

# Different Perspectives on Phased Retirement, Retirement Ages and Working in Retirement

by **Anna M. Rappaport** | *Anna Rappaport Consulting*

## Introduction

As people are living longer and private sector defined benefit (DB) plans are disappearing, many people need or want to work longer or work as part of their retirement. Society of Actuaries research indicates that retirees have actually retired about five years earlier than preretirees expect to retire. A 2019 risk survey offers insights about the retirement decision and the impact of time out of the labor force before retirement on retirement well-being. Society of Actuaries research demonstrates the importance of Social Security claiming age on longer term security for middle-income Americans. Urban Institute research documents some of the employment challenges of older workers as they near traditional retirement ages. Many individuals are trying to decide if they will reboot, rewire or retire as they leave longer term traditional jobs. Specialized organizations are helping them find new jobs, but many larger employers do not seem engaged with these issues. This article will review some of this research and the recent landscape and provide implications for employers as they consider the aging workforce, the retirement security of their employees and their business realities.

The article will focus on the current situation,<sup>1</sup> business response and the future. It starts with the situation today, in-

cluding the big picture of demographics and societal aging, older workers' employment experiences, business response to the employment issues of our aging society (including a Government Accountability Office (GAO) study), a discussion of some key issues including culture and age discrimina-

## AT A GLANCE

- With an increase in longevity and years in retirement, many people need or want to work longer or work as part of their retirement.
- Too often, businesses aren't capitalizing on the potential of experienced workers by meeting their needs to keep them in the workforce longer. Options include phased retirement, part-time work, contract or consulting opportunities, and more.
- Organizations should undertake a deep and rigorous study of their demographics, business needs, talent needs and benefit plans. This will better position them to create policies that allow them to capitalize on the knowledge, expertise and human capital of their entire workforce, including older workers.

tion, the cost of older workers, and some analyses of different jobs and job situations.

There have been responses by individuals and businesses, and they interact. To date, business has been slow to respond, and individuals have largely built their own solutions. The article provides information to help businesses respond. The path to good opportunities for older workers and good phased retirement options is a comprehensive strategy to use older workers effectively. There are many references available on these topics. A list of the few most important references is included at the end of the article, including some references on policy issues. This article assumes current policy, but policy improvements could help the situation.

### The Demographic Situation Today

The world is witnessing unprecedented population aging. To date, it has not been adequately reflected in retirement ages, leading to growing periods of retirement. Societal data shows us why this is a vital issue for a wide variety of different stakeholders.

- World Bank data indicates that average life expectancy at birth worldwide has risen from 57 in 1967 to 72 in 2017.<sup>2</sup>
- World Bank data indicates that for 2017, average life expectancy is 63 for low-income countries and 81 for high-income countries. For 2017, the average life expectancy in the United States is 79, whereas it is 84 in Japan and Switzerland and 82 in Australia and Canada.<sup>3</sup>
- By 2024, 25% of the U.S. labor force will be 55 and older. The average annual growth rate of the 55 and older U.S. labor force will be three times that of the overall labor force for 2014 to 2024. The age 55 and older labor force was 12% of the total in 1994, and it grew to 22% in 2014.<sup>4</sup>
- Mercer estimates a global retirement savings gap in 2016 of \$70 trillion, growing to \$400 trillion in 2050. For the U.S., Mercer estimates a retirement savings gap in 2016 of \$28 trillion, growing to \$137 trillion in 2050.<sup>5</sup>
- As a result of population aging and changing retirement patterns, time spent in retirement has increased

a great deal over time. In one example during a recent 39-year span, expected work life went from 46 years to 38 years, while expected periods of retirement went from 13 years to 23 years. This reflected a reduction in retirement ages interacting with an increase in life expectancy.<sup>6</sup>

### The Definition of Retirement and Phased Retirement

Throughout this article, there are a variety of discussions about retirement and phased retirement. There are no uniform definitions of either term. For purposes of this article, *retirement* may mean total or partial exit from the labor force. With *partial exit*, it should mean that an individual's work has transitioned from a primary activity to a supplemental activity. Note that statistics about retirement depend on the source of the data.

*Phased retirement* includes arrangements where employees are able to modify their work arrangement with the same employer and scale it down prior to retirement, to retire from an employer and then get employment elsewhere, and to retire from an employer and get rehired (often on a very limited basis) by that employer during retirement.

