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# The Corporate Implications of Longer Lives

People are living longer and working longer — but few organizations have come to grips with the opportunities and challenges that greater longevity brings.

**BY LYNDA GRATTON AND ANDREW SCOTT**

**THE LEADING QUESTION**

How will increased longevity impact employees and employers?

**FINDINGS**

- **As people live longer, many will need to work longer to accumulate savings.**
- **Employees will need to develop new skills to sustain a multistage career.**
- **Companies should rethink policies for recruitment, career progression, and retirement.**

ACROSS THE WORLD, people today are living longer. Whether it is in the United States, China, or Rwanda, average human life expectancy has increased over the past few decades. If life expectancy continues to grow at the rate of two to three years every decade, as it has done over the last 150 years, then a child born in Japan in 2007 will have a more than 50% chance of living past the age of 107. Under the same assumptions, children born in that year in most of the advanced economies will have similar odds of living past their 100th birthday.[1]

There is growing awareness that increasing longevity will have major implications for how people manage their work lives and careers. Rising life expectancy means the level of savings required to provide a reasonable income for retirement at age 65 is becoming increasingly infeasible for most people.[2] We predict that, given the average level of savings in advanced economies, many people currently in their mid-40s are likely to need to work into their early to mid-70s; many currently in their 20s (many of whom could live to be over 100) will be working into their late 70s, and even into their 80s.

Across the world, people are becoming more conscious of their lengthening working lives — but frustrated by their working context. Our research suggests that while people know they will have to restructure their lives and careers, corporations are unprepared. (See "About the Research," p. 64.) Indeed, corporations have been somewhat inconsistent in their reaction to greater longevity. On the one hand, many executives are excited about the possibilities of tapping into the estimated $15 trillion of spending power of people over 60[3]; on the other hand, few have taken full account of the opportunities and challenges longevity brings to their own workforces.

Most companies, especially those operating in the advanced economies, still view life in terms of three stages: full-time education, full-time employment, and

### ABOUT THE RESEARCH

The purpose of our research was to consider the impact of longevity on individual and corporate practice. We began with a series of financial calculations. For different age cohorts, we calculated the variable impact of savings rates, retirement age, and retirement income replacement rates on the length of a working life. This enabled us to show how working lifespans were likely to covary with longevity and also demonstrate the trade-offs individuals face between savings rates and retirement age. Next, we looked more closely at current corporate practice.

In the Future of Work research consortium led by one of the authors, we focused on the theme of longevity. Over a period of six months, we engaged in conversations and workshops with more than 100 executives from 45 companies in Europe, the United States, Japan, and Australia to discuss their attitudes and policies about longevity. Finally, we created a diagnostic tool to measure the extent to which individuals believe they are building, maintaining, or depleting their tangible and intangible assets. We made this available online at www.100yearlife.com and also used it with students and executives at London Business School. We have data from 10,000 people aged from 21 to 90.

then a "hard stop" retirement around the age of 65. This is the life structure that emerged in advanced economies in the 20th century and continues to underpin much thinking about the workforce. Although this structure worked when life expectancy was 70, it cannot be stretched to support a healthy 100-year life.

## Individual Experimentation

In response to the pressures resulting from longer working lives, individuals are starting to experiment with new stages of life and creating different career structures. The pressures are having particularly significant effects on three age groups: people approaching retirement age, those currently in their 40s, and those just entering the workforce.

**People Approaching Retirement** One of the first age groups to test traditional corporate policies are those currently in their 60s. For many of them, the idea of a traditional "hard stop" retirement at age 65 is under real pressure. As they think about the rest of their lives, they are beginning to look for ways to be productive for longer. Currently, one in five Americans over the age of 65 (and one in 12 over 75) still works, and these proportions continue to rise. Some of those working longer are continuing in their existing jobs; others are taking on roles that involve different skills or offer a better work-life balance. An increasingly popular option is to become an entrepreneur; indeed, in the United States, people starting a business today are more likely to be over 55 than under 34.[4]

**People in Their 40s** For people in their mid-40s, there is a growing realization that retirement isn't a hard and fast turning point. Indeed, some are beginning to recognize that they could have another 30 or more years of work ahead of them and are figuring out how to make the most of those years. Navigating this extended period successfully will require maintaining skills, remaining enthusiastic, maintaining physical well-being, and creating a good work-life balance. Many are considering what they need to do to upgrade their skills to continue on their current trajectory or wondering whether now is the time to switch to a new career and a new stage of life.

