 22% have thought about it little if at all (table 3). By comparison, 69% of traditional retirees have thought about it a lot and 26% have thought about it some. This needs to change—more of those reluctant by choice need to think about it a lot, not with a presumption that they will retire, but rather to make an explicit decision with full information and understanding rather than implicitly based on assumptions.

**TABLE 3**  
**THOUGHT GIVEN TO WHETHER AND WHEN TO RETIRE**

	<b>TRADITIONAL RETIREES</b>	<b>RELUCTANT BY CHOICE</b>	<b>RELUCTANTLY RELUCTANT</b>
A lot	69%	37%	52%
Some	26	41	38
Not much	5	17	9
None at all	1	5	0

Source: *Faculty Retire/Not Retire Survey*, TIAA-CREF Institute (2011).

More specifically, one-half of those reluctant by choice have done a careful evaluation of how they could spend their time if retired from academe (a figure that seems somewhat high given that only 37% have given a lot of thought to retirement). Furthermore, only 14% of these, or 7% of those reluctant by choice, have done such an evaluation with the assistance of a life planning advisor (table 4).

Life planning is the investigation of preferences and meaning in life beyond money. It engages an individual in systematically thinking through the possibilities for the remainder of his or her life. It is “a process conducted...to help financial planning clients (1) focus on the true values and motivations in their lives, (2) determine the goals and objectives they have as they see their lives develop and (3) use these values, motivations, goals and objectives to guide the planning process and provide a framework for making choices and decisions in life that have financial and non-financial implications or consequences...”<sup>5</sup>

It appears that the majority, likely even the vast majority, of senior faculty reluctant to retire by choice have little if any idea about how they could spend their time if retired. More to the point, they have given little if any consideration to encores to their academic careers that could provide the same level of enjoyment and fulfillment at this stage of life, maybe even more. Many seem to assume that such alternatives do not exist and default into continued work.

Research on human judgment and decision-making has found that affective forecasts, i.e., predictions of future happiness, are often more extreme than actual experienced outcomes. This can be explained by impact bias — the tendency for individuals to overestimate the intensity and duration of future feelings from a future event. So an individual tends not to be as happy or sad when an event occurs as he or she had imagined would be the case and the feeling lasts for a shorter period than expected as well. But affective forecasts nonetheless impact decision-making and can result in suboptimal choices. So faculty who believe that they would not be happy in retirement would tend to have amplified perceptions regarding the degree of unhappiness. The ex ante disposition could be impacted by environment—20% of those reluctant by choice report that their retired colleagues were generally less happy one year into retirement than they were during their last year of work, while 32% say they tended to be about the same.<sup>6</sup> Correspondingly, anticipated positive feelings of enjoyment and fulfillment from future work in academe are also likely to be amplified. In this case, the effects would bias an individual to continued work.<sup>7</sup>

<sup>5</sup> Anderson, Carol, and Deanna L. Sharpe. “Research: Communication Issues in Life Planning.” *Journal of Financial Planning* (June 2008).

<sup>6</sup> Figures based on those answering the question. Twenty-seven percent of those reluctant by choice did not answer this question in the survey.

<sup>7</sup> See Knoll, Melissa A. Z. “Behavioral and Psychological Aspects of the Retirement Decision,” *Social Security Bulletin*, vol. 71, No. 4 (2011). The author argues these same effects can lead workers to suboptimal early retirement and claiming of Social Security benefits.

**TABLE 4  
PLANNING FOR RETIREMENT**

	<b>TRADITIONAL RETIREEES</b>	<b>RELUCTANT BY CHOICE</b>	<b>RELUCTANTLY RELUCTANT</b>
Have done a careful evaluation of financial situation and when they can afford to retire	86%	76%	78%
(if yes) Used a professional financial advisor to help with evaluation	59	56	53
Have done a careful evaluation of how they could spend their time if retired from academe	63	49	59
(if yes) Used a life planning coach or advisor to help with evaluation	10	14	18

Source: *Faculty Retire/Not Retire Survey*, TIAA-CREF Institute (2011).

A careful evaluation of encores to academe would thus seem to be a prerequisite for someone reluctant by choice to change the age at which he or she would like to retire. An evaluation does not guarantee change, but it’s unlikely without it. The institutional challenge is creating a framework that not only provides a means to do such an evaluation, but somehow encourages senior faculty, particularly the “right” faculty (those who are no longer as productive as needed or who are in programs that need to be downsized) to do so. The difficulty of the challenge is apparent given that the majority (59%) of those who have not done such an evaluation feel that doing so with the help of an advisor would not be useful to them. Only 11% believe they would find it very useful.

The influence of role models and perceptions of the accepted behavioral norm may be helpful in this regard. Indications of the possibility exist in the survey findings—50% of those reluctant by choice report that most of their colleagues tend to work beyond age 66; while 33% of those planning to retire at a traditional age report that most colleagues work past age 66.<sup>8</sup> It appears that at some level faculty take cues, consciously or not, from their peers. Peer influence could be used by recruiting faculty opinion leaders into program participation and subsequently using them as program champions.

**RELUCTANTLY RELUCTANT**

Over one-half (52%) of those reluctantly expecting to work past a normal retirement age have thought a lot about whether and when to retire (table 3). Seventy-eight percent have done a careful evaluation of their financial situation and when they can afford to retire (again, this figure seems high given that only 52% have thought a lot about retiring); 53% of these used a professional financial advisor to help with the evaluation (table 4). So at least one-quarter have not done a careful evaluation of their financial situation and at least 60% have not done so with a professional financial advisor. They need to.

