



The Changing Nature of Retirement: Effects on the Aging Workforce

**Manfred Diehl, Ph.D.
Professor and Director
Center on Aging
Colorado State University**



“Throughout most of the 20th century, Americans viewed retirement as an event that occurred once in a lifetime and involved an immediate and complete withdrawal from full-time employment. Today, only about half of older workers experience retirement in this way. The other half passes through a period of partial retirement on the way to complete retirement or reverses the process by re-entering the labor force” (Hardy, 2006, p. 205).



“Historically, retirement was an ‘event,’ a one-time, one-way exit from the world of work to the golden years of full-time leisure. This definition is increasingly problematic, because many older workers retire from one job only to take on another, often well before age 65, or else move into a new career in unpaid civic engagement” (Moen & Altobelli, 2007, p. 61).



“The Baby Boom generation is now on the cusp of retirement, with the oldest boomers 60 years old. As this huge generation makes its way out of the labor force, it will do so on much different terms than those offered to workers over the past quarter century” (Munnell, Sass, & Aubry, 2006, p. 1).



Outline

- Major reasons for the changing nature of retirement
- New forms of retirement
- Retirement as a process and a project
- Challenges and opportunities for employers

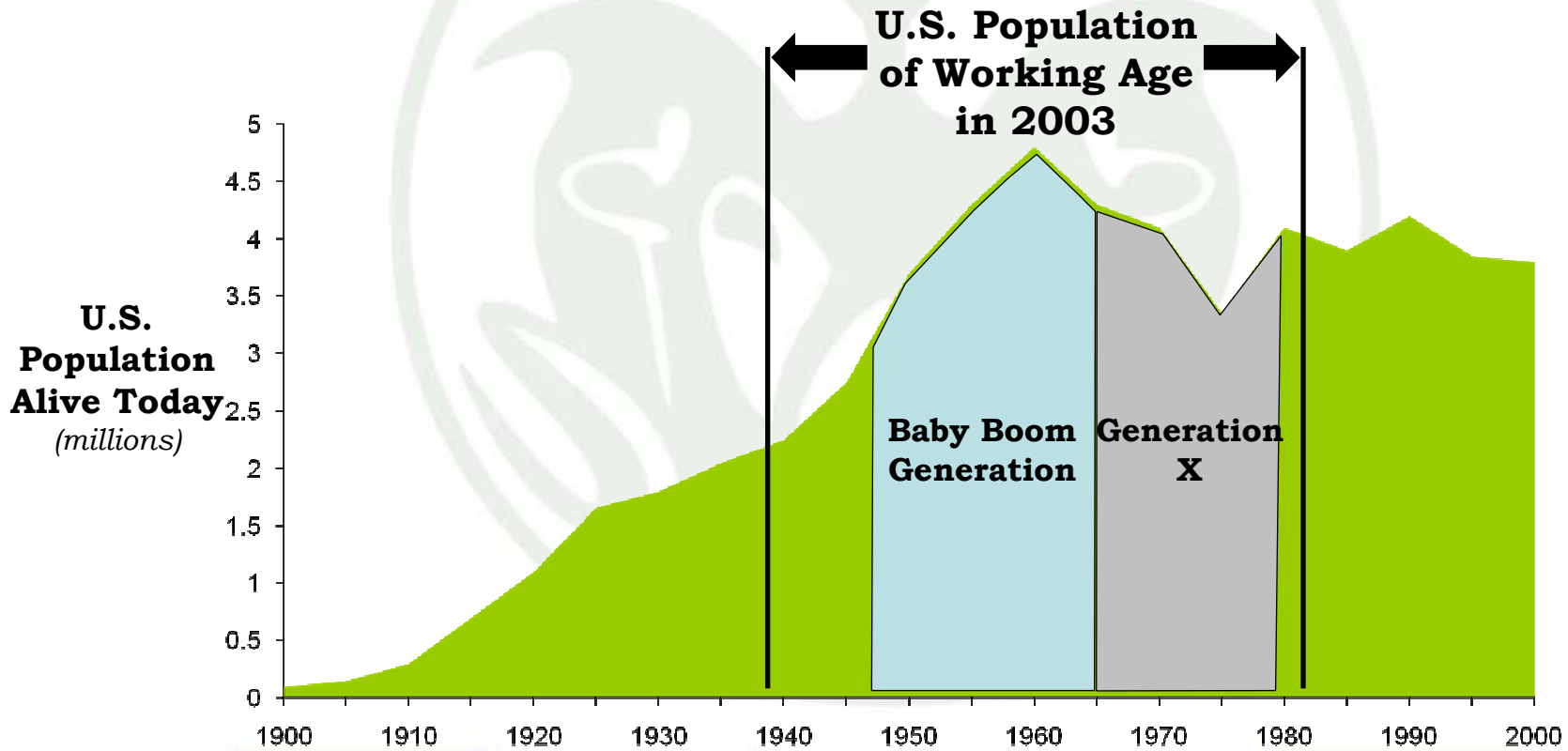


Major Reasons

- Large birth cohorts post World War II, combined with low fertility rates in subsequent birth cohorts.
- Steady increase in active life expectancy.
- Increased labor force participation of women.
- Changes in labor force policies.
- Changes in the nature of pension savings plans.
- Changes in the nature of employment.
- Findings from over 5 decades of gerontological research.

- Maturing baby boomers are followed by a much smaller group of Generation Xers, making potential replacements increasingly difficult to find and hire.

U.S. Population Alive Today by Year of Birth
In Millions



Adapted from The Segal Company, based on data from the U.S. Census Bureau, 2000.



Baby Boom Cohorts (1946-1964)

- Although there was a trend toward a younger age of retirement in the 1970s and 1980s, recent data suggest that the rate of employment among men and women 62 to 64 years old actually increased between 1995 and 2001.
- Baby boomers tend to be healthier and better educated than previous generations.
- How are baby boomers financially prepared for retirement?



How are Baby Boomers Financially Prepared for Retirement?

- **Baby boomers will be able to claim full Social Security benefits only at age 66 or 67—not 65. This change translates into lower benefits relative to pre-retirement income at any given age.**
- **Boomers will also rely primarily on 401(k) plans, not traditional defined-benefit pensions. But they have not accumulated large 401(k) balances.**