Rehire of retirees may be for specific projects, in a job similar to the job left, as a temporary through the use of a temporary pool, working through a third party such as a temporary agency, or as a contractor. Employers that offer DB pensions have to decide whether to accrue pension benefits during rehire while at the same time retirees continue to receive any pension payments that may have started. This is normally handled by limiting the person rehired to working less than 1,000 hours and by requiring a period of separation prior to rehire.

Moving to new employment includes traditional employment, working as a temporary employee and working as an independent contractor. Employers that utilize part-time employees who can change their schedules are offering phased retirement whether they recognize it or not.

From the viewpoint of the retiree, any arrangement that permits a gradual exit from the labor force is a form of phased retirement. Phased retirement can include a change in the amount of work, the place of work, responsibilities, a new job after retiring from another job, etc.

## Labor Market Data and Societal Perspectives

Richard Johnson<sup>7</sup> from the Urban Institute has done extensive research on the labor force at older ages. These labor force experiences are linked to when and how people retire and how well off they are when they retire. The Urban Institute Research found that many older workers experience change, often a work-related job disruption after age 50, and that those who return to work often earn less than their prior earnings.

The Urban Institute data is mostly based on an analysis of Health and Retirement Study (HRS) data. This is a national data set that collects information on the same people every two years, starting at around age 50 so that they are followed throughout the period leading up to retirement and retirement. It provides much more information than a survey that looks at individuals one time because it reveals changes for the surveyed population. Some of the Urban Institute analysis is based on other large databases, including the Annual Social and Economic Supplement to the *Current Population Survey*.

Some of the major findings reported include:

- There are many challenges with regard to work at older ages.
- Six in ten workers changed occupations after age 50.
- Of workers who were employed at age 51 to 54, the likelihood that they will change occupations during a future two-year period declines with age.
- Many people, particularly college graduates, move into self-employment at older ages. Among newly retired workers after age 50 who make job transitions, 43% are self-employed after the transition, compared with 31% before the transition.
- People making transitions and occupational changes after age 50 are likely to report working fewer hours in more flexible arrangements, and fewer are in stressful work.
- Over the last 25 years, labor force participation has increased for older Americans, with much larger increases for older women than older men.
- The percentage of workers reporting age discrimination is increasing. In 2014, 24% of workers age 58 to 63 said their employers favored younger workers, up from 16% in 2008.<sup>8</sup>

- Many older unemployed workers have been out of work for a long time. This has varied according to economic conditions. In 2010, more than half of age 55 and over unemployed workers had been out of work for six months or more. This was down to one-third in 2017.
- The percentage out of work for longer periods increases with age.
- When displaced workers become reemployed, older workers tend to experience larger earnings losses than do their younger counterparts.

Both an Urban Institute analysis and Society of Actuaries research point to the importance of work disruption prior to retirement as a factor contributing to retirement security. That Urban Institute research is reported in *How Secure Is Employment at Older Ages*.<sup>9</sup> This analysis based on HRS data indicates that slightly more than half of individuals in their early 50s who have been in a full-time job for five years or more will experience an employer-related involuntary job separation. Income for this group was seriously impacted by these separations. Median household income fell 42% following an employer-related involuntary job separation. By the time they reached age 65, the median household income of the group who experienced involuntary separations was 14% lower than the income of those without such separations. Only 10% of the individuals who experienced involuntary separations ever earned as much as they earned before the separation.

Most of this article is about the U.S. But the issues related to working longer and adjusting retirement ages apply in many countries. The *Melbourne Mercer Global Pension Index* study looks at pension systems in 37 countries. The study offers some general recommendations for change that apply across countries. Two of the 2019 recommendations are:

- Increase the state pension age and/or retirement age to reflect increasing life expectancy, both now and into the future, thereby reducing the costs of publicly financed pension benefits.
- Promote higher labor force participation at older ages, which will increase the savings available for retirement and limit the continuing increase in the length of retirement.<sup>10</sup>

### Age-Friendly Organizations and Organizations Supporting Older Worker Employment

Population aging affects society in many different ways, but so far it is not a policy or business priority in most settings to respond comprehensively to such aging. Two big elements of the response are updating employment and retirement practices. There is a worldwide movement led by the World Health Organization toward encouraging communities to be age friendly and designating them as age friendly. Within the U.S., some local communities are age friendly or working to become age friendly.<sup>11</sup> These efforts generally involve partnerships between public and private groups and may include a focus on employment.

