



## **Strategies to Employ and Retain Older Workers**

**PRESENTED BY:**

Donald L. Davis, Vice President  
Workforce Development, National Council on Aging

**DATE:**

September 24, 2008

**MEETING:**

Forum on North Carolina's Aging Workforce  
Brownstone Hotel  
Raleigh, North Carolina

## **Outline of Presentation**

- I. Overview of the Older Worker Demographics**
- II. Myths about Older Workers**
- III. Current Employer Strategies for Hiring/Retaining Older Workers**
- IV. Strategies by Government and Other Service Providers to Enhance Employment Opportunities for Older Adults.**
- V. Educating Employers on the Value of Older Workers**
- VI. Future Outlook for Older Workers**

## **Overview of the Older Worker Demographics**

As the U.S. population ages and the number of people reaching traditional retirement ages increases, employers may need to do more to attract and retain older workers, many of whom are highly experienced, knowledgeable, and skilled. In order to successfully attract older workers, however, employers may need to rethink traditional workplace practices. For several years, research studies have concluded that many older people prefer part-time work in order to enjoy more relaxed lifestyles and pursue leisure activities. In contrast, other older persons need flexible schedules to accommodate family care responsibilities or their own physical limitations. Many older people can afford to reduce their work hours only if they have access to employer retirement benefits. Policies that prevent part-time workers from collecting retirement benefits from their current employer often force older workers to leave their career job and work reduced schedules elsewhere, squandering firm-specific skills accumulated over long careers.

By 2014, an estimated 34 million persons aged 55+ workers will comprise more than 20 percent of the workforce. It is further projected that by 2020, when all Baby Boomers will be 55 years or older, people in the 55 to 64 age group will represent 15.3% of the labor force, compared with 9.9% in 2000. The median age of the labor force is an indication of how old the workforce is and will be in the future. The median age of the labor force was 40.5 years in 1962; the highest level attained prior to Baby Boomers entering the labor force. It dropped steadily until 1980, and since then it has been rising, to 36.6 in 1990 and 39.3 in 2000. The median age is expected to return to its

1962 level, 40.6 years in 2010. As a result of these current and future demographic changes, America needs to better plan and prepare for an aging workforce that presents both a challenge and opportunity to employers and the country's vast workforce network of providers and advocates.

### **Myths about Older Workers**

Unfortunately, many older individuals have brought into the negative myths about older workers. Misconceptions about the value of older men and women and misconceptions about business's attitude toward hiring and retaining older workers have discouraged many older workers from seeking employment.

Age discrimination existed in the past and continues to serve as a barrier today despite laws that make it illegal, but older Americans should be aware of the immense progress that has been made in eliminating ageism from the workplace. Although the law has been a factor, the real reason that so many businesses have done a complete about-face and welcomed the older worker can be summed up in one sentence: "It makes good business sense."

In addressing the current plight of older workers it is insightful to briefly recite 9 myths and 14 simple truths about utilization of older people in the workplace:

#### A. Myths About Older People in the Workplace

1. Less productive than younger workers
2. Cost more to employ
3. Not motivated – just biding their time
4. Preoccupied with the past; little interest in the future.

5. Old-fashioned values, traditional thinkers, and overly conservative
6. Mentally and physically impaired
7. Often ill and absent from work
8. Resistant to change
9. Unable to learn new skills and new ways of doing things.

#### B. The Simple Truth – Older Adults Make Better Employees

1. Dependable – lower absenteeism
2. Able to relate to others
3. High level of productivity
4. Require less supervision
5. Less drug and alcohol use than with younger people
6. Stability that comes with maturity
7. Willing to work part-time and flexible hours
8. Strong work ethic
9. Waste less time on the job
10. High level of writing and math skills
11. Highly motivated
12. Willing and able to learn and acquire new skills
13. Less distracted by outside interests
14. A lifetime of experience dealing with people and changing conditions

The aforementioned myths and realities pursuant to older workers along with the extensive research results on learning success for older adults are encouraging in that they indicate older adults are able to learn new skills, even ones involving new technology. Nonetheless, older adults are typically slower to acquire those new skills than younger adults. Some of the slowing in learning new tasks may be attributable to older adults' preference for accuracy over speed, with the reverse holding true for younger adults. The literature indicates that training interventions can be successful in terms of improving performance.

