

Disincentives for Hiring and Retaining Older Workers

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America was a very different place a century ago. Although 41 percent of the workforce was still engaged in agriculture the rapid industrialization of the country was well underway. By 1900 the U.S. was already the greatest industrial power in the world, and this translated to sweeping changes in the composition of the workforce and the level of literacy and skills that were needed to fuel the economic engine of America.

As demands for a better skilled workforce grew, the government and employers had a looming problem: during the Great Depression of the 1930s jobs were scarce and there was no systematic method to replace older workers with their younger, better educated counterparts. The U.S. Government's solution was the 1935 Social Security Act which established "social insurance" for the elderly by providing benefits to retirees and the unemployed, and a lump-sum benefit at death. Initially the Act only covered white male employment categories in business and manufacturing under the age of 65. Categories that were not covered by the act included workers in agricultural labor, domestic service, government employees, and many teachers, nurses, hospital staff, librarians, and social workers, jobs dominated by women and minorities. Over the years these barriers were slowly removed by legislation. Public organizations and private companies would follow suit with the development of their own specialized "retirement plans" for their workers, either "defined benefit pension plans" or "defined contribution pension plans."

With these financial incentives in place and the development of a "culture of retirement" which encouraged workers to claim retirement benefits and stop working altogether as early as possible, older workers could now retire with a financial safety net. By the 1980's the number of mature and older workers in the labor pool shrank from a high of nearly 47 percent to just under 18 percent of the workforce. However, with the dawning of the digital information age, America again faced a shortage of skilled, experienced workers, turbulent economic headwinds, and an epic demographic shift that has changed everything we had come to understand about older workers. In fact, today older Americans eligible to retire are opting in record numbers to postpone their workforce exit. Many are choosing instead to stay in the game by continuing working with their current employer, cycling in and out of work as necessitated by the cost-of-living, consulting, or following a new productive path. Their reasons are simple. First, some older workers are staying on the job longer to bolster their retirement savings in uncertain economic times. Second others want to extend employer-provided (or assisted) health coverage for themselves and their families for a few more years, and current law requires full-time employment for the continuation of that benefit. Third, some older workers want the continued fellowship employment offers, and the meaningfulness, mental stimulation, and physical activity many gain from working. Fourth, as the public sector and many industries face the prospect of losing to retirement their most knowledgeable and skilled employees, the relative value of older workers is slowly being realized. This should create more flexible and favorable employment arrangements for those who can actually retire but elect to postpone retirement.

Although these obvious benefits are significant to Baby Boomers, a case can be made that it is in the nation's best interests for everyone to work longer, even beyond the normal retirement age. Simply by working longer the Social Security and Medicare systems, now at risk of failure, can be extended into the future thereby allowing more time and options for proper fixes. But there are a number of discouraging obstacles that make the postponement of retirement difficult for many workers.

Discouraging Obstacles

Despite more favorable perceptions about aging and the viability of older workers today, persistent obstacles exist for mature (worker 55-64 years old) and older workers (65 + including retirees) seeking continued or new employment. There are also difficult barriers facing employers wanting to attract, engage and retain these workers. Here is a list of the common obstacles and barriers:

- Most employers have not yet experienced significant labor shortages or other economic pressures requiring them to consider more flexible employment arrangements, pension fund modifications or various training/succession planning programs that would include engaging mature and older workers.
- Many employers do not yet consider hiring and retaining older workers as a business strategy because of the following:
 - limited or suitable work opportunities for older workers
 - difficulty in recouping the costs of hiring and training older workers
 - “incompatibility” of older workers with corporate culture
 - restrictions on in-service distributions
 - erroneous perception that mature and older workers have lower productivity than their younger counterparts
 - increased health costs for older workers
 - potential for age discrimination lawsuits
- Unions acknowledge they have not addressed flexible employment programs broadly enough as part of collective bargaining agreements, often citing the lack of interest on the part of employers and difficulties in establishing effective scheduling programs and production processes.
- There are few national or regional (nontraditional) recruiting organizations that have taken the initiative to promote and market accomplished retired and older workers.
- Older workers retire or stop their employment when:
 - traditional work arrangements cannot accommodate evolving personal or family needs

- gradual reductions of their hours (as they age on the job) are not possible
 - laid off; mature and older workers who are laid off rarely return to full-time employment and those who subsequently return to work, often retire due to the lack of flexibility to their work schedule
 - younger workers (under 50 years in age) negatively perceive mature and older workers as competitors, impeding their own advancement and pay raises, and subsequently create a hostile work environment
 - there is increased conflict in the workplace due to cultural, social, and multi-generational factors
- About half of all working American have private pension funds through their employers. But most retirement funds have built-in disincentives, discouraging employers and older workers from continuing a productive relationship after retirement.
 - Pension programs are legislated and subject employers to restrictions on the design of retention programs for older workers
 - Some pension programs do allow workers to continue accruing benefits after age 65, but at a much lower rate.
 - Many pension programs encourage early retirement, but tend to financially penalize older workers from returning to employment after becoming eligible for benefits; pension laws have actually prohibited working for the same employer while receiving retirement benefits. (The Pension Protection Act of 2006 does contain a provision that partially reverses this latter restriction.)
 - Social Security itself penalizes early retirees in two ways. First, it reduces the dollar benefit payout. Second, recipients who decide to go back to work before reaching their full retirement age will have their benefits reduced by one dollar for every two or three dollars that they earn above a set threshold. This is an obvious disincentive for continuing to work after retirement.

