

Beyond Retirement: Employer Strategies for a Productive Aging Workforce

by **Trinity Cleveland** | *Mercer* and **Michael Forsyth, CEBS** | *Mercer*

We live in an age of miracles. We have access to every library in the world in our pockets, right along with our telephone, camera and sketch pad. Modern entrepreneurs are racing to build pathways to accessible space travel. We can regrow organs in labs, our cancer treatments have become more and more effective, and we have nearly eradicated diseases like polio and mumps.

As the world becomes healthier, life expectancy is going up. In the United States, average life expectancy is around 76 years;¹ in Canada, life expectancy is around 81, which amounts to an increase of around ten years since 1960 for both countries.² Aging has a different meaning for this population that is living longer. More people who are retiring and entering their senior years are still healthy, fit and active. They are looking to continue living active and healthy lives in the next phase of their lives, allowing them to travel and experience the world and enjoy a lifestyle for which they have worked hard. As average life expectancy increases, a 100-year life is not outside the realm of possibility. What will life look like for centenarians? How will the world need to change? How will work need to change?

As people live longer, society will have to adjust and adapt. At the same time, it is important for employers to take a long view and think about their employment relationship with

employees who may live to be 100. Longer life and active living could extend the “productive” employment relationships that they have—but how? Will people simply work longer? Will career paths include extended sabbaticals and educational leaves of absence? What do a longer life and changing socioeconomic patterns mean for access to and delivery of health care? How can employers ensure equitable experiences for all stakeholders?

AT A GLANCE

- Employers are poised to benefit from employees living longer lives since these employees may work longer as well; however, there are significant costs, risks and complexities to manage.
- Health care costs will continue to rise and, with the added pressure of shifting demographics, employers may face more cost pressures than they do today.
- Employers looking to thrive in the new era will need to think creatively when it comes to health, retirement and career planning. The employer of the future will focus on supporting employees in pursuing their passions and profit from longer engagement in the workforce and a lifetime of skills and experiences.

The fact of the matter is there are risks and concerns associated with longer life. However, the dream is that as life spans increase, we will live happier, healthier and more fulfilling lives. As one of the primary sources of wealth, health care and achievement, employers will play a large role in charting the path to this goal. This article will consider how longer life spans may influence the employer-employee relationship by considering its impact on health, retirement and career planning.

