



Working late

Managing the wave of U.S. retirement

Results from the 2018 U.S. Longer Working Careers Research

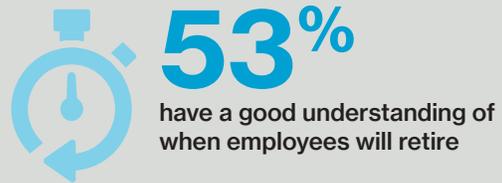
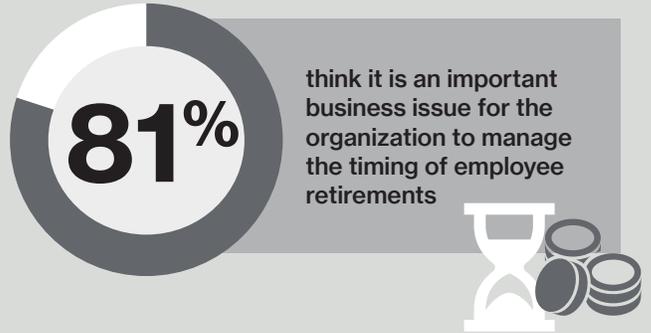
Older workers: an asset and an unknown

Older workers can be some of employers' most important groups – valued for their knowledge of the industry, the company and its customers, and their contributions to the organization's continuity and future success. However, demographics of the U.S. working population illustrate that the pace of their departure is increasing: 83% of employers report a significant number of employees at or approaching traditional retirement age. And while just over 80% of organizations acknowledge the importance of their older workers and managing the retirement process, only about half believe they understand it well, and just a quarter feel they have found an effective approach.

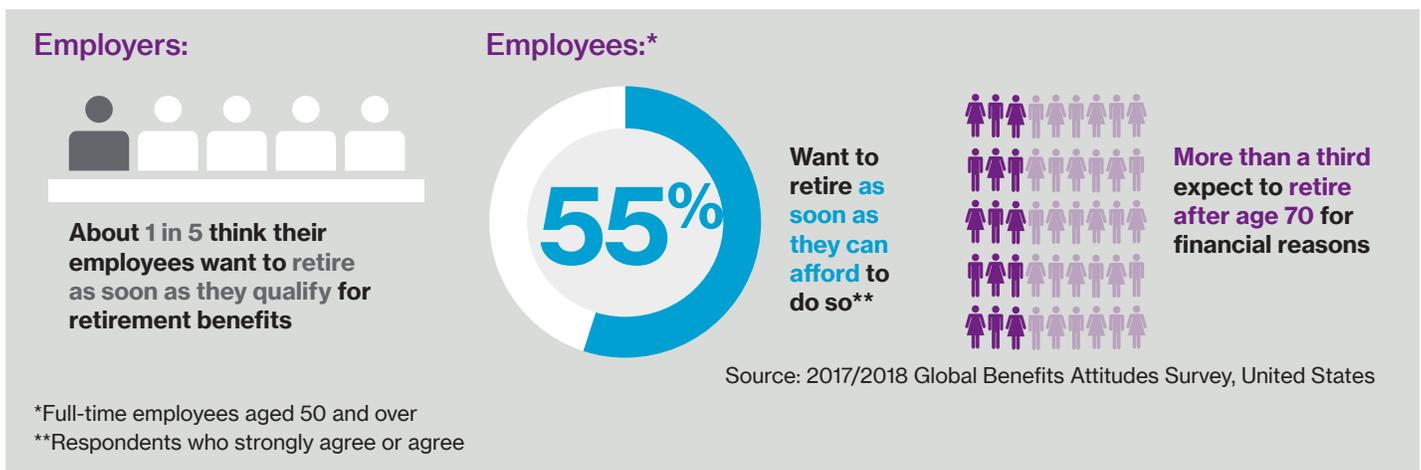
“Employers can benefit from taking a newly informed look at retirement patterns.”

There are also important disparities in perception between managements' views of when pending retirements will occur and the plans of workers. Employers are concerned about both increasing retirements and the resulting loss of seasoned employees' skill and experience, as well as rising numbers of delayed departures leading to higher salary and benefit costs. Accordingly, firms are taking a newly informed look at retirement patterns, developing new strategies for balancing the supply and demand of older workers' talent, and integrating their workplace programs for physical, social and financial wellbeing.

