

# Organizations' Ways of Employing Early Retirees: The Role of Age-Based HR Policies

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**Purpose of the Study:** We examine whether from an organizational perspective it is possible to distinguish different ways of employing early retirees and explore how the employment of early retirees is related to the application of 4 age-based human resource (HR) policies, namely demotion, offering training opportunities to older workers, offering early retirement, and allowing flexible working hours.

**Design and Methods:** We perform a latent class analysis on a sample of 998 Dutch organizations in order to categorize them based on 3 dimensions of their employment of early retirees. We then run a multinomial logistic regression to relate the employment of early retirees to the 4 age-based HR policies.

**Results:** We distinguish 4 types of organizations based on their way of employing early retirees: nonusers (52.6%), users for mainly standard work (20.8%), users for mainly nonstandard work (9.8%), and users for standard and nonstandard work (16.7%). We find that organizations that apply demotion, offer early retirement, and allow flexible working hours are more likely to be users for mainly standard work. Also, organizations that do not offer early retirement are less likely to employ early retirees.

**Implications:** Age-based HR policies, especially demotion, offering early retirement, and allowing flexible working hours, are conducive to the employment of early retirees for mainly standard work. Broader implementation of these policies may provide opportunities for older workers to make a more gradual transition from work to retirement.

**Key Words:** Bridge employment, Early retirement, Labor market

The process of retirement has changed in recent years. For many older workers, retirement is no longer a one-off irreversible event, but rather a more gradual transition from full-time employment to full retirement (Wang & Shultz, 2010). Work undertaken in this transitional period is termed “bridge employment” (Feldman, 1994; Ruhm, 1990), in which an increasing number of older workers now partake. For example, Cahill, Giandrea, and Quinn (2006) reported

that between a third and a half of U.S. workers hold at least one “bridge job” during their lifetimes.

Previous research has shown that bridge employment is highly diverse and multidimensional. Employees may be able to retire part-time while staying employed in the same organization (termed “phased retirement”; Hutchens & Grace-Martin, 2006), seek similar employment with a different employer, or pursue a career in an unrelated field

(Davis, 2003; Wang, Zhan, Liu, & Shultz, 2008). In addition, there is evidence that bridge employment occurs in different types of employment arrangements, such as steady part-time, temporary (e.g., seasonal), and on-call arrangements (Lain, 2012; Shultz, 2001).

Most studies of the employment of (early) retirees have approached bridge employment from an individual decision-making perspective and have related the type of bridge employment to individual employees' antecedents, such as health, age, and education, and outcomes, such as satisfaction in retirement and with life in general (Kim & Feldman, 2000; Wang et al., 2008). In comparatively few studies has attention been devoted to the demand side of the labor market and to the crucial role that organizations play in the process of retirement (Henkens & Van Dalen, 2012). Exceptions include the contribution of Hirshorn and Hoyer (1994), who found that almost half of the U.S. organizations they surveyed employed retirees in the early 1990s, although only a fraction had formal policies on the employment of retirees, and the contribution of Karpinska, Henkens, and Schippers (2011), who showed in an experimental study that many managers are reluctant to hire early retirees. However, it remains unclear how organizations shape opportunities for different types of bridge employment and how practices of the employment of early retirees are embedded in broader organizational approaches to employment and human resource (HR) policies.

This study adopts an organizational point of view regarding the employment of early retirees and involves a large-scale empirical study into organizational practices in the Netherlands. Specifically, it examines how frequently organizations employ early retirees, for what type of work early retirees are deployed, and whether or not they are paid for their services. We study the co-occurrence of organizations' practices on these three dimensions with a latent class analysis (LCA). The LCA allows us to consider these practices simultaneously in order to identify differences on the latent construct (i.e., the way of employing early retirees). We then relate these different organizational approaches in a multinomial logistic regression to organizations' application of four age-based HR policies aimed at permanent staff, namely demotion, offering training opportunities to older workers, offering early retirement, and allowing flexible working hours.

Our first research question is whether, from an organizational perspective, different ways of employing early retirees can be empirically distinguished and if so how they differ. Our second research question is how the application of age-based HR policies toward permanent staff affects organizations' employment practices regarding early retirees.