The Age Friendly Foundation<sup>12</sup> in Massachusetts has a program to certify age-friendly employers. More than 100 employers have been certified. The certification evaluation is based on employers' practices in 12 categories:

1. General commitment and workforce policies
2. Organization culture and employee relations
3. Workforce planning and composition
4. Employee retention
5. Candidate recruiting
6. Management style and practices
7. Training and development
8. Job content and process accommodations
9. Work schedules, arrangements and time off
10. Compensation programs
11. Health care benefits
12. Savings and retirement benefits.

AARP does not evaluate employers, but it offers a pledge for employers to demonstrate their commitment to experienced workers.<sup>13</sup>

As indicated above, finding jobs at higher ages can be more challenging than at younger ages. In addition to conventional search opportunities, several organizations offer specialized services to help older persons secure employment. Most of the employment of older persons is because of their own initiative and not the result of special programs to create opportunity.

Some examples of these organizations include the following.

- RetirementJobs.com<sup>14</sup> is an organization that assists more than 1½ million registered job seekers over age

50 to find jobs, and it also helps employers find employees. It provides opportunities for regular jobs—but with many different schedules—and provides information to individuals about more than 100 age-friendly employers. It also found a very big unfilled need for caregivers and established MatureCaregivers.com in 2012. They link to the Age Friendly Foundation.

- YourEncore<sup>15</sup> provides expert assistance in life sciences and consumer goods and works with higher level professional and technical people. They match client companies, usually large companies, with experts who work on projects or specific assignments. YourEncore provides solutions to the clients, functioning as a consulting company, and secures projects and temporary assignments for the experts.
- WAHVE<sup>16</sup> provides experienced assistance from people working at home in insurance, accounting and human resources. The individuals work as contractors and are hired by WAHVE.
- Encore<sup>17</sup> helps facilitate opportunities in the not-for-profit world and helps older persons looking for a way to undertake a socially desirable project.
- Temp agencies also place many phased retirees, and some manage temporary pools such as substitute teacher pools.

### Survey Perceptions of Retirees and Near-Retirees

The Society of Actuaries (SOA) has conducted surveys of postretirement risks and the process of retirement every two years since 2001. The tenth survey was conducted in 2019.

The SOA *Risk Survey* results show a large disconnect between preretiree expectations and retiree experiences, particularly around timing of retirement and working as part of retirement. These surveys have shown a persistent, large difference between the ages that preretirees expected to retire and when retirees said they did retire. In 2019, preretirees planned to retire at a median age of 65, and retirees had retired at a median age of 60. These results were similar to the 2013, 2015 and 2017 results.

The survey also shows a difference in expectations about working in retirement and actual working in retirement. In 2019, 45% of preretirees said that they expected to retire all

at once, but 82% of the retirees said they had retired all at once. However, 36% of retirees said they had worked since retirement.

The Risk Survey in 2019 also explored the impact of periods out of work prior to retirement on retirement security. Among the survey respondents, more than two in ten indicated that they had missed one or more years of work after age 45, three in ten had missed six months or more, and four in ten had missed three months or more. Job loss and employment-related reasons were the most important reasons for missing work. This seems consistent with the findings of the 2013 SOA retirement risk research showing that most retirees had been pushed into retirement and few had retired to meet their dreams.

Of those who missed work, 65% of preretirees and 49% of retirees said it had an impact on their ability to save for retirement. Respondents were asked what adjustments they made. Of the preretirees, 49% said they spent less, 35% said they planned to work longer, 31% plan to retire at a later age and 27% said they plan to spend less in retirement. Of the retirees, 69% said they spent less, 13% said they had worked longer and 12% said they retired later.

The SOA risk surveys show that people are retiring earlier than they planned to, fewer work in retirement than plan to and periods out of work before retirement affect retirement security, all of which often results in people spending less. When combined with the earlier SOA focus groups, it appears that many employees were pushed into retirement and that the drivers of retirement decisions are very often job challenges and job loss, family issues and caregiving demands, and health issues. It appears that relatively few people are retiring earlier to meet dreams.

The SOA risk surveys are conducted online and provide input about what people say about their retirement experiences. These surveys should be generally representative of the U.S. population. The SOA risk surveys are available on the SOA Aging and Retirement web page at [www.soa.org/research/topics/research-post-retirement-needs-and-risks/#risksurvey](http://www.soa.org/research/topics/research-post-retirement-needs-and-risks/#risksurvey).

