

# Focusing Retention Efforts on Key Positions

By Carey Evans

We're all aware of the demographic shifts occurring in the workforce, but here's one more alarming trend to consider. Many Baby Boomers reaching the age 55 are electing early retirement, potentially escalating what is already a major war for talent. Yet most employers have not yet developed an ongoing strategy for managing the impact of this change on their organization, according to a new William M. Mercer Inc. survey.

The Mercer study documents how employers view employment among those near and at retirement age. While only 9% say that more than 35% of their employees are over age 50 today, 55% expect that to be the case 15 years from now.

## Assess Vulnerability

"The HR department ought to be doing a talent risk assessment, working with operating units to figure out where they are the most vulnerable," Anna Rappaport tells Human Resource Management News. "In some cases a lot of people will be retiring; in other cases it might be very specific people" with difficult-to-replace talents.

For example, she says, one company she worked with didn't have an overall problem - but it was about to lose seven key people in its research department. Another company had a problem at one plant site because many young workers joined years ago when the plant opened and were reaching retirement age at about the same time. Still another company needed a particular craft-related skill that young people are not learning.

"First, find out where you are vulnerable and how vulnerable you are. Are you losing a skill that is hard to replace? If specific people are important ask yourself: What do I need to do to make workable deals for these people? What may work for one group of people may not work for others," says Rappaport, a Mercer consultant and one of the authors of the study.

While more than half of the respondents (55%) said they have no specific goals with regard to the employment of older workers, others cited multiple goals. The incidence of particular goals is shown below:

### Goal for employing older workers:

- Target retention efforts to workers with special expertise or key relationships 30%
- Target retention efforts to individuals or groups with hard-to-replace skills 29%
- Encourage all older workers to stay on 16%
- Enable early retirement 10%
- Target early retirees from other companies to fill open positions 7%
- Rehiring Employees 4%

Many companies have no policy at all regarding rehiring retirees. Of the 59% of the entire survey group that reported having a policy:

- 63% will rehire retirees as part-time or temporary workers (benefits-eligible if sufficient hours are worked)
- 61% will rehire retirees as independent contractors or consultants (not benefits-eligible)
- 24% will rehire retirees full-time after a waiting period
- 15% maintain a pool of retirees for temporary work
- 4% prohibit rehire of retirees.

"The survey indicates there is a great deal of interest in rehiring retirees," says Rappaport. "This is often done through the use of an outside employment agency. It can occur as part of a corporate program, or it may be a decision made on a local level."

### Phased Retirement

But formal programs to help employees gradually phase out of work are rare; 77% of those surveyed have no such programs.

Most employers instead offer individual work arrangements. These arrangements may include reduced hours or schedules, special assignments, temporary or consulting work, job sharing, and telecommuting.

Phased retirement is "a very good idea in the right situation," says Rappaport, who is now working in such an arrangement herself. "My conclusion is that companies have phased retirement programs, but don't call them that, so people may not realize options that are there. Probably a lot of opportunities are being lost."

The survey also asked about employers' treatment of health and retirement benefits for older workers and rehired retirees, and found a variety of approaches being used.

Of the respondents to the Mercer study who answered questions about health benefits, 35% offer no benefits to older employees on modified work schedules; 35% offer those employees the same benefits as other employees receive, with the same contributions; 20% offer older employees the same benefits but with higher contributions; and 10% offer older employees different benefits.

Retirement benefits pose a particular problem for companies and employees interested in phased retirement, Rappaport tells HRMN. "It's hard to do a formal phased retirement plan that doesn't bump into pension plans. You can't say to somebody: "We will pay half your pension and pay you half time. The employee can retire and be rehired part time."

When a company with a defined benefit or cash balance plan rehires retirees on a benefit-eligible basis, according to Mercer, the company needs to address the issue of suspending any pension benefits being paid as regular income, as is legally required in the case of early retirees (rehired before they have reached the plan's normal retirement age).

According to the survey, 51% of the respondents suspend benefits both before and after normal retirement age; 21% pay lump-sum benefits so suspension is not an issue; 19% do not suspend benefits for those after normal retirement age; and 2% let rehires choose between suspension and waiver of plan participation. Seven percent have some combination of strategies.

Of those that suspend benefits both before and after normal retirement age, 67% then give additional credit for service after rehire. Of the rest, 13% provide actuarially equivalent benefit increases; 5% do both.

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