With this study, we contribute to the literature in three ways. Firstly, by surveying organizations' practices with

regard to the employment of early retirees, we quantitatively examine the demand side of the labor market for this group. Secondly, rather than focusing solely on whether or not organizations employ early retirees, we take a broader perspective by also considering the type of work this group is deployed for and the payment it receives. This novel approach allows us to view the diversity of postretirement employment arrangements from the organizational perspective. Finally, we investigate how the employment of early retirees is related to organizations' application of age-based HR policies toward permanent staff, thereby relating the employment of early retirees to firms' broader organizational practices and policies.

This present study took place in the Netherlands. Here the pension system is characterized by mandatory retirement and the receipt of a state pension at the age of 65 (rising gradually to 67 in 2023). Additionally, most employees are covered by defined benefit occupational pensions. Starting in the late 1970s, early retirement schemes in the Netherlands were financed on a pay-as-you-go basis, and laws were passed that made early retirement financially attractive. These schemes did not allow for paid labor because they aimed at opening up jobs to younger workers and naturally led to very low labor market participation rates of older workers.

Since the late 1990s, however, the Dutch government has passed a number of laws that have made early retirement less financially attractive and that have removed the obstacles for continued employment after (early) retirement (Euwals, De Mooij, & Van Vuuren, 2009; Van Dalen & Henkens, 2002). In the current system, early retirement schemes are integrated with occupational pensions. Most such occupational pension schemes, which are typically organized by sector, allow for actuarially fair early retirement and do not restrict employment after early retirement (Euwals et al., 2009). In this study, we therefore define employment of early retirees as organizations employing individuals below the age of 65 who receive private pension benefits. For organizations, the employment of early retirees thus implies a formal (re)negotiation of a labor contract regardless of whether the individual was employed by the organization at the time of taking early retirement.

## Dimensions of Bridge Employment From an Organizational Perspective

The three organizational practices considered herein (how frequently firms employ early retirees, the type of work they are deployed for, and their payment) are characteristic of organizational approaches to dealing with early retirees. Although previous studies have indicated how organizations may differ on these three practices, it is thus far unclear how these dimensions may co-occur. Therefore,

we cannot predict how many organizational approaches to dealing with early retirees might emerge from the LCA. Still, based on insights from the literature, we can form some expectations as to how organizations differ on these three dimensions.

Firstly, we consider an organizations' *frequency of employing early retirees*. Applying labor queue theory (Reskin & Roos, 1990; Thurow, 1975), we assume that organizations rank applicants based on the match between the job requirements and applicants' (estimated) productivity and workload preferences. Because early retirees receive a pension income related to their average or final salaries, they are considered less dependent on their wage than normal employees (although they may still want to supplement their pension incomes). On the one hand, these pension benefits provide both the employee and the organization with flexibility in the employment relation. This, along with their specific skills, experience, and/or willingness to work in part-time jobs may place early retirees at the top of the labor "queue." On the other hand, the stereotypical perception that older workers display low productivity and cannot cope with new technologies (Van Dalen, Henkens, & Schippers, 2010) may lower their position in the labor queue.

Secondly, we consider whether organizations deploy early retirees in four *types of work*: regular work, odd jobs (defined as tasks that would otherwise be neglected), on-call work, and work at irregular hours. Hirshorn and Hoyer (1994) showed that in the early 1990s, most U.S. organizations that employed retirees deployed them for "work in regularly performed operational tasks" (94%). However, their study also found that many organizations also deployed retirees for "special irregularly occurring projects" (56%) and "filling in as demand for production/service increases" (39%).

This employment of (early) retirees for flexible work is becoming increasingly common. For example, Lain (2012) showed that U.K. organizations predominantly employ retirees in low-paid jobs that require few formal qualifications but demand a high level of flexibility on the part of the employee (i.e., on-call work). Such employment of (early) retirees in nonstandard employment arrangements (Kalleberg, 2000) could be part of a labor market-wide development toward more contingent employment (De Vries & Wolbers, 2005; Kalleberg, Reskin, & Hudson, 2000). Some scholars consider such contingent employment arrangements for (early) retirees necessary to help overcome the low level of labor participation by older workers (Shultz, 2001).

