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BUSINESSES: HOW ARE THEY PREPARING FOR THE AGING WORKFORCE?

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Introduction

Older workers (45 years and older) comprise 37 percent of the U.S. labor force.¹ Research suggests that many of these baby boomers are likely to postpone retirement. Given the sheer size of this population group, it is important to consider:

- How might the aging of the U.S. labor force affect business operations?
- Are employers “getting ready” for this important shift in the demographics of the labor force?

There are a number of examples of innovations at the workplace designed to promote positive employment experiences for older workers. AARP began recognizing the “Best Employers for Workers Over 50” in 2001.² The employers who have received these awards have developed a range of different approaches for engaging older workers at the workplace. In each instance, employers are offering choices of different work arrangements that simultaneously support work effectiveness and reflect the preferences of older workers. It is important to remember, of course, that the “Best Employers for Workers Over 50” are the “early adopters” who offer models of some best practices. Many other workplaces have not yet planned specific responses to the aging workforce. Recent survey data indicates that 45 percent of HR professionals in private businesses feel that their workplaces are “just becoming aware” of issues related to the potential labor force shortages due to the retirement of baby boomers.³

This Brief outlines the reasons why some employers view the employment of older workers as a business “opportunity,” potentially giving them a competitive advance in their industries.

How can older workers help employers meet important human resource needs?

Some employers who have experienced specific human resource challenges recognize the value of retaining, rehiring, and recruiting older workers.

1. Addressing Human Resource Priorities:

Employing older workers may help businesses address talent

shortages, recruitment challenges, and unwanted turnover. In addition, the presence of older workers may help employers to improve workforce performance.

“Pitney Bowes recognizes that the contributions of talented, seasoned employees are essential to the success of the company. We need to develop and implement innovative ways to retain these individuals and share their knowledge and experience.” *Edward Houghton, Director Workforce Effectiveness*

• **Talent Shortages:** Labor market economists anticipate shortages in specific occupations (e.g., engineering), in growth industries (e.g., technology), and in highly specialized fields. Some hospitals with nursing shortages, for instance, have looked to older workers and retirees to help them maintain the number of professional and skilled workers they need.

The Society for Human Resource Management (SHRM) reports that 43 percent of its members think that the loss of talent associated with the retirement of baby boomers is a “potential problem.”³ Small businesses and companies that do not have many opportunities for promotion may find that there are few junior employees in the pipeline when the more senior employees start to retire. Even large companies, such as Volkswagen of America and Westinghouse, have indicated that they are taking steps to ensure the transfer of knowledge from older workers to those who are next-in-line.⁴

One group of employers, which includes Procter & Gamble, has developed a collaborative approach for recruiting retirees for short-term assignments. This group has formed an organization, YourEncore, that matches employers’ needs for highly skilled workers with experienced retirees.⁵

• **Meeting Retention and Recruitment Challenges:**

Businesses in some industries, such as retail, as well as organizations in the social services sector, often have relatively high rates of unwanted turnover. Studies have found that turnover rates are lower among older workers when compared to employees of other ages. Borders Group has reported that the turnover rates among its employees 50 and older are just one-tenth the rate among employees under 30 years of age.⁶

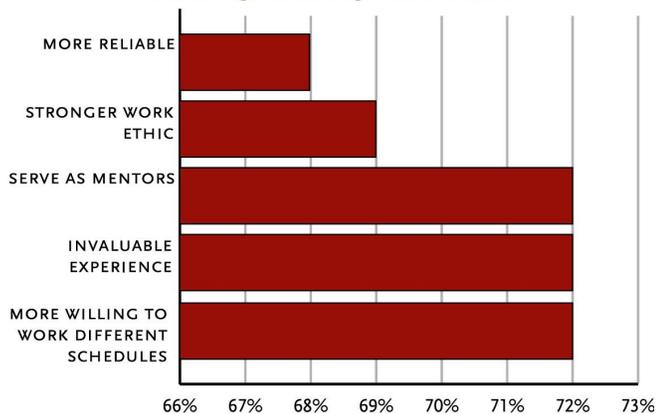
“If large numbers of our older workers all left at one time, our company would experience a significant loss of intellectual capital as well as the social capital connected to professional relationships. Furthermore, our experienced workers have institutional knowledge that is critical to our clients.”

Bill Albright, Director of Quality of Work/Life and Benefits, MITRE

Businesses in some regions of the country are experiencing difficulties recruiting enough qualified job candidates to fill open positions. Older workers — including former employees who have retired — might be interested in part-time work, contract work, and temporary work which help employers respond to fluctuations in personnel needs.

- **Performance and Productivity:** HR executives frequently comment that older workers are among their best workers. As indicated by the chart below, the Older Workers Survey conducted by SHRM found that businesses have observed a number of performance-related outcomes associated with the hiring and retention of older workers.