Remedies and Strategies

In a 2007 report by the Government Accountability Office it was noted the number of 55 and older workers in 2000 was approximately 18.3 million or 30 percent of the workforce. By 2015, older workers will account for 31.8 million or 37 percent of the labor pool. Mature and older worker participation in the workforce will continue to rise due to projected labor and skill shortages, albeit slowly, over the next 10 years, to 36.6 million where it is likely to level off and remain until 2030 as the trailing-edge Baby Boomers prepare to retire. Interestingly, during this same period, mature and older workers are also projected to comprise a progressively larger number of blue collar and white collar positions (including top executives and owners) in the workplace. In short, employers will continue to rely heavily on this segment of the workforce for expertise, “institutional knowledge,” and a durable work ethic.

Whether these projections are realized will depend upon how society addresses the obstacles noted above and ultimately supports older workers remaining in the workforce. Clearly, educating both employers and workers on the issues will go a long way toward eliminating myth, prejudice, and inaccurate perceptions about mature and older workers, and their employment capabilities. Beyond education, it will also be necessary to develop remedies and strategies to remove structural obstacles. Below is a list of possible incentives, education opportunities, and program strategies that will promote the hiring and retention mature and older workers.

Legislative Remedies:

Currently, lawmakers and government agencies have begun to influence projected labor shortages by convening an interagency task force to develop regulatory and legislative proposals addressing issues affecting mature and older workers.

- Social Security Administration has implemented several recent changes to the retirement policy. In April 2000, Social Security Administration eliminated the restriction of reduced benefits for those older workers wanting to work beyond age 65 years and 4 months. For older workers choosing to retire after normal retirement age, benefits are not lost but accrued and paid out as normal retirement benefits. In addition, Congress has risen the normal retirement age for future retirees. In addition, there is legislation under consideration to establish Medicare benefits as the primary insurer
- Other legislation under consideration is the attempt to make work and the workplace more hospitable for older workers by promoting the employment of older workers based upon their abilities rather than age, and clarifying prohibitions on age discrimination. (Specific statutes vary by jurisdiction and application.)
- Federal government provides preferential tax treatment to employers establishing and maintaining pension plans for their employees. To receive the preferential tax treatment employers are to design a pension plan within the legal limits that influences the older workers to stay longer on the job.
- There is a need for safe harbors in the tax code and the Employee Retirement Income Security Act that would make it easier for people to return to work after retirement and still collect their pensions.

Employers Remedies and Strategies:

While there are still a relatively small number of employers who presently have programs in place to retain older workers, there is growing interest in adopting more flexible relationships

with these individuals and attracting talented and experienced older workers from outside the organization. Employers in both the public and private sectors are using or considering using an array of employment arrangements, including:

- *Flexible time.* Changing shifts, compressing the work week, individualizing schedules
- *Reduced time.* Part-time, temporary, and leave-of-absence programs
- *Cyclical time/seasonal/contract work.* Project-based or contract workers will focus on a project for a number of weeks or months, complete the work and then either take a break or move on to a new contract
- *Flexible place.* Telecommuting, or working from multiple locations, or no fixed location for work
- *Task, not time.* Instead of working 9 to 6, for example, employees would have a task and be required to put in only the time that it takes to get the work done
- *Job sharing.* When two people voluntarily share the duties and responsibilities of one full-time position.
- *“Onboarding,” mentoring, and succession planning programs.* A working relationship between someone more experienced with a less experienced counterpart to transfer, integrate and prepare for tasks, roles or work experience
- *Advisory board.* A committee of employees assisting in the exploration, recommendations and promotion of changes in the workplace
- *Literacy training.* Workshops or seminars which prepare workers to make informed decisions. Currently pension programs sponsored by the employer include financial literacy training. Other employer literacy training could include; multi-generational issues, critical thinking, retirement, and cultural diversity

Union and Recruiting Organization Contributions:

While acknowledging the importance of older workers in the workplace, and the challenging issues inherent in some traditional work environments, unions can begin the dialogue to explore:

- flexible employment programs
- job re-design to adapt the work to the abilities of older workers
- a mix of benefits and incentives to attract and retain older workers
- venues that offer literacy up-skilling

There also needs to be open discussions with local, regional, and national organizations about developing effective action campaigns that result in a greater valuing of mature and older workers. For example:

- Local, state and federal governments can act as model employers of older workers

- Establish a clearinghouse for best practices for utilizing and engaging older workers
- National or regional (nontraditional) recruiting organizations could be sponsored and hosted by chambers of commerce to compile a database of retired or older workers, based on skills or prior experience or both
- Employers could establish partnerships with national organizations such as AARP to advertize their willingness to hire, re-hire, and retain older workers

Mature and older workers are a growing national resource. They can and must play an important role in meeting the economic challenges and opportunities before us as a nation, particularly as the number of skilled individuals entering the workforce declines over the next two decades. There is still much still to be done and little time to waste as 78 million Baby Boomers approach retirement.

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