



Retirement News Highlights

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As the workforce ages, phased retirement grows

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At every stage of the traditional career path, employees are shifting expectations of when and where they work, how their performance is managed and how they are compensated. It shouldn't be a surprise that expectations about retirement are changing, too.

The classic retirement scenario used to involve the employee counting down to age 65 then riding off into the proverbial sunset after the company farewell party. For many retirement-eligible employees nowadays, that future looks very different.

"The whole concept of what retirement means has gotten fuzzier," Alan Glickstein, managing director, retirement at Willis Tower Watson, told HR Dive in an interview. In the past, retirement benefits were targeted to start at a certain age. Now, with the decline of traditional pension plans and upswing of defined contribution plans, together with increases in life expectancy, retirement plans no longer deliver a strong message of what the "normal" retirement age is.

Additionally, many employees are simply not financially prepared to live on a retirement income. In MetLife's 17th Annual US Employee Benefit Trends Study, 52% surveyed said they expected to postpone their retirement due to finances, up from 37% in 2015. In a separate survey, Gallup also found that the average projected retirement age among Americans had increased from 60 in the 1990s to the current projection of 66.

Employees who are eligible to retire but aren't yet prepared to stop working might choose on to take on new jobs elsewhere, but some companies have found value in encouraging workers nearing retirement to think about the transition in new ways — leading to the concept of the phased retirement.

The many faces of phased retirement

Phased retirement programs look different depending on who offers them. A few organizations have structured programs, but most have ad hoc arrangements. Some offer a phased retirement option to highly valued employees in specialty careers. Other organizations make this benefit available to all employees.

Most phased retirement programs allow employees to return to work while collecting some specific benefits. Employees in phased retirement programs may have a limit to the number of hours they can work per week, and the programs may last months, years or indefinitely.

According to the Society for Human Resource Management, informal phased retirement programs are gaining traction, with 13% of employers surveyed offering informal programs in 2017, versus 6% of

employers with formal programs. The number of employers offering informal programs increased seven percentage points between 2013 and 2017, SHRM said.

Phased retirements can be tricky, Glickstein said, pointing to a Willis Tower Watson report that highlights the complexities of these programs, such as difficulties with administration, compliance and aligning the program's purpose with workforce strategies. Medical care costs are also a factor, Glickstein said, as those costs are generally correlated with age. Despite the challenges, employers see the benefit of utilizing older workers, he added.

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"There is a very positive feeling expressed in survey results about the value of the older workers — what they bring in terms of skill and maybe attendance, reliability and loyalty — that's very much worth whatever the costs that go along with that might be," Glickstein said.

How employers are approaching it

Phased retirement programs aren't just a plan designed to give employees a continued source of income. They also help businesses prevent "brain drain," which can become a problem when unemployment is low and filling open jobs can take months.

NASA's phased retirement program, for example, specifically states its primary purpose is to "enhance the mentoring and training of the employees who will be filling the positions or performing the duties of the more experienced retiring employees," the office of the agency's chief human capital officer told HR Dive via email. According to those guidelines, leaders and managers identify critical skills needed short and long-term. Eligible employees with those skills can be selected to work part-time, but must commit to passing on critical knowledge.

In industries like nursing, high turnover and high retirement rates can make the situation even more dire. Faced with an impending wave of retirement-eligible nurses, Bon Secours Virginia Health System wanted to examine what it could do to better recruit and retain nurses, Dawn Trivette, administrative director, work and family services, told HR Dive. Changing interests, physical demands of the job and caregiving responsibilities were the top factors for experienced nurses leaving the job, Trivette said.

In addition to looking at easing physical demands and providing caregiving support for family members, Bon Secours examined the changing interest side. Trivette said the hospital worked with a consultant who suggested employees not retire, but rewire, helping management consider how employees could continue working using their skills in different positions. "[Management] started to see maybe for a discharge position — who better to send you home after your surgery than someone who had participated in this surgery for most of their career?" Trivette said.

Bon Secours invited retirees to consider returning to work for as few as 16 hours per week, during which they could get retirement pay and regular pay and benefits. Even though many employees had been excited to retire originally, they were happy to come back for the camaraderie and extra income, Trivette said. The hospital, meanwhile, benefited from having a knowledgeable base of workers.

"It's really helpful to us when we have a higher census of patients, if it's flu season or people are on vacation. We have people who have that flexibility and institutional knowledge to jump in and help out when needed," Trivette said.

Take a step back

For employees looking to extend their careers, company-offered phased retirement is just one option, Glickstein said. Employees can create their own phased retirement, taking part in the gig economy to find a part-time job, he said. The capability was always available in a limited way in the past, he said, but now it has become institutionalized with the ease of working at home with a computer.

To avoid losing employees prematurely, companies need to ensure employees are clear about their options, and they need to have conversations about what both the employee and employer need, Glickstein said.

"The whole R-word, retirement, leaves a connotation that doesn't exist anymore," he said. With that in mind, before thinking about phases of retirement, employers may need to first step back and redefine what the transition from work to post-work is, he said.

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