Thirdly, we consider the *payment of early retirees*. We examine whether organizations pay early retirees or whether bridge employment in their firms is a form of unwaged labor. Although unwaged labor is not recognized in the traditional conceptualization of work (Taylor, 2004),

it is quite common for workers of all ages in the voluntary sector (see Kaskie, Imhof, Cavanaugh, & Culp, 2008 for a discussion of different types of volunteering for older adults) and may be a solution for some (early) retirees to keep working in the private and public sector (Rotolo & Wilson, 2006; Taylor, 2004). Note that in this study we focus strictly on the private and public sector and do not examine voluntary organizations. Early retirees may have nonfinancial motives to keep participating in work, such as social (interaction), personal (self-fulfillment), and generative (desire to pass on knowledge to younger generations) motives (Mor-Barak, 1995). When private pension income is sufficient and a paid bridge job, which also satisfies nonfinancial motives to work, is not available, early retirees may be willing to perform unwaged labor.

### HR Policies

The application of age-based HR policies toward permanent staff signals an organization's strategic purposes and intentions with respect to older workers and (early) retirees (Rau & Adams, 2012). HR policies geared toward the retention of permanent staff may influence organizations' employment of early retirees in two ways: (a) by encouraging permanent staff into early retirement, after which some may be rehired by the organization; (b) by attracting external early retirees to apply for bridge jobs in the organization. For example, Armstrong-Stassen (2008) and Rau and Adams (2005) found that organizations' HR policies on flexible working opportunities are positively related to (early) retirees' willingness to pursue bridge employment in a firm. In this study, as noted earlier, we examine how four age-based HR policies are related to organizations' employment practices with regard to early retirees, namely demotion, offering training opportunities to older workers, offering early retirement, and allowing flexible working hours.

Firstly, *demotion* is the practice of reducing an employee's responsibilities and wage in response to a decline in productivity. Because demotion conflicts with the standard view of seniority wages, it is considered to be taboo in most circumstances and thus only rarely applied. For example, Henkens and Schippers (2008) found that only 6% of Dutch organizations applied demotion between 2000 and 2005. Although this study showed that many more organizations would consider demoting workers in the future, firms remain reluctant to do so because demotion negatively affects job satisfaction and can lower productivity even further (Josten & Schalk, 2010). However, when demotion is a feasible option, organizations may use it to balance the rising costs and (perceived) declining productivity of older workers in order to extend workers' careers. We therefore expect that organizations that apply demotion are more committed to extending the careers of their

older workers and thus more likely to employ early retirees in some capacity.

Secondly, we consider an organization's policy toward offering training opportunities to older workers in order to rebalance their costs and productivity. Karpinska (2013) showed that managers are generally reluctant to offer training opportunities to older workers because of the limited scope for a return on investment. We therefore expect that organizations that offer training opportunities to older workers are more likely to employ early retirees in some capacity because they show commitment to retaining their older employees.

Thirdly, we consider whether organizations offer early retirement to employees. Although employees are essentially free to take early retirement in the Netherlands insofar as their occupational pension schemes allow, organizations may offer extra benefits to make early retirement more attractive. According to Feldman (1994), offering early retirement reduces uncertainty for employees, which makes them more likely to retire and take up subsequent bridge employment in the same organization. From an organizational perspective, offering an attractive early retirement scheme may be a way to remove older workers from the labor force, but in combination with offering a bridge job may also help retain valuable older workers who would otherwise have retired completely or taken up bridge employment elsewhere (Hutchens & Grace-Martin, 2006; Vickerstaff, Cox, & Keen, 2003). We are therefore unsure about the effect of offering early retirement on the way of employing early retirees.

Finally, we consider whether organizations allow flexible working hours in order for employees to balance work with private responsibilities or leisure activities, which is specifically valuable for early retirees who may have caring responsibilities or may want more free time (Frerichs, Lindley, Aleksandrowicz, Baldauf, & Galloway, 2012). However, flexible working hours are not feasible in all jobs and its availability depends on the nature of the work and the job design within an organization. For example, Hutchens and Grace-Martin (2006) found that organizations are unlikely to offer part-time retirement to employees when work is generally carried out in teams. Nevertheless, allowing flexible working hours is an established means to attract early retirees to an organization (Armstrong-Stassen, 2008; Rau & Adams, 2005). We therefore expect organizations that allow flexible working hours to recruit more early retirees.