- **Both Social Security and employer plans will offer boomers significant increases in income if they retire at a later age.**
- **An employer survey conducted by the Center for Retirement Research at Boston College suggests that 1 of 4 boomers won't retire at age 65 because they can't afford financially to do so.**



Increase in Active Life Expectancy

- **Steady increases in active life expectancy have created a new life stage that is often referred to as the “*Third Age.*”**
- **The Third Age is the time in life when a person has retired from his or her active, primary career and can pursue non-career related interests and activities.**
- **If a person plans to retire at age 65, he or she has currently between 15 to 20 years of *active life expectancy.***
- **A completely new life stage has emerged and the question is: How do older adults fill these years with meaning?**



Increased Labor Force Participation of Women

- Increased pre-retirement income of couples has raised the expectations regarding *standards of living in retirement*.
- Decision to retire, when to retire, and how to retire has become a *dual-career issue*.
- Because of differential life expectancy of men and women, financial security is required for a much longer period of time for women.



Changes in Labor Force Policies

- **The *Age Discrimination in Employment Act (ADEA)* aims to achieve *age-neutral decisions* by ensuring that hiring, promotion, training, education, and other personnel actions are not influenced by a person's age.**
- **Promotes employment of older persons based on their ability.**
- **Prohibits arbitrary age discrimination in employment.**
- **Helps employers and workers find ways to overcome problems arising from the impact of age on employment.**



Change in Pension Savings Plans

- The 1977 and 1983 amendments to the *Social Security Act* significantly scaled back pension levels for future retirees.
- The number of private sector workers covered by a *defined-contribution plan* has steadily increased, whereas the number workers covered by *defined-benefit plans* has steadily decreased.
- Bottom line: *More of the responsibility for retirement planning has shifted to the individual worker.*



Changes in the Nature of Employment

- **The nature of employment has changed due to *corporate restructuring* and a *global economy*.**
- **Seniority no longer assures job security.**
- **Mergers and downsizing have destroyed the traditional career patterns of many workers, making employment security, health insurance, and retirement timing increasingly uncertain.**



Findings from Gerontological Research

- Chronological age tends to be an unreliable indicator for a person's potential for performance and productivity.
- Growing older is a lifelong process of gains and losses.
- "Old dogs can learn new tricks."
- Development in adulthood is characterized by a great deal of plasticity and by great inter-individual differences.
- Successful aging involves physical health, high levels of cognitive functioning, and meaningful engagement with life.



