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BREAKING THE SILVER CEILING: A NEW GENERATION OF OLDER AMERICANS REDEFINING THE NEW RULES OF THE WORKPLACE

HEARING

BEFORE THE

SPECIAL COMMITTEE ON AGING UNITED STATES SENATE

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CONTENTS

	Page
Opening Statement of Senator John Breaux	1
Statement of Senator Larry E. Craig	3
Statement of Senator Orrin Hatch	8

PANEL I

Hon. John Glenn, Former U.S. Senator, The John Glenn Institute, Columbus, OH	6
Jack Valenti, former president, Motion Picture Association of America, Washington, DC	10

PANEL II

Ken Dychtwald, president and chief executive officer, Age Wave, San Francisco, CA	16
Sharon A. Brangman, M.D., professor of medicine and division chief, Geriatric Medicine, SUNY Upstate Medical University, Syracuse, NY, on behalf of the American Geriatrics Society	40
Douglas C. Holbrook, vice president/secretary-treasurer, American Association of Retired Persons, Washington, DC	47
Victoria Humphrey, executive direction of Human Resources, Volkswagen of America, Inc. and Volkswagen Canada, Inc., Auburn Hills, MI	76
Edward E. Potter, president, Employment Policy Foundation, Washington, DC	81

APPENDIX

Statement of Emily DeRocco, Assistant Secretary of Labor, Employment and Training Administration	109

BREAKING THE SILVER CEILING: A NEW GENERATION OF OLDER AMERICANS REDEFINING THE NEW RULES OF THE WORKPLACE

MONDAY, SEPTEMBER 20, 2004

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, DC.

The committee convened, pursuant to notice, at 2 p.m., in room SD–628, Dirksen Senate Office Building, Hon. Larry Craig (chairman of the committee) presiding.

Present: Senators Craig, Breaux, Hatch, and Kohl.

OPENING STATEMENT OF SENATOR JOHN BREAUX, RANKING MEMBER

Senator BREAUX [presiding]. The committee will please come to order. Good afternoon, everyone, and welcome to this hearing of the Senate Special Committee on Aging. We are glad we have so many guests for this very important hearing this afternoon.

We are here to talk about how older Americans are breaking the silver ceiling in our nation's workplace. Since 1985, there has been an upturn in the number of older Americans who are choosing to work past the age of 65. These people are better educated, they are healthier, they are living longer than previous generations. They aren't ready to sit in a rocking chair just because they happen to be 62 or 65 years of age.

However, over the past 50 years, both corporate and Federal policies have encouraged workers to leave the workforce as early as possible. Social Security benefits allow people to retire as early as 62, with normal retirement age currently at 65. Today, 75 percent of Americans apply for Social Security benefits at age 62. Companies built their pension plans to favor early retirements and to encourage the hiring of younger workers. I say that it is time to reevaluate these outdated policies because they do not reflect modern society.

We have millions of talented, healthy, and energetic older Americans who want to keep on working, and it is a good thing that our older Americans want to work because there is a labor shortage looming in our country. As baby boomers reach retirement age in a few years, the economy will start to experience negative effects of mass retirements. There will be fewer younger workers to fill the mass vacancies of the older, experienced workers.

The rate of workforce growth peaked in the 1970's at nearly 30 percent. However, it is now at 12 percent and expected to drop to less than one-fourth of 1 percent by the year 2020. Even if we increase immigration significantly, we would still need millions of older workers to remain in the workforce.

Right now, this is still what I would call a sleeper issue and much of corporate America has not recognized the need to retain and recruit older workers. Some companies have, and they are listed in AARP's list of top employers for workers over the age of 50. Many older workers want to work part-time or on and off throughout a particular year. They want to telecommute. They want to continue to provide services where they can, even on a part-time basis. Benefits like retraining, elder care locator services, and time off to care for relatives are important to them.

Phased retirement is a concept that sounds appealing to most workers, but as we will hear today at this hearing, it is still more of a concept than a reality due to Federal obstacles.

I strongly believe that it is time our country's labor and pension policies reflect the new health and dynamism of older Americans. Let us break down these barriers and move past ageist stereotypes to allow more Americans to achieve their potential no matter what age.

I would point out that as I look forward to changing careers, as opposed to retirement in my own profession, this is an area that I become more and more interested in each day. Indeed, I am very typical, I think, of millions of Americans as they look to new and different careers and they do not want to just sit on the porch and rock. They want to be involved, and we need their services and we, as a government, need to make sure that there are not governmental and legislative impediments toward them being able to look at new and exciting second, third, and even fourth careers in their lives. They have very valuable services that they can offer to our country.

With that, I would like to recognize Senator Craig. We share duties. He has been very kind. This is the only committee, I think, in the entire U.S. Senate where we actually both serve as chairman, depending on the hearing, and Chairman Craig has been very, very generous in that because he agrees with me that this question of aging is neither Republican nor Democrat. We age equally, and this committee has been run in that fashion and I thank him for that. Senator Craig.

OPENING STATEMENT OF SENATOR LARRY CRAIG, CHAIRMAN

The CHAIRMAN. John, thank you very much. For those of you who were confused for a moment, please don't be. John has just explained the method by which we operate the Special Committee on Aging. We tradeoff depending on issues that we are individually or collectively interested in as to who is chairing the hearing, because as John has pointed out, I am much younger than he—— [Laughter.]

But I would never challenge him in a game of tennis. [Laughter.]

But I am going to add my comments to the hearing for the record, Mr. Chairman, and why I have asked for the microphone is to say something about a fellow legislator who has spent a good deal of his time serving us and serving the country, and I am talking about my colleague, John Breaux.

The valuable contribution that he has rendered for the good citizens of Louisiana, but as importantly for the country, is testimony to a great leader and one that I view as John Breaux, the senior Senator from the State of Louisiana.

It is even more unfortunate that the English language is always found wanting when one desires, I think, to give a proper tribute. However, I hope that you will accept these words of recognition, John.

John Breaux, you are Louisiana's, I think it is pronounced "lagniappe." That is Cajun for gift to the country in general and to the Senate in particular. Your reputation for honesty and political integrity and hard work were matched in your stellar 32 years of service here in Congress only by your renowned political acumen, keen legislative judgment, and good and sincere heart for all our nation's citizens.

It has been my pleasure to serve with you such as you have demonstrated here today that we found ourselves very willing to work together and to share the responsibilities of this committee.

We share in common the first humble legislative beginnings in the House. While we were in the House, recognizing its importance, for some reason, we aspired to the Senate. In that time, I had the opportunity to watch John's leadership. I was in the minority and I recognized his talent then, and, of course, in the Senate he has continued to serve this country extremely well.