## Design and Methods

### Data

Between February and May 2009, a hard-copy survey was posted to a sample of 4,700 Dutch organizations. The sample

was stratified by sector and size, and two reminders to participate were sent to ensure sufficient respondents from a range of different organizations. The survey was completed by directors (41%), general managers (10%), HR managers (34%), or other employees (15%). Altogether, 1,077 Dutch organizations responded for a response rate of 23%, which is comparable to other large-scale employer surveys in organizational research (Baruch & Holtom, 2008). Due to our sampling approach, large organizations and public sector organizations are overrepresented, whereas small organizations and organizations in the services and trade sector are underrepresented. Descriptive results are therefore not completely representative of all Dutch organizations according to size and sector. However, we control for these characteristics in our multivariate analysis.

Respondents who did not complete the questions on their organization's employment of early retirees ( $n = 79$ ) were excluded from the analysis, leaving 998 participants for the LCA. Item nonresponse for the independent variables in the multinomial logistic regression analysis was low ( $< 3.5\%$ ). Cases with missing values were therefore deleted, leaving us with 925 participants for the multinomial logistic regression analysis.

## Measures

### Dependent Variable

Organizations' employment of early retirees consisted of three dimensions. First, *frequency of employment* was assessed with the question "Does your organization employ early retirees?" with the possible answers "No, never," "Yes, occasionally," and "Yes, frequently." If answered affirmatively, respondents were asked to what extent early retirees were deployed for the four investigated *types of work*, namely regular work, odd jobs, on-call work, and work at irregular hours. For each type, respondents were asked to answer on the 4-point scale "Not at all," "Occasionally," "Regularly," and "Very regularly." Thirdly, the *payment of early retirees* was assessed with the question "Do the early retirees you employ get paid?" with the answering categories "No," "Just the reimbursement of expenses," and "Yes."

### Independent Variables

The application of the four relevant HR policies (demotion, offering training opportunities to older workers, offering early retirement, and allowing flexible working hours) was measured by asking the following question: "Which of these policies are applied in your organization?" The answers were coded 1 if applied at the current moment and 0 if not.

We also controlled for a number of organizational characteristics in the multinomial logistic regression analysis. We included important background characteristics such as



sector and size, a number of workforce characteristics, and a question on whether the organization had recently faced difficulties finding suitable employees. Table 1 provides background information on the independent variables.

## Analyses

Firstly, we performed an LCA to test whether organizations could be categorized based on their way of employing early retirees. An LCA is an appropriate method for discovering and distinguishing unobserved subpopulations or categories of respondents that differ on some latent construct, in this case organizations' ways of employing early retirees, by looking at response patterns over multiple indicator variables, in this case the frequency of employment of early retirees, the type of work they are deployed for, and whether they are paid (Collins & Lanza, 2010; Hagenaars & Halman, 1989). In an exploratory LCA, where the number of different classes and their sizes are unknown, the customary procedure is to estimate several models that have a different number of classes and then compare the model fit statistics to determine which model offers the best representation of the data (Collins & Lanza, 2010). We performed LCA with the program Latent GOLD 4.0 (Vermunt & Magidson, 2005).

Because LCA draws on the frequency of all possible response patterns in the data, it is often necessary to limit the number of indicator variables in order to simplify the number of answer possibilities (Collins & Lanza, 2010). Too many possible response patterns mean that models do not converge, rendering the interpretation of the output impossible. It is therefore customary to dichotomize ordinal variables. We dichotomized two dimensions: *type of work* (0 for *Not at all* and 1 for *Occasionally, Regularly, and Very regularly*) and *payment of early retirees* (0 for *No* and *Just the reimbursement of expenses* and 1 for *Yes*). We did not dichotomize *frequency of employment* because of its importance for class interpretation; rather, we treated this dimension as an ordinal variable.

