

# Older workers: What keeps them working?

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**OLDER WORKERS: WHAT KEEPS THEM WORKING?**

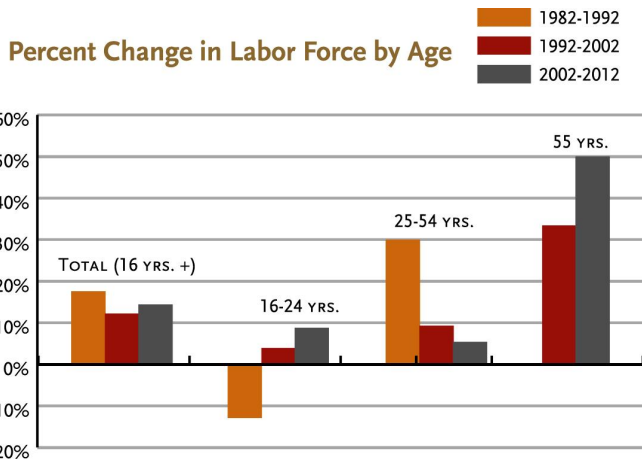
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**Introduction**

Many economists anticipate that workplaces across the U.S. will experience labor force and talent shortages over the next 15 years. Given this forecast, it is interesting to note that approximately four of every five baby boomers think they will work past the “normal retirement age,” either because they want to or because they need the additional income. This expected increase in the labor force participation of older Americans, suggested by the chart below, could alleviate tight labor markets.



Source: Toosi (2004)

This paper examines some of the important reasons that a greater percentage of today’s older workers are more likely to continue to work than their counterparts did during the last several decades. Older workers’ preferences for different types of work arrangements are also discussed.

**Why will older workers work past the “traditional” retirement age?**

A number of factors “pull” older workers into (or back into) the workforce while others “push” them into retirement. In addition to their chronological age, these factors include: the stability of their financial resources, their physical and mental well-being, their satisfaction with work and the work environment, and their personal and family life situations.<sup>2</sup> Some older Americans will “have” to continue to work, whereas others will “want” to extend their participation in the labor force.

“If people continue to retire in their early 60s, they will not have enough money to comfortably support themselves in retirement. Combine the retirement income crunch with the dramatic increase in life expectancy, continued employment in later life appears like a promising option for ensuring the financial security of older Americans.” *Alicia Munnell, Director, Center for Retirement Research at Boston College*

**1. Working for increased financial security.**

For nearly half a century, older Americans have been exiting the labor force in their early- to mid-sixties, and many have been able to support themselves with Social Security plus income from pensions, savings and investments, and earnings from employment.<sup>3</sup>

Older workers’ assessments of their own financial resources (and those that they anticipate having in the future) affect their decisions about how long they plan to participate in the labor force. Two-thirds (68 percent) of the older workers responding to a recent Conference Board Survey who said that they plan to continue to work for at least five more years reported that their financial needs strongly affect their decisions about continuing to work.<sup>4</sup>

During the past decade, researchers and social commentators have warned that several aspects of the changing economics of retirement may well alter the employment decisions made by older Americans.<sup>5</sup>

- First, current Social Security debates cause older workers to question whether the age of eligibility for benefits will rise and what the level of their benefits will be.<sup>6</sup>
- Secondly, there have been significant changes in the structure of pensions. It is important to note that nearly half of all U.S. employees do not have any type of workplace-based pension plan, either those created and funded by employers or those funded primarily by investments made by the employee.<sup>7</sup> Among those who do have access to workplace-based pensions, a smaller percentage of employees have access to employer-sponsored “defined benefits” pension plans (pension plans created and resourced by the employer) in comparison to 20 years ago. As indicated by the following chart, most employers have changed their pension plans to “defined contributions” that depend on employees’ ability to put aside sufficient savings for retirement.

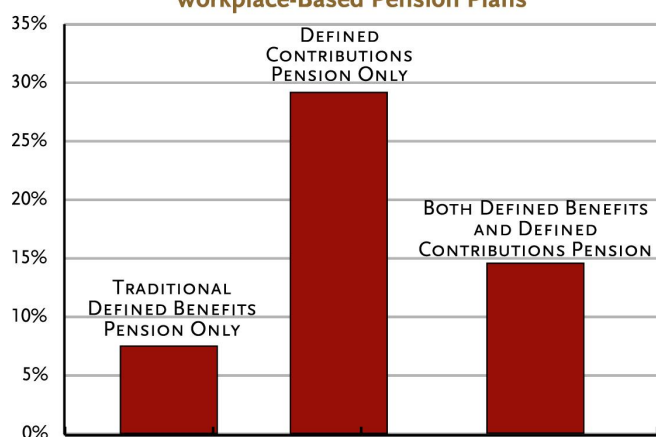
**Exactly who are older workers?** The definition of who is (and who is not) an older worker remains elusive. Unfortunately, inconsistencies in the definitions used to designate older workers make it difficult to compare and contrast demographic predictions, the findings of research, and the analyses of policies.