While your retirement from service in the Senate I think is a sad note, I think we are all happy for you and wish you success in a new and challenging life. We are going to hear from some folks today who have retired more than once in life, only to go on to greater careers and greater achievements for themselves and for mankind, and I think that, John, you have that in your future.

So while you will continue to contribute and while I want to assure you that you leave behind respect and admiration and a deep gratitude from all of our colleagues and our staffs and our friends here in the U.S. Senate, your work has been exemplatory and we appreciate it all a great deal.

Now, he reached over and took the gavel away from me today and I don't want him to go wanting for a gavel. So what I have done, or more importantly, what I should say, the staff, the joint staff of the committee has done is made sure that John Breaux doesn't want for a gavel in a future life.

Senator John Breaux, Special Committee on Aging, 1985 through the year 2000, John. Here you are. Let me put this in right so we can grab a picture of it. Here you go.

Senator BREAUX. Thank you, Larry.

The CHAIRMAN. Absolutely. [Applause.]

Now I will get out of the way and let him chair the committee.

Senator BREAUX. I will give you the old one back.

The CHAIRMAN. I got my gavel back! [Laughter.]

All right. That one is not to be dented. Here. You had better use this one. This may be a raucous hearing today.

Anyway, Mr. Chairman, thank you very much, and I will yield back the balance of my time and ask my full comments be a part of the committee record.

[The prepared statement of the Chairman follows:]

PREPARED STATEMENT OF SENATOR LARRY CRAIG

Good Morning. All too often we come together to discuss a multitude of problems affecting senior Americans. On this Committee we get heavily involved in such weighty questions as the cost and benefits of medicare, health care in general and nursing home care in particular and concerns with social security. We are, because of our mission, often times consumed by the study of these problems and overlook the invaluable contributions seniors give to our country.

Senior citizens seek to live comfortably in their advancing years as well as meet the rising financial costs associated with medical care and everyday living expenses. As our population ages we are seeing trends where people in their senior years yearn to continue participation in our country's vibrant economy so as to meet their needs. Therefore, we need to focus our attention on these trends and to study the value of the contributions made by seniors in our workforce. I commend Senator Breaux and his staff for what they place on our oversight table today for public consideration.

I want to thank all of our witnesses for being here today. This a most important inquiry and I look forward to hearing your testimony.

Senator BREAUX. Thank you so very much. I really do appreciate it. It was a surprise. I am delighted. It will be something that will always be a reminder to me of the work that we did on this committee together. If other committees had the opportunity to have that same type of rapport, I think the Congress would indeed be a much better place. So I thank you for your cooperation and your friendship.

We are very delighted to be able to welcome this afternoon two outstanding and very distinguished Americans to be our first two witnesses this afternoon. The first is our former colleague and dear friend, John Glenn. I note that Annie, his wife, is in the audience. Annie, we are delighted to have you with us, as well. I understand Annie's sister is also here, so we are delighted to have both of you as well as to have John.

Everyone knows that—all of us in this Congress, and indeed this country, know that John Glenn is truly a national hero, a person who has served his country and continues to do so, a military Marine, an astronaut, United States Senator, and now continues his work of public service as a public service advocate and so well respected.

He came to the U.S. Senate from Ohio in 1974. He served here for 24 years and did something extraordinary and so unusual when he volunteered and went back into space at the tender age of 77 something that men half his age did not have the capacity to do. That was a 9-day Discovery shuttle mission where he worked just

as hard as any other astronaut and made great contributions on that very important mission. But as important as the science was on the mission itself, it sent a signal to the people of this country that we are still capable of performing outstanding duties at whatever age you happen to be.

It is interesting that Senator Glenn was talking with Elaine on our staff, who had worked with him and now works with us on the committee. John Glenn served on this committee, on the Aging Committee, and very important service it was, as well.

He is now an advocate for public service and public policy through his platform at Ohio State University, where he presides over the John Glenn Institute. It is indeed a pleasure for this committee to welcome you, John. Please come up and take your place at the witness table.

I would like to, at the same time, present another legendary figure in our nation, a man who has also led several different lives, and each one of them has been more remarkable than the previous one, and that is Jack Valenti. Jack served as a World War II bomber pilot with great distinction. He has had his own advertising agency, which he founded. He was an outstanding political consultant. He has been a special White House Assistant to President Lyndon Johnson, of which he truly is a legendary expert in that administration and the things that President Johnson did.

He is also an outstanding leader in one of the most important industries in our country, and that is the motion picture industry, where he has led that industry with great distinction around the world, and particularly here in the Congress. He held that post for 38 years until recently, but he still remains chairman and chief executive officer of the Motion Picture Ratings Association, which he started, and still is so very important.

Most recently, I noted that Jack was in Paris where the French government conferred upon him the very highly prized honor of the French Legion of Honor Award.

In addition, he is also president now of the Friends of the Global Fight for AIDS, Tuberculosis, and Malaria, and he has also been awarded something that is very unique and very special, his own star on the Hollywood Walk of Fame, something a lot of us wish we could do, but it is not in the cards. [Laughter.]

Senator BREAUX. We welcome both of these gentlemen, and Jack, if you would come up to the table.

I really just ask both of them, because they sort of epitomize what we are talking about, how you can have a second career, how you can have a third or even fourth career, and how you can still be a very valuable contributor to society that people can learn from. There are no finer two witnesses than both John Glenn and Jack Valenti.

John, Senator, if you would like to go ahead and get started.

STATEMENT OF HON. JOHN GLENN, FORMER U.S. SENATOR, THE JOHN GLENN INSTITUTE, COLUMBUS, OH

Senator GLENN. Thank you, John, very much. Thank you, and let me add my congratulations to you, too, for the long service on this committee. I know how you feel because I was on this committee for 24 years. I requested it throughout my whole Senate career. I asked to go on the committee when I came here, requested it because of problems I had seen in my own background, my parents and some of the difficulties when they were elderly and had cancer and some things like that. So I asked to go on this committee because I wanted to get into some of those matters and I was on the committee for 22 years.

Elaine, you already pointed out back here—hold up your hand. That is Elaine Dalpiaz, who started out on my staff and is now with your committee full time. Diane Lifsey, back over here, Diane was my staff member on this committee for 22 years, so she has been on this subject for a long time and is still working in this particular field in the private sector now.

She reminded me that the Senate Special Committee on Aging has a long history of looking at older worker issues, because over 20 years ago, we held a series of hearings called "Work After 65: Options for the 80's." As part of this series, I chaired a hearing on April 30, 1980, that was titled, "How Old is Old? The Effects of Aging on Learning and Working." So maybe the farther we go, the more things stay the same.