Secondly, we performed a multinomial logistic regression to analyze the relationship between organizations' application of age-based HR policies and organizational characteristics and the different practices with regard to the employment of early retirees. The dependent variable in the multinomial logistic regression consisted of the class assignments of the LCA model that was found to best represent the data. Because LCA produces a number of nominally different classes that cannot be ordered on a continuum, multinomial logistic regression is an appropriate follow-up analysis to test the effects of the independent variables on organizations' assignment to one of these classes. To compare the effects of the independent variables on all latent classes simultaneously, we present the average marginal

effects, which indicate how the latent class probabilities change with a change of one unit in the independent variable, averaged over all organizations (i.e., without fixing the independent variables on some value; Bartus, 2005). The marginal effects of each independent variable sum to zero.

## Results

### Different Ways of Employing Early Retirees

Descriptive information on organizations' employment of early retirees is presented in Table 2. Approximately half (47%) of the organizations in the sample employ early retirees, with the majority indicating that they only employ retirees occasionally. Most organizations that employ early retirees deploy them for regular work (82%), whereas fewer, but still a majority, deploy them for odd jobs (64%) and on-call work (57%). By contrast, only 15% of organizations deploy early retirees for work at irregular hours, and most do so only occasionally. It is further noteworthy that approximately one in seven organizations that employ early retirees do not pay them or only reimburse their expenses. This finding has rarely been acknowledged in research outside the voluntary sector (Taylor, 2004).

Table 3 presents the model fit statistics of the estimated models with up to five latent classes. The  $p$  value and Bayesian Information Criterion (BIC) were used to identify the ideal number of classes: The  $p$  value should be non-significant, whereas the BIC should be as low as possible (Collins & Lanza, 2010). The model with four latent classes satisfied both criteria and thus offered the best representation of the data. Robustness checks with slightly different operationalizations of the indicator variables consistently showed that the four-class model best represented the data, supporting our choice of this model for the analysis.

Table 4 presents the latent class prevalence and item-response probability statistics for the four-class model. The latent class prevalence statistics indicate the occurrence of that class in the sample. The first class contains 52.6% of organizations, the second class contains 20.8%, the third class contains 9.8%, and the fourth class contains 16.7%. The item-response probability coefficients indicate for each of the four classes separately the likelihood that organizations that belong to that class score on the underlying item. For example, for organizations in the second latent class, there is a 99% likelihood that they employ early retirees for regular work. Based on the coefficient patterns over the multiple indicators, the following labels were assigned to the different types of organizations: (a) nonusers, (b) users for mainly standard work, (c) users for mainly nonstandard work, and (d) users for standard and nonstandard work.

Organizations of the first type, *nonusers*, are easily identified and characterized. They simply do not employ early

**Table 1.** Means, Standard Deviations, and Wording of the Independent Variables

	M or %	SD	Wording (translated from Dutch)
Age-based human resource policies			
Demotion	0.09	0.28	“Which of these policies are applied in your organization?” (0 = no; 1 = yes)
Offering training to older workers	0.15	0.35	
Offering early retirement	0.56	0.50	
Allowing flexible working hours	0.45	0.50	
Organizational characteristics			
Sector			
Industry and construction	34.97%	16711.66	“In which sector does your organization operate?” 18 answering categories divided into three main sectors and one “other” category.
Services and trade	32.67%		
(Semi)public sector	30.06%		
Other	2.30%		
Size			
2–25 employees	23.45%	1263.69	“How many employees are currently employed by your organization?” Divided into categories to facilitate interpretation.
26–75 employees	21.34%		
76–200 employees	19.04%		
>200 employees	36.17%		
Workforce characteristics			
Percentage of older workers (aged 50+)	23.12	15.52	“What percentage of your workforce consists of older workers/highly educated workers/workers with fixed-term contracts/workers with part-time contracts?”
Percentage of highly educated workers	18.40	26.63	
Percentage with fixed-term contracts	12.74	16.05	
Percentage with part-time contracts	31.59	27.56	
Difficulty finding suitable employees			
Never	43.20%	16711.66	“Has your organization recently faced difficulties finding employees?”
For some positions	47.63%		
For relatively many positions	9.16%		

