
Separation Anxiety

By Editor Test Wed, Jul 15, 2009

Steve Sass and his co-researchers at Boston College were surprised to find no employers making plans to accommodate workers who can't afford to retire and want to remain on the job past the customary retirement age.

“Working Longer,” the 2008 book from the Center for Retirement Research at Boston College

(CRR), suggested that Americans who reach age 65 without adequate retirement savings should stay on the job for a couple of extra years.

That won’t necessarily be easy, authors Steven Sass and Alicia Munnell acknowledged in the book’s introduction. “It requires thought and planning on the part of individuals. It also requires employers to retain, train, and even hire older workers. Government also has a role to play.”

But in his ongoing conversations with large employers, Sass told RIJ, he has found no suggestion that corporations are preparing to accommodate the special needs of retirement-age workers who say they simply can’t afford to turn in their security badges quite yet.

That fact might not surprise everyone, but it surprised Sass.

“I thought, ‘You’ll have to do one thing or the other. You’ll either have to create new opportunities for older workers, or you’ll have to tighten performance reviews.’ On the one hand, I did not expect to see a large philanthropic response. I know that terminating people is difficult. But I did expect something, since this was a major function of defined benefit pension plans,” he said.

“One of the original reasons for having a DB plan was to retire people in an orderly and humane way. This is after all a highly charged, major event in people’s lives. Formal retirement took a lot of the emotion out of the process,” he added.

“Now there’s no guidance. There’s a lot of emotional tension there, and many employers are not responsive to any of this. They don’t seem to even care that their own personnel systems will get gummed up.”

The metrics of these findings are documented in a CRR June 2009 Issue Brief, [“Employers’ \(Lack Of\) Response to the Retirement Income Challenge,”](#) by Sass, Kelly Haverstick and Jean-Pierre Aubry.

“What is surprising is that employers are not responding to the retirement challenge that they themselves face—the prospect of large numbers of employees wanting to stay on the job longer than the employer would like,” the brief said.

"In today's 401(k) world, employers continue to see retirement-related initiatives as a way to *attract and retain* employees but are essentially unresponsive to the need to *retire* employees in an orderly and predictable fashion... Neither their employees' retirement security nor the prospect of a disorderly retirement process currently influences employer retirement policies."

In their survey, the CRR investigators asked employers of varying sizes what percentage of their employees might not have enough resources to retire at the traditional age. The median response was 50 percent. They also asked what percentage of those workers might want to stay on for two extra years, and the answer was also about 50 percent.

"That's where we got a surprise. When we asked about the likelihood that they would create opportunities for those people, about the prospect of keeping people ages 65 to 69, we got a lukewarm response. They hadn't thought about it that much. I thought there would be a response, that they would be tightening performance reviews or encouraging greater savings or offering additional retirement planning. But they were not responding. It hasn't really hit them as a reality."

One illuminating fact was that employers, overall, have weaker ties to their 50-something employees than they once did. Between 1983 and 2006, Sass said, the percentage of men ages 58 to 62 who had the same employer they had at age 50 dropped from 70% to 45%. "A lot of people in their 50s are not 'long-term guys' anymore," Sass told RIJ. "Most people will change employers after age 50."

In his study, some employers, when asked, estimated that six to eight percent of their total work force would want to work two to four years past their traditional retirement age.

"That's a significant number," Sass said. "There will be a personnel mess. It may not merit major management attention. But it will be difficult for supervisors. [The retirement transition] will be managed on an ad hoc basis. There will be plenty of cases where it will be managed poorly. And we did this survey *before* the 'crash.' Today there are many more people who are not prepared for retirement than there were then."