Despite the importance, employers express limited understanding of when their employees will retire



Most organizations underestimate financial challenges facing older workers



Knowledge is paramount

U.S. employers are increasingly concerned about the staffing challenges they face from erratic retirements. When asked about the reasons managing the orderly retirement of employees is important, 83% of those surveyed ranked orderly transfer of knowledge of the organization as their top concern; 60% pointed to concerns over workforce productivity, and about a third pointed to roadblocks in promoting younger employees. The costs of keeping on older workers are relatively less important, however – a top three concern for nearly 20% of those surveyed.

“54% of employers think the loss of talent through retirement will increase as a labor force risk in the coming five years.”

These workforce concerns are nearly universal, ranking high at firms with both younger and older workforces, and irrespective of the structure of their benefit programs.

Mixed signals

Complicating managements' task to develop strategies for orderly retirements is a sizeable misunderstanding of employees' motivations and circumstances, in particular their retirement resources and freedom to stop working.

From the employee perspective, the good news is that many older workers wish to stay on the job: 69% wish that employers would make working past conventional retirement

age easier. Moreover, most older employees – about two-thirds – say they would prefer to remain at their current employers, even if a comparable job is available elsewhere.

Still, 55% of employees over 50 express a desire to retire as soon as they can afford to. For many, however, reaching that goal could be delayed: More than half of older employees report financial worries, and a significant minority – about a third – feels stuck in their jobs. Accordingly, many older employees expect to defer retirement until after age 70.

From the employer perspective, most organizations appear to underestimate the financial challenges facing older workers and thus the likely timing of retirements: 71% of employers believe that most of their older employees are likely to have adequate funds to retire when they choose, and 77% expect that most of their older employees are not likely to need to work into their 70s for financial reasons.

Many employers also seem to misunderstand employees' motivations for working longer: While over half of employees would prefer a fast track to retirement, only one in five employers believes that their people are eager to leave and would retire at the point they qualify for benefits.

There are a few interesting takeaways when we compare the two viewpoints: Employees do not see themselves as well prepared for retirement and may view working longer as a necessity. Employers, on the other hand, seem to hold a more favorable view and may see their older workers as being strongly inclined to continue working, but they could also be overestimating their older workers' interest and engagement.

What are employers doing to manage later retirements?

Employers have substantial demand for seasoned workers with industry and company expertise. To match that demand, a large pool of employees is willing to work well into their 60s and beyond. Motivations, context and the ideal terms of employment may vary between the two groups, but employers are turning to a variety of strategies for managing retirement patterns. Moreover, employers in many cases plan to expand these implementations in the next few years.



Flexible employment options: At about one-third of the surveyed organizations, older workers can downshift their roles from management positions to working as individual contributors. Such programs may be expanded to half of organizations by 2020. Other measures include shorter work weeks (currently 20% of firms but potentially rising to about a third by 2020) or scaling back to part-time or part-year employment at many organizations (now at one-fourth, but rising to about one-half).



Retirees as consultants and contingent workers: Roughly half of companies currently engage former employees who are drawing retirement benefits as consultants or contingent workers. About as many hire people who have retired from other firms with relevant industry experience.

Other firms offer workplace training programs for older workers toward enhancing productivity (40%), and a few (11%) support the transition to retirement and knowledge transfer with reverse mentoring. Additionally, 36% of employers have modified workplace ergonomics to suit older workers.



Phased retirement programs: These programs appear less frequently, as just 9% of firms in the survey note such implementations for 2018, and only 23% expect to offer them by 2020. Many respondents report a lack of alignment with workforce strategies (42%). Others point out that broad-based phased retirement plans present difficulty in administration as well as compliance challenges (32% and 26% respectively).

Accordingly, many firms (55%) apply an informal, case-by-case approach in granting phased retirement. However, an absence of formal programs at the corporate level, and managing retirements case by case, could pose an additional challenge: Managers will need guidance in leading conversations with older employees to advise them of their options in advance and to encourage them to retire at times that suit both them and the organization.

Individuals' phased retirements typically run about two years and call for work commitments of about 30 hours per week. Employers cite offering phased retirement more often to senior workers in creative and professional roles, and less so to those in sales, administration or hourly positions.