**People Entering the Workforce** The generation just entering the workforce has the longest expected lifespan in history, perhaps 10 to 15 years beyond that of the generation approaching retirement. In contrast to older workers, many younger workers are aware that their working lives are apt to involve many different jobs in a variety of sectors. A long and shifting career will force them to create a sense of coherence with their values and preferences, and to adapt and develop new skills and interests.

Members of this group are beginning to focus on options, which become more valuable as the time horizon over which they can be exercised becomes longer. As a result, the age range at which a number of traditional markers of full adult independence and commitment take place — such as getting married, having children, and buying a home — has been extended. In addition, as can be witnessed in the streets of Brooklyn, New York, and London's East End, many in this group are embracing a new form of entrepreneurship that combines work, leisure, and creative space, and that includes a focus on experimenting, learning new skills, and building a distinctive professional identity.

## The Importance of Intangible Assets

A primary focus during the traditional work-oriented stage of life has been financial matters: earnings, retirement savings, and home ownership. However, as life extends and careers become longer, different types of assets take on new importance. For a 40-year-old man or woman, extending the second stage of life by working more years will enhance his or her financial assets and may secure a reasonable retirement income.[5] But what impact does working longer have on other types of assets that are needed to support a good life? We term the other types of assets "intangibles," and we group them into three categories:

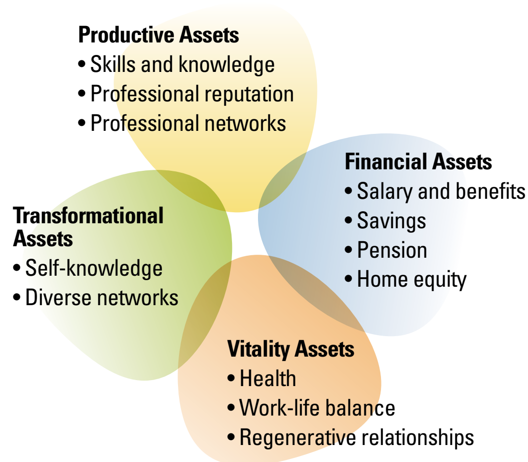
The first category is *productive assets*: the individual's skills, knowledge, reputation, and professional networks. It is these productive assets that will enable a 40-year-old to find interesting work during a career that spans several more decades.

The second category consists of what we call *vitality assets*, which include strong mental and physical health, a good work-life balance, and powerful regenerative relationships. Having such assets will enable people approaching the traditional retirement age to continue working.

The final category, which we believe will become increasingly important, is what we call *transformational*

**KEY ASSETS FOR A MULTISTAGE LIFE**

In a multistage life, intangible personal assets that enable productivity, vitality, and career transformations are as essential as financial assets.




*assets*, which involve self-knowledge and the types of diverse networks that support personal change and transitions.

Intangible assets are critical for enabling a long working life. At any point in time, people will need to be either actively building or maintaining these assets, or they will depreciate. (See "Key Assets for a Multistage Life.")

The challenge for longer working lives is how to build and maintain intangible assets over a career of 50 or 60 years. Already, by the end of a traditional three-stage 40-year career, the skills and knowledge built at the beginning are substantially eroded. With advances in artificial intelligence, it's hard to imagine skills and knowledge lasting multiple decades.

Similarly, extending one's working life could result in a sharp deterioration of vitality assets such as health and happiness. Measures of well-being and life satisfaction tend to reach their lowest level during the second, employment-focused stage of life and then increase.[6] Therefore, although working longer will build the financial assets to support greater longevity, it could risk depleting crucial intangible assets.