It is time, though, we did something about older workers. We have been into this issue for a long, long time. As part of that series, I chaired that particular hearing, and Dr. Robert Butler, who was then the head of the National Institute of Aging—he was the founding Director of the National Institute of Aging, part of NIH—and other witnesses discussed ways to gain a better knowledge of older persons' capabilities so they would be encouraged to participate and contribute in meaningful ways.

I will quote one of my own comments from that hearing.

> It said, "With our unemployment statistics as high as they are today, it is hard to imagine the time when our society will depend more on older workers, but we will. As the birth rate declines and the aging segment of our population increases, our workforce will depend more and more on older workers for reinforcement."

That was from 1980, in those hearings a long time ago, and we are still here and I think it has become more urgent than ever that we now do something about this and recognize the situation we are in.

I was asked by the letter I received from the committee to specifically comment on a couple of things about my experiences as a Senator and running for President past the age of 65, the Space Shuttle Discovery mission and that experience. That can get into so much detail, I think rather than try and use up my allotted 5 or 6 minutes we can get to that in the questions.

I would just say I wanted to put to lie, though, some of the rumors that went around after my last space flight in 1998. I was 77 at the time of that flight, and I wanted to make sure everyone understood that it was not true that NASA would not let me go out

on the spacewalk because they were afraid at my age I might wander off someplace. [Laughter.]

It also was not true—the rumor went around that time—that I was the oldest male to ever leave Florida in something other than a Winnebago, and that is not true, either. [Laughter.]

But it was a great experience and I will just say how it happened. Then we can go on with Jack's statement and get onto whatever you want to discuss. I was preparing for some of the NASA debate on the Senate floor back in those years and it struck me that some of the things that happen to younger astronauts up in space are the same things that happen as part of the natural process of aging right here on earth.

Your body's immune system changes, for instance. You become less resistant to disease and infection. Osteoporosis sets in up there, even with the younger astronauts. The body's ability to replace protein in the muscles changes dramatically, and, that changes here on earth just part of the routine of getting old.

When astronauts come back from orbit, they recover within a short period of time, depending on the mission. The mission that we were on as part of the Discovery flight in 1998 was 9 days, which is not one of the lengthier missions but it is long enough for these changes to start happening. Osteoporosis sets in, also, after 5 or 6 days in orbit.

The younger astronauts recover over a period of a week or 10 days or something like that. The objective of my going up in space and the purpose of it was not just to give an elderly Senator a ride in space, which I would have welcomed anyway, but to really do research in these particular areas to see what impact the space experience would have on somebody who had already experienced immune system and the protein changes and other changes. Would it be additive? What would be different about it?

The ultimate objective was to try and find out what within the human body turns these systems on and off so that maybe we could find a clue as to why this happens and maybe increase the body's immune system. What would that do with regard to disease and age and cancer and things like that if we could find within the human body what turns your immune system up and down? Could we find something that would give us a clue as to how we could affect changes right here on earth and maybe make people more resistant to disease than we are right now. We were looking for the same thing with osteoporosis and protein replacement in the muscles and so on. That was the real reason for being up there on the flight.

It was a lot of work that year. I was back and forth to keep up with my Senate work and to be here any time there was going to be a close vote in the Senate that might require my vote. I had made a commitment here in the Senate, of course, to honor that and fly back here, which I did. I didn't have to do it very many times. It was a long year, a very busy year, but I found at the age of 77 then that I could keep up with the younger astronauts. I wish that I had started flexibility training about 30 years before that because I found going through hatches difficult. Where they bent over and went through, I had to slide down on my tail end and slide

through. It was very difficult sometimes like that, and they used to kid me about it some down there, too.

But we were able to keep up all right and do all the experiments. On that second flight, we had some 83 different research projects on board in addition to the half-dozen that were being done on me personally. So it was a very busy time period and very different from the first flight back in 1962, our first earth orbit.

I think that probably is a little more than my 5 minutes, and so I will be glad to answer any questions after Jack's statement.

[The prepared statement of Senator John Glenn follows:]

PREPARED STATEMENT OF SENATOR JOHN GLENN

As part of this series, I chaired a hearing, *"How Old is 'Old'? The Effects of Aging on Learning and Work."* Dr. Robert Butler, who was then head of the National Institute on Aging, and other witnesses, discussed ways to gain a better knowledge of older persons' capabilities so that they would be encouraged to participate and contribute in meaningful ways.

At the time of this hearing in April 1980, I commented, "With our unemployment statistics as high as they are today, it is hard to imagine the time when our society will depend more on older workers. But we will. As the birth rate declines and the aging segment of our population increases, our work force will depend more and more on older workers for reinforcement."

Now, 24 years later, we must renew our efforts to meet the challenges and opportunities presented by our increased longevity. We need the skills and expertise of older workers to benefit all society, including our children and grandchildren, as our population continues to age.

As we are discussing today, it is important to provide opportunities and incentives for today's older Americans and the baby boomers who are nearing retirement to continue to work, *if they choose to do so,* for personal and/or economic reasons.

In addition, older workers will benefit Social Security as they continue to contribute to the trust funds and the growth of our economy. The extent to which older workers chose to remain in the labor force could have a large impact on the economic projections that are made regarding Social Security's long-term solvency.

That is one more reason we should be very careful about making changes to the current Social Security program, one of our country's most successful income protection programs.

Senator BREAUX. Thank you very much, Senator Glenn.

I notice we have been joined by Senator Hatch. Orrin, do you have any comments now?

STATEMENT OF SENATOR ORRIN HATCH

Senator HATCH. Thank you, Mr. Chairman. I am so happy to see you in that seat, although it is for this limited time. I want to start off by expressing my regard for you and all the great work that you have done here in the U.S. Senate. It has been terrific. We are all going to miss you and we are going to wish you the very, very best. I understand this is the last hearing you will be chairing, and I appreciate you and Larry and the work that you are doing on this committee.

I also appreciate these two wonderful men. John Glenn, no question about it, has been a hero to everybody in America. We miss you around here, John, but I know that you have gone on to better things.

Jack Valenti, it doesn't get any better than Jack. I think the Motion Picture Association has been greatly blessed all these years to have you as their leader. Of course, you have done so many important things for many, for millions and millions in this world with

regard to making sure that that organization was run properly and has very lasting value.

Both of these wonderful men are friends of all three of us up here and we admire both of you very much. We admire what you are doing here for senior citizens and for others and we wish you both the best in your respective careers as you continue on.

