



# Rupert & COMPANY

Guides to a changing workplace

## **FlexBulletin #96: Phasing in Phased Retirement - or Not?**

February 17, 2015

*For nearly a decade, the huge Baby Boomer cohort has been marching toward retirement - visibly, predictably and traditionally. Then a funny thing began to happen. At first longer, healthier lives challenged the standard retirement age. Then came the Great Recession. Millions of aging workers faced cratered 401Ks, battered home values and an extended period of earning to recover from their losses. Phased Retirement seemed an appealing idea.*

*Employers, writers, activists and others have been discussing Phased Retirement in that same period. Two distinct facts have accompanied these discussions: "Phased Retirement" has been talked about far more than it has been implemented; and when employers adopt it, they almost always offer what we would call "rehired retirees" - regular employees terminated and rehired as contractors without benefits. Most pre-retirees seem to be seeking an option that included regular employment and reduced hours.*

*For whatever reason - the tightening of labor markets or the actual or imminent exit of talented boomers who possess valuable knowledge and can still contribute strongly - we have finally begun seeing the exploration of true Phased Retirement. In the last months we have had serious discussions about effective program design with Federal agencies (where it has been mandated), with major hospital systems (where the loss of an aging workforce looms) and in global finance and other corporate settings.*

*We have never republished a **Bulletin** piece. But in writing this one, I went to our archive to make sure we weren't duplicating ourselves. Sixty-five issues ago I found [FlexBulletin #30: Phasing into Retirement - NOW](#), dated March 17, 2010. As it turns out, some things never change. Sadly, this article and the conditions it describes are one of them. So with apologies to readers who read and remember the piece we wrote five years ago, here is the lightly abridged version that speaks to today's opportunity.*

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## **FlexBulletin #30: Phasing into Retirement - NOW**

March 17, 2010

Today's workplace is facing an enormous challenge as yesterday's Boomer workforce morphs into tomorrow's massive retiree exodus. A growing body of data shows two substantial forces starting to intersect: 1) **employers** are realizing they face a destructive knowledge drain as many productive employees prepare to walk out the door; and 2) **employees** are seeing 401K losses, low home values and the need for continued earnings and deciding to postpone retirement. A growing number seek redesigned schedules as a way to phase into retirement.

### **Employee Preferences: Feedback, not guesswork, should guide design**

Engaging older workers in Knowledge Transfer and extended productivity means tapping into what motivates them. Internal research is essential. According to a Hewitt survey, employers with information on their employees' attitudes toward retirement options found that their priorities were:

- > The ability to **gradually transition** from the active workforce to retirement (86%)
- > **Additional income** to supplement their retirement income sources (67%), and/or
- > Access to **employer-subsidized health care** (60%)

## **Employer Profiles: Fear of the "brain drain" is the primary driver**

MetLife recently surveyed 240 companies with at least 1,000 employees and found that among these employers:

- > **74%** are...concerned about experiencing **a knowledge drain** as older workers retire
- > **97%** of those do not know the **cost to transfer knowledge** from older to younger employees
- > Most attach high value to extending the tenure of near-retirement employees
- > **35%** have or are considering implementing "phased retirement" programs

### **"Phased Retirement": A timely idea with a misleading name**

The complementary needs of pre-retirees and concerned employers should yield mutually beneficial outcomes. We describe below how that can happen. Before setting out on any journey you need to know the destination - and its name. Unfortunately the term "Phased Retirement" has come to represent fuzzy endpoints rather than clear choices. Most discussions use a broad MetLife-like definition:

*[Phased Retirement is] a workplace program (or set of programs) including flexible work arrangements, a gradual shift from full-time employment to full-time retirement, a shift in work responsibilities, hiring back retired employees, etc.*

Calling these diverse practices "Phased Retirement" confuses the goal. The real options are:

### **Rehired Retirees - The contractor option**

For decades most employers offering any alternative to full retirement have settled on hiring back retirees. This practice will continue, but doesn't offer the gradual transition to retirement and continued access to employer-provided benefits and health insurance that more pre-retirees prefer.

