



**Options** In 1986 I wrote a case study on an innovative California firm's use of two distinct Flexible Work Options that let older workers design their retirement and benefit the business:

- *Phased Retirement* meant an employee's transition from full-time work to full retirement via a mutually agreed-upon glide path, e.g., 100% to 80% to 60% over 3-5 years.
- *Partial Retirement* meant a reduction to a fixed schedule such as 80%, 60% or 50% for a defined period before full retirement.
- *Phased and Partial Retirement (PPR)* means the offering of both options.

The beauty of these options was their truly flexible nature, their multi-faceted value to the business and the sensible way they transitioned people into life after work. Unfortunately, they never really gained traction. Early retirees became the leading edge in a two-decade downsizing of hundreds of large firms. Few companies include PPR in the FWA menu, and what many companies describe as "phased retirement" is in fact a "post-retire rehire" - contract deals without the benefits of regular employment. Older workers may not like it, but trends are trends.

**Opportunities** Ironically new, disturbing trends underway may augur well for PPR. Eroding housing values. Imploding 401(k) balances. Declining monthly employment numbers. All of these ominous changes are causing employees to put off their thoughts of retirement. Suddenly a "nice to have" like PPR is beginning to look more like a "must-have" for many - and for their employers.

A growing body of research and articles describes these rapid changes:

- *Despite ongoing contributions into 401(k) plans, unprecedented market declines resulted in the average workplace savings account balance dropping 27 percent in 2008 to \$50,200 from \$69,200 in 2007* - Franklin Investments, January 2009
- *Several major companies, including Sears, General Motors, Eastman Kodak and Motorola, have suspended their 401(k) match over the past few months* - Kiplinger.com, Feb. 13, 2009
- *A December 2008 survey revealed that 57 percent of Americans age 45 or older lost money in their investments in 2008. One in four has postponed plans to retire* - AARP
- *Another poll showed two-thirds of U.S. employees are worried they won't be able to afford retirement at the time they had originally planned. From August to December 2008, the percent who said they plan to retire within a few years dropped from 14 to 9* - Towers Perrin

While a year ago a 58 year-old employee might have been contemplating full retirement supported in part by a healthy 401(k), possibly supplemented by a part-time job or equity on a house as needed, a single year has changed all those elements. Long tenured, valuable employees may begin turning their backs on retire/rehire and asking for PPR.

**Benefits** The robust offering of PPR can meet employee needs and these business goals:

- Retention of valued workers who might otherwise leave
- The redesign of positions to yield higher value work
- Development of a systematic process for transferring embedded knowledge

- Opening up promotional paths in an orderly way
- Use of the options to manage cost reductions
- Pairing of experienced and younger workers for enhanced effectiveness
- Avoiding any appearance of discrimination in the exit of older workers

**Implementation** In our experience, Phased and Partial Retirement are not as simple to roll out as other flexible options; they are not, as some think, "just part-time for older workers." Here is a high level approach that addresses the key issues in rolling out an effective arrangement.

- Use surveys, design groups to assess employee need, challenging manager, leader attitudes
- Build the business case for moving forward, including any benchmarking
- Audit and redesign comp and benefits offerings as needed
- Seek leadership approval for robust PPR initiative
- Design PPR program elements, including:
  - Option design: Phased? Partial? Both? Percentages? Duration?
  - Knowledge Sharing: Mandatory? Design? Methodology?
  - Work Redesign: Process? Tools? Technical Assistance
  - Benefits: Health Insurance Share? 401(k) match? Other?
- Deliver Communication, Briefing Plan for Leadership, Managers, HR, pre-retirees, co-workers
- Provide live and online training to managers on redesign and knowledge sharing
- Conduct comprehensive evaluations at 6 and 12 months and beyond; modify

*PPR may be desirable and is surely doable. It does take time and talent to do well. And no one should underestimate the pervasiveness of negative attitudes toward older workers that the last two decades have spawned. The good news is that the year or more required for a good PPR process might make the option available just as the demand increases. In the meantime we welcome your comments or questions on PPR and would enjoy sharing with you our further thinking on this unusually demanding challenge.*

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