



## Rehiring retirees: Can everyone win?

Danielle Arbuckle | November 21, 2011

In recent years, a number of U.S. employers have been rehiring their retirees to fill scheduling gaps. In theory, employers benefit from retaining experienced workers, while retirees benefit from remaining active and supplementing their income. Although market conditions are very different in the U.S., should Canadian employers consider following this lead?

Allison Brown, business development consultant with Pal Benefits, believes it may be necessary, considering what the Canadian workforce will look like in the next 10 to 15 years. “Compared to today,” she says, “we will see a significant drop in working employees ages 25 to 55, while employees age 55 or older will be significantly increased—even at the current rate of immigration.”

The implications of rehiring retirees can be significant. Claude Leblanc, vice-president, business development, group savings and retirement, with Standard Life, believes that retirees who enjoy their jobs are the most likely to return.

Says Leblanc, “Retirees who are back to work are happy, because they don’t have to worry about their future. They are highly motivated, and they don’t lose sleep over the long-term view. It’s more about giving their talent to an organization than really caring about, ‘Is this the right place to spend the next 30 years?’ It’s very different if you’re retiring and going back [to work] in a good context.”

The key, Brown adds, is flexibility. “Some people will want to work half days; others, two to three days per week. Some will want to work winters and head to the cottage for the summer, or work summers and fly to Florida for the winters.”

However, Leblanc cautions that flexible schedules can be difficult to implement. He says that although many workplaces talk about offering different types of schedules—including schedules that accommodate employees who would like a couple of months off every year—he doesn’t see a lot of this actually happening.

“We still have this very traditional nine-to-five, Monday-to-Friday schedule. The workplace is very rigid. One of the biggest barriers is that most of our social programs, our supports, our schools, are organized Monday to Friday.”

Another option is to rehire retirees on a contract basis to fill occasional scheduling gaps. While contract employees tend to earn a higher hourly rate than regular, full-time employees, they typically don’t qualify for benefits coverage or paid vacation time. This may be a way for employers to benefit from the experience and knowledge offered by recent retirees without making a long-term commitment.

### **Costs to consider**

Rehiring experienced retirees can significantly reduce a company’s training costs. But on the other hand, pension and benefits costs could increase.

“If employees are working more than 20 hours, they may qualify for benefits coverage. This is a cost employers need to consider, because retirees are claiming more than active people because of their age and medical history,” says Leblanc.

Brown adds that as of January 2012, employees over the age of 65 can choose to continue contributing to the Canada Pension Plan. And if the employee chooses to contribute, the employer must also contribute.

Leblanc says that many rehired retirees also belong to workplace pension plans, and employers can't cut back their pensions. The rehired employee will draw a pension while they continue to draw a salary. Whether or not the employer and the retiree must continue to contribute to the pension plan depends entirely on the structure of the plan. With some plans, it may be mandatory to continue making contributions until the employee reaches a certain age. With other plans, retirees may be prohibited from rejoining the plan and accruing further benefits.

Employers should also think about union rules and dues. “A new employee will pay full-time union dues and put less stress on the benefits program, while a part-time retiree would be a different story,” says Brown.

Still, says Leblanc, “When retirees are back in active roles, it's normally helping their claims experience, because it's basically maintaining their health. When people work in a field of expertise in which they have an interest, normally they have a happier life. Happiness brings cheaper costs for healthcare. Holistically speaking, there is a benefit in having active retirees.”

Leblanc adds that any higher cost in benefits may be outweighed by the training and knowledge rehired retirees bring back to the organization.

### **Impact on younger workers**

Possibly the largest impact of rehiring retirees will be on the next generation of workers.

“For me,” says Leblanc, “the practice of rehiring retirees is telling me that maybe our succession planning program isn't working as well as we thought. I think that we need to question whether or not we are preparing the new generation to take over responsibility.”

Eventually, older workers will leave the workforce for good, and younger workers will need to take over. Leblanc poses a question: “Are we doing the right things with the existing workforce to make sure that they will be able to run the business? I believe that we'll have a lot of [younger workers who are] very well trained, technically speaking. But the business experience, negotiation experience, understanding business outcomes...it's something that needs to be done better.”

Yet there is a way to keep retirees active in the workforce while training the next generation: mentorships.

“I think the workplace will have to develop mentorships,” says Leblanc. “Older workers may not be in charge the same way as they used to be, but they can act as sponsors, promoters or coaches to the people [who are now] in charge. They can make sure that, at the end of the day, the knowledge transition is accelerated. I think this is the most important thing.”

Brown agrees, “People are living longer, and have more active and healthy lives. And retirees want to see the next generation succeed. I believe that keeping retirees at work keeps them younger longer, and it gives the younger generation something to aspire to. The plus is that those younger employees will probably succeed much faster than their elders.”

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