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INTERNATIONAL COMMENTARY  
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# The Impact Early Retirement Plans Have on University Goals and Objectives

Anne L. Jefferson

Canadian university policies of mandatory retirement have undergone challenges with mixed effects. In four provinces New Brunswick, Manitoba, Alberta, and Quebec—provincial laws have abolished mandatory retirement. In the provinces of Ontario and British Columbia, the University of Toronto, Laurentian University, York University, the University of Guelph, and the University of British Columbia, placed the decision in the authority of the Supreme Court of Canada. The Canadian university community awaited a ruling of the Supreme Court that would resolve or at least give definite direction to the issue of mandatory retirement.

Despite the obvious controversy that the decision of the Supreme Court will cause especially in the noted universities in the provinces of Ontario and British Columbia, faculty members do eventually retire. "(The Association of Universities and Colleges of Canada) estimated that between 25 and 30 per cent of today's professors—as many as 11,655 people—will have to be replaced the next decade as academics hired during the expansion of the 1960's and early 1970's start to retire" (Polanyi, 1989, p. A14).

For the time being, universities see the adoption of early retirement plans (ERP) as the way out of their problem. ERP by definition are designed to facilitate and encourage faculty retirement at an earlier age than they would normally do so. Or, as Chronister and Trainer (1985) reported,

Early retirement programs are institutional initiatives designed to provide financial and other incentives to facilitate the voluntary retirement of faculty prior to regular or mandatory ages without creating serious financial consequences for the faculty who choose to participate, or for the institution providing the program. (p. 191)

A presumption of such plans is that "the institution's total output (however measured) would increase if at least some older faculty were replaced by newly hired young faculty members. In particular, if these older faculty could be replaced at no net cost to the institution, then both total and average output would be increased" (Weiler, 1981, p. 133). Consequently,

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"early retirement programs are potentially useful tools to encourage turnover and revitalize faculty ranks, providing flexibility in program staffing and opening opportunities for young academics" (Mitchell, 1981, p. 1).

Despite this potentiality of early retirement, Renner (1988) contends that:

Current early retirement programs are simply wasteful of money. First, they incur an unnecessary cost by purchasing flexibility that would occur anyway over the critical period, but without helping to correct the fundamental internal structural problem. (p. 17)

Hanson and Merrill (1987) found that only "sixteen ( of the 36 higher education institutions surveyed) were able to provide an evaluation of the financial savings or extra costs associated with using their early retirement plans" (p. 52).

Against this background, the question "What impact is early retirement having on university goals and objectives?" was asked.

A survey was distributed to 58 Canadian universities. Twenty-seven institutions responded; nine indicated they neither had nor have an early retirement program for faculty; two only recently put in place a plan and therefore considered it premature to respond to the impact of the plan; and two felt that their resources would not permit their participation in the survey. Therefore, the examination of the question is done in the context of the response of the remaining fifteen institutions. These institutions are located throughout the regions of Canada and thus their responses do provide a Canadian perspective of the impact of early retirement plans at the university level.

## Characteristics of Responding Institutions

Institutions participating in the study had tenured and tenure-track faculty numbering less than 100 (two institutions), between 100 and 400 (five institutions), between 700 and 900 (three institutions), and more than 1200 (two institutions). Three chose not to provide general information about their institution. Categories of faculty not included in the above count but for whom the institution must plan and provide retirement benefits included: clinical medical faculty, support staff, limited term appointments, administrative and instructional associates with continuing appointments, and tenured professional associates. Within this grouping support staff and clinical medical faculty dominated. Five institutions reported a number of faculty for whom the rules of the institution do not require provision of any retirement benefits. (In one case, although there is this provision, which is based on an age factor, it has not been acted upon.) Faculty affected included visiting faculty, education faculty in O.T. S. F., full-time and part-time or term employees, employees in term positions of less than two years duration.

