Between a twentieth- and a twenty-first-century workforce: Employers at the tipping point

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Between a Twentieth- and a Twenty-First-Century Workforce: Employers at the Tipping Point

By Marcie Pitt-Catsouphes, guest editor

The name given to that one dramatic moment in an epidemic when everything can change all at once is the Tipping Point.
—Gladwell, 2002

The aging of the population is at last becoming visible to employers. The market orientation of many employers is shifting as they focus some of their business on older clients and customers. Employers are also beginning to realize that the twenty-first century-workforce will inevitably be different from the workforce of the twentieth century. For example, when employers look at their own employees, they see that a substantial proportion of their workforces may retire in the next five to ten years. As successive waves of baby boomers reach the retirement ages of 62–65, employers will more fully appreciate that our society has reached a tipping point with regard to the composition of the workforce. Forward-looking employers realize that they could encounter a human-capital crisis if they are not prepared.

This article examines the perspectives of those employers from the public, nonprofit, and for-profit sectors who can be considered “early adapters” to the aging of the workforce and the actions they have taken to prepare. The information was gathered as part of the Benchmark Study conducted by Boston College1. Information gathered from this group provides a look at emerging best practices.

What forward-thinking employers are doing to adjust.

Getting Off the Dime

Peter Drucker, one of the management “thought leaders” of our time, has observed the following: “Modern organization must be capable of change. Indeed it must be capable of initiative change, that is innovation. . . . Lack of ‘creativity’ is, therefore, not the problem of organization. Rather it is organizational inertia which always pushes for continuing what we are already doing” (1992, p. 193).

So, why are some employers getting ready to take advantage of opportunities associated with the aging of the workforce while others appear to be dragging their feet?

Motivation for change may come from pressures that originate either from the inside or the outside of the organization (see Goodstein, 1994). For example, staffing shortages or anticipated problems with knowledge transfer from older to younger workers might propel some employers to take steps to get ready for the aging workforce. Other employers might track trends at their workplaces, such as changing demographics of their workforces, so that they can
get early signals about changes on the horizon. More than half of the early-adapter respondents to the Benchmark Study reported that at the time of the study, their organizations had experienced an increase over the past year in the percentage of workers between the ages of 55 and 65 years.

There are many possible reasons that some employers have not yet started to plan for the aging of the workforce. For example, the aging of the workforce may not in fact be an urgent issue for some organizations (see Oxford Institute of Ageing, 2006, pp. 11, 12). Other organizations may face the traditional barriers to organizational change, including the not uncommon discomfort with new ways of thinking and new approaches to getting work done, specific workplace cultures that resist change, a lack of understanding of the business opportunities that could be associated with the aging of the workforce, and differences of opinion about the change strategies that can best leverage those opportunities (Schiemann, 1996).

In an effort to gain a better understanding of specific situations that might heighten employers’ awareness of the aging of the workforce, we asked the Benchmark organizations about the extent to which they were experiencing particular human-resource challenges that might affect their receptivity to the full engagement of older workers.

Figure 1 provides information about the challenges experienced to a “moderate/great extent” by one-third or more of the respondents.

Recruitment was among the top five human resource challenges noted by the Benchmark organizations, as was unwanted turnover. The Benchmark organizations estimated that, on average, it costs $41,500 to replace an employee.

Even though more than half of the Benchmark organizations reported that knowledge transfer is a challenge, 41 percent had either not developed processes to transfer institutional memory/knowledge “at all” or had only developed these processes to a “limited extent.”

**Organizational Pain: A Motivator to Get Ready**

Employers may want to consider how the aging of the workforce might help them to address their top human-resources challenges such as unwanted turnover, recruitment, knowledge transfer, providing effective supervision as well as gaps in specific types of employee skills and competencies. For example, older workers are more likely than younger workers to indicate that they plan to stay with their current employers. This finding could be good news to employers trying to reduce unwanted turnover.

**Taking the First Steps**

Organizations often do take steps to bolster their readiness for possible changes that seem to be on the horizon. Examples of steps taken
to prepare to respond to the aging of the workforce include analyzing workforce demographics, examining the projected retirement rates for current older workers, and assessing employees’ career preferences and plans. The Benchmark Study found that approximately four of every ten respondents from the Benchmark organizations had analyzed the demographic makeup of their workforces to a “great” extent.

In addition, 76 percent of the respondents indicated that their organizations had made projections about the expected retirement rates of their workers to a “moderate” or “great” extent. On average, the respondents stated that they expect that 16 percent of their employees will retire over the next four years (by 2010). Finally, two-thirds (66 percent) of the Benchmark employers indicated that they had assessed their employees’ career plans and work preferences, to a “moderate” or “great” extent.

