



## The 'Eldercare Generation' Cares About Continuing to Work: Are Companies Interested in Keeping Them?

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When the AARP announced its seventh annual "Best Employers for Workers over 50" awards on September 25, the corporations at the top of the list didn't get there by offering the traditional fringe benefit trio of health, life and disability insurance.

Instead, the AARP recognized companies such as SC Johnson, the Principal Financial Group, Michelin North America and Mercy Health System for providing "forward-looking" benefits packages to workers over 50 that include alternative work schedules, lifelong learning and career training opportunities, and a program that allows today's graying workforce to care for their own aging families. AARP's announcement included a statement from AARP CEO William D. Novelli which helped highlight the obvious: Focusing on an aging employee's personal needs makes "good business sense" and pays dividends to companies that value the knowledge and experience of older workers.

"As the gap between the demand for, and the supply of, seasoned knowledgeable workers widens, employers in all industries will need to pay close attention to recruiting and retaining older, experienced employees," noted a recent national survey on the aging workforce by MetLife Mature Market Institute, the company's information and policy resource center.

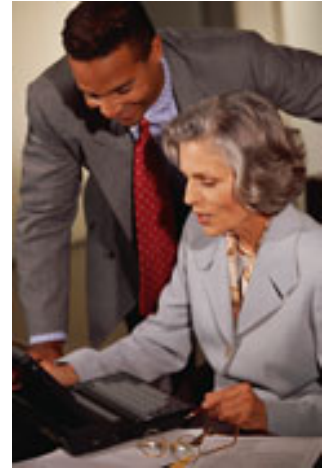
"This is particularly true in sectors such as healthcare, government, education, manufacturing, energy and aerospace, which are expected to be especially hard hit by the loss of veteran workers when millions of baby boomers begin to leave the workforce for good."

### Boomers' Influence

"Companies are making a big mistake assuming that older employees will not have the will, motivation or physical stamina to continue working," says Wharton management professor [Sigal Barsade](#). And given that today's older workers tend to be in better health than their predecessors, what does the term 'older employee' even mean these days, she asks. Companies that fail to tap into the older workforce "are not only behaving unfairly," Barsade says, "but are likely missing out on excellent employees who have important institutional knowledge and are still ready, eager and willing to do excellent work."

Based on statistics from the U.S. Census Bureau that were reported in September by the Congressional Research Service (CSR), the demographic profile of the U.S. workforce will "undergo a substantial shift" as the baby boomers born between 1946 and 1964 approach retirement and fewer younger people join the labor force. The number of people between the ages of 55 and 64 will grow by about 11 million between 2005 and 2025, while the number of people who are 25 to 54 years old will grow by only five million.

According to the MetLife survey, Americans between the ages of 55 to 70 stay in the workforce for two primary reasons: "financial necessity and the desire to remain active and/or try something new." Those who are now in their 60s and early 70s represent "perhaps the last generation fortunate enough to have broad access to corporate pensions and Social Security," the survey adds. "Boomer employees age 55 to 59 face greater financial uncertainty."



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Wharton professor [Olivia S. Mitchell](#) points out that the sheer size of the baby boom cohort -- estimated at around 78.2 million -- attracts attention. "The baby boom generation has been so large that everything it does influences popular culture and media reports, which is one reason there is now a lot of emphasis on this," says Mitchell, executive director of Wharton's Pension Research Council and director of the school's Boettner Center for Pensions and Retirement Research. "But I do think ... that boomers will change the definition of retirement."

Indeed, in her new book, *Redefining Retirement: How will Boomers Fare?* Mitchell and two co-authors argue that "people are not going to follow the old pattern of work, work, work and then quit. Instead, they are going to take what we call bridge jobs -- leave their long-time career employer and move into part-time transition arrangements." Some will start companies and become entrepreneurs and some will go into volunteer jobs, Mitchell says. "This is different from previous generations, and there is some evidence that expectations have changed. What we don't really know is, will the demand for these boomers be there? Even if the supply side of the labor market keeps going down, will employers turn to older workers? I think it's too soon to say."