**Older Workers as a Protected Group:** The 1967 Age Discrimination in Employment Act (ADEA) protects workers who are 40 years of age or older. This age is also a threshold when employees might perceive that opportunities for training and development at the workplace seem less available to them.

**Access to Retirement Benefits:** The “normal” (or normative) retirement age when older workers can begin to receive Social Security benefits is currently 65 (for those who turned 62 in 2000). This age will gradually increase to 67 in 2022. Pension plans are typically linked to the normal retirement age. However, it is important to recognize that the 62–65 age bracket is a marker of the beginning of retirement but not the beginning of a phase of life and career as an older worker.

**Public Perception:** Respondents to the 2000 American Perceptions of Aging in the 21st Century Survey felt that men are considered to be “old” at a median age of 70 years compared to 75 years for women. Only 14 percent of the respondents felt that chronological age was the primary indicator of old age, while 41 percent felt that declining physical activity and 32 percent that declining mental functioning were the single most important markers of old age.

**Private Sector Employee Access to Workplace-Based Pension Plans**



Source:<sup>8</sup> Powell (2005)

- Third, a number of economists have commented that Americans, in general, and older Americans, in particular, may not have the savings they will need to support themselves for the duration of their retirement.<sup>9</sup>
- Finally, it is important to remember that financial security is a balance between financial assets and expenses. Today’s older workers not only worry about the possibilities of an insufficient amount of financial resources, but they also have concerns about rising costs of living, particularly the costs of health care. The Employee Benefits Research Institute has reported that 43 percent of workers who plan to work in retirement say they will do that in order to keep health insurance or other benefits.<sup>9</sup>

## 2. Working to keep healthy and active.

In years past, when most jobs were physically demanding, older workers often left the labor force because they no longer had the physical stamina required. Even today, poor health can “push” some older workers into retirement earlier than expected.<sup>10</sup> However, the percentage of jobs that are physically demanding has decreased over the past several decades.

In addition, larger proportions of those in their late–midlife and senior years will be healthier and more active when compared to those in earlier generations. Indeed, a majority of older

Americans 65 and over report that they are in “excellent” health, and it is widely expected that tomorrow’s older Americans will be even healthier.<sup>11</sup> Thus, more older Americans may be able to pursue a wider range of life activities, including remaining in the labor force for extended periods of time.

“Quality” jobs may offer ameliorative physical health and mental benefits to older workers. Moen and her colleagues asked “retired” individuals who worked for pay why they did so.<sup>12</sup> They found that while the need for income was the primary reason, nearly half of the study respondents commented that they also wanted to keep active. Research has also consistently found a direct relationship between employment and life satisfaction of individuals aged 65 years and older. It is significant to note that this relationship is found even when important variables such as income, age, and health are controlled.<sup>13</sup> A recent AARP survey found that 91 percent of workers 45 years and older say that working helps keep people healthy and active.<sup>14</sup>

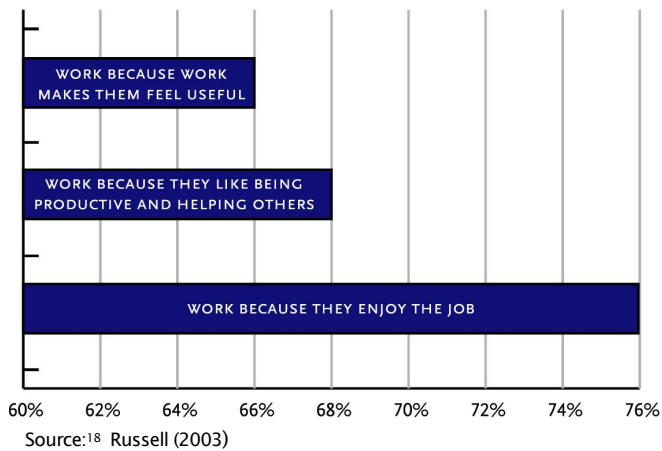
Studies have also made one thing clear: involuntary job loss (often framed as involuntary retirement) has a negative impact on the physical and mental health of older workers.<sup>15</sup>

## 3. Working because it is enjoyable.

The rewards of working can encourage older workers into extended labor force participation. And, the reverse is also true; that is negative work experiences tend to “push” older workers into retirement.

