THE OLDER WORKER AND THE CHANGING LABOR MARKET

NEW CHALLENGES FOR THE WORKPLACE

Edited by JUDITH G. GONYEA

ROUTLEDGE

The Older Worker and the Changing Labor Market

As the country's workforce ages, the changing labor market must address unique challenges as well as surprising opportunities. This book presents leading scholars and researchers providing valuable insights into the challenges facing older workers in the contemporary workplace as well as offering perspectives on the demands presently being placed on employers to adapt to and accommodate the needs of these workers. This book focuses on the analysis of current trends in older workers, work, family, and personal life issues, and ways to transform today's workplace to value older workers.

This book offers practitioners the opportunity to fully grasp the current situation for older workers by presenting the latest research. This helpful resource provides professionals with best practices and innovative approaches to support aging employees. This book is extensively referenced and contains several tables to clearly present data. It is a valuable text for employers, human resources professionals, employee assistance programs, work/family professionals, gerontologists and aging studies professionals, educators, and students.

This book was published as a special issue of the *Journal of Workplace Behavioral Health*.

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CONTENTS

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Foreword: America's Aging Workforce: A Critical Business Issue

The coming tidal wave of 76 million baby boomers reaching age 65, the traditional age of retirement in the U.S., in the next 15 years has not escaped public attention. As they increasingly enter the ranks of America's older population, these "aging boomers" are predicted to have significant impacts on all aspects of our society, including our health, housing, educational, and business institutions. Indeed, the challenge of an aging population has raised concerns not only in the U.S., but in a number of developed countries, about having sufficient numbers of skilled workers to maintain economic productivity as well as the sustainability of national pension systems (Hardy, 2006). Thus, developed countries, including the U.S., are responding to these aging demographics by restructuring their old-age insurance programs to either encourage or require later exits from the workforce and developing programs to retrain older workers in skills for today's marketplace (AARP, 2006).

In this volume we explore whether the business sector is "thinking strategically" about the aging of the U.S. workforce. Two key questions addressed by the authors are: Whether American businesses are actively engaged in identifying and implementing strategies by which they might better utilize older workers' energies, talents, and expertise?; and What are the internal and external facilitators and barriers influencing organizations' efforts (or lack of efforts) to redesign jobs, benefits and/or work environments to be more responsive to older workers?

The volume also explores the implications of the changing patterns of labor force participation among older Americans as well as shifting work and retirement preferences among current and future older workers for American businesses. As many of the authors note, increasing the supply of older workers not only requires that attention be directed toward removing the barriers which impact older adults' continued employment, but also necessitates creating new work opportunities and incentives which appeal to a "mature workforce." Also emphasized is a viewpoint that the phenomenon of the "aging of the workplace" cannot be explored in isolation; rather, it must be examined within the broader context of a changing U.S. business environment. Over the past several decades, the U.S. economy has undergone a major transformation from blue-collar manufacturing and agricultural economies toward white-collar technology, service, and knowledge-based economies. Globalization, or global competition, has often led to corporate mergers, acquisitions, and shifts in market shares. The current employment strategy is toward the creation of lean or smaller core workforces; thus, employers have downsized and outsourced, and increasingly focused on the use of temporary assignment-based or project-type work.

To date, much of the discourse about the implications of the aging of the U.S. labor force for American businesses has been cast somewhat negatively; that is, older workers are typically viewed as presenting yet another set of challenges for corporate America. However, as these authors suggest, the aging of the labor force might also be viewed as offering opportunities for companies to adopt new business strategies. The adoption of a "life cycle approach" to labor force activity, for example, may offer Americans of all ages greater flexibility in how they engage in employment as well as provide American businesses more opportunity to create the requisite skilled multigenerational workforce to meet the demands of our technology-driven and knowledge-based national economy.