**Table 2.** Descriptive Characteristics of Organizations’ Employment of Early Retirees (N = 998)

Frequency of employment				
No, never	52.61%			
Yes, occasionally	37.27%			
Yes, frequently	10.12%			
Type of work <sup>a</sup>	Regular work	Odd jobs	On-call work	Irregular hours
Not at all	18.39%	36.36%	42.71%	84.99%
Occasionally	16.28%	21.99%	18.60%	9.51%
Regularly	26.22%	27.70%	20.51%	4.86%
Very regularly	39.11%	13.95%	18.18%	0.63%
Payment of early retirees <sup>a</sup>				
No	4.44%			
Just the reimbursement of expenses	9.09%			
Yes	86.47%			

<sup>a</sup>Organizations that did not employ early retirees excluded.

**Table 3.** Model Fit Statistics for the Latent Class Analysis (N = 998)

Classes	df	L <sup>2</sup>	p Value	Bayesian Information Criterion
1	88	3263.63	.00	7503.88
2	81	171.92	.00	4460.50
3	74	118.70	.00	4455.63
4	67	61.38	.67	4446.65
5	60	46.93	.89	4480.54

retirees. The remaining half of the sample, organizations that do employ early retirees, can be divided into the following three types.

*Users for mainly standard work* are characterized by the occasional employment of early retirees (84% occasionally, 16% frequently) and a very high likelihood of deploying them for regular work (99%) compared with odd jobs (44%), on-call work (39%), and work at irregular hours (0%). Moreover, virtually all the organizations in this class

**Table 4.** Latent Class Analysis of Organizations' Ways of Employing Early Retirees ( $N = 998$ )

	Class 1	Class 2	Class 3	Class 4
	Nonusers	Users for mainly standard work	Users for mainly nonstandard work	Users for standard and nonstandard work
Item-response probabilities				
Frequency of employment				
Never	1.00	0.00	0.00	0.00
Occasionally	0.00	0.84	0.89	0.65
Frequently	0.00	0.16	0.11	0.35
Regular work <sup>a</sup>	0.00	0.99	0.34	0.92
Odd jobs <sup>a</sup>	0.00	0.44	0.78	0.79
On-call work <sup>a</sup>	0.00	0.39	0.46	0.87
Irregular hours <sup>a</sup>	0.00	0.00	0.05	0.39
Paid <sup>a</sup>	0.00	0.98	0.57	0.91
Latent class prevalence	52.6%	20.8%	9.8%	16.7%

<sup>a</sup>Dummy variable.

pay their early retirees (98%). They make up approximately 20% of the sample.

*Users for mainly nonstandard work* are similarly characterized by the occasional employment of early retirees (89% occasionally, 11% frequently). However, in contrast to the preceding class, they are much less likely to deploy early retirees for regular work (34%) but more likely to deploy them for the other types of work (78% for odd jobs, 46% for on-call work, and 5% for work at irregular hours). Furthermore, users for mainly nonstandard work are comparatively likely to employ early retirees as a form of unwaged labor (57% chance of paid employment). Users for mainly nonstandard work comprise approximately 10% of the sample.

Finally, *users for standard and nonstandard work* are characterized by a comparatively high likelihood of employing early retirees on a regular basis (65% occasionally, 35% frequently). Although they have a high likelihood of deploying early retirees for regular work (92%), the other types of work are also common compared with the two previous classes (79% for odd jobs, 87% for on-call work, and 39% for work at irregular hours). They are also characterized by a high likelihood of paying their early retirees (91%). They make up approximately 17% of the sample.

### Employment of Early Retirees: The Role of HR Policies

Table 5 presents the results of the multinomial logistic regression that relates organizations' ways of employing early retirees to the application of the four age-based HR policies discussed earlier after controlling for a number of organizational characteristics. The dependent variable consists of the class assignments of the four-class LCA model.