### **Phased and Partial Retirement - The inclusive options**

Wise employers are seeking designs that offer older employees more equitable ways to lengthen their tenure and give companies a strong platform for organizing knowledge transfer. Two choices stand out:

> **"Phased Retirement"** is a 30-year old practice of **gradual transition** from full employment to full retirement. It can take many forms such as. a 90%→80%→70%→60% schedule in 4 years or a more open-ended reduction. All can include knowledge transfer.

> **"Partial Retirement"** is a reduction to a sustained 90%, 80% or similar schedule. It can also be a full-time schedule coupled with reduced supervisory or other responsibilities. Knowledge transfer can be an integral part of these arrangements.

*We believe the phrase Phased and Partial Retirement (PPR) best describes the effective choices ahead.*

### **Challenges to Change: Identifying the most serious obstacles on the journey**

We have heard many companies express concern that the greatest barriers to PPR are pension and benefit law and requirements. In our work in this area, and in the assessment of other experts, the severity of legal and regulatory barriers is overstated; they take work and focus, but can be managed. The more enduring challenges, in our experience and by survey, are:

- > Company culture (42%)
- > Lack of support from senior leadership (25%)
- > Manager resistance (20%)

**Leaders Drive Culture: The C-suite should play its role** Culture is at the heart of these key challenges to Phased and Partial Retirement. The robustness of any initiative will depend heavily on the degree of cultural change promoted by leaders. And the challenge is substantial. For two decades millions of older workers have not been seen as valued and knowledgeable assets whose retention mattered. Rather they have been the vanguard of a relentless downsizing.

The view of managers toward pre-retirees may be less than ideal. It is up to leaders to systematically shift company assumptions - or the dominant culture - away from these:

- > Older employees lack the stamina of their younger counterparts
- > Younger employees are more proficient with and quicker to adapt new technology
- > Older employees can unfairly block the talent pipeline

**Proven Implementation: *Designing success in 5 decisive steps*** As with any of the ambitious flexible work initiatives we have helped launch over the years, superior results with PPR come from innovative design of key elements on a proven platform. Our recent and current work with two major companies on phasing retirement has confirmed our belief that highly effective Phased and Partial Retirement Programs require a systematic flexibility approach and can be developed cost-effectively. The key steps are:

**> *Leader Commitment***

This major cultural and organizational change demands that its advocates transform senior leaders into champions. They need to be fully briefed and engaged in the project, prepared to authorize necessary research, design, consulting and other expenses and insist on deep implementation, including reshaping the cultural precepts

**> *Internal Research***

PPR arrangements, like other flexible schedules, are fundamentally employee-driven. High quality focus group and/or survey research are an essential step in determining what forms of Phased and Partial Retirement will yield the desired levels of performance, satisfaction and Knowledge Transfer

**> *Program Development***

With data, resource commitments and initiative goals in hand, a fully cross-functional team with experienced external support should define and name the approach and set a comprehensive agenda. Its brief should include alignment with pension and benefit requirements and clarification of the comp and benefit packages for each option

**> *Tool Creation***

In our experience program effectiveness is greatly enhanced by the development of hard copy and online tools that support program introduction, systematic Knowledge Transfer processes and methods for Work Redesign and Reduction. Prototypes exist and need not be reinvented

**> *Training & Communication***

Proven training for managers, employees and HR Business Partners is crucial to help address any manager resistance, maximize satisfaction and productivity and provide technical support for the Knowledge Transfer and Work Redesign processes. A comprehensive, case study-based communication process should launch, build and sustain the initiative.

*In the period ahead, Phased and Partial Retirement will emerge as a challenge for most of your companies. There is time to plan it well, get it right and make it work for your employees, your managers and your knowledge base. But these initiatives take time to do - anywhere from 18 months to 3 years. It is not too soon to get started with the planning and research that will set you on the right track. And if our experience can add value to your efforts, don't hesitate to contact us.*

***We welcome your comments on this Bulletin.  
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Best regards,  
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