

## **Rocky Mountain Conference on Aging Aging in the Workforce**

### **The Changing Nature of Retirement: Effect on the Aging Workforce**

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“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

The increase in active life expectancy, and the fact that the baby boomer generation tends to be healthier and better educated than previous generations, creates numerous challenges that society and the workforce need to be prepared for. Specifically, the increase in active life expectancy has, for the first time in history, created a new life stage, which is often called the “Third Age.” The term “Third Age” refers to those years in people’s lives when they have retired from their primary occupation/career and may want to pursue non-career related interests and activities that they are invested in and enjoy. Depending at what age a person has retired from his or her primary occupation, the “Third Age” may cover a period between 15 to 25 years of a person’s life. The emergence of this new life stage has raised a number of questions, such as: How will older adults spend this time in meaningful ways and are they financially prepared for such a long period of retirement? Moreover, the idea that aging is a process that can be optimized has also contributed to the 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.

#### Key Highlights:

1. Changes in pension savings plans are changing the nature of employment and retirement. The number of private sector workers covered by defined contribution plans has steadily increased, whereas the number of workers covered by defined benefits plans has steadily decreased. At the same time, health care costs have increased and health insurance coverage through employment has been reduced. The bottom line is that more than ever before, the responsibility for retirement planning rests with the individual.
2. The increased labor force participation of women has also changed the nature of retirement, because it is increasingly a decision that involves two individuals rather than one individual. Thus, the timing and terms of retirement are now more and more frequently negotiated between spouses and have resulted in different arrangements depending on the needs and desires of dual-career couples. Also, increased pre-retirement income of couples has raised expectations regarding their expected standards of living in retirement. With women living longer than men, all of these changes raise many questions of how this will affect planning for retirement.
3. The Cornell Retirement and Well-Being Study looks at the process of retirement as it unfolds over time. This study examines many aspects of contemporary retirement and how it is different from the past. For the first time in history women are retiring in significant numbers. This study found that women tend to plan more for health care needs than men, and women tend to be more likely to mold their retirement plans to their

partner's planning. They also found that the more closely the retirement timing coincides for both partners, the greater satisfaction they show in retirement. One of the main findings in this study was that those who plan for all aspects of retirement and not just financially, tend to better adjust to retirement and experience greater life satisfaction and well-being during retirement.

4. From a life course and role context perspective, the Cornell Retirement and Well-Being Study found that retirement planning and retirement itself has become an incomplete institution without routine scripts or timetables. Older workers and spouses engage in strategic role selections making decisions about when retirement will happen based on their expectations for the next ten years.
5. Instead of having one uniform pattern of retirement, several major pathways into retirement have emerged. One of these pathways is partial retirement which is a person stepping down in hours worked per week or weeks worked per week. A second form of retirement involves employment in so-called "bridge jobs," which allow the bridging from full-time employment to partial or full-time retirement. The third major form of retirement is "un-retirement" which refers to the full- or part-time re-entry into the labor force after previous full-time retirement.

In conclusion, there are many challenges and opportunities for employers when looking at older workers from a business perspective. It often makes more sense to retain older adult workers than to train young, unexperienced workers. For employers it is necessary to provide more flexible work arrangements, provide opportunities for workers to update their skills, and not to focus on age but on experience and knowledge as predictors of performance and productivity. The nature of retirement has changed and will continue to change. Retirement has become a project and a process that requires the active involvement of the individual.

Submitted by: Kelsey Magill, Colorado State University, October 31, 2007