THE AGING OF THE U.S. WORKFORCE

It is often noted that the aging of the U.S. workforce reflects three demographic trends: the increasing numbers of older adults, rising life expectancies, and lower birth rates. Not only is there a dramatic increase in numbers of older adults than ever before; but individuals are living longer. The percentage of the U.S. population aged 65 and older was only 4% in 1900; however, today, older adults comprise slight more than

12% and are expected to reach almost 20% of our nation's total population by 2030. While in 1900 life expectancy at birth in the U.S. was only 47 years of age and 5 million Americans were age 65 or older; today, life expectancy at birth has increased to 77 years of age and 35 million Americans are 65 and older (Federal Interagency Forum on Aging Related Statistics, 2006).

Correspondingly, the U.S. Bureau of Labor Statistics' projections suggest that, in the upcoming decades, adults age 55 and older will comprise an increasingly larger percentage of the American workforce. Currently, workers age 55 and older represent 13% of the workforce, but they will reach 17% by 2010 and be at 19% by 2050. At the same time, younger workers between the ages of 25 and 54 are projected to decline from 71% in 2000 to 67% in 2010 and to 65% in 2050. By 2012, the median age of the U.S. labor force will be 41.4 years of age (Toosi, 2002).

Two different scenarios are often offered about the implications of the aging of the U.S. workforce for American businesses. The first scenario predicts a pending "workforce shortage" and a "brain drain" as a result of older adults choosing to exit the labor market. This viewpoint holds that in the upcoming decades labor demands will simply outstrip supply; and the shortage of skilled workers, coupled with the loss of institutional memory, will lead to declining productivity. The second scenario proposes the opposite trend; that is, rather than a shortage of workers, businesses will be faced with an abundance (even an overabundance) of older workers who want to remain on the job (Cappelli, 2004).

A growing number of experts, however, suggest there is a need for more complex or targeted analyses which examine the labor supply-labor demand match by industry sector or type to gain a more accurate picture (Penner, Perun, & Steuerle, 2003). Adopting this strategy, Geri Adler and Don Hilber (in this volume) address the question of whether the types of jobs being created will, in fact, enable older workers to remain in the workplace. Using a multi-stage approach, they: (1) calculate the proportion of older workers to all workers in 20 major U.S. industries, (2) compare the obtained proportions to the expected rate of job growth in the 20 industries, and (3) compute the overall degree of relative shortages or surpluses generated by any mismatches taking into account the industry size. Their analysis revealed that four industries–health care and social assistance, professional and technical services, administrative, and educational services-will account for over one-third of jobs in 2014. Moreover, faced with job growth and replacement needs, Adler and Hilber suggest these four sectors will present the majority of employment opportunities for future cohorts of older workers.

OLDER WORKER TRENDS

Determining the current and future number of older workers in the labor force depends, of course, on one's definition of "older worker." The Age Discrimination in Employment Act (ADEA) protects American workers aged 40 and older. Eligibility for membership in AARP (formerly the American Association of Retired Persons) starts at age 50; yet, nearly half of current AARP members are actively engaged in the paid labor force. Further, a sizeable proportion of older adults do not identify as being among the ranks of the elderly; a 2000 National Council on Aging survey found that one-third of Americans in their 70s perceived themselves to be middle-aged.

Focusing on those individuals who have remained in the workforce beyond the traditional retirement age of 65, the Bureau of Labor Statistics reveals an upward trend since 1985 in labor force participation rates for both men and women. For men aged 65 to 69, their participation rate rose from 25% in 1985 to 34% in 2005, and for women aged 65 to 69, their rates increased from 14% in 1985 to 24% in 2005. The presence of workers age 70 and older has also continued to climb in recent decades; in 2005 almost 14% of men and 7% of women aged 70-plus were in the paid labor force (Federal Interagency Forum on Aging Related Statistics, 2006).

Rajnes (2001) notes that two competing hypotheses are offered to explain this upward trend. The first proposes that the economic cycle–a strong economy and low unemployment–has created a favorable labor market that offers all workers, including older workers, more options. The second hypothesis proposes that a series of more permanent labor market changes, such as changes in public and private pensions, has led to individuals remaining in the labor market longer.