### The GAO Study: What Employers Are Doing

The GAO did a study in 2017, *Older Workers: Phased Retirement Programs, Although Uncommon, Provide Flex-*

*ibility for Workers and Employers, Report-17-536*. The GAO interviewed both employers and experts, and it found little in the way of formal phased retirement. The study presents evidence that many people are working as part of retirement, thereby creating their own phased retirement. These findings are similar to the author's prior research.

The GAO describes eight case studies. All eight protect health care coverage for phased retirees, usually with a minimum work requirement and usually increasing the employer-provided health benefit. Most require supervisor approval for the individual to participate, as does the federal phased retirement program, and most focus on a work arrangement with specific duties and possibly an explicit agreement. Only two organizations had DB plans, and most had defined contribution plans. The defined contribution plans reflect actual year-by-year contributions, but otherwise they were not affected by the arrangement. Some of the companies had age requirements and/or limits on the period of phased retirement.

### Employer Perspectives and Reality

Employers have very different perspectives about older workers and their value, and it is very common to hear that older workers cost too much. There are also persistent myths about older workers. Employers do not want to create an entitlement mentality or too many expectations. They are concerned about the potential for age discrimination lawsuits. I have heard concerns about cost, myths and age discrimination in a variety of settings. My opinion is that concerns about potential age discrimination problems have been a barrier to innovation. However, given the demographic and labor force realities today, employers that do not have a strategy focused on retention of mature talent are likely to be caught short and to find themselves in a mode of reacting to problem after problem.

Mercer, in its report *Next Stage: Are You Age Ready?*, has defined the business case for why it is important for organizations to focus on effectively utilizing the *experienced workforce*, defined as workers age 50 and older.

Mercer sets the stage with several important observations about employers and older workers:

- Many organizations misunderstand or ignore the opportunities for capitalizing on the experienced workforce.

- Technology has disrupted the nature and requirements of work in many jobs. This can have a major effect on experienced workers.
- Many older workers seek employment in nontraditional ways. This offers the opportunity to have a flexible segment of the workforce.
- Faced with a longer life span, some people are choosing to remain in the workforce longer because they want to, and others are doing so because they do not have adequate assets to retire.
- Employers often are not focused on generational diversity.
- There are risks that should be considered and managed. For example, if people do not have adequate resources to retire, they will choose to stay on. Another example is that some jobs involve a lot of heavy lifting and can lead to considerable disability.

### Culture and Age Discrimination

The Urban Institute research indicated widespread perception among workers about age discrimination. A recent Mercer report documented studies that found age discrimination in hiring as well as cultural problems and worker perceptions of age discrimination.<sup>18</sup> My view is that hiring of older workers and innovative work options are often discouraged because of fears of age discrimination complaints.

RetirementJobs.com members also reported age discrimination:<sup>19</sup>

- In 2019, 77% said they had experienced or witnessed workplace age bias, down from 79% ten years earlier.
- In 2019, 83% said that they thought workplace age bias is a fact of life, down from 96%.

Cultures vary widely, and myths persist about older workers. Many organizations have cultures that discourage effectively utilizing the experienced workforce and do not recognize the important value they can bring to the organization.

### Cost of Older Workers

While there is a widespread belief that costs for older workers are higher, it depends entirely on the situation. When they are used as contractors, temporary employees or con-

sultants, costs are not higher and in some cases are considerably lower. There are a variety of factors that affect the cost of longer term employees. In jobs requiring a lot of knowledge, experience may be very valuable, and the experienced person may be much more efficient. In jobs requiring application of complex technology, there is a lot of variation by knowledge of the system, and some people have much more knowledge. Older workers tend to have lower absenteeism and turnover. Costs, particularly for longer term workers, are partially dependent on the structure of benefits and pay systems. Depending on the benefit structure, and how one allocates the cost of defined benefit accruals over time, these plans often cost considerably more as people reached early retirement eligibility, particularly if the plan offered unreduced benefits to early retirees. Defined contribution plans generally do not have increasing costs by age. Health costs for one individual generally increase with age, but health benefit costs that cover a family unit may have different patterns, particularly since younger employees are likely to have more dependent children.<sup>20</sup> My view in response to the question of whether older workers are more expensive is “it depends on the situation.” There are also clearly ways to use experienced workers with contracts that depend on the specific project and do not involve any age-related costs.

