

Human-Centric Investing Podcast

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Episode 15 – The Future of Work

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Featured Guest: Dr. Joe Coughlin, Director of the MIT AgeLab

Intro: This is the Human-Centric Investing podcast with John Diehl where we look at the world of investing through the eyes of our clients.

Take it away, John.

John Diehl: Hello, financial advisors. This is John Diehl, Senior Vice President of Strategic Markets at Hartford Funds. Welcome to episode 15 of the Human-Centric Investing podcast. Joining me today is Dr. Joe Coughlin, Director of the MIT AgeLab.

Joe, welcome back to the podcast and we have a really an interesting discussion I think today. It's something I'm hearing more and more about. As we think about retirement and the changing picture of retirement, Joe, one thing I hear about all the time that people are talking about is where am I going to work in retirement. And I'm like wait a minute, retirement is not supposed to be about working; I thought that's the meaning of retiring.

But I think you've got some ideas, Joe, on what work means to people and why don't you start there? Why is this concept of work so important to us?

Joe Coughlin: Hi, John. It's great to be here again and be with our friends at Hartford Funds. Thank you so much for having me back.

Work is changing for a variety of reasons just the nature of work itself but also how clients are looking at work and looking at their employers. And I'll start with something that we've touched on in previous podcasts which is the following which is most of us are saying that in retirement, we want to work.

So, from the very beginning one of the things we have to think about is that retirement is changing and, therefore, changing also the nature of work in general. But the nature of work or the future of work as we'd like to say is changing because we now have many generations under one roof. It used to be very simple, John. We had older workers and younger workers.

We'll think about this, the so-called silent generation and even what's left of the World War II generation, three percent of the workforce still has those folks productively in it. And, in fact, even small business owners, the average age -- and that's average -- is in their 50s. I mean, there are lots of folks that are well north of 50 that are in there.

But more to your point, John, in terms of what's going on in the workplace that maybe changing how we look at work vis-à-vis retirement is that there are a couple of things happening. There's a new flexibility in work. Retirement used to be a kind of like graduation; you're one side of it or you're the other side of it.

Well now, the millennials, the younger workers and the older workers, the oldest of the boomers are now finding that flexibility is the new work. Think about this, the millennials are saying in many studies including one by PricewaterhouseCoopers and others has suggested that many

people in their 20s and 30s would rather have flexibility in so-called work-life balance than financial remuneration.

But that's not just a kid's thing anymore. Older workers, the oldest of the baby boomers and, frankly, even some of the Gen Xers in there are saying, "Wait a minute, I think I want flexibility, too. I want to have a phased retirement where I'm not quite working and then stopping but I want to maybe go down to two or three days."

Unfortunately, many may have people they have to care for whether it's elderly parents or a partner that has a health-related issue or something like that. And, frankly, some want to change jobs, change careers that are using that flexibility as an ability to do that.

So, the nature of work is becoming flexible but with all those different generations, we're also seeing something else – communication is changing. That what you thought was black and white understood for one generation to another may not be so.

John, you may recall that one of the pieces of work we've done here at the MIT AgeLab was asking people what different phrases meant to them. So, giving one example is for instance we need to get this job done. Well, what we found is that for younger workers, that was perhaps an opportunity for a team meeting to find out how to get that work done.

For Gen X, those folks born between '64 and '79, the answer was well, it's an observation, you didn't call me out by name so I'm not necessarily on the hook. And, frankly, to the older boomers that they believe that if they were in the room, they heard that, nuts, I am on the hook then that was an action item.

So, John, the very nature of work is changing. How we communicate is changing. And, frankly, the notion of what is a job, what is a career is changing as well.

John Diehl: Well, Joe, I know one of the things we often talking about are demographic shifts in our economy and really you do a lot of work around the world and as I think about in recent days we've seen more an increase in volatility in the markets and some people start to speculate well, is that inflation-based. And when they go to inflation they talk about the global labor shortage.

And when we think about a global labor shortage, A, have you seen that indicated around the world and B, for employers, right, for our clients who are small business owners or even executives in larger businesses, what does this mean to the future employer? What are they going to have to do to attract and retain talent?

Joe Coughlin: Yes. One of the things that we do see is we have an old narrative of old age as I referred to in my book, The Longevity Economy, which is we have this nice linear supply of workers and that if the older workers when they retire just shall we say nicely get out of the way the there will be plenty of opportunities for younger workers behind them.

And that is true for certain professions. But whether the studies that you see by many of the labor force groups whether it's the manpowers or consulting houses out there, what we're finding is that the workforce is not linear rather it is lumpy.