In fact, one of the primary reasons individuals identify for remaining in the workforce longer is financial or the need for money. For many older workers, stagnating wages as well as growing gaps in their pension and health care benefits are pressuring them to remain in the workforce (Hudson & Gonyea, 2007). The common metaphor for retirement income security in America is a stool resting on three financial legs: Social Security, employee-pension plans, and savings. Yet each of these legs is becoming shakier (Gonyea, 2005). Social Security will not replace as much pre-retirement income for future retirees due to recent legislative changes, including: (1) the progressive increase in the normal retirement age (for the receipt of full benefits) from 65 to 67 years of age, (2) the introduction of Medicare Part D (drug) benefits, as well as the rising costs of Medicare Part B (health care) benefits, claiming a larger percentage of a beneficiary's check; and (3) the increased taxation of Social Security benefits under the personal income tax, as the exemptions are not indexed to inflation (Munnell, 2006). Based on these three factors, Munnell (2006) projects that Social Security's pre- retirement income replacement rate will decline from 38.5% today to only 29.4% by 2030.

Although the proportion of U.S. workers who participate in an employment-based retirement plan has remained at about half of the workforce between the ages of 21 and 64 years of age since the 1970s, in the past two decades, there has been a major shift in the types of employer-sponsored pension plans, from traditional defined-benefit (DB) plans to defined-contribution (DC) plans, such as 401(k) and 403(b) plans. The percentage of workers with a DB plan decreased dramatically from 80% in 1985 to only 33% in 2003 (Federal Interagency Forum on Aging Related Statistics, 2006). While the full impact of this shift in pension income for future cohorts of retirees is not yet fully known, the DC plans are generally viewed as bringing lower and more volatile returns than DB plans. The DC plans currently average only about 42,000 dollars, considerably less than what workers would be guaranteed under a traditional DB plan (Munnell, 2006). And, the personal saving rates among Americans in 2005 was a −0.5 saving rate, the first negative rate since 1933 (U.S. Department of Commerce, 2006).

Retirement Transitions

Although the above identified macroeconomic trends suggest that older adults will need to remain in the workforce longer in order to ensure a financially secure retirement; historically, the popular image of retirement in the U.S. has been that of working until one reaches the age of 65 then exiting completely from the paid workforce and living off the income generated from retirement sources. Yet, as Hardy (2003) notes, only about half of today's older workers experience retirement this way. For a growing number of older Americans, retirement is no longer a single event or a one-time transition from full-time work to a complete withdrawal from the labor force soon after a 65th birthday. Older workers are increasingly retiring gradually by transitioning from full-time employment to part-time employment or partial retirement. Some older workers are ending their career jobs, retiring, and then entering "bridge" jobs or choosing self-employment; and, still others interrupt their retirement with episodic employment, often on specific time-limited projects.

While retirement is often viewed as a voluntary transition, it is important to recognize that for a number of Americans their exit from the paid labor force is involuntary or forced. Disability, labor market obstacles, and/or family obligations may force individuals to exit from the labor force at earlier ages. Using data from Waves 1 to 4 of the Health and Retirement Survey (HRS), Szinovacz and Davey (2005) found that almost one out of every three retired workers perceived their retirement as forced. In fact, more than half (55%) of retirees ages 51 to 59 in the HRS survey reported that a health condition or impairment limits the amount or type of paid work they can do and they were three times more likely to be in fair or poor health compared to the working counterparts (National Academy on An Aging Society, 2000).

Flippen and Tienda's (2000) analysis of the HRS data revealed that Blacks and Hispanics were more vulnerable than Whites to involuntary job loss in the pre-retirement years and were more likely to exit the labor force through pathways other than retirement. Higher rates of chronic illness and functional limitations experienced by both these groups suggest that they were "pushed" from the labor force at earlier ages than Whites. The HRS data also revealed that that African Americans, Hispanics, and women experienced more involuntary job separation in the years immediately prior to retirement, and that these periods of joblessness often resulted in permanent labor force withdrawal (Flippen & Tienda, 2000).

