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Working Longer to Improve Retirement Security: Addressing Workplace Issues¹

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People are living much longer than when the Social Security system was established in the 1930s, and periods of retirement are also expanding. Many people are reaching common retirement ages without adequate retirement savings. Working longer improves retirement security because retirement assets are needed for fewer years, assets have a longer time to grow and the individual has a longer period to be covered by applicable employee benefits. In addition, monthly income from Social Security is increased if claiming is delayed beyond age 62 up until 70. Phased retirement, which allows people to gradually move from full-time work to labor force exit, make a great deal of sense to us.

While many professionals, including gerontologists, actuaries, economists and retirement planners, talk about the societal importance of longer work, neither the business nor the policy community is doing much to address barriers to protracted employment or to enable or encourage phased retirement. Many individuals are building their own phased retirement solutions; a few private organizations are capitalizing on opportunities to support longer work. This essay discusses issues for employers. A separate essay, “Working Longer to Improve Retirement Security: Improving Public Policy,” discusses policy issues.

Approaches to Phased Retirement

From the viewpoint of the retiree, any arrangement that permits gradual exit from the labor force is a form of phased retirement. Such arrangements include when employees scale down hours with the same employer, retire from one employer and find work elsewhere, or retire and get rehired, often on a limited basis, from the same employer.

Rehire of retirees may be for specific projects, in a job similar to the position 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. For employers who offer defined benefit pensions, the employer has to decide whether to continue pension benefits during rehire. 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 who utilize part-time employees where people can change their schedule are offering phased retirement whether they recognize it or not.

The Situation in 2017

A 2017 Government Accountability Office study² found little formal phased retirement. Both employers and experts were interviewed. They present evidence that many people are working as part of retirement, creating their own phased retirement. These findings are similar to our research and observations.

The GAO describes eight case studies. All eight protect health care coverage, usually with a minimum work requirement, 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 defined benefit plans; most had defined contribution plans. The defined contribution plans were not affected by the arrangement. Some had age requirements and/or limits on the period of phased retirement.

1 This essay reflects a variety of personal experiences, business experience and research including extensive interest in later work as an important response to an aging society. The combined experience of the authors includes more than 20 years in different phases of retirement, more than 10 years in facilitating jobs for older workers and many years of pension consulting.

2 U.S. Government Accountability Office, “Older Workers: Phased Retirement Programs, Although Uncommon, Provide Flexibility for Workers and Employers,” report to the Special Committee on Aging, U.S. Senate, GOA 17-536 (June 2017), <https://www.gao.gov/assets/690/685324.pdf>.

Uncertainty about legal issues creates confusion for employers. It is our view that some of the legal requirements designed to protect older workers can have unintended consequences. We believe that hiring of older workers and innovative work options are often discouraged because of fears of age discrimination complaints.

As we have seen in much of our research, about five in 10 people work after retirement or phase out in some way. More than seven in 10 people say they want to work after retirement.

In the 2017 Society of Actuaries Post-Retirement Risk Survey,³ pre-retirees said they expect to work to a mean age of 65, but retirees had actually retired from their main occupation at a mean age of 58.

The 2013 Society of Actuaries focus group research⁴ indicated that many people who retired voluntarily were pushed out because of work-related pressures, family needs or health problems.

Time spent in retirement has increased markedly as life spans have increased, without corresponding increases in retirement ages. In one example, expected work life went from 46 to 38 years over 39 years, while expected periods of retirement went from 13 to 23 years.⁵

The Affordable Care Act 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 today, the future of the ACA is unclear, creating a new round of uncertainty about health insurance coverage and what will happen to those with health challenges if they need individual coverage. Fear of loss of health benefits is again a problem.

Practical Examples

RetirementJobs.com⁶ is an organization that assists more than 1 million registered job seekers over age 50 to find jobs. 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. Since 2006, the company has used a process to certify age-friendly employers.

Since 2016, the organization has conducted research to find the top 10 industries for employing people over age 50 by percentage of workers. Those fields have consistently been airlines, utilities, insurance, retail, chemicals, aerospace and defense, packaging and containers, forest and paper products, food production and beverages.⁷ Some frequently posted jobs are bank tellers, bank managers, personal bankers, caregivers, retail positions, customer service representatives, drivers, field and inside sales personnel, financial executives, nurses, health care professionals, nonprofit staff, security personnel and tax preparers. Experience indicates that employers use RetirementJobs.com because it helps them fill hard-to-fill jobs quickly and attracts good workers. In our experience, more mature workers improve customer satisfaction, relate well to mature customers and have lower turnover than younger groups. The company found a very big unfilled need for caregivers and established Mature Caregivers⁸ in 2012.

YourEncore⁹ provides expert assistance in life sciences and consumer goods, and works with higher level professional and technical people. Eighty large companies work with YourEncore and 11,000 experts are registered on its site. Two-thirds of the experts have advanced degrees, and they work on projects or specific assignments.

3 Society of Actuaries, *2017 Risks and Process Retirement Survey: Report of Findings*, January 2018, <https://www.soa.org/research-reports/2018/retirement-risk-survey/>.

4 Society of Actuaries, "The Decision to Retire and Post-Retirement Financial Strategies: A Report on Eight Focus Groups," research project, 2013, <https://www.soa.org/research-reports/2013/The-Decision-to-Retire-and-Post-Retirement-Financial-Strategies--A-Report-on-Eight-Focus-Groups/>.

5 Expert Committee on the Future of the Quebec Retirement System, "Innovating for a Sustainable Retirement System: A Social Contract to Strengthen the Financial Security of all Quebec Workers," report to the Quebec government, 2013, https://www.rrq.gouv.qc.ca/SiteCollectionDocuments/www.rrq.gouv.qc.ca/Anglais/publications/rapport_comite/rapport.pdf.