What is the alternative? Inevitably, people want to balance their investments in tangible and intangible assets by committing time to both. This will mean committing time to work in order to generate tangible assets. But it will also mean prioritizing activities to stay healthy, maintain friendships, and learn new skills. Those starting their careers may later want to have time out of the workforce to explore, or to move later into a company after a period of self-employment. Those in their 40s may need to take time out of the workforce to make significant investments in learning new skills to maintain momentum, and those who don't plan to (or don't want to) stop working at 65 will want to develop a portfolio of options.

These different paths will require individuals to make substantial commitments of time to develop intangible assets. One obvious approach is to add new life stages that prioritize such investment. It will not be the first time that new life stages have been introduced. Increasing longevity in developed countries during the 20th century led to the emergence of two stages that had not been previously recognized: the teenage years[7] and retirement.[8] It follows that longevity gains may lead to the development of further additional stages. Rather than a three-stage life, we expect to see a multistage life, along with a larger number of transitions. (See "Creating a Multistage Life," p. 66.)

## Tension Points

As traditional life patterns become less relevant to many people's needs, individuals will want to pursue working lives that are more flexible and multistaged. However, this desire for flexibility will clash with current corporate practices and processes. Specifically, we anticipate three tension points, involving: (1) people's desire for personalization; (2) their interest in flexibility; and (3) their desire not to be pigeonholed on the basis of age.

**People want personalization; corporations want conformity.** Employees increasingly want to decide for themselves which intangible assets they invest in, how much they invest, and how to sequence the various life stages. So, the first tension point is likely to involve how those choices align with their employers' interests.

Although it is understandable that employees will want to make their own choices, corporate policy and practice are largely based on assumptions that similar age cohorts are engaged in similar types of activities and work during the same stages of life. Those leaving full-time education are typically in their late teens and 20s; those taking time off tend to do it as young parents in their 20s and 30s; those retiring do so in their mid-60s. From a corporate human resources perspective, age has been a reliable predictor of likely aspirations and motivations.

In a three-stage life, there has been one main sequence: education, work, and then retirement. In a multistage life, there are a variety of ways to arrange the stages. As a consequence, the link between age and stage breaks down.

**People want flexibility; corporations want standardization.** In the course of our research, we asked MBA students and executives to narrate their possible future working lives, the stages they would incorporate, and the sequence they would use. We were struck by the variety of these descriptions, with the many different ways of leading a working life presenting a mosaic of possibilities.[9] What this variety reveals is that in a multistage life, even those within the same age cohort will be engaged in different stages at any given time. Moreover, some of the anticipated stages — for example, exploring new work options, becoming self-employed, founding a business, and building a portfolio of activities that may include both paid and unpaid work — will include periods of time outside the enterprise.

The desire for variety and flexibility will conflict with corporate preferences for standardized working times and operating procedures that have dominated organizational practices since the Industrial Revolution. The traditional structures, of course, have the advantage of simplicity and cost-effectiveness, and they facilitate standardized working careers with conventional entry, promotion, and exit points. In addition, these structures reduce the amount of unfairness that can occur when individual employees negotiate deals that aren't available to others. Standardization reduces the possibility of setting new precedents that must be extended to a broader group of employees or even to everyone.

**People want to be age-agnostic; corporations want age markers.** Over the years, corporations have played an influential role in separating the young from the old. In many industries, retirement has had an important purpose; it provides companies with a way to ease workers out of physically demanding jobs in a nonconfrontational manner. Traditional job titles reinforced age divisions, with job titles referring to "junior" and "senior" roles. Age plays an important role in a linear career path, and both implicitly and explicitly, it has a huge influence in recruitment, promotion, and salary setting.

Given that people are living longer, many want opportunities to contribute throughout their long working lives. Careers have many different stages, each with different aims and different needs. How people sequence the stages will be based on their own motivations, preferences, and financial requirements — not just their age. In other words, they don't want their age to be the only factor determining who they are or what they want. If age and stage are no longer so intertwined, this will inevitably lead to more cross-generational activities. For example, one could be an undergraduate at 20, 40, or 60, or a senior manager at 30, 50, or 70.