But I want to thank you, Mr. Chairman. We are going to miss you around here. We think the world of you and we will look forward to seeing you again.

[The prepared statement of Senator Orrin G. Hatch follows:]

PREPARED STATEMENT OF SENATOR HATCH

May I start off by expressing my gratitude to Senator John Breaux for his invaluable contributions to this Committee, and for his distinguished career of 18 years in the United States Senate. Thank you.

I am pleased that today's hearing will examine the issue of retirement against the backdrop of a tend of older Americans staying in the workforce past the age of 65.

Mr. Chairman, it seems to me that the message of this hearing is that the aging of the Baby Boom Generation is going to transform retirement in America as we know it and that the tax, pension, and labor laws in this nation need to be examined and adjusted so they encourage, rather than penalize, older Americans to keep working if they want to.

When Social Security was enacted in 1935, the average life expectancy rate was 61.7. The government set the full retirement age at 65. Today, even though the life expectancy is 77.6 and expected to rise to 82.7 in 2030, Social Security benefits allow people to retire as early as 65. Here is the core of the challenge: the first wave of 77 million baby boomers to turn 62 will do so in just four years. In 2008, millions will retire and thereby worsen the American labor picture. There will not be nearly enough young people entering the workforce to make up for this exodus. As a result, experienced workers will be harder to come by.

According to a recent survey from the Society for Human Resource Management, two-thirds of U.S. employers don't actively recruit older workers. Additionally, more than half do not actively attempt to retain key older employees. If this trend continues, our country will experience a severe shortage of talented workers in a very short time.

Whenever a worker retires, he or she takes with them valuable skills, knowledge, and experience that take time and money to replace. In order to attract and retain these valuable workers, we must create a workplace culture that values their experience and capabilities. To help accomplish this, Congress must remove the obstacles that impede employers from offering flexible retirement packages to its employees. These obstacles start with pension and benefit rules but also include other regulations.

I am reminded of Dr. Russell B. Clark, of Orem, UT, who at age 102, was America's Oldest Worker for 2003. As a retired physician, Dr. Clark continues to spend his time managing an industrial park and other real estate investments, writing his life history, and volunteering when needed. Now almost 104, Dr. Clark is the epitome of making the most out of life, and certainly does not allow age to determine his circumstance. Like millions of other older Americans who are still working, his knowledge and experience benefit employers, other employees and our entire country.

Thank you for holding this hearing, Mr. Chairman. This is an important issue that merits our attention. I look forward to hearing from the witnesses today.

Senator BREAUX. I appreciate that very much, Senator Hatch.

Mr. Valenti, you are on the stage.

STATEMENT OF JACK VALENTI, FORMER PRESIDENT, MOTION PICTURE ASSOCIATION OF AMERICA, WASHINGTON, DC

Mr. VALENTI. I want to thank you, Senator Hatch, for the kind words, and join with you, Senators Craig and Hatch, in complimenting Senator Breaux. I have known Senator Breaux since he came to the Congress as a fresh young-faced Congressman out of Louisiana. He has gone on to greater things. The only thing he hasn't done is make the Davis Cup, but he could have if he chose to. [Laughter.]

I am from Texas and proud of it, and Senator Breaux is from Louisiana. Sometimes we think alike and our politics is pretty much the same, which is why I say that if I die—— [Laughter.]

I want to be buried in Texas because I want to remain politically active. [Laughter.]

These are obviously scrambling and unquiet times and there are a lot of issues that come before the American people and the Congress that are vapory and imprecise and burdened with uncertainty. You just don't know how to deal with them. But then there are some other issues where the arithmetic is clearly understood by everybody and we can forecast with great accuracy.

That brings me to Social Security, which, of course, is the molecular connection to millions and millions of Americans who rely on it for a good life, or at least a pleasant life, and not a destitute one.

But the numbers that come out lately, this committee knows them far greater than I. Americans are growing older. I read somewhere where in the next 15 to 20 to 30 years, those living over 100 years will rise with startling speed and they are going to be there quite a long time.

What comes out of these demographics, these bleak and surly figures, is the fact that while there might be three Americans supporting one person on Social Security, in a few years, there will be two Americans supporting one on Social Security. Then after that, the outlook gets a little soggy.

I think, as Senator Breaux said in his opening statement, there are many, many Americans over the age of 65 who don't want to retire, who find their work illuminating and good, although there are a lot that are probably living lives of quiet desperation because they don't like what they do.

So I think that there are two big intruders in the future now that we have to deal with, and that is older people, their lack of energy, and the other one is the fact that they are doing something they don't like and so they are ready to retire. But I don't think it need be that way.

Whenever I speak before college audiences, and I do a lot of that—I haven't been into Utah lately, Senator Hatch, but I am going to see that you fill that omission for me——

Senator HATCH. We will take care of that.

Mr. VALENTI [continuing]. I always tell students, I am only going to give you one piece of advice, unlike most commencement speakers or older people. My advice is this. Never take a job just for money. Always try to strive to find a job that you really love to do, you have a passion for it. If it is money you seek, you are going to have people who will offer you barrels full of it, because if you love what you do, the chances are you will do it with such splendor

that the offers will come and just avalanche you, and I believe that. I think it is so important to do what you love to do, particularly as you grow older.

I have found in my own life that I find retirement a synonym for decay. I remember when I left the White House after serving 3 years as a Special Assistant to President Johnson—I don't recommend working for a President, only slept about 4 hours a night. So when I left the White House, I was a physical mess. Lack of sleep and pressure and stress, it just fell up on you like jaguars springing out of a tree. I was absolutely ill-nourished.

I decided then that I was going to change the shape and form of my daily life, and the first thing I was going to do was to get physically fit, and I became kind of a fanatic about it and I got me a trainer and I started every day in a new religion, which means that—you go to church on Sunday. I went to church—I go to church every morning about a quarter to six in my gym or wherever I am on this racked and weary old planet. I stay in a hotel that has got a gym. I do 40 minutes to an hour every day, even though there are some days I want to say, "Oh, enough of this," and I try to push myself to extremes. I think if you start doing that and give yourself about 25 or 30 years at it, it pays off.

So I just think that it is important for people to understand that if you do something you like and if you stay physically fit so that you can go 15 hours a working day without collapsing, and I know that I am in far better physical shape now than I was 25 years ago, and as a result, I find that the brain can't function when it is fed by fatigue. You lose a sense of direction when you are tired and when you are worn.

Now, as a result of staying physically alive, I enjoy being around me. I find that to be kind of a delight. I have left the MPAA because after 38 years, I think that—and I was just getting the hang of the job, I might add, too—— [Laughter.]