Eleven of the institutions have a normal retirement age for faculty. This age is primarily set at 65 years though one institution has set it at 60 years and another at 67 years. Over the period from July 1, 1985 to July 1, 1990, the average age of persons retiring was 64 years.

Most institutions experienced small numbers (less than 10) of faculty retiring under the faculty retirement plan between July 1, 1985 and July 1, 1990. Two institutions had 10 to 30 faculty retiring during this time before the normal retirement age; three had 50 to 80 faculty retiring; and one had more than 100 faculty retiring. The number decreased considerably when the focus is either 'at' or 'after' the normal retirement age. Here, six institutions had 10 to 50 faculty retiring at normal retirement age while the remaining institutions had fewer than 10. Only four institutions had more than 10 faculty retiring after the normal retirement age (with the numbers not exceeding 40); eight institutions reported that less than 10 individuals were involved.

In terms of the percentage of eligible faculty opting for early retirement, the figures are represented as follows:

# of Faculty	# of Institutions
<10%	5
10%–19%	2
20%–29%	2
30%–39%	1
40%–49%	0
50%–59%	1
No Response	4

**Profile of Early Retirement Plans**

Since 1977 early retirement has been an option exercised at universities. Most universities however opted into early retirement plans during the eighties, with a few only now

exploring this option. Many entered early retirement plans with caution through a limiting time period (at times as little as three months) before considering a more entrenched plan.

Table 1 shows the desired objectives for the early retirement plans compared with the short-term (1–2 years) benefits realized and the anticipated long-term (3+ years) benefits. Renewal of professoriate was the leading objective for the introduction of early retirement plans. Yet, it was not considered a dominant short-term benefit. Only two institutions identified it as a benefit that had been realized within the first two years of the plan operation. Even in the long-term, the renewal of faculty was only identified by five institutions as an anticipated benefit.

A strong second objective, staffing flexibility, was perceived as an immediate as well as an anticipated enduring benefit of early retirement. Financial savings, although a strong reason for the implementation of early retirement plans,

**Table 1**  
**Objectives vs. Benefits of Early Retirement Plans<sup>1</sup>**

Objectives	Benefits	
	1–2 years	3+ years
renewal of professoriate (10)	staffing flexibility (6)	staffing flexibility (7)
create financial savings (7)	financial savings (4)	faculty renewal (5)
provide for reallocation of resources (6)	reallocation of resources (2)	financial savings (3)
		organizational flexibility (2)
staffing flexibility (5)	productivity and renewal (2)	
future hiring difficulties (1)	academic planning (1)	ability to redress employment equity
	(dept. and faculty level)	balance (1)
as an employee benefit (1)	moral of employees (1)	more planned approach to retirement
		by employees (1)
settle problems created by decreasing		promotional opportunities for
efficiency or competence (1)		support staff (1)
		reallocation of resources (1)

<sup>1</sup> Numbers in brackets after the identified objective or benefit indicates the number of institutions that identified that objective or benefit.

appears to be primarily a short-term benefit; giving way to faculty renewal and staffing flexibility in the long-term.

Given the above noted differences between objectives and benefits (both realized and anticipated), the respondents were also requested to make a judgment as to how successfully they had achieved the objectives of the early retirement plan. Below are the judgments rendered.

**MODERATELY SUCCESSFUL:**

- "the number of faculty opting for early retirement is very small. One possible explanation may be that the average pensionable service at age 55 may be low compared to other universities.
- "We expect about 1/3 of those eligible to make use of the plan will do so."
- "employee benefit—many employees appreciated the opportunity to retire early without financial penalties."
- "financial savings—because the plan was available to support an academic staff on an equal basis the financial savings are long term and costs will not likely be recovered for 5 years after the plan closed. After the cost are recovered there will be some savings; however, these savings would have existed at normal retirement if the employees retired at 65."
- "it has offered an honorable way out."
- "It has been modestly effective. The ones who have left were usually more mobile!