### Understanding the Value of Different Employees

There are many different individual employee situations. Some employees have a great deal of firm-specific human capital, some have a large amount of human capital but not firm-specific capital, and some have much less human capital. Employees with little human capital can easily be replaced by others who have the same skills with very little additional training. Bank tellers would be an example of employees with relatively little human capital, though some of them may have hidden human capital because they may have relationships with the customers. Examples of individuals with high firm-specific human capital include rainmakers; research scientists and engineers who develop new products and who really know the organization's products, market, etc.; benefits managers who know all of the history of the programs; contracting officers who know the ins and outs of major contracts and suppliers; the foremen at plants; people who have relationships with ma-

job customers or important outside groups; and people with knowledge of legacy systems.

I heard about a pharmaceutical company where five scientists were key to the development of most of their drugs (and the five were all nearing retirement age at the same time). Each of these people brings something important to the firm, including knowledge that is related to the firm and some job-related general expertise. These people may be very difficult and costly to replace. People with high non-firm-specific human capital could be people like currency traders who can move from firm to firm and be productive almost immediately. Some types of people such as health care professionals may be in short supply and may be very important simply because of the short supply. However, hospitals may have a few physicians who are critical to their reputation and bring them a lot of business. Also, nurses and others with long experience may be able to solve challenges much more quickly than those with less experience. Universities may have a few Nobel Prize winners and other well-recognized academics who are responsible for bringing in large amounts of research funding and making major contributions by helping to attract other important faculty and students. All of these situations are very different from retail clerks in supermarkets, fast food workers and other service workers who can be quickly trained and do not bring much individual value to their jobs.

It is very important to an employer to understand how different employees contribute value to an organization. The value of experienced employees depends on the specific types of talent needed and firm-specific contributions, rather than simply being a numbers game. For example, if a company needs to make an important contact with a potential customer, media, business partner or government agency, an individual with the right contacts and reputation may be able to make the contact easily. In contrast, it may take much longer without such an individual, or the contact may not be successfully made at all. An organization can understand its situation only by careful analysis.

### **Different Societal Expectations About Retirement and Different Types of Jobs**

Societal expectations and practices about retirement in the U.S. vary greatly depending on the type of job. It is very

puzzling why there are such large differences in expectations by type of occupation. The table on page 38 shows some examples.

### **Responses to the Aging Workforce**

Capitalizing on experienced talent and updating retirement options to fit the needs of companies and their employees go hand in hand. Companies wanting to capitalize on experienced talent will probably want to investigate what other organizations are doing and implement those strategies of highest value to the organization. In addition to creating flexible jobs and phased retirement options, organizational responses may include creating the desired culture, human resources and manager training, policy and business practice changes, benefit redesign and the retiree rehire process. As indicated above, individuals are defining their own solutions, while few businesses offer formal programs or have explicitly addressed these issues. Now is the time for many of the organizations that have not addressed these issues to move ahead.

### **Important Business Issues**

- Talent shortages in some geographies and industries will make the experienced workforce a key source of talent.<sup>21</sup> Organizations seeking younger talent may have difficulty finding it. A diverse age spread has the potential to provide the greatest benefits.
- Flexible work arrangements are very attractive to older workers—and to workers at any age with substantial family responsibilities. There are a wide variety of different flexible arrangements possible. Some organizations use a lot of flexible arrangements, and others do not.
- Companies risk the loss of critical institutional knowledge when experienced employees leave.
- Customers age 50-plus are an important part of the economy in many countries. Companies may have more success in serving such customers if their workforce matches the customer base.<sup>22</sup>
- Individuals contribute to work efforts based on their own work and the impact they have on their teams. It is easy to overlook the important impact that experienced people have on teams.

