



Phased Retirement as an Approach to Maintain Sufficient Levels of Human Capital

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Phased Retirement

Phased retirement refers to work arrangements in which an employee gradually reduces their working hours, responsibilities, task, and activities and transitions into retirement over a period of time rather than abruptly retiring. It allows employees to transition from full-time work to retirement gradually, providing a more flexible and less abrupt change in their work-life balance.

- The specifics of a phased retirement program can vary depending on the company or organization.
- In some cases, phased retirement may involve:
 - a reduction in working hours each week
 - working fewer days per week, or a combination of both.



Phased Retirement

- Benefits for both employees and employers.
- Employees:
 - ❑ Maintain a level of income while gradually adjusting to retirement, enjoy a more flexible work schedule, and have an opportunity to transfer knowledge and mentor younger employees.
- Employers:
 - ❑ Benefit from retaining experienced employees who possess valuable skills and knowledge, ensuring a smoother transition and knowledge transfer.



Phased Retirement

- It's important to note that the availability and specific details of phased retirement programs can vary across different companies, organizations, and countries.
- Check with your employer or human resources department to see if phased retirement options are available and what specific arrangements they offer.





Rapid Demographic Change

- Many United States organizations are struggling to maintain a sufficient number of employees and the human capital the employees bring to the organization.
- Human capital refers to the total stock of knowledge, skills, and abilities of a country's population
- It is often seen as a key to organizational viability and a determinant of maintaining a country's economic growth and national viability.



Demographic Changes Impacting the U.S. Workforce

It has been noted (U.S. Census Bureau 2022; U.S. Department of Labor, 2022) of 2021, the United States workforce demographics show the following notable trends:

1. **A rapidly aging Workforce**: The aging of the baby boomer generation has resulted in a growing number of older workers remaining in the workforce. In 2020, around 20% of the U.S. workforce was 55 years or older.
2. **Increasing number of retirements** and early retirements because of the COVID-19 pandemic.
3. **Becoming increasingly multigenerational**, with workers of different ages and experience levels working alongside each other.
4. An increasingly **diverse**, with a growing representation of women, minorities, and immigrants in the workforce.



More “Side Hustles”, Remote Work, and a Decrease in Labor Force Participation

- A growing “gig economy”, includes freelance and contract work and has led to a growing number of workers who are not traditional employees.
- In 2020, it was estimated that approximately 36% of the U.S. workforce was engaged in gig work. It has also been reported that an increasing number of people may be participating in an underground cash work economy.
- The COVID-19 pandemic has accelerated the trend of remote work, with many workers now working from home on a full- or part-time basis.



More “Side Hustles”, Remote Work, and a Decrease in Labor Force Participation

- **Severe skills Shortages:** In some industries, there are shortages of workers with specific skills, such as in the fields of technology, healthcare, and engineering.
- A decrease in labor force participation, which measures the percentage of the working-age population that is either employed or actively seeking employment, has been declining in recent decades, particularly among younger workers.



Impact of Demographic Trends

- These demographic trends are having significant implications for the U.S. workforce and the economy
 - Employers will need to adapt to these changes to remain competitive and attract and retain organizational viability.
- With an aging workforce, increased retirements, and lower workforce participation rates, recruitment, and selection may no longer be sufficient for maintaining sufficient levels of human capital.
- Phased retirement: A way for employees to gradually transition into retirement by reducing their work hours, responsibilities, or both over a period of time, while delaying the loss of human capital and possibly “transferring” human capital to newer, younger employees.



Some General Examples of Phased Retirement

Reduced Work Hours: An employee may reduce their work hours gradually, such as moving from full-time to part-time, over a period of several months or years. This would allow the organization additional time to replace senior workers.





Some General Example of Phased Retirement

Job Sharing: An employee may share their job responsibilities with another employee, such as a younger worker, over a period of time. This would allow a senior employee time to train and develop a younger worker and could shorten the developmental timeline for the younger worker.





