The Aging Workforce:
Four Steps to Maximize Older Workers in Your Organization

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Introduction

T he globe is aging at an alarming rate. According to a January, 2014 study released by the Pew Research Center, the global population of people age 65 and older will triple to 1.5 billion by mid-century. Many world leaders are growing increasingly concerned about what the impact of the aging population will mean to their country's economies as they consider pension and health care systems, social security systems, and more. At a global level, many economists believe the aging population has the potential to slow the world economy. The aging population is creating a number of challenges, as well as new opportunities, and the implications are far reaching. Companies need to understand and prepare for an this unprecedented shift, yet a recent survey on aging by the Society for Human Resource Management found that most U.S. employers appear in denial and are woefully unprepared for the business realities of an aging workforce.

This white paper:

- Examines the aging workforce and the implications for companies;
- Explores the myths surrounding older workers in the labor force;
- Discusses the advantages older workers bring to an organization, and;
- Offers steps HR professionals can take to capitalize on older workers.

A Global Perspective on Aging and the Workplace

T he world is steadily aging, primarily due to longer life expectancies and falling fertility rates. China, for example, is one of the most rapidly aging countries in the world. In 2010, only 8.3 percent of that country's population was age 65 or older. By 2050, however, it is projected that nearly 24 percent of China's population will be age 65 or older. Japan already has the largest percentage of elderly citizens in the world, and the majority of their populations will be older than age 50 by 2050. Spain, Italy, and Germany also top the list of rapidly aging countries; it is expected that by 2050, 34.5 percent of Spain's population, 33 percent of Italy's population, and 32.7 percent of Germany's population will be age 65 and older. In fact, in most developed countries, the population growth among those aged 65 and older is outpacing the growth of the traditional working age population (between the ages of 25 and 64). The result is a workforce that is too small to support the huge number of retirees and not enough tax money to pay for pension coinciding with a dramatic increase in the cost of health care for the elderly.

This global trend in aging is unprecedented—never before in recorded human history has the world been more mature. As life expectancies continue to expand, living to 100 will no longer be an unusual occurrence, but rather, will become the new normal. The implications of longer life spans and smaller upcoming generations are staggering, and most countries are unprepared to handle them. Aging populations will test all aspects of life and could slow the global economy as developed countries work to accommodate the overburdened social security systems and health care expenditures (Kochhar and Oates, 2014).

Compared to many developed countries, the United States appears to be in much better shape with regard to the aging population. In 2010, only 13 percent of the U.S. population was age 65 or older, and by 2050, it is predicted that the percentage will rise to just 21 percent – well below estimates for Japan, Italy, or Germany. But these numbers are a bit deceiving; consider that by 2050 the youngest Baby Boomers will be 85 years old. In 2050, 83.7 million Americans will be age 65 or older, nearly doubling in the next 35 years.

The U.S. has experienced falling fertility rates for decades. In 1957, the U.S. fertility rate was 3.7 births per woman. In 2010, that rate was slightly less than 2.1 children per woman. In addition, life expectancy in the U.S. is longer than ever before. In 1900, life expectancy in the U.S. was 47 years; in 2014, it was 78 years (TIAA-CREFF Institute staff, 2015). Life expectancy will continue to inch up because with each year, the newly born live about three months longer than those born the previous year (Easterbrook, 2014). Immigration in the United States has helped to keep the country's median age down (Kochlar and Oates, 2013), but the U.S. is heading down the same inevitable path as many other countries, albeit at a somewhat slower pace.

Older Workers and Endangered Industries

As a result of this seismic demographic shift, the U.S. faces a potentially massive loss of skilled, knowledgeable workers as they reach the age of 65. According to the U.S. Census Bureau, 10,000 baby boomers in the U.S. will turn 65 every day until 2030, and in some years that daily average will swell to more than 13,000 baby boomers (Moeller, 2013). The U.S. Census also reports that the number of American workers age 65 and older is expected to grow by 75 percent by 2050. By comparison, the number of American workers age 25 to 54 is expected to grow by only two percent by 2050. In other words, the future workplace is gradually getting older and future generations of young workers entering the workforce will be smaller. There will simply not be enough younger workers with the knowledge, skills, and abilities to fill the slots left empty by those retiring (Paullin, 2014).