Firstly, organizations that practice demotion are more likely to fall into the users for mainly standard work class;

there is no significant effect for any of the remaining three classes. Secondly, offering training opportunities to older workers does not affect the employment of early retirees. Thirdly, offering early retirement is negatively related to not employing early retirees but positively related to the users for mainly standard work class. This finding implies that organizations that offer attractive early retirement schemes to their employees do not do so exclusively to remove older workers from the workforce (i.e., they are not opposed to employing early retirees) but may also try to retain the valuable skills of older workers through early retirement and subsequent bridge employment. Finally, organizations that allow flexible working hours are also more likely to be classified as users for mainly standard work. There is no significant effect for the remaining three classes. Note that the effect sizes of demotion, offering early retirement, and allowing flexible working hours are approximately similar for the users for mainly standard work class. Also, note that the relatively small size of the users for mainly nonstandard work class (<100 organizations) may have obscured possible significant effects of the age-based HR policies.

Of the control variables, organizational size is most strongly related to the employment of early retirees. The larger an organization, the more likely it is to fall in the users for standard work or the users for standard and nonstandard work classes. Small organizations (with up to 25 employees), on the other hand, are less likely to employ early retirees. Notice the comparatively large effect sizes: Organizational size appears to be a key driver for the way of employing early retirees. Note, however, that there is no significant effect of organizational size for users for mainly nonstandard work. With respect to sector, organizations in the services and trade sector are relatively less likely to fall in the users for mainly nonstandard work class. Further, organizations that have more older and more

highly educated workers are more likely to fall in the users for mainly standard work class although the effects are relatively small. Finally, and somewhat surprisingly, organizations that have faced difficulties finding suitable employees are substantially less likely to employ early retirees. This finding suggests that when organizations struggle to find qualified workers, they do not turn to early retirees to fill the void.

## Discussion

In this study, we have classified organizations based on their way of employing early retirees and examined how this is related to the application of four age-based HR policies. A key strength of this study is that we considered organizations' practices on three dimensions: frequency of employment of early retirees, the types of work early retirees are deployed for, and whether or not early retirees are paid.

The results show that organizations can be empirically divided into four classes with regard to their employment of early retirees: "nonusers," "users for mainly standard work," "users for mainly nonstandard work," and "users for standard and nonstandard work." A notable finding is that almost all organizations that employ but do not pay their early retirees (approximately one in seven of those that employ early retirees) fall in the users for mainly nonstandard work class.

Our follow-up multinomial logistic regression analysis showed that organizations that apply demotion, offer early retirement, and offer flexible working arrangements to their permanent staff are more likely to be classified as users for mainly standard work. This finding implies that organizations with broad scopes of age-based HR policies are more open to employing early retirees for regular work tasks. For these organizations, employing early retirees may be a way to retain the valuable skills offered by older workers on a part-time basis. The effect of demotion for this population of workers is especially interesting. Although demotion is often seen as detrimental to motivation and productivity (Josten & Schalk, 2010), firms that practice it in an appropriate way may be better able to balance the costs of older workers with their productivity levels and therefore better able to retain their older workers, even after (early) retirement.

Moreover, offering early retirement was found to be negatively associated with not employing early retirees. This finding suggests that organizations that offer attractive early retirement schemes do not do so exclusively to remove older workers from the labor force (i.e., they are not opposed to employing early retirees), but rather use such schemes to retain the valuable skills of older workers through early retirement and subsequent bridge employment. That said, not all these organizations are necessarily

willing to rehire all their older workers who have taken early retirement. As other studies have shown (Hutchens & Grace-Martin, 2006; Vickerstaff et al., 2003), many firms offer bridge jobs informally to specific, valuable employees but have no formal policies on providing bridge employment opportunities to all (early) retirees.

Furthermore, organizational size was found to be most strongly related to organizations' ways of employing early retirees in this study. Organizations with more than 25 employees were more likely to be users for mainly standard work and users for standard and nonstandard work (but not users for mainly nonstandard work), whereas small organizations with up to 25 employees were more likely to be nonusers. A sufficiently large organizational size seems to be a prerequisite for efficient employment of early retirees. Presumably, larger organizations have better opportunity structures for incorporating the specific characteristics and workload preferences of early retirees, whereas smaller organizations have less flexibility to incorporate such workers. Also, surprisingly, organizations that have a difficult time finding suitable workers were unlikely to employ early retirees, indicating that early retirees are generally not thought of as suitable employees in difficult times.