Some General Example of Phased Retirement

Flexible Work Arrangements: An employee may move to a more flexible work arrangement, such as telecommuting or working from home, as they approach retirement and could limit work activities to only those which might require an older worker's skills and competencies.





Some General Example of Phased Retirement

Phased Retirement Leave: An employee may take a phased retirement leave, which allows them to work part-time while receiving a portion of their retirement benefits. The employee could remain “on call” to provide the organization with their skills and competencies allowing the organization more time to replace the older worker or help develop younger workers.





Some General Example of Phased Retirement

Part-Time with Consultancy: An employee may move to a part-time role while also providing consultancy services to the organization on a part-time basis. As with job sharing, this approach could involve an older worker providing specific developmental experiences for younger workers.





Why Use Phased Retirement?

Workforce management: Phased retirement can assist organizations in managing their workforce more effectively.

- By allowing employees to reduce their working hours or transition to part-time roles, organizations can adapt to changing business needs while maintaining a level of continuity and stability.
 - ▣ Useful when dealing with skill shortages or when there is a desire to maintain a diverse and experienced workforce.



Why Use Phased Retirement?

Succession planning: Phased retirement provides an opportunity for organizations to identify and groom potential successors within the company. By allowing employees to gradually reduce their workload and responsibilities, organizations can assess and prepare individuals who may step into key roles once the retiring employee fully transitions out of the organization.





Why Use Phased Retirement?

Knowledge transfer: Phased retirement allows experienced employees nearing retirement to gradually transfer their knowledge, skills, and expertise to younger or less experienced employees. This helps to preserve institutional knowledge within the organization and ensures a smoother transition when the retiring employee eventually leaves.





Why Use Phased Retirement?

Talent retention: Phased retirement programs can help organizations retain valuable and skilled employees who may otherwise choose to retire completely. By offering a flexible work arrangement, organizations can incentivize experienced employees to remain with the company, benefiting from their expertise and avoiding the loss of talent.



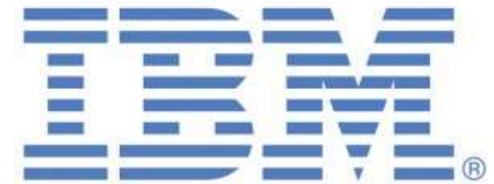
Why Use Phased Retirement?

Employee satisfaction and well-being: Phased retirement programs can contribute to employee satisfaction and well-being. They provide employees with a more flexible and gradual transition into retirement, reducing the stress associated with a sudden and complete departure from the workforce. This can improve morale, engagement, and overall employee satisfaction.



Examples of Phased Retirement

IBM has a program that allows employees to gradually reduce their working hours and responsibilities leading up to retirement. This program enables employees to transition into retirement while still contributing their expertise to the company.



Boeing has a phased retirement program called the Boeing Transition to Retirement (BTTR) program. This program allows eligible employees to reduce their work hours and responsibilities while continuing to receive certain benefits and gradually transitioning to retirement.





Examples of Phased Retirement

Ford has a phased retirement program that provides the option for employees to gradually reduce their working hours while still receiving a portion of their salary and maintaining certain benefits.



The University of California has a program that allows eligible faculty members to gradually reduce their workload and responsibilities while transitioning into retirement over a period of time.



Examples of Phased Retirement



Procter & Gamble has been known to offer a phased retirement program to its employees. The program allows eligible employees to reduce their working hours and responsibilities while maintaining certain benefits.

Federal Office of Personnel Management allows active federal employees to "retire" from part of their job responsibilities while continuing to execute other job functions such as mentoring and knowledge transfer to employees moving into senior positions.

While in phased retirement status, the part-time employment status still allows the employee to earn full federal retirement benefits as if they were still working full-time. Phased retirement is voluntary and is not an entitlement. It also requires mutual agreement between the employee and the agency.

Thank You for Your Time! Questions?



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