But I am going on to some other careers now, and when I finish them, I will start another one. I think when I sit beside Senator Glenn, I am just awestruck. I met him first time when he was in the original group of the seven, wasn't it——

Senator GLENN. Yes.

Mr. VALENTI [continuing]. Mercury astronauts. John, you haven't changed since then, as a matter of fact——

Senator GLENN. You lie.

Mr. VALENTI. I think you look about the same.

At any rate, I thank this committee because I think you are bringing up something that is absolutely crucial to the future of this country. If we don't find a way to deal with older workers and the pressures that are on Social Security, and Chairman Greenspan has outlined the bleak particulars to us that we need to look at and fix, and I think the Congress will do that. I am sure Members of Congress will perform and act wisely, that is, Mr. Chairman, after they have discarded all the other alternatives, they will do that. [Laughter.]

So I am here to answer whatever questions you might have.

Senator BREAUX. To Senator Glenn and Jack Valenti, thank you so very much. I think every senior in the country this is being televised should have a copy of the tape of both of you, at your point

in life, being able to talk about the future is so very important, because people, I think, at whatever age, as you said, Jack, need to be involved, need to be active, need to be thinking, and both of you are really credits to that particular philosophy.

The thing that has concerned me is that back in 1935, 70 years ago, when Congress passed the Social Security legislation for retirement purposes, Congress magically took the number 65 as the eligibility age. Now, Congress really knew what they were doing, because in 1935, the average life expectancy in 1935 was 61.7 years of age. So Congress said, when you get to be 65, we are going to give you a retirement check, and the average person only lives to be 61.7 years of age, so it wasn't going to cost us a lot. But guess what. Over the years, life expectancy now is projected to be approximately 83 years in the year 2030.

So a number that Congress picked 70 years ago, 65, as being appropriate for retirement purposes has been carried through for 70 years without really a lot of updating as far as the concept of when I can retire. If anything, Congress makes you eligible for retirement now at 62.

The problems that that presents are enormous. The projections are we are only going to have two working-age people for every person 65 or over by the year 2030. Today, we have seven people working for every person who is over 65. But as people retire earlier and earlier, there are fewer and fewer working to take care of more and more who are not working because they are retired. So it is truly a huge problem.

John, let me just ask you one question. A lot of people will make the argument that you have to let them retire because there is danger in some of these professions and an older person can't keep up either mentally or physically. I know people, however, that are 40 and are senile, and some people who are both of you gentlemen's age and are alert and articulate and vibrant.

So how did they check that with you when you became an astronaut again at 77? We were talking about pilots having to have mandatory retirements and police and firemen because of the danger of the job. I think the argument on the other side is, well, if they have that type of a job, let us test them and make sure they can handle that. How did they do that with you?

Senator GLENN. Well, I had to pass all the tests. One of the things that Dan Golden, who was running NASA at that time, said was that if this went through—if the doctors thought this was a good project to run, the National Institute of Aging doctors as well as NASA, and then they put this out for peer review for over a year before that decision was made—I would have to pass any physical that the younger people would pass, and that was fine with me. They shouldn't give me any waivers on that, and they didn't. In fact, I had more checks that were done on me than the younger people normally have before they go up on space flight. Heart, they were particularly concerned about that and I had every heart check there was.

I think the same thing, what you basically said a moment ago, airline pilots are required to retire at 60. I think you had a hearing on that a short time ago——

Senator BREAUX. Last week.

Senator GLENN [continuing]. I think your statement on that indicated that you would favor upping the age on that. I certainly do, too. I think there is a lot to be said for experience. I think that adds a lot. Back when some of those rules were set earlier on airline pilots, for instance, the average age was lower. People were not living as long as they are today and they are much healthier today at the age of 60 than the average person was back when the airline industry, starting back in the 1930's and 1940's.

So I think there should be good testing of a person's capabilities. Airline pilots is a good example because they have great responsibility and we don't want somebody up there who is going to get sick or likely to pass out or whatever with a whole load of people on the airplane. But I think you can devise tests that not only are tests like I had to go through that show your physical condition, are you able to take whatever the stresses might be, but also, I think there could be some psychological tests given as to whether people are having any problems or not.

I don't think that would be any problem at all, and I would favor upping the airline age myself. I would favor upping that because I think those people have a lot of experience. I think it is a shame to put pilots out to pasture prematurely. Some of the union people, I think, the airline unions of some of the younger members, like to see earlier retirement so that they can move up, so there is that end of it that has to be dealt with, too.

But as far as the physical ability to do work, measure the physical ability, whatever it is, whether it is airline pilots or whatever the person's job is. You don't want someone staying in a job where it is dangerous to that person or other people. But I think you can devise tests to determine if it is safe for older people to continue contributing through their job.

Jack talked about the advantages of exercise, and I agree with that 100 percent. People say, what are the two things you advise? Well, far be it from me to advise people on how to get old. I am having trouble enough coping with it myself. But if there are a couple of things that I think are very, very important, there are two things.

One would be exercise, as Jack said, every day. You don't have to have to have a gym like Jack does. You can get out and walk down the street, or you can take flour sacks or something and do exercises and get enough. The doctor advised me years ago to get up a little sweat. That shows your body is adapting to the exercise condition that you are in. If you can, do that 4 or 5 days a week. I like to get out and walk. The doctor said, don't jog anymore because all you are doing is banging up your knees and your bones and your joints. But you can do fast walking and get a sweat up. So do a couple of miles; I try to do that 4 or 5 days a week, usually hit it.

Second, I think that it is important what your attitude is. If you get up in the morning and say, "Oh, gosh, I am going to go sit on the porch," as Jack said, or are you going to rock. [Laughter.]

Your biggest objective of the days is maybe waiting for the mail to come in at 5 o'clock in the afternoon well, you are probably going to dwindle pretty fast, I think.

It is important to have something you enjoy doing, and everybody can have that, whether it is reading to the school kids, going down and helping somebody at the church or helping with the military or whatever it is. Everyone can have a project that you look forward to every day, enjoy doing, and you are doing it.

I think exercise and attitude enable people to live to an older age and be productive at that time.

Senator BREAUX. That is a great summary. Just as a follow-up, Jack, on the question about the exercise that you do, I mean, I know people in your category age-wise that just have shut it down as far as any type of physical activity at all, even though they are healthy and even though they would otherwise be able to do it physically. They are just thinking, well, I got to be 65. I am not supposed to do that anymore. I am supposed to get to the rocking chair and not do anything.

How important was this whole exercise regime in keeping you going to the extent that you are today? How important was that to you?