- "The plan was only moderately successful since the benefits were viewed by many faculty as not providing sufficient incentive to take early retirement. Some savings were achieved and a few positions were reallocated. The plan was also made available to eligible faculty who resigned to take positions elsewhere. Several faculty who actually retired were excellent scholars who **might** have remained if the plan had not been in place."

**MODERATELY TO VERY SUCCESSFUL**

- "The special early retirement plan which was introduced in 1988 was quite generous, and yet only about one-fifth of those eligible accepted it. One factor may have been that our pension plan does not have full CPI indexing, and indexing does not begin until one year after normal retirement age."  
 "The on-going arrangement (referred to around here as the golden handshake!) seems to attract a steady stream of takers, although not large numbers."  
 "The latter arrangement has been particularly successful in getting out of difficult situations, such as burned out faculty, performance which has slipped down to marginal, etc."

**VERY SUCCESSFUL:**

- "Exactly as successful as projected."

- "The program has achieved a higher retirement rate for both academic and support staff members. For academic units in particular, the Early Incentive Program has provided for a mechanism against budgetary cuts, allowed for internal re-allocations and provided staffing flexibility."

- "very successful"

Finally, respondents were requested to suggest what strategy, if any, they would put into effect if more faculty opted for early retirement than budget could support. Five institutions did not perceive this scenario applicable for the following reasons:

- "plan is self-financing"
- "All early retirements paid from pension plan savings at present"
- "numbers controlled; never go for an open-ended plan"
- "That possibility was considered quite remote; no specific plans were made."
- "not possible given plant details"

For institutions that did respond with a strategy, the suggested logistics involved:

- "delay hiring tenure-track replacements for a year or two, as necessary, and use sessionals for essential classes"
- "increase the tax on the payroll and review operating policy"
- "There is a provision in the faculty collective agreement which allows the University to limit the number of early retirements should the number of members choosing early retirement strain the limited financial resources (of the University)."
- "deficit financing was approved by the Universities Grants Commission"

Only in one instance did an institution indicate that it targets specific areas for early retirement considerations. But here, the target was based on a program and enrollment as opposed to specific individual faculty members.

### Impact On Goals and Objectives

Respondents were asked to comment on the effect the early retirement plan had on (a) the actual goals and objectives of the university, faculties/schools, and departments, and (b) the achievability of these actual goals and objectives. At least half of the institutions chose not to respond to either (a) or (b) and two indicated that information was not available for (a) and one for (b). One institution claimed that there was no effect on the actual goals and objectives and gave no response regarding achievability. The effect identified by the remaining institutions are given in Tables 2 and 3.

As noted in these tables, many of the effects have to do with faculty positions. It is therefore important to ascertain what practice is followed more specifically. The data revealed that the type of existing faculty positions continued as a result of dollars generated from an institution's early retirement plan were: Female assistant professor tenure-track, Male assistant professor tenure-track, Male assistant professor tenure. The type of new faculty positions established were: Female professor tenure-track, Male professor tenure-track. Generally, these positions are the product of the department/school/faculty being allowed to retain the retiree's line position. No institution indicated that the retiree's position was lost. The criteria used in the decision varies among institutions with this variation noted in the following comments:

- "faculty—generally yes, except rare redistribution exercises on an interfaculty basis"
- "Usually retained. However, the university may reallocate under certain circumstances. Criteria for decision are needs and budget consideration."

Along with the tendency not to take away the retiree's line position from the affected department/school/faculty, no program has been discontinued as a result of faculty opting for early retirement. On this matter, one institution did indicate that such information was not available and another three institutions chose not to respond.

Even though discontinuation of programs was not a consequence of early retirement, respondents were asked to indicate whether any program had undergone major restructuring as a result of faculty opting for early retirement. Only one institution answered yes. The type of restructuring that had taken place was:

- "To a limited extent the College of Engineering has kept a number of its retirement-produced vacancies open for several years to allow for some distribution of faculty positions among departments."