## **Current Employer Strategies for Hiring/Retaining Older Workers**

Existing employer efforts to improve hiring and retention of older workers include creating flexible work arrangements and offering formal as well as informal phased retirement options.

1. Flexible Work Arrangements: may appeal to older adults who no longer wish to work traditional full-time schedules, either because of additional personal obligations (such as the need to care for aging parents or spouses or to help with grandchildren), worsening health, declining physical energy or stamina, or a preference to sacrifice some income for more control over their time without giving up paid employment entirely. Some older workers with sufficient savings or access to pension benefits can maintain their living standards with lower earnings.

Flexible work arrangements may include options as follows:

- Part-time employment;
- Flexible work schedules, including flextime (which grants employees some control over the timing of the workday) and compressed work schedules (which permit employees to work longer days but shorter weeks);
- Job sharing;
- Changing jobs within the company, which can facilitate shifts to part-time work and offer new opportunities to older employees seeking new challenges;

- Telework arrangement, which enable employees to work from home or teleworking centers, closer to home than their normal workplace. These arrangements require appropriate workplaces free from distractions with necessary communications equipment. They are not appropriate for all jobs, such as those that require equipment that cannot be placed in individual homes and those that entail face-to-face interaction with customers or fellow employees; and
- Snowbird programs, which allow employees to shuttle between two locations seasonally. These arrangements are economically viable for large organizations in such sectors as retailing and health care services with customer bases that also migrate over the course of the year. For example, CVS/Caremark is a major innovator in developing snowbird programs. CVS employs many older workers in their northern retail outlets in the summer and their southern stores in the winter. About 300 older workers participate in the snowbird program each year. Between the early 1900s, when CVS initiated the program, and 2005, the share of its workforce older than age 50 increased from 7 to 17%.

2. Phased Retirement Options: many workers prefer to phase into retirement gradually with their current employers instead of changing employers or moving directly from full-time work to full retirement. However, traditional defined benefit (DB) plans inhibit these arrangements. Many older employees cannot afford to reduce their work hours unless they can draw on their retirement benefits, but

federal law restricts employers' ability to pay benefits from DB plans to workers who remain on their payrolls. Nevertheless, the movement by many private employers from traditional DB plans to defined contribution retirement plans and hybrid plans (such as cash balance plans) that do not discourage work past the traditional retirement age should make phased retirement options easier to implement. Some employers are also pursuing other strategies to accommodate their workers' interest in phased retirement, such as allowing employees to continue working without losing traditional pension benefits, creating formal plans to move older employees to part-time work, rehiring retired employees as part-time workers, and using former employees as contractors.

- **Deferred Retirement Option Plans (DROPs):** permits DB pension plan participants to work beyond their plan's retirement age without forfeiting pension benefits. When a worker reaches retirement age, the employer deposits into a DROP account the pension benefits it would have paid if the employee had retired. The employee later receives the benefits with interest when he or she stops working. DROPs have been instituted in many public school districts facing teacher shortages, but legal complications have limited their use in the private sector.
- **Transition to Part-time Employment for Older Workers:** before enactment of the Pension Protection Act of 2006 (PPA), IRS regulations did not permit firms to pay retirement benefits from DB plans before termination of employment, except in a limited way. PPA permits payment of benefits to in-service workers

who are age 62 or older, although new regulations under PPA are still pending. Even before this change, some firms have been able to institute programs that permit older workers to reduce their hours gradually while still receiving some pension and health benefits. Other employers are able to meet regulatory requirements and pay retirement benefits to older workers by terminating the employees and rehiring them part-time. The law is unclear about what constitutes termination of employment, but it would seem that some time would need to elapse between terminating and rehiring before the former employee could be considered a new hire.