Mitchell does acknowledge that in some industries, "this has already happened. There has already been outreach to older workers -- such as in call centers, hotel reservation companies and seasonal companies. But these are not permanent jobs, which points to the definition we use to redefine retirement. In this new definition, people ... won't just reach a [certain] age and stop working."

Wharton management professor [Peter Cappelli](#), director of Wharton's Center for Human Resources, adds another word of caution when it comes to the employment landscape for older workers. "Companies are still pushing them out through early retirement programs," he notes, adding that some employers actively work to retain older workers "for a few jobs with true legacy skills.... It's worth remembering that employees always left companies. There is nothing new about this. The way companies kept the knowledge was through development programs that prepared younger workers to do those jobs. The big issue is that companies have more or less abandoned those programs."

### **The 'Eldercare Generation'**

In an effort to attract and keep older employees, some employers have responded with a menu of benefits that, by law, are offered to all employees but clearly appeal to the older worker. Here are some examples from the AARP's 2007 list of top employers for workers over 50:

- SC Johnson, the consumer packaged goods company based in Racine, Wisc., provides an on-site medical center and wellness, fitness and recreation programs; an on-site education program that provides lifelong learning and college credits; paid sabbaticals to experienced employees; comprehensive financial benefits, and retirement planning tools.
- Mercy Health System of Janesville, Wisc., provides a variety of alternative work arrangements, including what the company calls "float" options (the ability to work at different facilities or departments) and "seasonal work" that allows employees to go on leave for lengthy periods while maintaining their eligibility for benefits.
- Michelin North America provides flexible work schedules, temporary assignments for workers and access to job rotations, plus a part-time work policy for retirees.
- The Principal Financial Group, based in Des Moines, Iowa, offers what

## AARP calls an "ambitious working caregiver leave program" that allows employees the option to work a part-time schedule for up to 12 weeks a year while maintaining job security and full benefits.

AARP has long emphasized the benefits of eldercare programs for older workers, and has even called baby boomers with aging parents the "Eldercare Generation." As AARP points out, providing such benefits is simply good business; companies realize a \$3 to \$14 return on every \$1 they spend on eldercare benefits. It's no coincidence that 42 of the 50 companies on this year's "Best Employers" list offer eldercare benefits.

Deborah Russell, director of Economic Security and Work at AARP, believes that the number of boomers who work past retirement will continue to rise. According to estimates, nearly 20% of the workforce will be over age 55 by 2010. The trend is driven by "money issues and the cost of health insurance -- the top two reasons that dominate why people will remain working," Russell says. "Longevity will drive it as well. If you're living until your mid-80s, you have a long time to work."

But she agrees with Mitchell that the trend towards older workers in the workforce "doesn't cut across every industry. You talk about advertising and high tech, and the demographic skews to the younger worker. But if you look at demographics in general, there are fewer younger workers, period. There are industries that are going to feel the pain -- health care, for instance, as well as teaching. And the replacement rate of engineers is very low."

Russell does not anticipate that companies will ever return to the traditional defined benefit plan, even if they are eager to recruit younger employees or keep older workers. "I don't see that happening. That model no longer works. Clearly, flexibility is going to be important, and defined benefit plans are not portable." Instead, AARP research shows that what companies must offer "in order to keep workers and attract new ones are flexibility and the ability to retrain," says Russell. "Workers will want to keep their skills up to date. An employer should not assume when looking at 62-year-olds that they don't want to learn something new. That's not the case any more."

In addition to its list of top businesses for older workers, the AARP also released a new study that called on all employers in the United States, Japan, Germany, France, Britain, Italy and Canada (the "G7 Countries") to end age discrimination in the workplace. In the report, called "International Profit from Experience," AARP found that "age discrimination is the single largest barrier for those 50 plus who want to continue working past their anticipated retirement age. At least 60% of employees 50 plus in each G7 country view age discrimination as the primary barrier to job security, as opposed to only 38% of employees who view their employers as welcoming of older workers." The study found that older workers in the G7 countries want to continue to work on average an additional five years. "Allowing employees to continue working past their traditional retirement age will not only allow [them] to remain in their careers and stay active but will have a positive impact on an employer's bottom line."