All industries and economies will be affected by the graying of the globe, and every company will have to come to terms with an aging workforce. That being said, some industries are particularly at risk of experiencing talent shortages because of their aging workforces, such as the health care,

construction, professional and business services, manufacturing, transportation, and agriculture industries (Paullin, 2014).

The energy sector is on the verge of a serious talent shortage as well. According to Russell Ray, chief editor of Power Engineering magazine, every sector in the energy industry is expected to lose a large percentage of its workforce if baby boomers retire on the traditional schedule. It is projected that the power sector will be looking for more than 100,000 skilled workers by 2018 to replace those retiring—and there is already a shortage of those needed skilled workers. The nuclear workforce is in similar straits. The Nuclear Energy Institute estimates that 39 percent of the nuclear workforce will be eligible for retirement by 2018. And, according to the U.S. Department of Labor, half of the nation's utility workforce will retire in the next five to 10 years. These positions are not easy to fill because they require very specific technical and institutional knowledge (Ray, n.d.).

The federal government is also facing a massive talent crisis in the very near future. More than a third of federal employees will be eligible to retire by September 2017. To help slow the loss of knowledge, skills, and experience, the U.S. Congress and President Obama approved the creation of a phased-retirement program in 2012. The program, which includes a mentorship component to help transfer vital skills and knowledge, would allow federal employees to ease into retirement. The program, however, remains a paper tiger; to date, only one agency has offered the program to its employees.

Baby Boomers Transition to Retirement

Predictions about the impending exodus of baby boomers from the workforce may be exaggerated. The AARP recently found that 80 percent of the baby boomers they surveyed said they planned to work past the age of 65 (North, N.D.). Another study found that 85 percent of baby boomers said that part of their retirement plans included working, with nearly half planning to work into their 70s and 80s (Bruyere, Young, and Maybaum, 2012).

The top reason baby boomers cite for continuing to work is money. The 2013 Retirement Confidence Survey by the Employee Benefit Research Institute (EBRI) found that only 24 percent of workers age 55 and older have saved more than $250,000 for retirement (excluding the value of their home and pensions). Thirty-six percent of those surveyed had saved less than $10,000 (Moeller, 2013). With so many older American workers saving so little toward retirement, the only options they have, as Alicia Munnell, head of the Center for Retirement Research at Boston College, notes, is to either be poor, save more money and be less poor, or keep working. The third option—to keep working—is what many baby boomers are choosing (Moeller, 2013). In addition to money needs, older workers are

choosing to keep working because they need to maintain their health insurance, to support other family members, to pay the health care costs for themselves or others, and because they simply enjoy working (Paullin, 2014).

Older workers do not envision business as usual, however, when they say they plan to continue to work past the age of 65. The majority of those who plan to work past the age of 65 plan to do so in reduced responsibility, part-time jobs according to the AARP (North, n.d.). They also fully expect that it will not be easy to find their desired job because of ageism present in the workplace. In developed countries, 60 percent of employees age 50 and older believe age discrimination, often based on incorrect stereotypes of older workers, is their biggest obstacle to employment (North, n.d.).

Ageism Myths Debunked

There are plenty of stereotypes surrounding older workers. *Older workers lack the drive to innovate. Older workers resist change and don't like to learn new things. Older workers are slower and less productive than younger workers. Older workers are out sick more often.*

Multiple studies have found that none of these stereotypes are based on fact. Research has shown that older workers are actually less resistant to change than younger workers; are less likely to miss work; and are, in fact, interested in learning new things (North, n.d. and Paullin, 2014). Other research has found that older workers are not less productive than younger workers. Studies have found that age is unrelated to core task performance and that older workers actually outperform younger workers in many areas. This may be because older workers have a deeper understanding of their organizations, clients, internal workflows, and processes (Burtless, 2013 and Paullin, 2014).