Advantage of Hiring Older Workers



Source:⁷ Collison (2003)

The Family and Work Institute reports that baby boomers are more likely to be work-centric and devote more hours to work than younger employees. In addition, the Institute found that job satisfaction among boomers was higher compared to younger workers.⁸ According to Harris Interactive, “Older employees are more likely than younger employees to have positive attitudes toward their work and their employers.”⁹

2. Aligning Older Workers’ Competencies with Business Strategies:

It is common for businesses to articulate key business strategies that leverage “factors for success.” There can be a win-win when business strategies (such as reaching out to specific markets, expanding to global business operations, or walking-the-talk of company values) link to the employment of older workers.

- **Market Niche & Customer Satisfaction:** Older workers can add particular value to customer relationships when “experience matters.” Businesses providing goods and services to older customers might also find that it is advantageous to have older workers represented in their work forces.¹⁰ AARP

notes some financial and health care industries have connected their employment strategies with their marketing to older customers and clients.² CVS, recently recognized by AARP as one of the “Best Employers for Workers Over 50,” has found a link between customer satisfaction and having a workforce that reflects its customers over 50 years of age.

“Older workers are important to the development of a diverse workforce, which helps in serving a diverse customer base that includes many older people.” *Stephen Wing, Director of Government Programs, CVS*

- **Responding to the Global Economy:** The global economy has introduced a number of new challenges to businesses, including the need to move toward a 24/7 workweek and an increased demand for travel. These new ways to work might appeal to some older workers. Seventy-two percent of the HR respondents to the Older Workers Survey indicated that one advantage to hiring older workers was their willingness to work different schedules.⁷ In addition, in comparison to mid-career employees, older workers may find it easier than younger employees to travel, as long as they are not the primary caregivers to dependents (such as elderly parents or spouses with medical needs or disabilities).

- **Connecting Business Practices with Company Values:** Companies across the country have made strategic commitments to values such as work-family issues, diversity, and corporate social responsibility. Some of these firms view the employment of older workers as one way to put their values into practice.

How are businesses responding to the needs and preferences of older workers?

As discussed in the Brief, “Older Workers: What Keeps Them Working?,” a majority of older workers want to extend their employment, but most want to have some choice and control over their work schedules, work hours, employment contract, and options for jobs and responsibilities.

1. **Having Some Choice in Work Schedules:** Many companies report that they offer flexible work options to their employees. SHRM found that 40 percent of the HR professionals responding to its recent Future of the U.S. Labor Pool Survey stated that their companies offer flexible schedules as one step to address possible workforce shortages.³ The Charles Stark Draper Laboratory has reported that 70 percent of its employees who use flexible work schedules are older workers.¹¹

2. **Having Some Choice Over the Number of Hours Worked:** The three most common forms of employment that allow older

workers to work on a reduced-hours basis are: part-time positions, job shares, and phased retirement. A recent SHRM survey found that 25 percent of the employers who participated indicated they offer employees options for reduced hours.³ Many of the companies recently recognized by AARP offer part-time and/or job share options.^{11;2}

Phased retirement is a special form of part-time work designed for older workers and includes "... any human resources program that allows older workers to reduce their work hours without changing employers and eases the transition into retirement...."¹² Hutchens found that approximately three-fourths (73 percent) of U.S. workplaces indicate that they would allow an older employee to reduce the number of work hours before their official retirement. However, only 14 percent report having a formal phased retirement policy that applies to all employees. Clerical and professional workers appear to have more access to phased retirement options than managers.¹³ The University of North Carolina established a phased retirement program for full-time tenured faculty, and since 1998, 455 faculty members have participated. This program is rated favorably by the faculty members; ninety-three percent of those who used it indicated that they would use it again.¹⁴ The Charles Stark Draper Laboratory, Inc. as well as Pinnacle West Capital Corporation, Bon Secours Richmond Health System, SSM Health Care, and St. Mary's Medical Center are companies on the AARP best companies list that offer this option.^{11;2}

3. Having Options to Work on a Project Basis: Alternative employment relationships can enable older workers to move in and out of the labor force. These arrangements include contract work, consultant work (where the employee is "self-employed"), and temporary work. The 2005 Future of the U.S. Labor Pool Survey found that 33 percent of employers offer options for project-based work.³

Although project-based work does not meet the needs of all older workers, The Conference Board Survey found that among the exempt (or salaried) older workers who indicated an interest in reducing their hours and who wanted to work part-time, more wanted to work either as contractors or consultants (even if that resulted in a loss of benefits) rather than as a part-time employee of the company. Men older workers (37 percent) were three times as likely as the women (12 percent) to indicate an interest in working as a consultant.¹⁵ Some surveys have found that approximately half of larger corporations have rehired some of their employees as consultants. Adecco Employment Services is one firm that hires back its retirees on this basis.²