The Possibilities of Age Diversity
How ready are employers to leverage the possibilities of age diversity? Employers’ efforts to recruit, retain, and engage employees at all career stages, and a commitment to promoting them, offer indicators of the extent to which employers value age diversity. While some organizations are beginning to realize that older workers can be assets, others have not yet embraced the concept of valuing age diversity and the inclusion of older workers.

Efforts to recruit. When organizations hire new employees, they have opportunities to select individuals who bring a range of diverse talents, experiences, and perspectives that could help the organization meet its current and anticipated human-capital needs. Research suggests that older workers may encounter more discriminatory employer attitudes during the hiring process than do their younger counterparts (Lahey, 2005). In contrast, half (53 percent) of the “early adaptors” in the Benchmark Study said that it was “not true” that their organizations are reluctant to hire older workers. However, as shown in Figure 2, the respondents to the Benchmark Study were more likely to indicate that their organizations had taken steps to recruit both men and women and to recruit employees with diverse cultural backgrounds “to a great extent” than to recruit for age diversity.

Efforts to retain and engage. Recruitment is, of course, just one strategy for maintaining age diversity in the workplace. Employers also need...
to consider how they might encourage diverse groups of valued employees to remain with the organization rather than leaving and possibly going to work for a competitor. The findings of the Benchmark Study are sobering on this account: The employers indicated that they are more than twice as likely to encourage (to a “moderate/great extent”) early-career employees to remain with their organizations than late-career employees.

One indicator of employers’ efforts to engage older workers is their interest in encouraging them to remain with the organization past the normal retirement ages of 62–65 years. About one-third of the Benchmark organizations reported that they had, to a “great extent,” adopted strategies to encourage late-career employees to work past the normal retirement age.

Training can be an effective way for employers to help employees keep their skills current and remain engaged at work. A majority of the Benchmark Study respondents reported that their organizations have increased training and cross-training for employees at all stages of their careers, but they were somewhat more likely to indicate that their organizations have done this to a “great extent” for employees in their early-career stages (77 percent) and mid-career stages (71 percent) than for those in late careers (59 percent).

Efforts to promote. Promotions create opportunities for the renewal of the employer-employee contract, reaffirming their commitment to each other. The Benchmark employers (56 percent) were less likely to report that their organizations had taken steps to a “moderate/great extent” to promote employees of various ages equitably than to promote employees with diverse cultural backgrounds (61 percent) equitably or to promote men and women equitably (71 percent).

Valuing the Diversity of a Multigenerational Workforce

Organizations that truly value diversity demonstrate the conviction that workforce diversity can result in tangible benefits to organizations and that the benefits of diversity far exceed any challenges associated with the differences when managed in a thoughtful manner. Many employers across the country have recognized the advantages of ethnic and gender diversity in the workforce, and studies suggest that quality diversity initiatives can align with an organization’s efforts to promote innovation, problem solving, and effective marketing and sales (see Jayne and Dipboye, 2004).

The Benchmark Study gathered information about employers’ perceptions of age diversity at the workplace. The study used the designation of career stages rather than age, emphasizing employees’ experience and competence levels.

Age Diversity as an Advantage

It is important to emphasize that individual employees at any particular career stage might or might not exhibit the characteristics of coworkers who belong to the same generation. The information included in the table above suggests that employees at different career stages—as groups—might bring different strengths and challenges to the workplace. Organizations experiencing specific types of challenges related to the management of human capital might find it advantageous to develop strategies related to recruiting and retaining older workers as one strategy for maintaining age diversity.

We recognize, of course, that there can be important differences between age and career stage. As one of the respondents observed, age of employees in different career stages “will vary depending on the age when the employee enters..."
the . . . workforce. If 35 and one year of service, an employee could be in their early career . . . We use scope and depth of experience . . . to determine if [position title] is entry, mid, or high level . . . “As a group, the participants in the Benchmark Study suggested that they associate the term early career with employees between the ages of 21 and 31, mid-career with those between the ages of 31 and 48, and late career as those age 50 and older. Of course, caution must always be exercised when discussing the attributes—positive or negative—of any employee group. Ascribing general characteristics of groups of employees to individual employees without considering the important variations within groups almost always produces negative consequences. Clearly, it would be contrary to the principles of valuing diversity, which aim to debunk myths and negative stereotypes, if discussions about generational differences were to result in the creation of new stereotypes about employee groups of different ages.

Participants in the Benchmark Study reported their perceptions of the characteristics that are associated with employees who are in early-career, mid-career, and late-career stages. As indicated by Table 1 below, more than 50 percent of the respondents to the Benchmark Study said that late-career employees tend to take initiative, be loyal to the company, be reliable, have established networks of professional colleagues, have high skills relative to what is needed for the job, have strong work ethics, and have low turnover rates.