In fact, the 2014 SHRM Survey on Aging (SHRM staff, 2015) found several compelling reasons why employers should focus more efforts on finding and retaining older workers. Survey respondents agreed that older workers:

> ## Company Spotlight: B&Q
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> British home improvement company B&Q knows first-hand the advantages of hiring older workers. Since they began actively recruiting older workers for their stores, employee turnover has decreased by a factor of six, short-term absenteeism is down 39 percent, and profits are up 18 percent.
>
> North and Hershfield, 2014

- Possess more knowledge and skills than younger workers (77 percent);

- Act more mature and are more professional than younger workers (71 percent);
- Have a stronger work ethic than younger workers (70 percent);
- Could mentor younger workers (63 percent), and;
- Were more reliable than younger workers (59 percent).

Other studies of HR professionals have found that older workers offer employers a competitive advantage because they are more engaged, loyal, and dedicated to their jobs than younger workers, have good communication skills, have access to their existing network of professional and client contacts, and have broader work and life experiences to contribute to the organization.

Older workers also have something younger workers have yet to acquire - knowledge. David DeLong, author of *Lost Knowledge: Confronting the Threat of an Aging Workforce* (Oxford University Press, 2004), writes that there are three types of knowledge mature workers have (Poullin, 2014):

1. Human knowledge (special expertise or skills like understanding a critical organizational database);
2. Social knowledge (relationships among people, like those cultivated between senior leaders and sales professionals), and;
3. Cultural knowledge (understanding how to get things done in an organization or knowing how to find the right person quickly).

There are positive effects for older workers who continue working as well. Older workers have a healthier sense of identity and purpose and have more productive engagement than their non-working peers. Physically demanding jobs also help promote physical health for older workers. In addition, working gives older employees social interaction and a sense of connectivity (Bruyere, Young and Maybaum, 2012).

How to Create an Organization that Embraces Older Workers

Despite the advantages of older workers, many U.S. employers

Company Spotlight: BMW

When German automaker BMW created a "pensioner's assembly line," staffed it with older workers, and tweaked it to accommodate their needs as an experiment in productivity, productivity for that line was increased by 7 percent and the defect rate dropped to zero.

North and Hershfield, 2014

undervalue this segment of the population – and remain in denial about the need to engage these workers. The 2015 SHRM survey on the aging workforce found that U.S. employers are unprepared for the reality of their aging workforces. Only one-third of survey respondents said they had examined their policies and practices to address older workers, and 20 percent of survey respondents said they had examined their organizations and determined that no changes in policies were needed. Only half of survey respondents said they tracked the percentage of workers eligible to retire within the next one to two years, and only 17 percent of survey respondents said they had analyzed the impact of workers age 55 and older leaving their organizations in the next six to 10 years. About half of the survey respondents said they didn't think the potential loss of talent would impact their organization or industry (SHRM staff, 2015).

The SHRM survey found that employers seem, on the whole, unconcerned and unprepared for the realities of an aging workforce. For those employers who had taken steps to prepare for the potential skill gaps that will inevitably occur when older workers leave the organization:

- 42 percent had increased training and cross-training;
- 33 percent had developed succession plans;
- 17 percent had developed processes to capture organizational knowledge, and;
- 15 percent had stepped up recruiting efforts to replace retiring employees (SHRM staff, 2015).

This lack of urgency and short-sightedness on employers' parts will leave many organizations at risk. Employers must assess their workforces now to identify the knowledge and skills that they may lose as a result of retirement and develop strategies to fill critical roles and facilitate knowledge transfer. Organizations must become more proactive in embracing this massive demographic shift and create a more effective plan to recruit and retain older workers. HR and talent management professionals should consider the following steps:

1. Assess the current workforce to identify risks and opportunities.
2. Modify policies, practices, and programs to appeal to older workers.
3. Consider physical changes to the work environment to accommodate older workers.
4. Facilitate knowledge transfer.