Mr. VALENTI. I think, as Senator Glenn pointed out, that attitude, a state of mind, is so very important. I guess I look back on my President, President Johnson, who left office in January 1969 and he was dead 4 years later. I think retirement is absolutely—it despoiled him and it crushed him. People don't realize that he was only 64 years old when he died. So I have that in my memory.

But I think it is doing things that you like to do. I have a lot of things I enjoy doing and a lot of things that I find exciting to do. Changing into a new career is exciting. It keeps you alive, keeps you vibrant, keeps you flexible. I certainly second what Senator Glenn said, that attitude in life, where you can't wait to get up in the morning to be about whatever task you have, not because you ought to but because you want to, big difference.

I have to say, I have never spent a day in my life doing a job that I didn't like. I said earlier, I used the Rose great quotation. Most people lead lives of quiet desperation, mainly because they really don't enjoy the 24 hours of each day that they are living in, and I think that is quite sad.

Senator BREAUX. Thank you both, gentlemen.

Senator Craig.

The CHAIRMAN. The one question I had proposed to myself to ask of both of you was the advice you would offer to those about to retire. You have already answered that abundantly, I do believe.

Senator GLENN. Don't.

The CHAIRMAN. Exercise—don't. That is correct. [Laughter.]

Exercise and attitude make a lot of difference. There is one question in all of that, because over the years, I have found the value of exercise and try to do it very regularly now. Is it exercise and physical fitness bringing an improvement in one's attitude? Would you not agree with that?

Mr. VALENTI. I certainly would. I think you are absolutely right. When you are feeling physically fit, you just enjoy life better. There is no question about that.

Senator GLENN. You just have more energy.

The CHAIRMAN. There you go. I agree with that. It is an energizer, and I think that we are certainly finding that now in many

of our senior communities and senior centers, the emphasis on exercise and people who were fairly sedimentary are all of a sudden out and busy and exercising and spinning off and doing other things and generating a great deal of energy proves that exercise is extremely valuable.

Gentlemen, thank you for coming to the committee and offering your advice and being examples of a good many citizens across the country who are not retiring but changing jobs at an older age and finding it very rejuvenating and exciting as you continue on your life. But we thank you for being here today.

Senator BREAUX. Senator Hatch.

Senator HATCH. Thank you, Mr. Chairman. I want to thank both of you for being here. I can't think of two better examples of people who have made the most out of their lives than the two of you; your advice is really, really good. The people who really do live longer and have higher qualities of life are those who keep busy in doing what they really enjoy doing.

I have been around both of you, and I have to say that you both do exactly that. Now, you could be a little less active, John, in this Presidential campaign. Laughter.]

And Jack——

Senator GLENN. I am working on Jack's problem with Social Security. [Laughter.]

Senator HATCH. We are working on it. I just want to thank you both for being here and again express my high regard for the distinguished chairman here today. We are all going to miss him, and frankly, we are going to miss you at the MPAA, Jack, very, very much. You did a job there that I don't think anybody else in America could have even come close to achieving. I feel sorry for poor Mr. Glickman. He has got to succeed you and he has got to do the job of three people because that is the way you worked all the time. [Laughter.]

It will take at least three people to do what you were doing, but hopefully we can all help him.

Thank you both for being here and thank you for standing up for senior citizens. We appreciate it.

Senator BREAUX. Thank you, Senator.

John Glenn, Jack Valenti, the committee thanks you. Your country thanks you, as well. Thank you.

Senator GLENN. Thank you.

Mr. VALENTI. Thank you.

Senator BREAUX. I would like to welcome our panel up next, consisting of Dr. Ken Dychtwald, who is a psychologist, a gerontologist, and a best-selling author of 10 books about lifestyle and marketing and workforce implications of the age wave. He is founding president and CEO of Age Wave, a firm created to guide the Fortune 500 companies and government groups and product and service development for the baby boomers.

Dr. Sharon Brangman—Dr. Brangman, please join us at the table—is a professor of medicine and Division Chief of Geriatric Medicine in the Department of Medicine at the SUNY Upstate Medical University in Syracuse, NY. She is also the director of the Central New York Alzheimer's Disease Assistance Center and the

geriatric medicine fellowship program at SUNY. She was elected to the Board of the American Geriatric Society in May 2002.

Mr. Doug Holbrook—Doug, welcome—is vice president and secretary-treasurer of the National Leadership Conference. He was previously a member of AARP, Andress Foundation Board of Trustees, and AARP Insurance Trust of AARP Health Care Options Program and a member of the AARP National Work Opportunities Advisory Committee.

Ms. Victoria Humphrey, welcome. She is the head of the human resources for Volkswagen of America and also Volkswagen of Canada. In her executive leadership position, Ms. Humphrey oversees the human resources for the company's approximately 3,000 employees. Prior to joining Volkswagen, she worked for American Bell, AT&T, Lucent Technologies, Northwestern Bell, and also Winn-Dixie.

Ed Potter—Ed, thank you for being with us—is president of the Employment Policy Foundation, a nonprofit, nonpartisan economic policy research foundation that promotes sound employment policy. He is an economist and labor law attorney who has extensive experience on employment issues in a global economy. He has testified many times before the Congress and is a frequent media commentator, as well. He currently serves as a U.S. employer delegate to the International Labor Organization Conference.

Gentlemen and ladies, we appreciate your being with us. Ken, do you want to start and we will go left to right and start with you.

Mr. DYCHTWALD. Sure.

Senator BREAUX. Welcome back. We are glad to have you.

STATEMENT OF KEN DYCHTWALD, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AGE WAVE, SAN FRANCISCO, CA

Mr. DYCHTWALD. Thank you, Chairman Breaux and Co-Chairman Craig, for the honor of testifying today. I am going to organize my comments around six key points.

First, we are in the midst of an extraordinary longevity revolution. Throughout 99 percent of all of human history, the average life expectation worldwide was less than 18 years. In the past, most people didn't age, they died.

Thanks to extraordinary advances in the 19th and 20th centuries in sanitation, public health, better distribution of nutrition, foods, and modern medicine, now most of us will have the experience of living very long lives. Life expectancy, as you mentioned, has lifted from 47 to 77 during the past 100 years, and I would point out that this longevity evolution is not over. With every decade that has passed, the average life expectation is elevated 2½ years, and the older we get, the longer one lives, as you point out. It is conceivable that in the years to come, breakthroughs in the life sciences will allow more and more of us to live into our eighth, ninth, tenth decade and beyond.