**TABLE**

**U.S. Retirement Expectations for Selected Occupations in 2020**

Occupational Group	Retirement Expectations	Comments
Judges and members of Congress	May work to very high ages; no particular expected retirement age; generally have generous benefit plans	Supreme Court justices generally work as long as they can; judges would be unlikely to have any additional jobs, but members of Congress often move to other jobs.
Corporate employees	Common to retire at ages 60-65; retirement plans vary, but most larger corporations include retirement benefits in their benefit programs. Benefits may cover only salaried employees, or both salaried and hourly employees. Small companies are much less likely to offer retirement benefits and it is not clear what they might expect.	Many people seem to be pushed into retirement. Buy-outs may be used to encourage retirement; there are few formal phased retirement programs. Some companies rehire a few retirees. Some employees will move to part-time or bridge jobs before leaving labor force. Practices and part-time opportunities vary greatly by industry.
Family business participants (including farms)	No set practice, some work to very high ages.	Business may gradually be turned over to children or other family members, or in some cases it is sold.
Tenured university professors	Common to work past age 70; many have generous benefit plans.	Universities offer formal phased retirement programs more often than businesses; professors may also do consulting.
Nurses employed by hospitals	Most hospitals include retirement plans in their benefit packages, so that longer-term employees are likely to be eligible for retirement benefits. Ages 60-65 is probably common retirement age.	There are a variety of schedule options available to nurses throughout their careers. It is possible to move from more strenuous to less strenuous jobs. Nurses have many options in designing personal career paths and labor force exit paths. They can work in doctor's offices and other settings after leaving hospitals. Those who have physical limitations can work as health claim consultants and health care advocates.
Police, firefighters, and military	Generally have good benefits and very early retirement ages	It is common to have an additional career after first retirement.

Source: Author's analysis.

**Data and Business Analysis**

Every organization is different. A deep and rigorous demographic study of the workforce is needed along with a study of the business and its talent needs. Such a study should include:

- An analysis of the pipeline and the specific types of jobs where there may be challenges of potential worker

shortages and/or problems with the potential for satisfactorily moving people from job to job.

- An audit of the culture for mature workers, including both qualitative and quantitative aspects. Organizations have very different cultures and vary in how welcoming they are of mature workers. Some offer arrangements that fit well to mature workers' needs, and others tend to push them out.

- An audit of the culture with regard to discussion of retirement plans or secrecy in that regard. Many individuals are happy to continue in some capability beyond usual retirement age provided that they have the flexibility and level of work that they desire. But they generally do not want to decide at the last minute. In some cultures, individuals are afraid to discuss plans for retirement, whereas in others they can work out arrangements ahead of time.
- An analysis of the specifics of special individual arrangements made to retain talent. It has been reported that a major company collecting this data was motivated to act when it found out how many special arrangements there were and how diverse they were. Systematizing the management of deals was better for all concerned.<sup>23</sup>

### Dealing With Ageism, Age Discrimination and Cultural Issues

It is important to start with an audit of the culture, and the audit should be broad. Cultural challenges need to be dealt with at all levels, and it must start at the top.

My personal view is that ageism and age discrimination remain a reality in many situations. I believe that age discrimination requirements serve as a deterrent to innovation and may have unintended consequences.

### People Strategies and Employment Arrangements

*People strategies* include types of work arrangements, hiring practices, training practices, performance evaluations, and communication with people about their plans and desired work arrangements.

The talent retention strategy should match employee desires and interests with business needs.

It is important that there be no age bias in these arrangements and that training be offered at all career points.

The people strategies should include the approval process defining who can sign off on specific arrangements and whether they must follow preapproved designs or can negotiate individual policies.

For workers at or near retirement age, flexibility is important, and they are much more likely to continue working if flexible arrangements are available. Flexibility can be a win-

win for individuals and businesses. For many firms, there is great value to having some workplace flexibility and the ability to access experienced people who know the firm when they are needed. Here are some examples:

- As businesses have become much leaner in their staffing, there is often a need for someone to do the types of one-time projects that once were done by regular staff.
- Some businesses are seasonal. Toys and cosmetics see a large part of the year's output for the holidays, and tourism has a different busy season depending on the location. Farming is also seasonal, and it has different types of work at different times of the year.
- Some businesses may have a sudden and temporary increase in workload in situations where they get a major contract for a limited period. Others may have event-related peaks, such as after major storms, when there is a need for insurance adjustors, utility workers to restore power, people to repair damage, short-term help for people displaced, etc.
- All businesses need to have a way to temporarily replace an employee who is gone for several weeks or months but who will return.

There are a variety of possible flexible arrangements. The types that fit a given organization depend on the type of work, scheduling demands, culture, etc. Flexibility may apply to the amount of work, place of work and scheduling of work. Types of flexible work arrangements include part-time work, telecommuting, contracting, rehire of retirees, flexible hours, use of retiree pools, and use of people to work on limited projects. The individuals doing the flexible work may be employees, contractors, or temps working through an agency or consulting firm.