Step 1 – Assess the current workforce

When it comes to preparing for the future, knowledge is critical. HR and talent management professionals should take the first step by conducting a workplace assessment. The assessment should be designed to answer the following questions:

- How many employees are nearing retirement in the organization?
- Who are they?
- How will their loss affect the organization?
- What skill shortages will the loss of these employees create?
- How do these potential losses affect the industry?
- How can older workers be encouraged to delay retirement? What programs and practices would convince older workers to stay longer?
- What physical, sensory, and intellectual requirements will need to be changed to accommodate an aging workforce? (Paullin, 2014; SHRM staff, 2015; and Tishman, Van Looy, and Bruyere, 2012).

The answers to these questions will allow HR and talent management professionals to develop an age profile for the organization, as well as a turnover risk map and a skills gap inventory. The assessment will also help leaders understand what older workers want and need and what will persuade them to stay a little longer on the job. Finally, the assessment will help identify what potential knowledge loss the organization faces in the near future due to retirements— and should spur the formulation of a plan to transfer that knowledge before older workers do retire. The assessment should be conducted with a six-to-ten-year-out timeframe in mind.

Once the assessment is conducted and analyzed, HR and talent management professionals will have a better idea of what policies, practices, and programs are needed to attract older workers and retain them in their organizations. Unfortunately, according to the SHRM aging workforce survey, only three percent of organizations have developed such a strategy. In fact, most employers have done little to nothing when it comes to addressing recruitment and retention plans with older workers in mind (SHRM staff, 2015).

Step 2 - Modify policies, practices, and programs to appeal to older workers

Armed with the knowledge of the workforce assessment, HR professionals can begin to modify policies to appeal to older workers. Older workers want flexibility first and foremost, so HR and talent management professionals should look at what their organizations are doing to offer the kinds of flexibility older workers want. Some recruiting and retention policies, practices, and programs may not need to be modified at all to attract and retain older workers, but others may. HR practices that are effective in recruiting and retaining older workers past the normal retirement age include:

- Part-time work
- Flexible work arrangements
- Work from home
- Retention bonuses
- Task sabbaticals

Other practices include giving older workers credits to their pensions for staying longer, allowing older workers to collect partial pensions, offering contract work, providing training and skills development, and establishing mentoring programs to facilitate knowledge transfer to younger workers (Paullin, 2014).

Some employers are already modifying their policies, programs, and procedures to recruit and retain older workers. According to the SHRM survey on aging and the workforce, of those employers who said they had made changes to target older workers:

Small Adjustments, Big Gains

Flexible work arrangements come in many shapes and sizes. Some older workers may be lured to stay if they are offered phased retirements like the federal government is offering. Others may want to continue in their same jobs, but work reduced hours. Other older workers may want to participate in formal and informal temporary assignments or seasonal work. Flexible work may seem like a scheduling headache, but it can be done and can benefit organizations in the long term. Flexible work gives supervisors a chance to staff positions based on variable work needs and condition. Organizations can tap into older workers' expertise while planning for knowledge transfer. In addition, employing older workers to complete current projects can free other employees to focus on developing new products and services.

Hitch and Kirkman, n.d.

- 48 percent offered reduced hours and part-time positions.
- 40 percent hired retired employees as consultants and temporary workers.
- 37 percent offered flexible schedules including telework.
- 30 percent offered bridge employment.

- 30 percent offered phased retirement.
- 29 percent offered training to upgrade skills.
- 27 percent allowed older workers to transfer jobs with less pay and responsibility.
- 24 percent increased training and cross-training efforts to retain and recruit older workers (SHRM staff, 2015).

To find older workers, respondents to the SHRM survey used employee referrals, networking, and employment agencies. They also developed websites geared toward older workers and hired older workers as recruiters (SHRM staff, 2015).