## Easing the Tensions

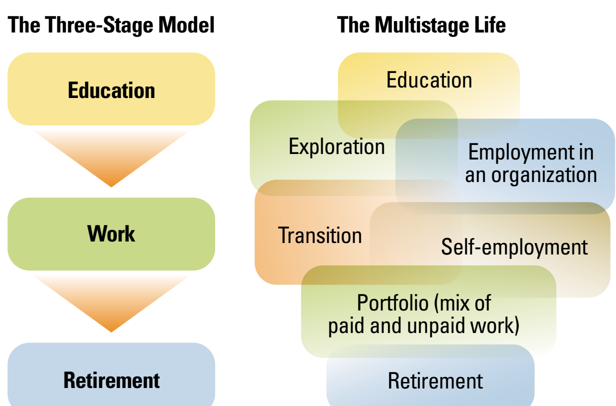
We expect the pressure building from these tensions to grow in the years ahead. Without changes in corporate policies, employees will struggle to build working lives that have resilience over an extended period of time and that support healthy and prosperous longevity. In response, companies need to initiate a top-to-bottom redesign of their human resource practices and processes. The redesign should be composed of two parts: a shift toward intangible assets, and a move toward a multistage approach to careers.

## A Shift to Intangible Assets

In a three-stage life, the core of the employee-employer relationship was tangible assets. Corporations found that the best way to recruit and retain workers was to offer a promise of tiered earnings based on promotion and length of service, along with

### CREATING A MULTISTAGE LIFE

A traditional three-stage life consists of a sequence of education, work, and retirement. But longer lives create opportunities for new stages to emerge and for each individual to create his or her own unique sequence of stages.



the prospect of a pension to finance retirement. However, for many employees, this dominant role of tangible assets has been waning in recent years. In many countries, including the United States and the United Kingdom, corporate pension schemes are decreasing dramatically both in number and coverage. But the changing roles of the different kinds of assets are not just about the reduced attractiveness of the tangible assets companies offer. In a long multistage life, securing long-lasting intangible assets becomes as critical as securing strong financial assets. As a consequence, in a multistage life, the relationship between the corporation and the employee can no longer be simply mediated by tangible assets.

**Monitoring Intangibles** The capacity and opportunity to build a much wider range of assets are essential factors to a longer working life. The challenge is to bring these assets into the corporate narrative, and acknowledging and measuring intangible assets is an important first step. At Tata Consultancy Services Ltd., a large IT service, consulting, and business solutions firm headquartered in Mumbai, India, there is a focus on understanding and calibrating productive intangible assets such as knowledge and skill acquisition. Across the company, an internal digital platform called Knome enables the firm's 380,000 employees to track their skill development, use online training to boost and broaden their skills, and build their reputation through virtual badges earned for skills.[10] The credentials are then used to assess the development of productivity assets across the whole organization.

**Cultivating Lifelong Learning** As working lives become longer, the need for lifelong learning will increase. As working lives become multistaged and the sequence of those stages becomes more customized, individuals will take an interest in skills with value that extends beyond the current employer and sector. This will weaken the one-size-fits-all approach to learning and development. Instead, there will be a growing need for more decentralized and flexible approaches to learning, curated more by individuals than by employers. Skills and knowledge that are portable and externally accredited will be particularly valuable. Longevity will force a shift in responsibility for lifelong learning toward the individual. Organizations such as City Lit, which was founded in 1919 to provide adult education in London, will likely see a new spurt of growth.

**Supporting Employees' Transformational Skills** The capacity for individuals to transform will become an ever more valuable asset as employees work longer and make more transitions in their careers. Those most likely to make successful transitions will be those with self-insight and with diverse networks that provide alternative experiences and role models. There is much that organizations can do to support this — such as encouraging employees to regularly reexamine their own goals and skills, and helping them develop dynamic and diverse networks.

Tata Consultancy Services' internal digital platform, for example, gathers data on an individual's advice network, in terms of who the person is giving advice to and receiving it from. Using this data, employees can gain insights into whether they are building or depleting the strength of their professional social networks within the company by assessing the extent to which these networks are becoming more homogenous or more diverse. The aggregate data is also used to influence corporate policy on encouraging cross-functional and cross-business networks.[11]

**Bringing Variety to Employment** Longer lifespans will affect how long employees remain at a company in many ways. As careers extend in response to longevity, it is fair to assume that the percentage of workers who will spend their entire career with one organization will decline. Even so, many people may increase the number of years they remain at a particular company. The challenge companies will face with longer tenure is to maintain the productivity enhancement that comes from stability and continuity while also creating space for people to develop the capacity to transform. Simply increasing tenure has its challenges. People can become stale and bored; moreover, organizations run the risk of generating frustration when people aren't able to advance.