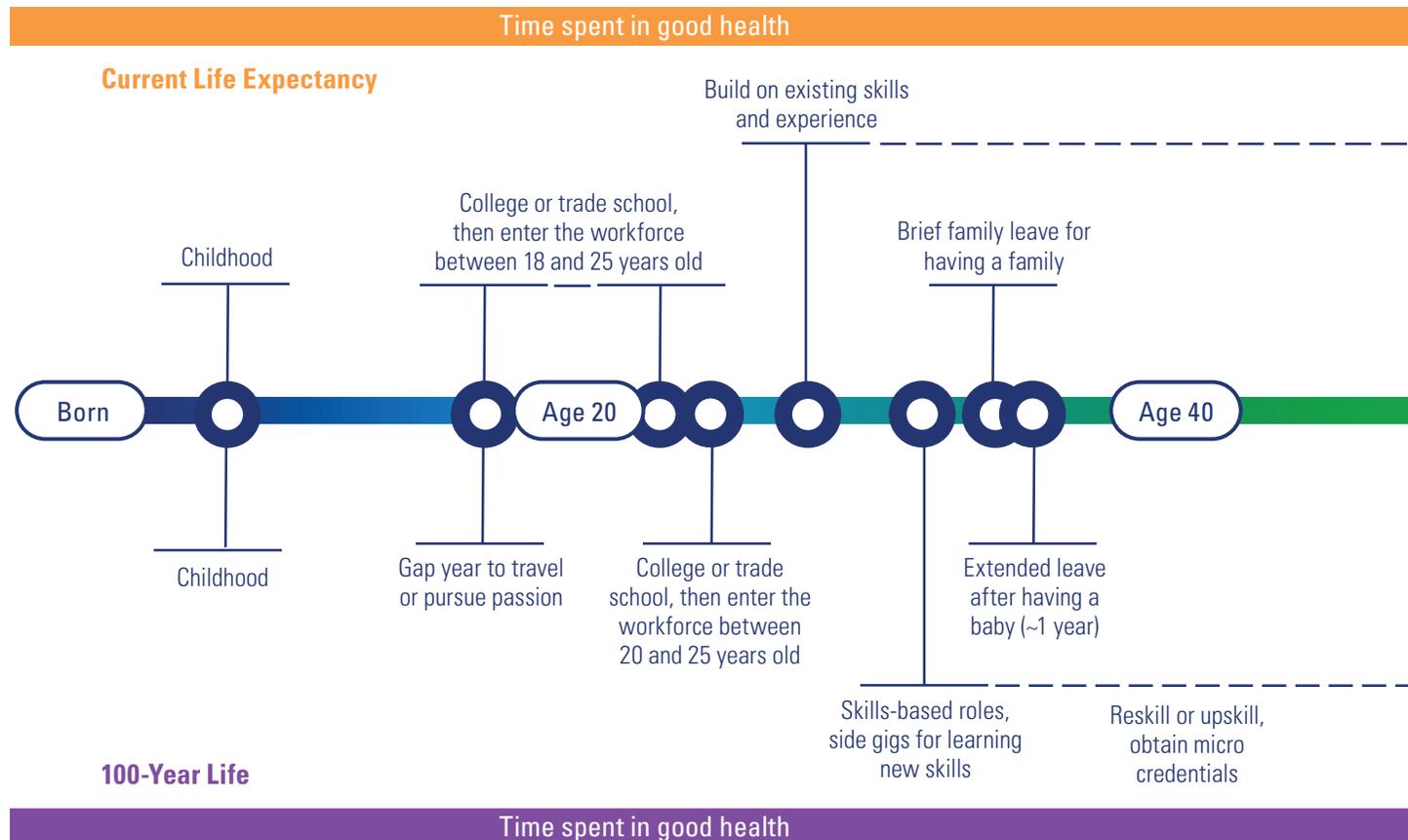
The Life of a Centenarian

Imagine a world where you can reasonably expect to live to be 100, with most of those years spent in reasonably good

health. You may attend school until around age 18, then take a gap year or two to travel the world and experience life. After entering college or a trade program, you successfully complete it around age 25, entering the workforce with some more life experience under your belt. As you navigate your career, you may take longer breaks while building a family, learning a new skill or pursuing a passion. You reasonably expect to be in good health until you are 80-90 years old, so working until you are 70-75 is normal. You essentially take some of your “retirement” years throughout your life in the form of leaves and breaks from work, while still fully contributing decades to the workforce. The figure shows the time

FIGURE

Increased Longevity Will Change the Time Line of the Standard Life Experience



Source: Mercer.

line of a standard life experience now, compared with what it may look like for a centenarian.

If this is the future of the centenarian, what is the impact to society and, more specifically, employers? What would need to change and adapt to enable people in the U.S. to thrive in this longer life while still supporting society as a productive working member? What role would employers play, and what responsibility to employee health and well-being would employers have if employees were living longer? The rest of this article will focus on exploring how the employer-employee relationship may change with a longer life—and what changes employers may make to attract and retain this centenarian workforce.

The 100-Year Life and Employer Health Plans

Employers are the largest providers of health care access in the U.S., covering around 155 million people—nearly half the population.³ The corporate health plan is the most intimate relationship a company has with employees and their families. For millions of Americans, it connects immediately to the most important moments of their lives—the birth of a child, the hospitalization of a spouse, a health-defining accident or a life-saving surgery. It connects to the most hopeful and traumatizing situations employees may experience and has become an extremely important aspect of the employee-employer contract. As employees live longer lives and careers