Recognizing the plight of lower-income older adults who are unemployed or underemployed, the federal government created the Senior Community Service Employment Program (SCSEP). First authorized under the Economic Opportunity Act in 1965 and today standing as Title V of the Older Americans Act, the SCSEP currently assists some 47,000 lower-income adults aged 55 and older transition into the labor force through subsidized employment with locally-based community service organizations. The benefits of the SCSEP to participants are, however, farther reaching than just economic gains. As Ronald Aday and Gayle Kehoe's analysis (in this volume) of older workers in three SCSEP sites found, the participants reported better physical and psychological health, including a greater sense of personal empowerment emerging from their work experience.

In fact, a growing body of empirical literature suggests that there are multiple pathways to retirement reflecting many different life course trajectories. Indeed, work-family lives–or the intersection of the worlds of work and family–have changed dramatically in the past several decades as increasing numbers of women spend the majority of their adult years in the paid labor force. In this volume, also using the HRS dataset, Angela Curl and Aloen Townsend focus on the retirement patterns of 1,118 White and Black dual-earner married couples during the eight-year period of 1992 to 2000. As Curl and Townsend note, "for married individuals, retirement is a couple-level event where the retirement of one spouse often affects the life circumstances of both" impacting areas such as household income, health insurance coverage, household routines and schedules, and marital quality. In fact, not only did their results underscore the growing complexity of retirement, but they also revealed the degree to which couples' lives are linked (Kim & Moen, 2002). While there were distinct gender differences (i.e., husbands were more likely to transition directly from work to complete retirement), both the number and types of transitions were related within couples.

WORK AS A PART OF RETIREMENT

The pending retirements of the members of the baby boomer generation has revealed shifting expectations of retirement. National surveys consistently show that many baby boomers are planning to continue to engage in paid employment during their retirement years. The AARP (2003) survey of workers over the age of 45 found that almost 70% of respondents plan to continue working in retirement. Slightly more than one-third (34%) said they would work part-time out of enjoyment or interest, about one-fifth (19%) for needed income, 10% to go into business for themselves, and 6% would work full-time doing something else.

Baby boomers often identify a desire for social connection as well as the opportunity to engage in meaningful work and make a contribution to the community as important factors that would influence their future decisions about engaging in work during their retirement years. The MetLife Foundation/Civic Ventures 2005 *New Face of Work Survey* revealed that half of the surveyed American adults age 50 to 70 expressed interest in work in retirement that helps communities and those in need.

In fact, many reported that they did not want to wait until age 65 to shift into a second career nor did they view this next chapter of their worklife as less significant than their prior work. Among the surveyed individuals who were considering work in their retirement years, the four most important aspects of this future employment were: staying involved with other people (59%), a job with a sense of purpose (57%), having an additional income source (52%), and a job that benefits or helps the community (48%).

Many of these above reasons were articulated by the twelve individuals who were participants in Donald Veeneberg and Vida Wilkinson's qualitative study of retirees' motivations and experiences in re-entry to the workplace. Venneberg and Wilkinson (in this volume) document both the human capital (i.e., skills and knowledge) and social capital (i.e., social network, contacts and resources) that these retirees offered their organizations. Yet, they also identify the types of barriers the retirees faced, including the need to gain new knowledge and skills to meet current work challenges, to adjust to a new role or status, and to transition from a leader to a follower in the organization. Finally, the authors note that although these retirees felt they still had much to contribute to an organization or field, they typically sought to do so under "less stressful and more flexible work arrangements."

This strong desire by many retirees for more flexible employment options, often expressed as an interest in part-time or episodic employment, may match well with America's new work economy. Tracy Madvig and Kenneth Shultz (in this volume) suggest that retirees' interest in flexible work arrangements may align well with corporate America's shift toward the greater utilization of temporary, contract and consultant-type workers. The re-hiring of retirees, who possess knowledge of organizational operations, policies, and culture, for temporary work assignments may be more cost effective for companies than the hiring new external workers. Drawing upon survey data from approximately 1,000 retirees from a southern California utility company, Madvig and Schultz therefore begin to explore what factors might predict a retirees' interest in returning to their previous employer in a voluntary or paid work capacity. Central to their analysis is the concept of employer-employee reciprocity; that is, if an organization treats an employee fairly and creates a supportive work environment then that individual is more likely to engage with the organization, either on a volunteer or work basis, as a retiree.