There are a number of ways to mitigate this tension. One is for employees to stay in the job but reshape it by adding new tasks and skills. Employers, for their part, can help people transfer their skills to other areas or stimulate the development of new skills. Another option is to offer employees sabbaticals and longer breaks to help them recharge. Such flexibility can enable companies to retain promising younger workers while incentivizing older workers to invest in their transformational assets and prepare for multistage careers.

**Acknowledging the Needs of Dual-Career Families** Not all intangible assets are centered on supporting careers. Vitality assets stress family and friendships. As more households address the financial tensions associated with funding longer lives by ensuring that both partners work outside the home, the nature of families is changing. Deloitte, the global professional services firm, saw this firsthand when it studied the evolving family structure of its employees. The company discovered that the traditional structure of a male partner supported by a stay-at-home spouse applied to a minority of its people.[12] Instead, many employees were in dual-career households and were often the parents of young children. Realizing that a career track with a steady upward trajectory was not appropriate for all circumstances, Deloitte encouraged employees to build their own career "lattice" where they could change pace (accelerate or decelerate), workload (full or reduced working hours), work location (office or home), and role (project or support).[13]

**Creating Time Flexibility** Investments of time are crucial to building intangible assets — whether related to skills and knowledge, health and fitness, or families and relationships. To invest time, employees need a degree of control over their working practices — that is, when, where, and how they work.

Flexible working was championed by companies including British Telecom more than two decades ago, with an aim of learning whether employees who had more flexible work arrangements tended to be more productive and less likely to leave.[14] Since then, many initiatives have supported flexible working, and the current push to reduce office costs promises to bring more opportunities to work from home and to work flexible hours.

As common as flexible work schedules have become, long breaks are not typical in the business world. Currently, very few companies offer sabbaticals. There is no doubt that when more people work into their 70s or 80s, longer breaks will be seen as attractive. Some companies with demanding work schedules, such as consulting firms, are attempting to respond by allowing eligible employees to take four- or eight-week sabbaticals, in addition to vacation time, to pursue personal interests and passions.[15]

## Taking a Multistage Approach

As people increasingly opt for a customized, multistage approach to their lives and careers, companies will need to rethink their personnel practices to attract the best employees. This will involve three major changes:

**1. Revamping Recruiting** In the traditional three-stage life, corporate recruitment practices are primarily geared toward recent graduates. The danger is that as careers become increasingly multistaged, companies that focus exclusively on this narrow age band fail to identify other talent, such as young people who used their 20s to explore other fields; people in their 30s and 40s who managed small businesses or startups; and experienced people in their 60s and 70s who could mentor and inspire young workers.

Many of the most visible projects to reengage with mid-career candidates have emphasized mothers returning to the workforce; major companies involved in such initiatives range from Goldman Sachs to General Motors to UBS.[16] More broadly, corporations are seeking to broaden their talent pool with mid-career hires. For example, for some years Fujitsu Ltd., the Japanese technology company, has recruited a wide range of experienced people, including actors, poets, physicians, and architects, to boost its innovative capabilities.[17]

In the traditional recruitment model, candidates with gaps in their work experience (for whatever reason) have been viewed with suspicion by corporate recruiters. But as nonlinear careers become more common, we expect people with unconventional experiences to become less unusual — and perhaps even to be viewed as a desirable resource.

The need to diversify sources of recruiting will arise not just from the emergence of multistage careers but also because of an anticipated decline in new workers entering the workforce. In the United States, for example, the number of workers aged between 16 and 24 is expected to decline by 10% in the coming decade, a time when baby boomers are moving into retirement.[18] This will inevitably result in more competition for talent and highlight the growing demand for workers from nontraditional sources and ages.