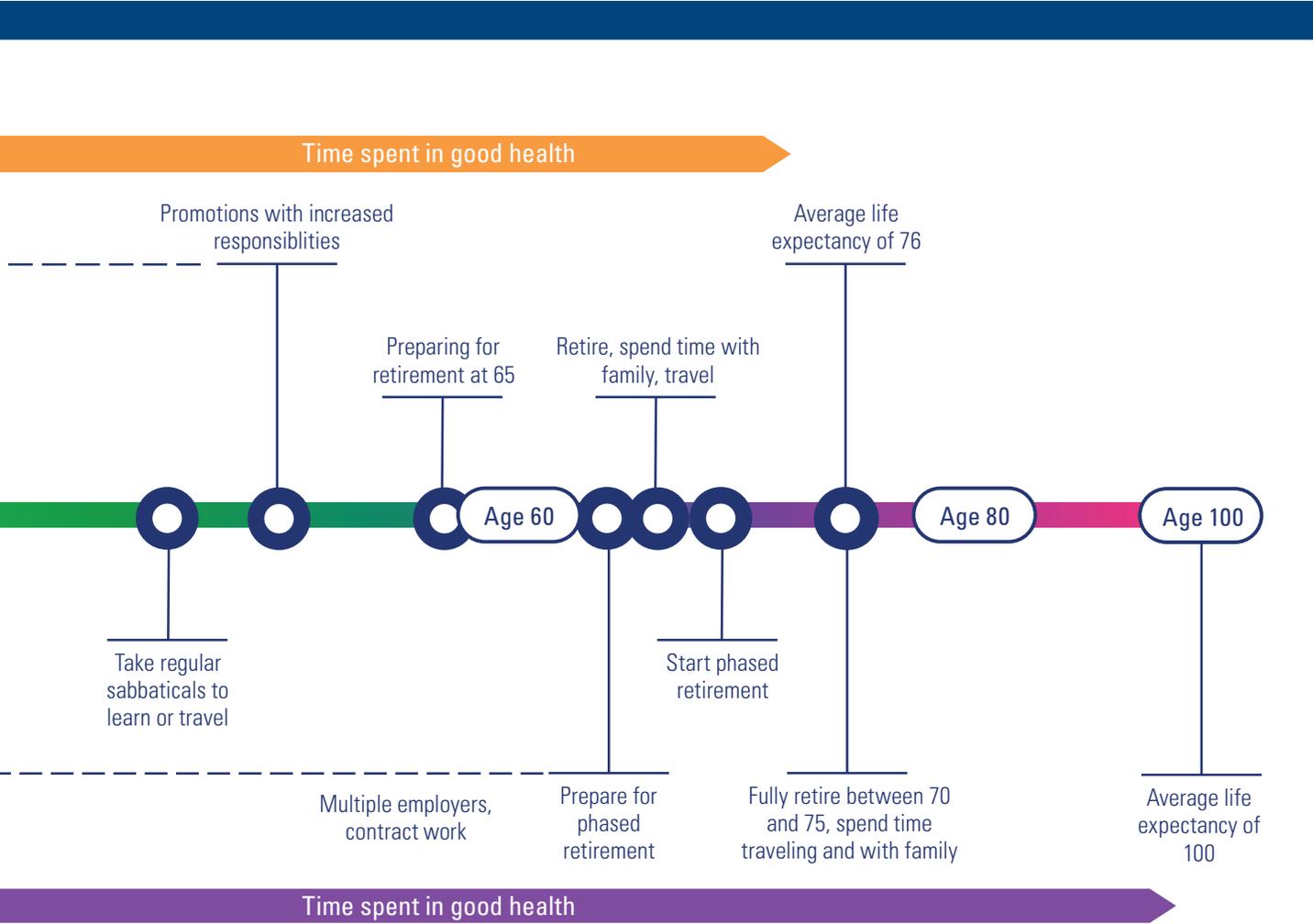


TABLE I

Strategic Considerations for Health Plans

Near Term	Midterm	Long Term
<ul style="list-style-type: none"> • Develop habits of health in younger population—the future centenarians. How can the health plan support longer, better lives for those from diverse backgrounds? • Optimize plan to include low-cost, high-impact care (e.g., food as health) for all ages. • Ensure that the needs of the older population are being fulfilled—both in terms of access and coverage. • Build a culture of health within the organization—reducing unnecessary stressors and promoting physical and mental health practices. 	<ul style="list-style-type: none"> • Consider the organization’s approach to developments in health technology—bionic upgrades, replacements and enhancements. How will the plan approach these costs? • Review budgetary structures. What assumptions does the plan need to change today to take into account the changing demographics of future centenarians? 	<ul style="list-style-type: none"> • What will the health plan of the future be like? Will it remain an insurance product? Will it evolve into a subscription-style program? • Consider the implications of shifting expectations for employer health plans. How will the organization help people achieve the 100-year life?

extend past the typical retirement age, employers need to think about how this will affect their health plans and start planning now.

If current trends are any indication, society is at the beginning of a health care and technology revolution, which presents opportunities and risks for society as a whole, including employers.

Health care for the new centenarians creates some additional complexities related to their approach to work. Many centenarians who work longer will likely continue using their employer’s health care plan as they age. What type of health care programs will they need? In general, the older workforce tends to cost more and require more complex care than younger employees. As older

workers represent a larger share of the employee population, employers will need to think about how to budget and sustain the health care costs of this aging population. This, coupled with annual average health care cost increases of 5%, creates cost pressures that employers will need to manage now and in the future.⁴

Compounding these concerns are the waning fertility rates in most developed countries, including the U.S. Replacement-level fertility needs to be at around 2.1 children per woman to sustain a viable population, which is also necessary to balance health plans and social insurance programs. Current fertility levels in the U.S. are at 1.67 births per woman as of 2022.⁵ Lower birth rates are cause for concern for health