Supportive Work Environments

In fact, as Diana Stork (in this volume) emphasizes, young and older workers share strikingly similar views on what constitutes a "good job" and a "positive or supportive work environment." Her comparison of 663 younger workers (age 30 and younger) and older workers (age 45 and older) revealed that for both age groups the ideal job entailed doing work that engendered pride and feelings of being trusted as well as having a good relationship with one's supervisor. Also critical were rewards, benefits, and time for health, wellness and family. Although important to both age groups, older workers expressed greater interest than did younger workers in having challenging work, task variety, and control over their work (e.g., how, when and where work was performed).

Flexibility in work, allowing individuals greater balance between their work and personal or family life is highly desired by workers of all ages. While work-family conflicts are often perceived to be an issue primarily for younger families, it is estimated that about 15% of America's adult population cares for a chronically ill or disabled adult family member aged 50 or older, and nearly six out of ten of these adult caregivers are employed (International Longevity Center-USA, 2006). Moreover, as the National Alliance for Caregiving and AARP 2004 survey revealed the costs of this caregiving is often borne by both the employees and employers. Work-related adjustments include arriving late or leaving work early, using personal or sick days or taking a temporary leave of absence, reducing work hours, refusing work-related travel, overtime work, or relocations, turning down new assignments or promotions, leaving the work force, and early retirement. The stresses of attempting to balance the dual demands of caregiving and paid work may also place these individuals at risk for poorer physical health (i.e., lower immune system) and emotional health (i.e., depression, anxiety). On average, family caregivers provide this care for more than four years. A1997 analysis by the Metropolitan Life Insurance Company estimated that the annual national productivity costs of these work-related caregiving adjustments for corporate America is between 11.4 billion dollars to 29.billion dollars.

Nationwide, there are a growing number of collaborations or partnerships between corporations and nonprofit health and social services organizations to develop resources to better support employees with caregiving responsibilities. Yet, as Daniel Kuhn and his colleagues (in this volume) note, although the internet is now the leading source of information for caregivers, the utility of internet-based caregiver information and education has rarely been evaluated. Working with the American Business Collaboration for Quality Dependent Care (ABC), the nonprofit organization Mather LifeWays adapted their community-based six-week caregiver education program, *Powerful Tools for Caregivers* (PTC) into an on-line course that corporations might offer their employees. The PTC on-line course–available 24/7–was viewed as offering the greatest flexibility to busy individuals; and, while the on-line PTC offered social interaction through web chats and discussion boards, (unlike workplace-based groups) individuals did not have to self-identify. As Kuhn reports in this volume, their preliminary evaluation of PTC-online suggests that web-based resources hold considerable promise as both attractive and effective strategies for supporting busy caregivers juggling multiple life demands.

Robert Boyce (also in this volume) argues that to create supportive work environments for older employees, companies must ultimately adopt a more integrative approach-linking ergonomics, health promotion, and employee assistance. Although older Americans are much healthier than in the past and jobs have become less physically demanding, age-related physiological changes (i.e. changes in cardiovascular, musculoskeletal, nervous, and sensory systems) still affect job performance and many contemporary jobs involve stress and/or strain (i.e., repetitive motion, stationary positions).

The Americans with Disabilities Act (ADA), enacted in 1990, prohibits discrimination of individuals with disabilities and mandates reasonable accommodations (i.e., job restructuring, modified work schedules, and making existing facilities accessible). As the baby boomer generation ages, and experiences more age-related disabilities, they will undoubtedly change the impact that the ADA has on the workplace. Yet, the ADA focuses on accommodation on an individual basis; and Boyce argues that American corporations need to do more to prepare for an aging workforce. Boyce, a proponent of transgenerational or universal design of the workplace, suggests such an approach can improve performance and safety for workers of all ages. (In fact, Boyce's case study at a call center revealed that about 4 out of every 10 workers, regardless of age, reported high levels of discomfort in their lower backs.) Ultimately, the principles of universal design with respect to the workplace offer economic benefits to employers through decreases in the number of injuries and disabilities sustained by employees on the job, reduc-