P&G, Eli Lilly, and Boeing are a few companies who have established programs designed to rehire older workers who have retired. Snowbird programs like the one offered by CVS allows older employees to work in different locations at different times of the year. Atlanta-based AGL Resources lets retired workers return on a part-time or project basis and allows them to participate in all the company's benefits (including its 401k program). Herman Miller allows older workers to take six to 12 consecutive weeks off without pay each year. During the time they are off, those employees keep their benefits and length of service accrual for their pensions. Herman Miller also allows employees who are age 60 and older and who have at least five years of service to plan an exit over six months to two years. In return for the planned reduction of hours during the exit timeframe, employees create a knowledge transfer plan and train the person hired to replace them (Hannon, 2015).

Step 3 - Consider physical changes to the work environment to accommodate older workers

In addition to offering policies and programs to appeal to older works, employers should consider the need for physical changes to accommodate older workers. As part of the workforce assessment, HR should assess workplace accessibility and create a plan of action to make the workplace universally designed for older workers and people with disabilities, and then make those accommodations available to all workers. Employers should consider electrifying all doors to sense and open when a person approaches and offer all employees ergonomic mousepads and office chairs (Tishman, Van Looy, and Bruyere, 2012). Computer systems should also be reviewed for universal accessibility (the Job Accommodation Network offers a free assessment to help in that regard). Other job modifications employers may consider for older workers (which can help all employees) include:

- Make the workplace as adjustable as possible to accommodate different body positions (like standing and sitting) and different levels of mobility.

- Encourage all employees to avoid prolonged sitting by designing work that allows standing part of the time.

- Provide assistive devices for jobs that involve lifting and carrying.

- Make objects easy to grasp.

- Minimize repetitive motion tasks. When these tasks are unavoidable, use ergonomics to best structure them (Poullin, 2014).

Modifying jobs and redesigning the workplace to accommodate older workers will require some investment, but employers must consider the security and safety of all employees. The investment will decrease the frequency and severity of injuries and reduce lost work days, while also reaping rewards in higher job satisfaction, employee engagement, and retention rates.

Step 4 - Facilitate knowledge transfer

The previous steps will help keep older employees working longer, but they will eventually leave. HR and talent management professionals must use that extra time to plan for and facilitate knowledge transfer. Part of any exit plan, whether it is a formal one like Herman Miller's or informal through part-time work, phased retirement, temporary work, etc., must include time to transfer knowledge from the older worker to his or her identified replacement. To facilitate knowledge transfer, SHRM (2015) offers the following suggestions.

- Offer incentives for mentoring.
- Train managers to ask for experience-based lessons from older workers in a respectful way.
- Create mixed-age teams to allow for knowledge sharing.
- Give older workers opportunities to join task forces so they can share their wisdom
- Transition older workers into formal trainer or instructor roles.
- Create a retiree alumni association to serve as a consultant pool.
- Use computer systems designed to capture knowledge via searchable databases.
- Create an internal wiki system.

These suggestions can help organizations to pass critical knowledge and experience from older workers to the next generation of leaders. Knowledge transfer is also explored extensively in the UNC

Executive Development white paper, *Passing the Torch: 5 Steps for Turning the Baby Boomer Brain Drain into a Brain Trust*.

Conclusion

H R and talent management professionals must lead their organizations in recognizing the impact an aging population will have on their workplaces. Taking steps now to assess their workplaces, modify policies to appeal to older workers, make physical changes to accommodate older workers, and facilitate knowledge transfer will improve the long-term viability of their organizations. Older workers offer maturity, loyalty, knowledge, and much more to their organizations. HR and talent management professionals should start now to prevent older workers from slipping away.

About UNC Executive Development

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Our team customizes each leadership program through a highly collaborative process that involves our clients, program directors, faculty and program managers. We are dedicated to following-up with our clients and individual participants to ensure that their learning experiences have been meaningful and impactful. This integrated approach consistently drives strong outcomes.

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- Leadership refocused with new strategy and cohesive vision
- Strategic plans created for the global marketplace
- Supply chains streamlined

- Products redefined
- New markets targeted
- Cost-saving measures developed
- Silos leveled
- Teams aligned

Participants leave empowered to bring in new ideas, present different ways to grow business and tackle challenges. The result is stronger individuals leading stronger teams and organizations.

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