insurance plans, which need low-cost, low-condition members to balance and sustain solvency. This strategy relies heavily on the equal participation of a primarily younger population to offset the higher cost of the older population.

Low birth rates also create risks for the solvency of social insurance programs such as Medicare, Medicaid and Social Security. Around 93 million people receive health care through state-sponsored Medicaid or the Children’s Health Insurance Program (CHIP), and nearly 66 million get their health care through Medicare.⁶ But with a dropping fertility rate, the state and federal taxes supporting these programs are not keeping up with demand, creating financial risk for programs that cente-

narians are counting on to support them. Depending on adjustments made to these safety net programs to address the solvency issues, some of the responsibility for taking care of older individuals, many of whom are the most care-intensive, may shift to employers.

Table I on page 34 offers employer health plan considerations for the near, mid- and long term, which range from building a culture of health to whether health insurance will evolve into a subscription-style program.

The 100-Year Life and Retirement Planning

While health care may be the most intimate relationship an organization has with its employees, the most obvious relationship is the direct trade of time and expertise for money. Most people work for a living and, as they approach century-long life, employers will need to take a hard look at the compensation models and retirement structures they are offering to employees. Mercer's April 2022 *Global Talent Trends Survey* found that 80% of U.S. workers do not expect to retire fully once they reach standard retirement age, with 39% saying that they need to keep working due to financial necessity.

The data provides good reason for concern. People ages 55-64—those closest to retirement age and who have retirement accounts—have saved a median amount of \$134,000 in their retirement accounts. Only about 54% of households in this age range have any retirement savings at all.⁷ Meanwhile, one standard recommendation is that people should have eight times their annual salary in retirement savings by age 60, which means that someone earning \$50,000 annually should have at least \$400,000 saved. While Social Security will help provide some support for those who have not saved sufficiently, continued inflationary pressures and solvency concerns could mean it will provide a lower percentage of income for future retirees. This means that most people in the U.S. who are closest to retirement may not have nearly enough saved to last to today's average life expectancy of 76—ten years postretirement. If people are already having trouble saving enough for ten years, how will they manage to save enough for 35? In the future, employees will look to their employers to find remedies for these issues.