In Japan, for instance, a labor shortage has already resulted in efforts to end age discrimination for workers and to move the official retirement age from 60 to 65 in order to allow people to work longer before benefits kick in. In 2004, Japan passed a law that required companies to raise their retirement age from 60 to 65 by 2013 in an effort to cope with its aging population.

[Anita L. Allen](#), professor of law and philosophy at the University of Pennsylvania, notes that federal age discrimination laws make it unlawful to discriminate against employees due to age. An "employer can no longer fire you just because you are 65," she says, citing exceptions in certain sectors like police and fire fighters, some parts of government and high-level executive positions. "Workers have much more choice in when they want to retire, in theory. But there may be suitable pressures to leave the work place."

For example, if the company emphasizes physical fitness and a certain kind of lifestyle, Allen says, older workers may feel out of place if they "can't hit the golf course or work out in the company gym. And if they stop getting promotions or raises, they get the message that the company is not as welcoming." But, she adds, "my impression is that employers are relatively careful to avoid discrimination and litigation. I think people are trying to be mindful."

According to Russell, AARP identifies the older worker as anyone over the age of 50. AARP research shows that employees begin to feel age discrimination in the workplace at around 49 years of age. "Perhaps when it comes to the interview process, you are looked upon less favorably as an older worker, and you start to sense that," says Russell. Will more older workers be likely to file age discrimination suits against employers? "I think where we see those patterns, it's based on the economy," said Russell. "As the economy slows, companies let go of people, and we see discrimination claims go up. We do see a correlation there."

But Russell thinks that corporate America has gotten the message, given its experience in the early 1990s "when every other day there was another company downsizing. One of the ways they accomplished this was to look at the salaries of middle managers, who tended to be older workers. If there were lessons to be learned, it was that you don't get rid of people who have essential knowledge that is key to your ability to conduct business. Many [employees forced out] were hired back as consultants or rehired full-time. If it happens again, we'll see a more strategic way to downsize."

### **A Win-Win for Both Sides**

Though labor force participation historically begins to fall for men and women after age 55, Census Bureau data shows that the percentage of men and women age 62 and older who work has risen over the past 10 years. According to CSR, 49% of men aged 62 to 64 were employed in March 2007, compared with 43% in 1995 and 42% in 1990; among older men aged 65 to 69, 33% were employed in March 2007, compared with 27% in 1995 and 26% in 1990. A similar increase is noted among female workers. Among women 62 to 64 years old, 42% were working in March 2007, compared with 32% in 1995 and 28% in 1990; in women 65 to 69 years old, 26% were working in March 2007, compared with 17% in 1995 and 1990.

These older workers are not just punching the clock on part-time jobs. Older Americans who work are increasingly pursuing full-time employment. In March 2007, 81% of employed men aged 62 to 64 were working full-time, compared with 77% in both 1995 and 1990; among men aged 65 to 69, 71% who were working in March 2007 were employed full-time, compared with 57% in 1995 and 56% in 1990. Among working women aged 62 to 64, 69% worked full-time in March 2007, compared with 60% in both 1995 and 1990; among working women aged 65 to 69, 54% were employed full-time in March 2007, compared with 43% in 1995 and 44% in 1990.

These workers won't be penalized for working more than another decade. The Senior Citizens Freedom to Work Act in 2000 repealed the Social Security earnings limit, allowing workers 65 through 69 to earn income without losing Social Security benefits; if they choose, workers can now postpone receiving Social Security benefits until age 67.

The trend should benefit both employers and employees. As Lynn Selhat, an editor at Wharton's Center for Human Resources, points out, the growing push by some companies to meet the needs of an increasingly older workforce "is not at all just about a lack of younger workers. It's about what the older workers bring to the companies." Some companies are working hard "not only to retain, but also recruit, older workers," says Selhat, who is collaborating with Cappelli on a book about the strategic benefits of older employees. "Companies are bringing on those who are 50 plus. When they talk about older workers, they talk about dedication, understanding customers, loyalty. Experience is important. And older workers tend to have experience."

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