A 2005 survey conducted by Harris Interactive found that 59 percent of older workers (over 55) agreed or strongly agreed that “A good deal of my pride comes from my work and career” in comparison to 37 percent of those 18–34 years and 48 percent of those between the ages of 35–54.<sup>16</sup> A desire to keep working is expressed even among some of the most highly paid executives. Fifty-one percent of executives earning \$100,000 or more a year state that they plan to work after retirement, with just 18 percent anticipating going to full–time retirement.<sup>17</sup> As suggested by the following graph, which highlights some of the non–monetary reasons that older workers plan to continue to work, AARP found that a majority of older workers (45 years and older) see their jobs intrinsically enjoyable.

### Selected Non-Monetary Reasons for Working Longer



#### 4. Working as a strategy to help with family responsibilities.

Family responsibilities may also influence older workers' decisions about continuing employment. The Conference Board found that approximately 23 percent of older workers care for a parent, 22 percent care for a spouse, 21 percent care for a school-age child, and 8 percent care for "another" (including financial responsibilities for a college-age child).<sup>4</sup>

In general, older workers who have responsibilities for dependent family members or kin are less likely to retire and withdraw from the labor force.<sup>19</sup> The Employee Benefits Research Institute reports that 21 percent of workers who expect to work during their "retirement" years anticipate making this decision so that they can help to support children or other family members.<sup>9</sup> Only two percent of the respondents to The Conference Board survey listed their caregiving responsibilities as a reason for retiring.<sup>4</sup>

#### What are older workers' preferences and priorities?

Although a majority of older workers say that they want to work, they may not want to hold a full-time, full-year job. Older workers report that they prefer to have some flexibility in the scheduling of their work hours, flexibility in number of hours they work (on either a weekly or on an annual basis), and flexibility to take personal leaves and professional leaves (i.e., sabbaticals), in addition to family and medical leaves. Experienced employees also want some flexibility and options for the job responsibilities assigned to them, the positions that might be offered to them, and the career paths available to them.

Older workers, particularly those who do not need the income from a full-time job, often report they would like to work for fewer hours than they did during their mid-career years. Unfortunately, this option is not widely available. For example:

- A 2004 survey of older workers conducted by Watson Wyatt Worldwide found that more than 60 percent of older workers wanted to work fewer hours during the later stages of their careers; however, less than half of these respondents expected

this option to be available to them.<sup>20</sup>

- Recent analysis of data from the Health and Retirement Study (a study which gathers information from older Americans) found that "Among current employees, 85 percent of men and 65 percent of women usually work 35 or more hours for 50 or more weeks per year. Of these full-time workers, relatively few say they could reduce their regular work hours on their current job. About three-quarters of men and women say it would not be possible."<sup>21</sup>

Phased retirement is a special type of part-time work arrangement designed specifically for older workers. Phased retirement is a process that allows an older worker to gradually reduce the number of work hours worked each week or the number of work weeks over a period of time. Usually, older workers negotiate a phased retirement with the organizations where they worked before moving into phased retirement. (If the older worker has to change jobs in order to find employment for fewer hours, the new job is sometimes called a "bridge job.") One survey of older workers (50–70 years old) found that one-third of the respondents said they would postpone retirement if they were offered phased retirement.<sup>20</sup>

Some older workers express interest in the availability of flexible employment contracts that offer choices of either long-term or project-based work, perhaps as consultants or temporary employees. Flexible employment contracts make it possible for older workers to enter, exit, and re-enter the labor force in a fluid manner. The Conference Board found that among exempt (salaried) employees who indicated an interest in reducing their hours and working 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. Male older workers (37 percent) were three times as likely as the women (12 percent) to indicate an interest in working as a consultant.<sup>4</sup>

How much does flexibility matter to older workers? The Conference Board reports nearly half of the respondents to its recent survey stated that more flexibility "...would prevent them from retiring."<sup>4</sup>

#### Conclusions

There is a significant likelihood that baby boomers will work past the current normative retirement age. Indeed, changes in public policy may make it necessary for many older Americans to extend their participation in the labor force. As the public and private sectors consider options for recruiting and retaining older workers, it is important to remember that the population of older workers is a very diverse group with different employment histories and preferences.

The successful labor force participation of older Americans will require that there is a good "fit" between the priorities and preferences of older workers and the employment options that are actually available at the workplace.

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-Catsouphes, 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](http://www.bc.edu/agingandwork).

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