When people are unable to save enough, they tend to delay retirement so that they can earn more employment income as

well as delay Social Security payments so that they are higher. Some individuals stay enrolled on their employer's health plan as well so that they or their spouses can access higher quality health care. This may be unsustainable for employees, for employers and for society as a whole. A thriving society includes members who are financially stable well before reaching retirement age, which allows them to achieve retirement without needing to spend their golden years worried about a paycheck.

While increased life expectancy may mean adjusting retirement to later in life, the overall goal of achieving financial security and being able to retire at a relatively young age—if desired—remains the same. While some people will want to continue working past age 65, it is not ideal to have people working past the traditional retirement age because they must. Employers should be motivated to find new ways to support those desiring to work longer while empowering employees to retire when it is the right time for them and their lives.

To support better financial well-being, employers may need to get creative on how to compensate employees while they are working. Such compensation can include nonfinancial rewards such as sabbaticals, education and more. Employers may consider offering phased retirement plans that enable tenured, valued individuals to continue participating in the organization after their normal retirement, just not necessarily on a full-time basis. This enables employees to continue contributing to society but also to enjoy some life of leisure that they have earned.

Other areas of focus that can help make a longer career more sustainable include updated practices around paid time off, benefits like tenure-based sabbaticals, education programs and partnerships, and longer family moment (e.g., birth of a child) leave. This area of employee-employer relationship is about to get exciting as employers develop best practices for creating compensation and retirement programs geared to helping people thrive at work and at home with a longer life in mind (Table II).

What Is the Impact of Longevity on Career Development?

This section focuses on how a centenarian's career path may look different from the average career path today. While the impact of living longer will vary depending on individ-

TABLE II

Strategic Considerations for Retirement Planning

Near Term	Midterm	Long Term
<ul style="list-style-type: none"> • Review the existing retirement program and consider best practices like autoenrollment and autoescalation. How can a matching program incentivize better retirement planning? • Explore unique (and typically individually rated) annuity-style programs to help with structuring retirement programs. • Ensure that communications are finely tuned so employees have access to resources they need to develop good financial habits. 	<ul style="list-style-type: none"> • Consider the implications of a phased retirement program for employees. Would it benefit the organization? Would employees be interested? • Review the possibilities of non-qualified deferred compensation programs across the organization. • From a paid-time-off and leave perspective—Consider the implications of tenure-based time off, allowing employees to pursue travel, education, volunteer work, etc. • Build out extended family leave programs that enable employees to be present for big moments. 	<ul style="list-style-type: none"> • Consider creating a gig-style retirement “alumni network” for the organization, so that skilled and experienced individuals who want to contribute have a means to do so—and their deep deposit of knowledge and expertise remains accessible to the organization.

ual circumstances, cultural factors and economic conditions, it is likely that people will change their approach to career development significantly. A linear career path flowing from education to work then straight to retirement may be less common as people move toward multistage careers. Age diversity within the workforce will become increasingly important as employers adapt policies and practices to create inclusive and adaptable work environments.

Employers will need to think about how these longer careers will affect their workforce as a whole and how they can enable people to pursue longer and truly valuable careers within their organization, while also providing a culture of opportunity to new and midcareer talent. They will also need to

find a balance to ensure that their organizations remain healthy and growing, retaining the deposit of knowledge and expertise while attracting the hungry new talent that will help them grow and transform. When approaching career development, one size is not going to fit all—both among the generations (the same approach will not work for Gen Z, Millennials and Gen X) but even from person to person. One 65-year-old may want to retire and never work again. Another may want to keep doing the work they have built expertise in over many years for the organization and still another may want to shift into a part-time mentorship and training role.

An important part of preparing an organization for this future is to develop educational resources and give

space to those who are reskilling or upskilling. Employers may need to accommodate different stages of learning, exploring and engaging in the workforce and accept more frequent career changes. Individuals may take breaks to pursue new jobs at different points in their lives. Reengaging in education to explore new career opportunities and new interests or to reinvent themselves within their profession may become more common as well. Employers that thrive in this future are open to those reentering the workforce after such an absence and revisit the standard requirements of new employees.