Changing Nature of Retirement

- Retirement is no longer a one-time, one-way, age-graded event.
- Retirement has become a *process* and a *project*, involving a series of choices and changes occurring over a period of years.
- Hardy (2006) states that retirement has increasingly become a *fuzzy transition*. Moen and Altobelli (2007) talk of retirement as a “*making-it-up-as-we-go*” arrangement.



Changing Nature of Retirement

- Taking a life-course and role-context perspective, Moen and Altobelli (2007) suggested that:
 - Retirement planning and retirement itself has become an *incomplete institution* without routine scripts or timetables; and
 - Older workers and their spouses engage in *strategic role selections*, making decisions about when, whether, and how to retire from their career jobs and what they want to do “next.”



Changing Nature of Retirement

- Major pathways of retirement:
 - ***Partial retirement***: Stepping down in hours worked per week or weeks worked per year.
 - ***Employment in “bridge” jobs***: Displaced older workers must often move into lower-paying jobs to bridge the years to retirement.
 - ***Unretirement***: Reentry into the labor force after a previous full-time retirement (often in form of self-employment).
- A key aspect is whether the transition is *planned* or *unanticipated*.



The Cornell Retirement and Well-Being Study

- **Designed to study the retirement process as it unfolds over time.**
- **762 men and women were interviewed three times over a six-year period from 1994 to 2000.**
- **Study participants were ages 50-72 at the time of the first interview.**



Some Select Findings

- **For the first time in history, women are retiring in significant numbers.**
- **Women tend to plan more for health care needs than men.**
- **For the first time in history, most couples are experiencing two retirements.**
- **The more closely the retirement timing coincides for both partners, the greater the satisfaction around the time of the transition.**
- **Women tend to mold their retirement plans to their partner's planning.**
- **Gender norms complicate the relationship between caregiving responsibilities and the timing of retirement.**



Some Select Findings

- People think about their own retirement projects based on the opportunities and risks they see on the horizon, but also based on a retirement mystique.
- The ages at which people in this study began retirement planning covers a wide range.
- Retirement planning focuses primarily on financial planning and little else.
- Those who plan tend to better adjust to retirement and experience greater life satisfaction and well-being in retirement.
- Maintaining an active lifestyle is important for adjustment in retirement (e.g., physical health, social integration, sense of purpose).



“Second Acts”

- **The increase in active life expectancy offers tremendous possibilities for “second acts” for those in or approaching retirement.**

- **Second acts of paid work:**
 - In same or different job, but with fewer hours per week.
 - Flexible arrangements.
 - Less pressure and demands.
 - Reinventing oneself completely anew.
 - Financial needs or health insurance coverage.



“Second Acts”

- **Second acts of civic engagement:**

- Civic engagement is more than simply keeping busy.
- Volunteering is associated with higher levels of psychological well-being.
- Only about 50% of the study participants volunteered on a regular basis.
- Long-term retirees tend to increase their volunteer activities over time.

- **Hybrid second acts:**

- Although often desired, few opportunities exist, except for self-employed individuals.
- Hybrid arrangements are likely to emerge as the Baby Boom cohort moves into retirement.



Challenges and Opportunities for Employers

- **Revise *negative stereotypes* about older workers.**
- **The truth about older workers:**
 - 80% have *less turnover/less absenteeism*
 - 75% have *higher levels of commitment*
 - 74% are *more reliable, focused, and dedicated*
 - 71% have equal ability to *acquire new skills*
 - 62% are *more creative and innovative*
 - 49% are *more motivated/engaged*

Sources: Harris Interactive (2003); AARP (2006)

- **From a business perspective it makes good sense to retain older workers.**



Challenges and Opportunities for Employers

- Provide more *flexible work arrangements*.
- Provide opportunities for workers to continually update their skills.
- Provide work places that adopt *human factors principles* to maximize the productivity of older workers.
- Don't focus on age, but on *experience and knowledge*.
- Facilitate the productive coexistence of a multi-generational workforce.
- Create incentives that emphasize the wellness of the workers of all ages.



General Conclusions

- A complex combination of factors has contributed to the changed nature of retirement.
- Unlike in previous generations, retirement has become a process and a project that requires active involvement.
- Planning for retirement facilitates overall adjustment and life satisfaction.
- Employers and corporations need to develop openness with regard to flexible alternatives for retirement if they don't want to lose experienced employees.
- The Third Age provides opportunities for “second acts.”



Famous Last Words

“The dominant factor in business in the next two decades is not going to be economics or technology. It will be *demographics*.”

Peter Drucker, Futurist, 1998

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Thank you!