This study has a number of limitations. Firstly, we used rather crude measures for organizations' employment of early retirees. Future studies could, for example, allow organizations to differentiate their answers when they employ early retirees for different purposes. Secondly, we only studied the employment of early retirees in the Netherlands. Hence, the specifics of the Dutch context, such as the country's almost full coverage of occupational pension systems and a minimum wage law, could have influenced our results. It would be interesting to see whether organizations in other countries differ in their employment practices with regard to early retirees. Thirdly, we have analyzed a cross-sectional effect of HR policies and organizational characteristics on organizations' ways of employing early retirees. In reality, however, hiring early retirees and implementing HR policies will be more of a continuous process, influenced by many complex factors such as a desired workforce mix, laws, and stimulation policies. For example, a positive experience with employing early retirees in response to a governmental stimulation program may lead to a higher desired share of early retirees, which may in turn lead to the implementation of age-based HR policies to retain older workers and attract more early retirees.

Future research could therefore build on these results by using more specific measures and multinational and longitudinal panel data. Specific care should be taken to disentangle causal effects of HR policies and employment practices, for example by estimating a simultaneous equations model. Also, more age-based HR policies could be included and a larger sample surveyed to investigate what



**Table 5.** Predictors of the Four Ways of Employing Early Retirees: Average Marginal Effects of the Multinomial Logistic Regression ( $N = 925$ )

	Class 1 Nonusers	Class 2 Users for mainly standard work	Class 3 Users for mainly nonstandard work	Class 4 Users for standard and nonstandard work
Age-based human resource policies				
Demotion	-0.12	0.08*	0.03	0.00
Offering training to older workers	-0.02	-0.00	0.02	0.00
Offering early retirement	-0.15**	0.06*	0.04	0.04
Allowing flexible working hours	-0.05	0.06*	0.01	-0.02
Organizational characteristics				
Sector (reference = industry and construction)				
Services and trade	0.00	0.03	-0.05*	0.02
(Semi)public sector	0.00	0.02	0.00	-0.03
Other	-0.08	0.10	0.02	-0.03
Size (reference = 2–25 employees)				
26–75 employees	-0.18**	0.11**	0.01	0.06
76–200 employees	-0.21**	0.13**	-0.01	0.09*
>200 employees	-0.23**	0.12**	0.01	0.10**
Workforce characteristics				
Percentage of older workers (aged 50+)	-0.002	0.002*	-0.001	0.001
Percentage of highly educated workers	0.000	0.001*	-0.000	-0.001
Percentage with fixed-term contracts	-0.001	0.001	-0.000	-0.000
Percentage with part-time contracts	0.001	0.000	-0.000	-0.001
Difficulty finding employees (reference = never)				
For some positions	0.11*	-0.05	-0.01	-0.06
For relatively many positions	0.12*	-0.04	-0.01	-0.06
Log likelihood			-1029.11	
$\chi^2(48)$			154.01**	
Pseudo $R^2$			0.07	

Note: \* $p < .05$ . \*\* $p < .01$ .

drives users for mainly nonstandard work and users for standard and nonstandard work. Furthermore, future studies could try to extend on our finding that a considerable amount of organizations in our sample employ but do not pay their early retirees, a form of unwaged labor that is hardly recognized in the traditional conceptualization of work (Taylor, 2004). Our results show that unwaged early retirees are mainly used for nonstandard work, but it would be interesting to see what motives drive individuals and organizations toward this employment arrangement.

This article makes a novel contribution to the body of knowledge on bridge employment. It is among the first studies to investigate organizational practices with regard to the employment of early retirees. We showed that this employment mode is relatively common in the Netherlands, but that a number of different approaches to employing early retirees can be distinguished. Our multidimensional approach proved valuable in its clarification that organizations that employ early retirees mainly differed in the type of work such employees are deployed for. The application of the age-based HR policies of demotion, offering early

retirement, and allowing flexible working hours was found to be related to organizations deploying early retirees for standard work. Broader implementation of these policies may provide older workers with opportunities to extend their careers in a satisfactory way and make a more gradual transition from a working life to a life in retirement.

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