And what we find is that in certain fields, among them healthcare, energy, certain parts of transportation like truck-driving and the like, we actually have a shortage. And so, one of the things that we're finding is that employers are desperately trying to hold on to those folks that actually know their business, know what we do.

Now, let's pick an example that tends to be more for the higher income but the euphemistic package, when a company has a problem with a client or with a project they say, "Hey, let's go ask Jane, she had a relationship with that client about how that works." And they go down the hall look for Jane and guess what, Jane is not there. Why? She was given a very nice package in her 50s.

But what Jane took out was not lowering the cost of overhead and income and whatnot that more senior workers tend to have. What she represents is lost knowledge, lost relationship with a client. So, a lot of employers are trying to keep these older workers and trying to recruit new workers as well.

And some of the strategies that they're using to make that happen are as we mentioned introducing flexibility to make it possible for (Jane) and, frankly, a younger Joe if you will to want to be at work because it's not a strict nine to five, 40-hour or 5-hour week, 52-week a year type job; communications that include everyone both in discussion and work and feeling highly valued.

And, frankly, John, you and I have spoken about this before. Even the physical space that we engage our workers and, frankly, even our clients in if we're financial advisors must change. We definitely are looking for spaces not just to do work but we are looking for spaces that are structured to help us collaborate. We are looking for spaces to help educate both our clients and our workers and the like and, yes, eventually all of us need to concentrate so we need a space where, frankly, we can just get away.

So, the role of employers, the role of advisors and the like is to recognize that we have this many generations that are looking at work not as a single point in time but perhaps as a blend or a blur over an entire lifetime that requires new flexibility, new communications, new spaces and places and, frankly, new incentives where make it possible that you may be the oldest most senior person in the room but you are not necessarily the highest paid because you said I only want to work two days a week not five days a week vis-à-vis somebody else who's younger who may or may not want to be there full time.

John Diehl:

That's interesting, Joe. And as we think about in the 1970s, I mean, I'm a Gen Xer and I remember looking at industries changing like I'll use the example the steel industry, right? So, when we look at some of the really areas of our country that really struggled from an employment standpoint, I know some of the people that I've talked to that said, "Look, my grandfather was a steel worker. My father was a steel worker. I'm a steel worker. But that job isn't necessarily there or at least isn't there the way it was generations ago."

What role do you see in the future of work for the career person? I think it's a rarity now that people start working for a company and stay there their entire careers. But is this trend going to continue? And what's the impact on training and education moving forward thinking about this kind of disruption?

Joe Coughlin:

Well, if you think about it, we've discussed previously about how much longer people are living. And so, the whole nature of work is changing but to make it personal, the nature of career is changing.

As I've said to my students and, frankly, even people that we interviewed that have long retired, looking back, they have recognized that the advice that they would give to younger clients, younger employees is that you should not prepare yourself or anticipate a single career. But now that you're living, frankly, for 50-60 years of work, you are more likely not to have two or three or four jobs in a lifetime; you are likely to have two or three or four careers in a lifetime.

And so, we now have to have a whole new value set as individuals. We now have to be adaptable and, frankly, we used to speak about the agile corporation, frankly, now the individual must now be agile to go from profession to profession.

What does that mean about education; great question, John. We're now living in a world where school is never out. It used to be that you'd come to someone who looks like me at the university and from 0 to 21 or if you went to graduate school, 0 to 20 something, you got your degree, you were set, you started your life, you started your career and you moved on.

Well, the fact of the matter is we've got two things going on that have definitely changed the future of work – knowledge doubling and technological shift. Knowledge doubling is a phrase that basically captures the idea that in every profession, the knowledge to do that job is doubling in a higher velocity than ever before.

I'll give you one example. One estimate of the medical field, for instance, is that medical knowledge doubles roughly every 18 months. Now, apply that to some other fields like engineering, frankly, even finance, how many financial advisors feel that they are exceptionally competent with keeping with advances in artificial intelligence as it is affecting things like the robo-advisor and the technologies that are used in finance and high velocity trading and the like.

So, the speed of what we think we know is making all of us shall we say older workers at a younger and younger age requiring us not just to go back to school but to take those classes to maybe get an entire degree. The future of education in my world, for instance as an educator is not in the classroom with you sitting in a seat or facing the whiteboard but rather it's going to be perhaps online 24/7 in a podcast where, frankly, learning is the new normal, frankly, replacing in many ways what we do now of watching TV and the news just to remain competitive. We may now have to remain wired if you will or wireless depending on your technology to stay educated.