Ninety percent of those reluctantly reluctant and citing personal finances as a major reason say that they would retire sooner than currently expected if finances were no longer an issue. But many reluctantly reluctants are *assuming* that they cannot afford to retire sooner than expected. For some this may be an obviously correct assumption, but the magnitude of their shortfall and the time needed to make it up will not be obvious without careful financial analysis. For others, what they view as obvious may be incorrect. A careful financial analysis may also reveal manageable changes in saving behavior that would speed financial recovery. Those reluctantly expecting to work past a normal retirement age may be particularly open to entering a phased retirement program or accepting a buyout— if they are confident that the numbers add up to allow them to do so. A financial evaluation would answer that question.

<sup>8</sup> Fourteen percent of each group did not know when most of their colleagues retired.

In addition, life planning matters with this group as well as with those reluctant by choice. Personal finances were not a major reason for one-quarter of those reluctantly reluctant to retire. Plus, 10% of those for whom personal finances are a major reason report that they would not retire sooner than currently expected if personal finances were no longer an issue. Even in the absence of financial barriers, personal issues regarding retirement remain for some and need to be addressed.

## **CONCLUSION**

Many colleges and universities are institutionally challenged by senior faculty who remain “too long.” Addressing the challenge requires addressing the relevant barriers dependent upon whether faculty are reluctantly reluctant to retire or reluctant by choice to retire. In each case, unconfirmed assumptions often appear to underlie the barriers—assumptions regarding personal finances in the case of those reluctantly reluctant and assumptions regarding viable fulfilling alternatives to academe in the case of those reluctant by choice.

Traditional strategies such as buyouts have primarily addressed financial barriers. But the reluctantly reluctant subset accounts for only 20% of reluctant retirees among senior faculty. So addressing their barriers would only make a short-run dent in addressing the reluctant retiree challenge. Making a long-run breakthrough requires addressing the 80% who are reluctant by choice, and this requires the development of alternative strategies to complement existing ones.

**APPENDIX—WHO ARE THEY? WHERE ARE THEY?**

Both traditional retirees and those reluctantly reluctant to retire by a normal retirement age tend to be disproportionately female. While 39% of the senior faculty population is female, approximately 50% of each group is female (table A-1). By contrast, those reluctant by choice to retire by a normal retirement age are disproportionately male; while 61% of senior faculty are male, 69% of those reluctant by choice are male. Those reluctantly reluctant tend to be disproportionately not married. While 76% of the senior faculty population is married, 65% of those reluctantly reluctant are married.

**TABLE A-1  
DEMOGRAPHICS OF FULL-TIME FACULTY, AGE 60 AND OLDER**

	<b>ALL</b>	<b>TRADITIONAL RETIREES</b>	<b>RELUCTANT BY CHOICE</b>	<b>RELUCTANTLY RELUCTANT</b>
Gender				
Male	61%	49%	69%	52%
Female	39	52	31	48
Marital Status				
Married	76	75	78	65
Not married	23	24	21	33
Field				
Professional	54	58	51	52
Liberal Arts	45	42	47	47
Institution Type				
Private	51	44	53	50
Public	49	56	47	50
Doctoral/Research	43	38	47	37
Masters	25	28	24	22
Baccalaureate	19	19	19	26
Associates	10	14	8	14

Source: *Faculty Retire/Not Retire Survey*, TIAA-CREF Institute (2011).

While senior faculty are basically evenly split between private and public colleges and universities, traditional retirees are disproportionately found in public institutions. Those reluctant by choice are more likely to be found in doctoral/research universities and less likely to be found in community colleges than are traditional retirees and those reluctantly reluctant. Those reluctantly reluctant are more likely to be found in baccalaureate colleges and universities.

**ABOUT THE AUTHOR**

Paul Yakoboski is a Senior Research Fellow with the TIAA-CREF Institute. He conducts, manages and communicates research on issues such as defined contribution plan design, income and asset management in retirement, individual decision-making and preparation for retirement, managing faculty retirement patterns, and topics relevant to strategic management in higher education. He is responsible for the development and execution of Institute symposiums on such issues. Yakoboski serves as director of the Institute's Fellows Program and editor of the Institute's *Trends and Issues* and *Advancing Higher Education* publication series.

Prior to joining the TIAA-CREF Institute, he held positions as Director of Research for the American Council of Life Insurers (2000 to 2004), Senior Research Associate with the Employee Benefit Research Institute (1991 to 2000) and Senior Economist with the U.S. Government Accountability Office (1989 to 1991). Yakoboski previously served as Director of Research for the American Savings Education Council (1995 to 2000). He served as an adjunct faculty member at Nazareth College (Rochester, NY) between 1986 and 1988.

Yakoboski is a member of the American Economic Association, the Gerontological Association of America, the Association for the Study of Higher Education and the National Academy of Social Insurance. He also serves on the editorial advisory board of *Benefits Quarterly*. Yakoboski earned his Ph.D. (1990) and M.A. (1987) in economics from the University of Rochester (Rochester, NY) and his B.S. (1984) in economics from Virginia Tech (Blacksburg, VA).