I would point out that two-thirds of all the men and women who have ever lived past 65 in the entire history of the world are alive today. Knowing what to make of aging, longevity, knowing when to stop working, these are challenges the entire world is beginning to scratch its head and contemplate for the very first time in history.

Increasing longevity doesn't necessarily mean we will have more old people who will be old longer. In fact, if you look at the population in the surveys, people are now beginning to think that old age begins somewhere between 75 and 80. People are electing to stay young longer, to be middle-aged for decades, to postpone old age.

I would also point out on this first point that this longevity revolution, at the end of the day, may have a larger impact on our lives, our work, our economy, our families, our communities, than either the industrial or technological revolutions of previous centuries. This is a big one.

Second point, there is a coming brain drain. In the years ahead, as the boomers born between 1946 and 1964 start hitting their 60's and contemplating retirement, there simply won't be enough talent to fuel the American workforce or to fuel its productivity growth. I would add that boomers are paying about 60 percent of all the personal taxes at this particular time, and to cause that generation to no longer be earning and no longer able to contribute in those ways could be devastating economically.

The Bureau of Labor Statistics projects, and it is hard to imagine this particular moment in time, but projects that we will have a 10 million worker shortfall over the next decade. Can we afford to lose so much skills, talent, so much legacy?

My third point has to do with ageism. It is well known that ours is a culture that glorifies youth, in our language, in the way we talk to each other, in the models that we see on television, the people we see in ads. It is so much a part of our society, we hardly even notice it. But let us think of it in terms of the workforce. It is conceivable that this ageism is blinding employers so that they are literally driving their companies and organizations off a demographic cliff.

Currently, two-thirds of U.S. employers don't actively recruit older workers. More than half don't really try to keep the older ones. Eighty percent don't offer any special provisions to appeal to their concerns. How about training? If we are going to talk about reinventing one's self, 55-plus workers receive on average less than half the amount of training than any of their younger cohorts.

Ageism can start with recruiting, with such ads as to talk about energy and fast paced and fresh thinking, which are clearly ageist comments in disguise, and it can end with a golden parachute, in which people are simply ushered out the door quietly. Let us get them out of the way.

I will give you an example. Ageism is so widespread in our culture, we really don't even notice it. One of the most popular TV shows last year was a show called "American Idol." It was the American dream. People could be brought out of their communities, their neighborhoods, and have a chance to show their talent and achieve success, except you couldn't be over 28 to join. We wouldn't tolerate that if it were sexism, if it were racism, and yet it is OK with Ageism. It is not OK.

Mature workers are attracted to cultures that honor their experience and capabilities. Too few companies pay much regard to this theme.

My fourth point, is that I actually think we are in a moment of a tipping point. We are seeing a new model of work and retirement emerge and we don't even really have the language to describe it. Let us remember, as has been pointed out, that retirement was not created so that older adults could enjoy decades of leisure. It emerged during a time in history where the unemployment level was 25 percent and there was a huge movement in America to rid the workforce of what were then called "geezers."

There was an ageist spell in the roaring 1920's. Roosevelt had an interesting challenge. By trying to find jobs for the young, the only obvious solution was to allow older adults, who mostly had lived a life of physical toil, to step out of work, and if they were lucky enough to have some longevity, to experience a few years of rest before they passed on.

Inadvertently, perhaps, by selecting age 65 and institutionalizing retirement, we have also institutionalized old age itself. We have removed older people from the sense that they might contribute. We have removed younger people from working side by side with people generations older than them. We have broken the bridges between generations that used to exist in the workplace.

Today, with rising life expectancies, the average American retires at around 62 and will then have 20 more years of life. According to Webster's Unabridged Dictionary, to retire means to disappear, to go away. Is that good for anybody?

One-half of today's retirees say they are bored and restless. They are worried about their economics. Last year, the average retiree watched 43 hours of television a week.

People historically have lived linear life plans. When life was 40 or 50 or 60 years long, you learned once, you worked for a spell, and then you either passed away or had some retirement. I think what people are dreaming of in the future is a more cyclic arrangement in which they might go back to school at 50. They might retire and start a whole new career. We have seen extraordinary examples of that today with Senator Glenn and Mr. Valenti. Perhaps retirement in the future will still be there as a kind of a turning point through which people pass and then reinvent themselves in a whole new phase of life.

Fifth, I made up the phrase "silver ceiling" a few years ago as I was hearing so much concern about glass ceilings. Eighty percent of boomers expect to keep working at least part-time during their retirement, both because they will need the income and because they like the idea of staying involved. Older earners, let us remember, keep a stimulated economy, something that is going to be extremely important in the decades to come.

But they are looking for different blends between work and play. They have reached a point in their life where perhaps they would like to work 4 days a week or 8 months a year, work on a project for a while and then step out, maybe work a few hours a day, maybe even volunteer.

Truly flexible retirement is not yet possible for most employees, and perhaps that is a serious problem that is readily fixable. According to the Employment Policy Foundation study, one of Mr. Potter's studies, 65 percent of employers would like to offer such flexible retirement, with phased retirement and flex-time and part-

time and retraining and rehirement, but most feel blocked by pension and benefits regulations. Even the IRS, ERISA, and ADEA currently have provisions that get in the way.

My last point, is that there is no question that there is an age wave coming and old most certainly isn't what it used to be. In last fall's World Series, the winning Florida Marlins were led by 72-year-old Jack McKeon, called out of retirement early in the season to turn around an under-performing club. He is not alone. Sixty-five-year-old John Reed was named Interim Chairman and CEO of the New York Stock Exchange. Barbara Walters continues to expand her media range and burn up the airways in her 70's. Warren Buffett is widely viewed as the most respected investor in the world at 75. Of course, the Fed's Alan Greenspan remains capable and wise at 78.

This late achievement is not a new idea, but it is multiplying. Grandma Moses didn't start painting until she was 80. Groucho Marx launched his career on television at the age of 65. Galileo published his masterpiece, Dialogue Concerning the Two New Sciences, at 94. Noah Webster was 70 when he published An American Dictionary of the English Language. Frank Lloyd Wright designed the Guggenheim at 91. Mahatma Gandhi was 72 when he completed successful negotiations with Britain for India's independence.

I think we must realize that in this new era, people don't simply lose talent and experience over a lifetime at the flip of a switch. It is not good business to push people out the door just because outdated ageist policies say it is time. Perhaps late blooming should be celebrated, not penalized. Perhaps it is time to retire retirement.

I would like to say in closing, a personal comment. I want to thank you, Senator Breaux, for the extraordinary wisdom and vision you have brought to this role over the past several decades. It is my honor to be here with you today.

Senator BREAUX. Thank you very much.

Mr. DYCHTWALD. Thank you.