Flexible arrangements can be available to all employees, be limited to certain job classes or be solely on a discretionary basis. As indicated earlier, there are some employees with specialized knowledge, skills and contacts that are particularly important to a firm.

Questions to be considered in designing flexible work arrangements:

- Will a program be offered to all employees, to specific groups or to select individuals?

- How can the business define a range of acceptable work arrangements and make the information available to the employee and supervisor so that they can structure something that works? Hospital systems are examples of organizations that offer a range of work options.
- Will hiring retirees create business advantages and opportunities for our organization?
- Will phased retirement be in an employees' same job, something that uses the same skills and organizational knowledge, or something different? Retiree pools are an example of an arrangement that has no set schedule and where the employee could move into a variety of different roles.
- Will phased retirees be used for special projects?
- Will pay be based on the old or the new role, and how will it be defined?
- How will retirement, health, life insurance and disability benefits be managed? What is the minimum amount of work commitment needed for benefit eligibility?
- Will phasing include a reduction in schedule before retirement and/or some work after retirement? If there is a pension plan, how will the plan be adjusted? What rules will determine eligibility for health, disability and life insurance benefits?
- What, if any, time limit is there on phasing?
- If phasing includes a transfer in status from employee to independent contractor, how can the contracting process be streamlined for both parties? What duties will we expect of the contractor? Do labor laws prohibit or limit such a change in status?

Practical issues can arise when an organization uses independent contractors. Quite often, people become independent contractors when they take part in phased retirement or continued work at later ages. It is very important for the individual and employer to have a clear, written agreement defining the scope of work and compensation as well as intellectual property and other rights. The process of contracting is often not fitted well to the individual phased retiree, so models are needed that are suitable for them. Where contracting departments are active, the contracts often seem to be designed to work with larger contractors and with con-

tractors who will be involved with technology. These contracts may include provisions that make contracting difficult or impossible for a phased retiree. These comments are based on my own experience and not research.

### **Benefit Plan Issues**

Retirement can be supported by defined contribution or defined benefit plans. There are relatively few defined benefit plans in the private sector that offer continued accrual of benefits. There are no specific phased retirement issues in defined contribution plans, and these plans do not encourage retirement at any specific time. Defined benefit plans, in contrast, need a variety of adjustments to accommodate phasing into retirement. For rehire of retirees, they simply need to provide that benefits will not be stopped on rehire or rehire within certain limitations. An easy provision is to limit the rehire to less than 1,000 hours of work in a year or to rehire the person through a third party or as an independent contractor.

There are special issues for some professions. For example, academics might teach part-time and get partial pension benefits for a defined period of years before retiring.

Historically, health insurance has been a barrier to phased retirement in many situations. The Affordable Care Act (ACA) enabled new options when it made it possible for people who leave jobs before age 65 to get health insurance at a fair price in the marketplace, but it is still expensive. Also, the future of the ACA and its consumer protections are unclear, creating uncertainty about health insurance coverage and what will happen to those with health challenges if they need individual coverage. Thus, fear of loss of health benefits is again a problem.

If there are retiree health benefits, they may need to be adjusted for phased retirement. Disability and life insurance benefits also raise questions with regard to phasing into retirement. The individual who works part-time before ultimately retiring may lose all or some of their disability and life insurance benefits. However, these benefits are much less likely to create issues with regard to the rehire of retirees.

The GAO report indicated that all of the organizations had dealt with providing reasonable health insurance for the phased retirees.

Other issues to be considered in benefit and financial wellness plan management include:

- Support for retirement planning and creating a culture where people are able to have open discussions about their retirement plans and work preferences
- Caregiver support and flexibility in working arrangements to accommodate caregivers
- Assistance in planning for long-term care
- Opportunities for people with some limitations.

### Putting Together Solutions

Case study: This is an outline for a mature worker strategy developed in a major firm.<sup>24</sup> It included:

- Improved workforce planning processes. Those processes were accompanied by greater awareness of critical skills and the talent resources of the company as well as the potential for some of that talent to retire soon.
- Standardized options for the retention of skilled workers both pre- and post-retirement. Supervisors were given information about options they could offer to workers and a process for offering the options.
- The company found that it was able to elongate the careers of selected talent, and it was able to identify which talent was critical.
- The retirement planning and discussion process changed so that the company gained a better understanding of employees' plans for retirement, and the employees felt able to discuss their plans in advance and work out an arrangement.
- The program created more staffing flexibility to add to contract as business needs dictated.
- Knowledge management processes were strengthened to reduce the risk of lost knowledge.