- **Hiring Former Employees as Independent Contractors:** serves as an alternative to paying pension benefits to active employees and thus permits the employer to terminate employment and then rehire the former employee as a consultant or independent contractor. Although independent contractors do not receive employer benefits, they can receive full retirement benefits while working for their previous employer. Despite the lack of any restrictions on paying pension benefits to former employees who are independent contractors, issues do arise in determining whether the provider of labor services is really an independent contractor.

### **Strategies by Government and Other Service Providers to Enhance Employment Opportunities for Older Adults:**

Federal, state, and local governments, as well as nonprofit organizations and post-secondary educational institutions, provide assistance to older workers

in finding employment as well as securing job training and educating employers about the value of older workers. The Workforce Investment Act of 1998 (WIA) adult and dislocated worker programs, delivered through a system of One-Stop Career Centers, and the Senior Community Service Employment Program (SCSEP) are two of the Federally funded programs that provide on-the-job-training, job search, job development, job assessment, and job placement assistance to older workers. However, SCSEP services are restricted to low-income or economically disadvantaged older adults age 55 and above. Additionally, nonprofit organizations and community colleges are developing initiatives to help older workers return or remain in the workforce.

### **Educating Employers on the Value of Older Workers:**

Many states, local workforce agencies, community colleges, and advocates for older adults have initiated campaigns to educate employers and industry associations about the benefits of hiring and retaining older workers. States working to educate employers and develop partnerships to improve employment opportunities include your great state of North Carolina, Arizona, Arkansas, and Iowa. For example, the State of Arizona has developed the “Mature Workforce Initiative” which features a “seal of approval” to identify businesses that are friendly to older workers and a pilot program to connect business with older workers through all One-Stop Career Centers in the State.

### **Future Outlook for Older Workers:**

The key issue for future employment prospects is to determine how the business community will respond to the increased availability of older

workers. At present, few employers have actively begun to recruit older workers, primarily because they do not yet foresee worker shortages. The industries that have most vigorously recruited older workers, such as health care and energy, already face severe labor shortages. As the population ages and worker shortages develop, more employers may adapt workplace policies to appeal to older people.

Current practices by some employers raise additional concerns about how older workers might fare in the future. Many Americans claim that older people face discrimination in the labor market, and several studies have found that employers prefer younger workers over older workers. Unless changing demographics or public awareness campaigns lead employers to change their attitudes, many older workers may continue to encounter problems finding gainful employment. Nevertheless, I remain confident that initiatives and partnerships developed by states and advocacy groups such as my employer, the National Council on Aging, to educate employers about the benefits of hiring older workers may help older job applicants overcome employment barriers.

Future employment prospects may be least promising for older workers with limited skills. The steady deterioration over the past quarter century in the earnings capacity of workers with limited education does not bode well for the employment prospects of low-skilled workers at any age, but older workers with few skills may be especially vulnerable. Because workers with less education work disproportionately in physically demanding jobs and experience more health problems than those with more education, low-skilled older adults may be less physically able to work than other older

people. Employer surveys indicate that managers are less likely to embrace older rank-and-file workers than older professionals. Accordingly, employment and training programs funded by WIA and SCSEP may be critical to safeguarding financial security for people struggling in the labor market, particularly those with low skill levels. As the population ages, more older workers are likely to demand these services, especially intensive counseling and training that require more staffing and other resources than basic job search assistance. Without additional funding, the rising demand by older workers will strain these employment and training programs. For the past few years, nevertheless, funding levels for these programs have not even kept pace with inflation.

In conclusion, it is critical that we continue to promote older worker employment and training opportunities by supporting sufficient funding for programs serving older workers, improving retirement and financial literacy among older people, and increasing public awareness of the advantages that older people can offer employers.