6 <https://www.retirementjobs.com/>.

7 RetirementJobs.com, "Fortune 500 Companies: Rankings by Prevalence of Workers age 50+," report, 2018.

8 <http://maturecaregivers.com/>.

9 <https://www.yourencore.com/>.

YourEncore provides solutions to the clients, functioning as a consulting company, and secures projects and temporary assignments for the experts.

Temp agencies also place many phased retirees, and some manage temporary pools, such as substitute teacher pools.

Expectations

Within the business community, there seems to be a general expectation that older workers cost more and are less productive. The experience at RetirementJobs.com indicates some older workers do very well but others do not. Table 1 shows the characteristics of workers who it is believed often do well and those who do not.

There are very different expectations about retirement for different types of employment. Table 2 is a summary of societal practices and expectations for some very different types of workers. According to our analysis, both the age at labor-force exit and the process of phasing down varies greatly by group.

The Contracting Problem

Experience with contracting has surfaced problems in some cases. Quite a lot of phased retirement or continued work at later ages is as an independent contractor. 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, but the process of contracting is often not fitted well to the individual phased retiree. Our experience is that there is usually no trouble when the contract is limited to what is needed for the situation,

but that it can get very troublesome when there is a generalized contract. Where contracting departments are active, the contracts often seem to be designed to work with larger contractors and with contractors who will be involved with technology. They may include important provisions that make contracting difficult or impossible for a phased retiree. These comments are based on personal observation and not research.

Supporting Innovation

Innovation is generally viewed very positively in technology and other products. Most Americans use products that did not exist (and were not imagined by most people) 50 years ago. Personal computers, cell phones, tablets, self-driving cars and GPS devices as just a few examples. While innovation is viewed very positively by the marketer, it is important to know the market and get the timing right. The situation is very different when it comes to the management of human resources and creation of job options. Innovation may be good in some cases, but in others it creates risks of violating nondiscrimination rules and the potential for personnel problems. For example, offering a new job option to older workers with a particular skill but not to those with other skills might invite claims of discrimination. This is particularly risky if these are higher paid workers.

Employers would benefit from white papers on how to deal with some of these issues and potentially policy changes, including safe harbors. Safe harbors could set some limits on options that could be offered without fears of discrimination or other legal challenges. An easy example would be a safe harbor for people working under 500 hours per year.

Table 1 Characteristics of Older Workers Who Do Well and Those Who Do Not

Workers Who Do Well	Workers Who Do Not Do Well
Hopeful and optimistic	Stubborn and set in their ways
Interested in learning new skills	Living in the 1970s
Ready for a new experience	Unable to take direction from younger people
Excited to be socially engaged	Not up-to-date on technologies
Accepting of a younger manager	Grumpy and entitled
Behaving as a team player	Overpaid
Living in the new millennium	
Embracing the future	

Source: RetirementJobs.com

Table 2 Retirement Expectations for Selected Occupations, United States in 2017

Occupational Group	Retirement Expectations	Comments
Corporate employees	Common to retire at ages 60–65; retirement plans vary, but most larger corporations include retirement plans in their benefit programs. Benefits may cover only salaried employees, or both salaried and hourly employees.	Buyouts 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 before leaving job. Some have bridge jobs before leaving labor force. Practices and part-time opportunities vary greatly by industry.
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 longer-term employees are likely to be eligible for retirement benefits. Ages 60–65 probably common retirement ages.	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.
Police, firefighters and military	Generally have good benefits and very early retirement ages.	Common to have an additional career after first retirement.
Teachers	Tend to have good benefits and may be able to retire in mid-50s with longer service.	Many will have additional work after retiring.
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; in some cases, it is sold.
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.

Building Solutions

A 2007 Conference Board report¹⁰ lays out many of the issues in structuring work arrangements and offers illustrations how they may apply to different jobs. Some of the key issues and questions for the employer include:

- Will hiring retirees create business advantages and opportunities for us?
- Will a program be offered to all employees, to all in specific groups or only on individual approval? It seems the latter is more common.
- How can the business define a range of acceptable work arrangements and make the information available to the employee and supervisor so they can structure something that works? Hospital systems are examples of organizations that offer a range of work options.
- 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 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, if any, time limit is there on phasing?
- If we want to work with independent contractors, how can we streamline the contracting process for both parties?

10 Anna M. Rappaport and Mary B. Young, “Phased Retirement after the Pension Protection Act,” Conference Board report, 2007.

Moving Forward

There are several suggestions for employer options and support for employers to facilitate and encourage longer work:

- It can be difficult for older workers to find work. 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 are important.
- Consider a phased retirement health benefit programs, 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 expanding part-time work options and consider whether seasonal job options will work for the business.
- 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 several ideas for support services and white papers to make it easier for employers who want to do some sort of phased retirement:

- Produce a guide on phased retirement and related issues.
- Produce model contracts for use with phased retirees, with variations depending on whether there are issues such as intellectual property and noncompete provisions.
- Produce a white paper on what would be needed to encourage innovative work options, while at the same time retaining enough employee protection.

These materials could be produced by a nonprofit organization or a government agency.

For More Information on Employer Practices

U.S. Department of Labor, 2008 Advisory Council on Employee Welfare and Pension Benefit Plans, "Advisory Council Report on Phased Retirement," 2008, <https://www.dol.gov/agencies/ebsa/about-ebsa/about-us/erisa-advisory-council/2008-phased-retirement-2>.

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