Skills-based hiring allows employers to capitalize on this future workforce by shifting from emphasizing specific education and years of experience to

TABLE III

Strategic Considerations for Career Planning

Near Term	Midterm	Long Term
<ul style="list-style-type: none"> • How is the organization preparing employees to adapt to a quickly changing world? Can the organization help them reskill or up-skill? What do education resources look like today? • What steps are being taken to support employees from diverse backgrounds from a career growth and longevity perspective? • Is the organization building a culture that emphasizes the importance of a life well-lived? 	<ul style="list-style-type: none"> • Look at hiring methodologies and work to understand how they can shift from hiring based on education and experience to a skills-based process. • Consider how employees staying for longer tenures impact the career paths of diverse and younger talent. How will the organization ensure equity among stakeholders of all ages and backgrounds? • Consider how to ensure that older employees find meaning when participating in the organization. Think about phased retirement programs, mentorship pathways or continued work in their field of expertise. What can be done to enable this? 	<ul style="list-style-type: none"> • Similar to retirement planning, consider creating an alumni network for retired employees to provide gig work and other opportunities.

what kinds of skills the prospective employee can offer. Employers with an innovative mindset can translate valuable soft skills, such as critical thinking and problem solving, into building blocks for upskilling or reskilling new employees. Providing opportunities for continuous learning is a solid investment for employees of any age to improve adaptability and transition to new roles within the organization.

Some industries may see their workplaces become more generationally diverse. Collaboration between generations can be highly valuable as a means for knowledge sharing, mentorship and broadening perspective. Diverse teams

often lead to innovation, improved problem solving and a positive work environment. Older workers bring a wealth of experience that should be recognized and leveraged in meaningful ways. Not only does collaboration improve the employee experience, but it can also help preserve institutional or tacit knowledge for future generations and ensure a smooth transition as older workers begin to phase into retirement. However, designing for and working in an inclusive environment requires a hard and truthful look at the organization’s culture, structure, policies and practices to ensure that an organization truly embraces inclusivity. Table III of-

fers employer considerations for career planning that acknowledges some of these trends.

Conclusion

Centenarians are already becoming more commonplace. As health technology advances, older people have increased opportunities to live better, happier lives; to accomplish more, both personally and professionally; and to make more memories along the way. A future with more centenarians carries increased costs and risks and increases responsibilities for employers. Employers can take steps to ensure that the future is better than the past

and that employees who live longer aren't just working more—They're living more. 

Endnotes

1. National Center for Health Statistics Data Visualization Gallery, “Mortality Trends in the United States, 1900-2018.”
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3. Kaiser Family Foundation, *2021 Employer Health Benefits Survey*.
4. Mercer, *National Survey of Employer-Sponsored Health Plans*, data through 2023.
5. National Vital Statistics System, Vital Statistics Rapid Release Report, June 2023—provisional data through 2022.
6. Center for Medicare & Medicaid Services, “Access to Health Coverage,” data as of May 31, 2023.
7. Retirement accounts by age of reference person, Federal Reserve *Survey of Consumer Finances* through 2019.

AUTHORS



Trinity Cleveland is an associate with Mercer’s government human services consulting practice, supporting state Medicaid clients in optimizing their health care programs to ensure high-quality care for Medicaid beneficiaries. She also works with the Mercer Center for Health Innovation (CHI) as a part-time contributor and is a member of both the American Dental Hygienists’ Association and Project Management Institute.



Michael Forsyth, CEBS, is a senior associate with Mercer’s employee benefit consulting group. He supports large and mid-sized organizations to provide innovative and cost-conscious health care programs. He also works with Mercer’s Center for Health Innovation (CHI) as a part-time contributor and holds the Certified Employee Benefit Specialist (CEBS) designation from the International Foundation of Employee Benefit Plans.

International Society of Certified Employee Benefit Specialists

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