Case study: Mercer has proposed ten ways to optimize an experienced workforce.<sup>25</sup>

1. Collect and analyze your age-profile data to explore demographic and skills pinch points.
2. Develop and implement people and career strategies that embrace the experienced workforce.
3. Understand what impact your retirement plan design has on the trajectory of retirement readiness and labor flow.

4. Initiate conversations with employees about how they might work differently.
5. Examine and tackle how ageism might manifest in your organization—analyzing pay, bonuses, performance, promotion and recruitment statistics through a lens focused on aging.
6. Develop a lifelong learning attitude that positions people to embrace jobs of the future.
7. Measure productivity levels across different age and position cohorts in your organization.
8. Implement an effective flexible-working strategy.
9. Develop and implement a program offering support for those who have caregiver responsibilities.
10. Create and sustain an inclusive culture that supports and enables your experienced-worker strategy.

### The Future

Retirement jobs are becoming the norm, as is a small increase in retirement ages, but not enough to offset the growing older population. It is important for employers to deal with issues related to the aging workforce. This will also help people. Individuals age 50 and over are more engaged, happier and healthier if they are engaged in a serious pursuit, often work. Longer work also makes people more economically secure. When the structure of Social Security, the ability to grow assets longer and longer working careers are considered together, the difference in lifetime economic security can be very large. Employers need talent and good results. Employers focused on the aging workforce should think of better utilization of experienced talent as a win/win for employers, employees and society at large.

There are several suggestions for employer options and support to improve business results and encourage longer work:

- Start with a rigorous business and talent analysis.
- Focus on management of talent, paying attention to culture as well as quantitative business issues.
- Set up a program to preserve important business knowledge.
- Financial wellness programs can include information or coaching to help employees prepare to be employable longer, either by their current employer or in a new job. Keeping skills and contacts up to date is important.

**AUTHOR**



**Anna M. Rappaport, FSA, MAAA**, is an actuary, consultant, author and speaker and is a nationally and internationally recognized expert on the impact of change on retirement systems and workforce issues. A phased retiree, Rappaport is a past president of the Society of Actuaries and chairs its Committee on Post-Retirement Needs and Risks.

- Consider expanding part-time and flexible work options, and consider whether seasonal work options will work for the business.
- Consider a phased retirement health benefit program where employees who meet the eligibility requirements, both service and amount to be worked, can continue to be covered by the employers' health insurance program, possibility with an additional subsidy.
- Consider establishing a retiree pool so that retirees can be used for temporary assignments, for special projects, and to fill in when people are ill or on vacation. Some organizations have done this for many years.
- Make sure job training opportunities are extended to older employees.
- Evaluate whether contract work is feasible for the organization and whether contracting with retirees would work for special assignments. If so, establish model contracts and an effective procedure to implement.

There are also issues to be addressed on a societal level.

- Society should rethink retirement ages. Periods of retirement have increased a great deal, while retirement ages have changed much less.
- Public/private partnerships can help with recognition of age-friendly employers and promotion of policies to encourage older worker employment. Massachusetts has a program in effect.

**Conclusion**

Unfortunately, there is often a disconnect between the actions and interests of many individuals and the talent man-

agement programs of business organizations. Many people, particularly as they near traditional retirement ages, are redefining their lives. Some go in and out of the workforce, some work part-time, and some establish businesses before totally exiting the labor force to effectively use their work experience.

Businesses are concerned with having an adequate workforce to meet their immediate needs. Some are focused on longer term talent management, but others are not. It appears that few businesses have adapted well to the way that people are redefining their lives. The nonstandard retirement pathways chosen by many Americans create opportunities for businesses to use valuable talent in different ways, but not many organizations seem to be capitalizing well on these opportunities. Mercer points out that employment models, practices and policies are not well aligned to the new reality.<sup>26</sup> This article provided a variety of ideas to help businesses think through these issues and improve their talent management. The result should be more phased retirement options and better utilization of the workforce, leading to improved retirement security.

**Reference List for Phased Retirement and Working in Retirement**

(Note: This list includes references broader than the content of this article but of interest to the topic at hand.)

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