John Diehl: So, Joe, as we think about, you mentioned some of those companies in passing and the technology revolution that's come, a lot of times or coming I should say, we talked about the gig economy; can you talk about the gig economy for a moment and how we might think of the gig economy not just for the services that it provides us as consumers but thinking of what that might be as an employment platform for aging workers.

Joe Coughlin: I saw one statistic that suggested from a company that 75 percent of gig workers do not have access to a retirement program. This is really going to call into question not just the future or work but how we access and how we plan and how we prepare for retirement.

And so, as you mentioned, this is not just going to be for the drivers out there or for the ridesharing and hailing economy, that's the shall we say the icon of what we think it is. But imagine this, lawyers now are working out of places like Workbar and the like to do a case, if you will, a gig for as much or as little time as they want.

I want you to imagine one friend of mine, she's already started planning her career where she is going to be practicing here in the Boston area and then eventually wants to move down to Florida and maybe practice two days a week using her very stellar credentials here in one of the major hospitals down there. Technically, she believes that she'll be retired. But as a surgeon, believe it or not, she's a gig worker.

So, imagine gig surgeons, gig lawyers, frankly, we know that accountants can do that and our lifestyle leaders where we recruit 85-year-old and older people here in the lab to study what the frontier of retirement and aging looks like, we have gig workers even in that group that are doing accounting and law. Frankly, shall we say what we used to call a side job or moonlighting is the

new normal.

John Diehl: So, Joe, we've talked for a while about the redefinition of retirement but I think for many people the traditional definition of retirement is almost the absence of work, right? When am I retired? It's when I'm not working anymore. But I think what we're talking about is retirement moving forward may very much work as part of my retirement.

But in what form, how much, in what fashion, how am I going to leverage technology or do it from where I want or incorporate the flexibility that I want and as I think about this, Joe, do you think employers are going to have to adapt to this new world? As I think about it, think about hiring for an entry level position and having a 62-year-old person walk into your HR department, that's certainly a possibility given what you just shared with us, right?

Joe Coughlin: Absolutely. And one of the things we're going to have thinking about is that there's actually a trifecta of changing things that we have to think about for workers in this new five-generation never retired economy and workplace.

So, we're going to have to get used to the fact that that new newbie worker that used to come in with a bad pair of shoes and that ill-fitting suit with a vinyl jacket covering their resume is not only old news because, frankly, they now send it to you by email but now you maybe have somebody in that comes in a very fine suit and still using a resume maybe even on parchment and hands it to you with above 30 years of experience.

And so, the notion of who is the intern, who is the new worker may profoundly look much older and as we've spoken about in previous conversations, it also may be as I write in my book, *The Longevity Economy*, a female worker that's going back into the workforce at 40 or 50 now that her kids are out and the like.

But how are employers going to have to compensate or have to rethink the workplace, I want them to think about three things and financial advisors need to step back and think about this as well.

The first thing is benefits and compensation. Just because you're 40, 50, 60 years old does not mean that you're the most senior person in the room and, therefore, commands a senior salary. If you are new to this career and profession, a new social contract must be written with those workers and with the employers that may be are on a different pay scale altogether. That is going to be the new price of that flexibility.

We're going to have to redesign the workplace. We're going to have to have human factors and chairs and lighting and the like that are not just cool enough to engage the millennials but comfortable and healthy enough to engage people that are older so they can work on shop floors, cubicles and offices and the like.

And then finally, John, with all these workers that eventually may transition out of one job into another or into what we currently refer to is retirement, technology transfer, that is the use of technology in mentorship and all the techniques necessary to know what we know as an enterprise to be able to get that knowledge out of those workers who are 30, 40, 50, 60 years olds because in their heads is what the business is made about and the relationships that keep it going.

John Diehl: And, Joe, I think there needs to be also kind of a mental adjustment at the employee level, right, because the retiring executive who, let's say, is approaching their 60s at the peak earnings of their career knows they want to do something different or at least do less of whatever they've been

doing. There needs to be an adjustment in terms of their expectation in terms of compensation and benefits as well, doesn't there?

Joe Coughlin: No. Absolutely. In fact, there's probably going to be also three-way change that if the employer has to change its space, its technology and its approach to compensation and benefits, the employee or the client is going to have to change their number one, attitude in terms of just because you've done X for 10, 20, 30 years if you're entering an entirely new profession, it may count to cite but it does not necessarily count for compensation.

Education, the new social contract as we mentioned, school is never out. You cannot say well, I have a degree from such and such and that degree happens to be 10, 20, 3 years in the past, that might make great decoration on the wall but does not make the business case for you to be in the workplace.