**2. Rethinking Age-Related Stereotypes** In a three-stage life, age and stage are inextricably intertwined, and it was appropriate for corporate policies to use age as shorthand for roles and aspirations. But it is not appropriate when the model moves to multiple stages. Of all the policies we have studied, age stereotypes and attitudes regarding older workers are the area where action is needed most immediately.

Too often, companies view older people as a liability rather than an asset. It's time to rethink what it means to be over 60 and how business can tap into the experience and wisdom older employees offer. The motivation for change is a simple one: Longevity means people are living longer and staying healthier for longer. In addition to older individuals being healthier and fitter than previous generations, growing automation is boosting older workers' productivity.[19] The result is that the current generation of older workers is able to be more productive than past generations, and advances in technological augmentation will boost their productivity still further.

The early adopters celebrating the experience and wisdom of the over-60s are often found in the retail sector, selling to older customers, or in sectors such as engineering, where there is a dearth of younger talent. For example, at B&Q PLC, a home improvement and home gardening supply retailer based in Chandler's Ford, England, more than one quarter of the company's workforce is over 50.[20] Among other things, the company considers older workers more experienced with do-it-yourself home projects and more empathic with homeowners. BMW AG has redesigned factory space around the needs of an older workforce.[21] At Vita Needle Co., a manufacturer of stainless steel tubing and fabricated parts based in Needham, Massachusetts, about half of the employees are aged 75 or older.[22]

**3. Redesigning Retirement** Key to better utilization of older workers will be fundamental changes in retirement practices. Retirement is already being substantially transformed. In many countries, the effective retirement age is rising as more people over 70 are working. Yet while there are some signs of coordinated social change in retirement, it is still the case that most organizations deal with retirement on a case-by-case basis. As a result, many workers in their 50s have little clarity about their employer's policies regarding flexible retirement dates or flexible working after retirement from a full-time job. We think there's an opportunity to think more broadly about retirement — in particular, whether it makes sense to have a hard stop or to make the transition more gradual.

The first step will be setting expectations properly. People need to know in advance what their options will be and, if they wish to stay in full-time employment, what they have to do to make their preferred option happen. They also need to know the circumstances under which they can delay retirement and the different options that exist in terms of time (for example, hours per week), responsibilities, and salary. A corporate policy built on cherry-picking individuals the company wants to retain is unlikely to be successful over the long term, and it is likely to be limited by anti-ageism legislation.

Companies will need to specify the type of flexibility they are prepared to offer. At a minimum, they may want to provide an option for people to stay in their roles and extend their tenure for a few years after retirement. However, this is not without its challenges. Among other things, extending the careers of those near retirement age may block promotions for younger workers rising in the organization.

Another challenge is confronting the role age currently plays in determining pay. Older workers currently tend to earn more than younger workers, since salaries rise with promotions and tenure. Questioning the link between age and salary opens up possibilities for nonlinear career moves, enabling older workers who want to work longer to shift with dignity to lower-paying positions that offer the benefits of lesser time demands and less responsibility. It also addresses one of the major reasons for inflexibility in corporate retirement policies: Companies often seek to retire older workers in order to reduce their payroll, since the ratio of cost to productivity for highly paid older workers can be unappealing. It is important for companies to create options that recognize that, for some older employees, salary may have plateaued — or they may want to consider accepting lower pay in return for greater flexibility in a multistage career.

## The Longevity Challenge

There is a rapidly growing realization that technology will fundamentally transform jobs, the nature of the tasks performed, and the structure of companies. Less attention has been paid to longevity, which may produce equally profound changes. At the heart of the challenge of the transformations associated with longevity is the traditional three-stage life. Not only has this been the dominant career narrative for nearly a century, but it has also led corporations to focus on linear career models that emphasize the accumulation of financial assets. In the next few decades, we believe there will be a fundamental rethinking of these traditional models. This will begin with individual employees experimenting and pushing the boundaries, eventually leading to new and more flexible policies of recruitment, retention, learning, training, compensation, and retirement. The transitional phase will be a time of anxiety and frustration. Corporations that are able to move rapidly in transforming their policies will gain from employees who are more engaged and productive.

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