Survey data indicate that a relatively small percentage (10 percent – 15 percent) of employers report that they maintain a pool of temporary workers comprised of retirees.¹⁶ Companies that have established retiree temporary pools include Adecco Employment Services, St. Mary's Medical Center and Hoffman-La Roche.^{17; 2} Aerospace Corporation, which hires its retirees as temporary workers for up to 1,000 hours to meet unanticipated staff needs, has adopted the practice of compensating its retirees at the rate of their old base salaries. Companies with temporary pools for retirees typically report

that there are many advantages of this practice. Cigna has indicated that it is beneficial for the company to have temporary workers who are familiar with business practices and who may already have relationships with some of the company's employees.¹⁷

4. Having Options to Take Career Leaves: The Family and Medical Leave Act mandates that all eligible employees working at workplaces covered by the provision of the law have access to unpaid family and medical leaves. In addition, some employers have established career leave policies, such as sabbaticals, that allow employees to cycle in and out of work while maintaining a formal status as an employee. Older workers interested in exploring the possibilities of starting their own businesses or pursuing new careers might find this option appealing. The Conference Board Survey of older workers found that 13 percent of those who had planned to retire in next five years stated that a sabbatical would keep them from retiring.¹⁵ Older workers at Pitney Bowes can use the company's Retirement Education Assistance Program to explore second career options or other interests.¹¹

5. Having Options to Consider Different Jobs and Different Sets of Responsibilities: Some older workers want to devote their later career years to jobs that either allow them to develop new competencies or are less demanding. These older employees may be interested in making transitions to different jobs within the company. Sometimes, these are either lateral moves or even moves to positions that result in a pay decrease. One recent survey found that 29 percent of the responding companies indicated they provide such opportunities.³ Deloitte and Touche, a management consulting firm, has redesigned career paths so that they better fit with the preferences of some of the firm's older workers.¹⁷ Company-sponsored training which emphasizes lifelong learning can help older workers to change jobs. AARP has noted that opportunities for training and job transitions are available at The Principal Financial Group and Deere & Company.²

6. Having Options to Work from Alternative Locations: Older workers may prefer to work from a different worksite, oftentimes because they want to reduce commuting time. Telework options enable employees to work from off-site locations (most often the employee's home). A few workplaces allow workers to periodically switch locations, sometimes on a seasonal basis. Borders Group, which includes the Borders retail book stores, has instituted a "passport" program enabling employees to work at more than a single location during a year. This flexibility can work well for older workers who live for part of the year in one home and reside in a different location for the remaining months but who want to maintain steady employment with a particular company. CVS and Home Depot have adopted similar practices.^{18;6}

Conclusions

In the future, businesses will be more likely to offer employment options to older workers if employers recognize the potential assets of experienced employees. Public policy debates should consider how different incentives could encourage employers to expand the availability of flexible work policies that support the quality-of-work/life of older workers as well as promote business effectiveness.

The Center on Aging & Work/Workplace Flexibility at Boston College, funded by the Alfred P. Sloan Foundation, is a unique research center established in 2005. The Center works in partnership with decision-makers at the workplace to design and implement rigorous investigations that will help the American business community to prepare for the opportunities and challenges associated with the aging workforce. The Center focuses on flexible work options because these are a particularly important element of innovative employer responses to the aging workforce. The studies conducted by the Center are examining employers' adoption of a range of flexible work options, the implementation of them at the workplace, their use by older workers, and their impact on business and older workers.

The Center's multi-disciplinary core research team is comprised of 14 social scientists from disciplines including economics, social work, finance, psychology, and sociology. The investigators have strong expertise in the field of aging and research. In addition, the Center has a workplace advisory group (SENIOR Advisors) that ensures that the priorities and perspectives of business leaders frame the Center's activities and a Research Advisory Committee that provides advice and consultation on the Center's individual research projects and strategic direction.

The Center is directed by Marcie Pitt-Catsoupes, Ph.D., and Michael A. Smyer, Ph.D.

Michael A. Smyer, Ph.D., is Dean of the Graduate School of Arts and Sciences and a Professor in the Department of Psychology at Boston College. A licensed clinical psychologist, he received his Ph.D. in personality and clinical psychology from Duke University and a B.A. in psychology from Yale University. Dr. Smyer was recently awarded the M. Powell Lawton Award for distinguished contributions to clinical geropsychology, sponsored by the American Psychological Association and the Retirement Research Foundation.

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For more information on Center staff and its advisory committees, please visit the Center's website at www.bc.edu/agingandwork.

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