Financial considerations

"Ninety percent of baseball is half mental," remarked American philosopher Yogi Berra. Perhaps in similar proportions, what drives most retirement decisions are the financial factors. Accordingly, in addition to providing workplaces and policies that are retirement-aware, many employers manage retirement through enhancing the value of the benefits they provide to older workers.

Two-thirds of employers reported offering programs for older workers' financial wellbeing or retirement planning.

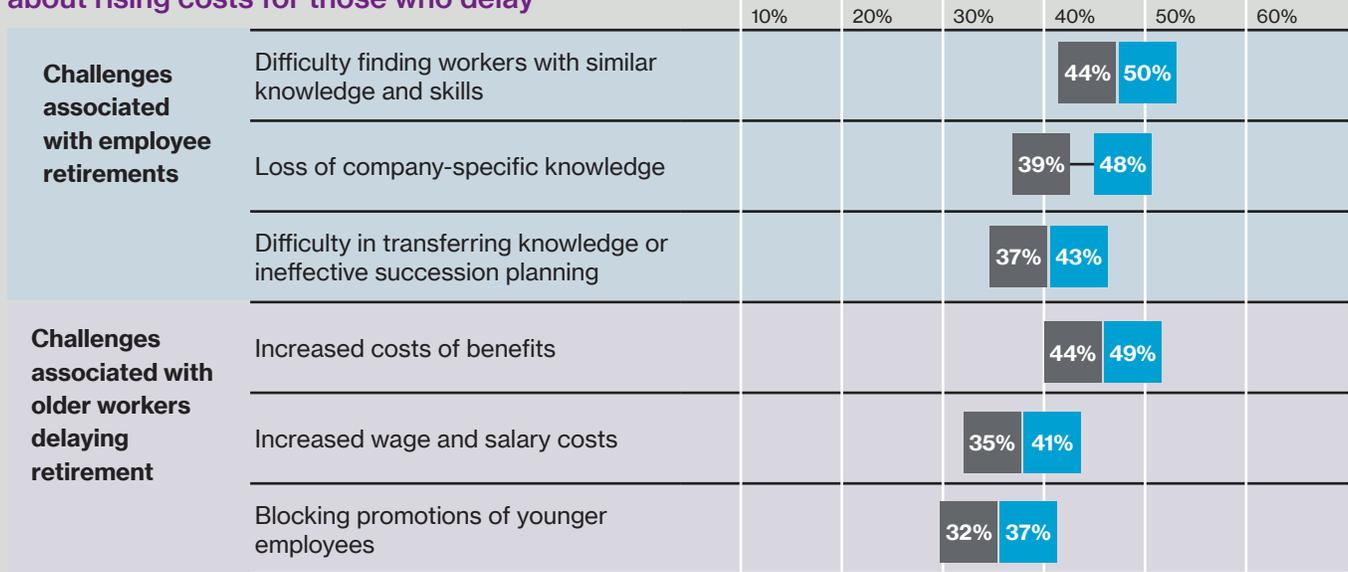


Web applications such as myFiTage™ enable workers approaching retirement to manage their own benefits and better understand the value of the benefits employers make available.



Other programs include enhanced contributions to retirement plans and alternative options for benefit distribution (19% in 2018, possibly rising to 37% in 2020).

Employers are as concerned about the loss of knowledge when employees retire as they are about rising costs for those who delay



Note: Percentage of respondents who answered "to a great extent" or "to a very great extent"

Over last five years

Over the next five years

A tug-of-war

Delaying retirement could also block the promotions of younger workers and keep employers from best shaping their workforces.

The cost of departing workers is high as well, in transferring their knowledge and planning their succession, and in finding suitable replacements and losing key knowledge altogether.

Both sets of challenges can be thoughtfully managed. With respect to workflows, employers can implement flexible work schedules as well as mentoring and professional development programs, to boost knowledge transfer while improving work engagement and organizational productivity. Part of this effort

can include maintaining high performance standards, with the indirect effect of alleviating the cost of people staying in their jobs too long.

“*The starting point is a conversation.*”

Whether through formal or case-by-case programs, implementing transition options and choices for pre-retirees can start productive and important discussions – between employees and their leaders on the range of retirement possibilities and finding a middle ground.

About the survey

The 2018 Longer Working Careers Survey is based on responses from 143 large U.S. employers that collectively employ 2.9 million employees. The survey was conducted in August 2018.



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