Despite the single yes to the above, six institutions indicated that they require departments/schools/faculties experiencing the loss of faculty due to early retirement to reassess their needs and demands. Two indicated that no such reassessment on this matter as "5 year plans are prepared constantly, therefore, retire and hire must fit into the plan."

### Conclusion

Early retirement, for the most part, does not have a neutral effect on the operation of the university. It has in the short term proven to be a positive solution to the steady-state reality of universities. Not only were flexibility dollars generated but flexibility in staffing was enhanced. What was not capitalized on to perhaps its greatest potential was the movement of resources to better meet the goals and objectives of the operational units of the organization. However, in order to comment to a greater degree on this matter it would be necessary to survey actual faculties and departments.

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**Table 2**  
**Effects on the Actual Goals and Objectives of the Institutions**

	<b>Actual Goals and Objectives</b>
university	<ul style="list-style-type: none"> <li>* allowed implementation of development plans</li> <li>* "In each case the early retirements have provided flexibility, ability to reallocate resources, infuse new blood, adjust mix of specializations."</li> <li>* relatively little</li> <li>* "Allows faculty renewal at a faster rate."</li> <li>* maintained excellence</li> <li>* younger age profile</li> <li>* faculty more closely align to institutional goals now</li> <li>* scholarly activity increased</li> <li>* more energetic faculty</li> </ul>
faculties/schools	<ul style="list-style-type: none"> <li>* allowed implementation of development plans</li> <li>* "has helped some Deans deal with priority requests for faculty positions"</li> <li>* "allows faculty renewal at a faster rate"</li> <li>* help in rejuvenating faculty</li> <li>* faculties not switched from one department to another; department retains line</li> </ul>
departments	<ul style="list-style-type: none"> <li>* allowed implementation of development plans</li> <li>* "has made rejuvenation possible"</li> <li>* "allows faculty renewal at a faster rate."</li> </ul>

**Table 3**  
**Effects on the Achievability of the Actual Goals and Objectives of the Institutions**

	<b>Achievability of Actual Goals and Objectives</b>
university	<ul style="list-style-type: none"> <li>* as anticipated</li> <li>* "The goals of the university and its faculties and departments are not enunciated in detail, but rather in broad and general terms. We feel that the early retirement plans have been supportive of those goals."</li> <li>* relatively little</li> <li>* "The plan will enable us to achieve our objectives of faculty renewal."</li> <li>* "planning and restructuring is a high priority now because there are several administrators who have retired early"</li> <li>* maintained excellence</li> <li>* "It provided funds that allowed for a continuation of the current number of faculty positions and thus avoided the necessity of reducing study access."</li> </ul>
faculties/schools	<ul style="list-style-type: none"> <li>* as anticipated</li> <li>* "has helped some Deans deal with priority requests for faculty positions:</li> <li>* "The plan will enable us to achieve our objectives of faculty renewal."</li> <li>* "financial strain over the short term 1-5 years"</li> <li>* "increased planning required"</li> </ul>
departments	<ul style="list-style-type: none"> <li>* as anticipated</li> <li>* "has made rejuvenation possible"</li> <li>* "The plan will enable us to achieve our objectives of faculty renewal."</li> <li>* "faculty renewal is being achieved"</li> <li>* "Retained in faculty"</li> <li>* "Retained as a line position. (This is the case for all departures.)"</li> <li>* "The position is examined by the University's Position Allocation Committee which makes the decision as to whether the position is retained by the department."</li> <li>* "The faculty must obtain approval from the President to retain the position and to present a plan to recover the costs of the early retirement incentives."</li> <li>* "goes back to senate planning committee for review"</li> <li>* "The decision is made by the Dean of the College affected by the early retirement."</li> <li>* "Vacant positions remain with the Faculty Dean who may choose to move them from one department to another."</li> </ul>