### Table 1

<table>
<thead>
<tr>
<th></th>
<th>Early Career</th>
<th>Mid-Career</th>
<th>Late Career</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our employees take initiative.</td>
<td>53% very true</td>
<td>47% very true</td>
<td>53% very true</td>
</tr>
<tr>
<td>Our employees are creative.</td>
<td>56% very true</td>
<td>47% very true</td>
<td>35% very true</td>
</tr>
<tr>
<td>Our employees are loyal to the company.</td>
<td>18% very true</td>
<td>53% very true</td>
<td>35% very true</td>
</tr>
<tr>
<td>Our employees are productive.</td>
<td>41% very true</td>
<td>53% very true</td>
<td>47% very true</td>
</tr>
<tr>
<td>Our employees are reliable.</td>
<td>35% very true</td>
<td>56% very true</td>
<td>75% very true</td>
</tr>
<tr>
<td>Our employees have established networks of professional colleagues.</td>
<td>18% very true</td>
<td>53% very true</td>
<td>59% very true</td>
</tr>
<tr>
<td>Our employees have established networks of clients.</td>
<td>13% very true</td>
<td>27% very true</td>
<td>47% very true</td>
</tr>
<tr>
<td>Our employees have high levels of skills relative to what is needed for their jobs.</td>
<td>31% very true</td>
<td>56% very true</td>
<td>56% very true</td>
</tr>
<tr>
<td>Our employees have a strong work ethic.</td>
<td>29% very true</td>
<td>47% very true</td>
<td>65% very true</td>
</tr>
<tr>
<td>Our employees have low turnover rates.</td>
<td>12% very true</td>
<td>35% very true</td>
<td>65% very true</td>
</tr>
<tr>
<td>Our employees want to lead and supervise others.</td>
<td>24% very true</td>
<td>29% very true</td>
<td>29% very true</td>
</tr>
</tbody>
</table>

EMPLOYEE BENEFITS AND POLICIES

In general, the Benchmark organizations offer comprehensive benefit options to their employees.
In addition to the somewhat standard menu of employee benefits, this study also found that the Benchmark employers had created some benefit provisions that might have particular appeal to their late-career employees. Some examples are the following:

• A majority (80 percent) of the Benchmark organizations allow retirees access to at least some benefits.

• Half of the Benchmark organizations allow employees who are grandparents access to at least some employee benefits for the care that they provide to their grandchildren.

• Half of the Benchmark organizations stated that they have formal policies or programs to rehire retirees, with another third indicating that they do rehire retirees, although they have no formal policies for doing so.

A majority of workers—at all career stages—express preference for having access to flexible work options (Corporate Voices for Working Families, 2005). The preference for flexible options is particularly pronounced among older workers.

**The Power of Attitudes**

Workplace attitudes and values affect organizational decision-making as well as employee job satisfaction. The Benchmark survey included questions about several different dimensions of workplace culture, including multigenerational respect. Of course, virtually all employees want to be treated with respect at the workplace, regardless of the stage of their careers. The aging of the workforce and the presence of four different generations at the workplace have spurred conversations about workplace attitudes and values with regard to different generations of workers. Three-fourths of the Benchmark organizations offer supervisor training about managing a multigenerational workforce. More than half of the respondents said it was “true” that their organizations understand the importance of treating employees at all stages of their careers with respect and recognize the accomplishments of employees at all stages of their careers.

**Conclusion**

The Benchmark organizations can be viewed as explorers at one of the frontiers of the twenty-first-century workplace. These organizations are early adapters to the aging of the workforce and early adopters of innovative practices—thus, they set the standards early.

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**NOTE:** The Boston College National Study of Business Strategy and Workforce Development was implemented in two phases. Phase I, the part of the study discussed in this article, is the Benchmark Study, in which 136 “leading edge” workplaces were invited to participate. Representatives from twenty-five organizations provided information, for a response rate of 18 percent. The “average” respondent organization is a for-profit business with 28,635 (mean) employees (ranging from 456 to 148,000 employees). The respondent organizations are affiliated with a range of industry groups, with the largest numbers of respondents in healthcare and social assistance, professional, scientific, or technical services, and manufacturing. Approximately three-fourths of the employees are full-time employees (mean). On average, the employers report that about one-third of their employees are 40 years of age or older and that the retirement age of employees working at the Benchmark organizations is 65 years. Readers should keep in mind that these respondents are among the cutting-edge organizations in the area of aging and work. Therefore, the organizations described in this report are not “typical” workplaces. Given the small sample size, the findings are similar to insights that might be gained from case studies.

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**REFERENCES**