And then, frankly, the whole notion of retirement and the like is that there's a whole new individual responsibility about planning and preparing for your retirement where employers may have a role but given the flexibility, given the movement within technology and within employers and careers, there may be a new requirement for individuals to pay attention to their own futures.

John Diehl: Wow. Yes. It just has my mind going in so many different directions. I think, Joe, as we think about clients of financial advisors who maybe are four or five years out of that day that traditionally we thought of as retiring, how might you counsel them differently? What should the conversations be about today versus what they were 20 years ago as we try to point these clients in the right direction, a healthy direction?

Joe Coughlin: Now, for financial advisors as we have said before in other broadcast is that we are standing in an entirely new frontier not of financial planning, not of retirement but of longevity planning and navigation. So, advisors are now going to have to speak to their clients not for planning for an endpoint.

If you think about it, we always talked about the day ones and the things that as if there was a clean break, walking through the door and closing behind you into a whole new vista called retirement rather, advisors are now going to have to talk to you shall we say about your college saving plan.

No, not about your children and perhaps not even about your grandchildren but what is your lifelong education plan to ensure that you're wealth span expands as far as your lifespan is likely to be. Start thinking about what does that flexibility mean in terms of your overall income and how that might be, assessing realistically and having a very – and I mean this word intentionally – intimate conversation about your individual health and the health of your partner because even if people say they want to work well into their 60s, well into their 70s, their health or the health of a loved one may make that different.

And finally, the recognition that individuals as they explore this new future of work, this new future of flexibility and multiple careers and multiple employers may have to take an even more aggressive stand with their financial advisors on preparing the security they will need at that time when eventually they either want to be ultimately flexible or, frankly, eventually stop work.

John Diehl: So, Joe, in kind of summing this all up, one thing I think about is our clients who are actually business owners or our clients who are executives, maybe you have institutional clients as a financial advisor who are responsible not only for managing the retirement plan but they also

have a day job of growing their workforce, making their workforce more productive, a lot of times we talk about the challenges of a five-generation workforce but what are some of the benefits that you envision?

And I know oftentimes we talk about the importance of making work fun, can you talk a little bit about what you mean by that and then just talk about how in a perfect world moving forward you could see organizations benefitting from this five-generation workforce.

Joe Coughlin:

Oh, absolutely. I think that the five-generation workforce while it has some shall we say significant bumps on the road is going to make for a much richer conversation. And that richness is the first benefit, that we are now going to have insights going across multiple decades. The idea that we had younger workers and older workers in the past was interesting but necessarily there was a generation gap.

Now, think about the following, we are going to have the insight and the experience because that's what generation is, it's not about your age, it's about what you've experienced and what you bring to your conversations and collaboration and to the community of work but we're now going to have a richness of insight from those crazy connected kids that are ever so digital to the older generation that understands that the org chart says something on paper but the org chart is something very different in practice in how a business runs.

We're also going to have something else, mentorship. For those of us that are boomers, not the way they may be thinking so mentorship in terms of, yes, bringing along those younger workers but, frankly, across a five-generation workplace, we are now likely to have reverse mentorship as well where maybe we're not so good at the technology at an older age but we're now going to be able to rely on that younger person who takes it just as a matter of breathing if you will on how to use a certain application or a certain tool or, frankly, increasingly inserting of robotic device in the workplace and, yes, mentorship the other way, how to develop business, how to run the business and the like so we're going to have insights, mentorship.

And then finally, engagement. I think one of the things that we're seeing across the generations is the desire to form community in the workplace for a shared value of not just productivity but getting a common goal done. And I think by having these different communications, by having the insights and by fostering both mentorship and reverse mentorship, it's not just going to better place to work that fosters wellbeing and community, it'll be a more productive workplace and, therefore, a more profitable workplace.

John Diehl:

Well, Joe, we're just about out of time for this episode but I wanted to say thanks and it's my guess, Joe, that we'll probably going to see some more research and some more papers and things like that coming from the MIT AgeLab on this idea of the future of work. Do you think that's right?

Joe Coughlin:

No, absolutely. I'd urge everyone to check out my book, The Longevity Economy, who addresses this in part but also as you know, John, I also write for Forbes and on Twitter where they'll be a lot of work like that and white papers that I'll be happy to be working with you on as well.

John Diehl:

Excellent, Joe. Well, thanks again, Joe, and thanks to all of you who are listening today and as you ponder your own future work and the impact on your practice, we look forward to speaking to you again on our next episode of the Human-Centric Investing podcast.

Operator:

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