Senator BREAUX. I appreciate it.

[The prepared statement of Mr. Dychtwald follows:]

Testimony of Ken Dychtwald, Ph.D.
September 20, 2004.
"Breaking the Silver Ceiling:
A New Generation of Older Americans
Redefining the New Rules of the Workplace"

Thank you Mr. Chairman for the honor of testifying today. I greatly appreciate the opportunity to offer my thoughts to the Senate Committee on Aging about a truly important and timely matter. And it is a privilege to testify alongside such a distinguished panel.

The Longevity Revolution

Living in an age when scientific and technological "miracles" are almost a matter of course, it's easy to overlook just how remarkable the phenomena of "aging" and "rising longevity" are. But consider the fact that throughout 99 percent of all the years that humans have walked the earth, the average life expectancy at birth was less than 18 years. Infectious diseases, childbirth, accidents, violence, and many other hazards often brought life to an early close. In the past, most people didn't age—they died.

When the first U.S. census was taken in 1790, half the population was under the age of 16 and less than 2 percent of the 4 million people who responded were 65 and older. Few men and women could expect to live more than 35 to 45 years—about the same as in Europe and Asia. As a result, societies rarely concerned themselves with the needs, problems or aspirations of their aging citizens. The elderly were too few to be of much consequence.

However, beginning in the 20th century, something remarkable began. Thanks to advances in sanitation, public health, food science and modern medicine, *most of us*

will have the opportunity to live long lives. During the past 100 years, our life expectancy at birth has climbed from an average of 47 to nearly 77 today. We are creating—for the first time—a mass population of long-lived men and women. However, it's important to remember that this longevity revolution is not over. Already, the longer you live, the longer you'll get to live. A 65 year old today has an average life expectancy of 83 years and there are many indications that with further scientific breakthroughs, living to 90 or even 100 years will become commonplace for today's middle-aged generation. In fact, this longevity revolution may well create greater changes in our lives – our families, our communities, our industries and our economy than either the industrial or technological revolutions of previous eras.

To further compound this phenomenon, at the same time that we're living longer, fertility rates in the U.S., Europe, Japan, and other modernized nations are dropping precipitously. In the United States, the fertility rate is hovering around 2.1—poised just on the edge of the minimum replacement level and down from around 6 a century ago and nearly 4 during the 1950s. But even this modest birthrate is not occurring in Europe, in which no country is having enough children to replace themselves.

The mistaken assumption on the part of the media and popular culture is that increasing longevity means that there will be more old people, and they will be old longer. Instead, I believe that most people will elect to postpone old age and remain youthful longer. Thanks to an increasingly healthy aging process, 50 is not over the hill and at 70 you can still reinvent yourself – or even take a trip to outer space, such as what Senator Glen has done. An extension of this is that the entire paradigm for the way people conduct their lives is going through a metamorphosis. In expectation of a relatively short life, people historically lived "linear" life plans: you learned once when you were young, you fell in love and got married once, you worked for 40 years, and, then, if you had a little bit of longevity, you had earned some leisure time for the remaining few years of your life.

Now that people are beginning to realize that they have more time, they are saying, 'Maybe I'll go back to school at 30 or 50 or 70'; 'Maybe I'll leave my current job and start up a new career.' What is emerging is an entirely new more "cyclic" model of life, in which it's becoming more normal for people to try new things and repeatedly reinvent themselves throughout their lives.

The ultimate effect is a more ageless society, one in which 20 year-old students mix with 50 and 80 year-old students—and employees. A lot of the reason that we've had a negative image of aging in our society is the fact that we associate aging with loss, with a shrinking of life's horizon. But in this cyclic model, you can be 70 and learn to surf the internet, you might be 80 and write your first novel. You might be 60 and find your true occupational calling. It's a landscape that's more filled with opportunity than the previous model allowed – or encouraged.

The Coming Brain Drain

The general population is aging and, with it, the labor pool. While the ranks of the youngest workers (ages 16 to 24, according to Bureau of Labor Statistics groupings) are growing 15% this decade as boomers' children enter the workforce, the 25- to 34-year-old segment is growing at just half that rate, and the workforce population between the ages of 35 and 44—the prime executive-development years—is actually declining. In the past few years, companies have been so focused on downsizing to contain costs that they've largely neglected a looming threat to their competitiveness, the likes of which they have never before experienced: a severe shortage of talented workers.

As a result, during the next 15 years, 80% of the native-born workforce growth in North America is going to be in the over-50 cohort. In the years ahead, when boomers—the 76 million people born between 1946 and 1964, more than one-quarter of all Americans—start hitting their sixties and contemplating retirement, there won't be nearly enough young people entering the workforce to compensate for the exodus. The Bureau of Labor Statistics projects a shortfall of 10 million workers in the United

States in 2010, and in countries where the birthrate is well below the population replacement level (particularly in Western Europe), the shortage will hit sooner, be more severe, and remain chronic.

The problem won't just be a lack of bodies. Skills, knowledge, experience, and relationships walk out the door every time somebody retires—and they take time and money to replace. Given the inevitable time lag between the demand for skills and the ability of the educational system to provide them, we'll see a particularly pronounced skill shortage in fast-growing technical fields such as health care.

Rampant Ageism in the Workplace

Despite irrefutable evidence of both workforce aging and the untapped talents and reliability of older workers, ageism may be causing many managers to march their companies or organizations straight off a demographic cliff. Currently, most recruiting, training, and leadership development dollars, as well as promotion opportunities, are directed at younger employees, with little thought to the skills and experience that the over-55 crowd can bring to bear on almost any business problem. According to a recent survey from the Society for Human Resource Management, two-thirds of U.S. employers don't actively recruit older workers; more than half do not actively attempt to retain key ones; 80% do not offer any special provisions - such as flexible work arrangements - to appeal to the concerns of mature workers; and 60% of CEOs say their companies don't account for workforce aging in their long-term business plans.

And in our youth-oriented society, most human resource practices are often explicitly or implicitly biased against older workers, and these biases can seep into the culture in a manner that makes them feel unwelcome. Most important, mature workers will be attracted to a culture that honors their experience and capabilities. Unfortunately, too few companies have made this a priority.

It can start with recruiting, in subtle ways such as the choice of words in a job advertisement. Even high-energy, young-in-spirit older workers, for example, may interpret an ad stressing "energy," "fast pace," and "fresh thinking" as implicitly targeting younger workers and dismiss the opportunity out of hand. And it can end with a "golden parachute" in which seasoned workers are ushered out the door.

Training and development activities also tend to favor younger employees. According to the Bureau of Labor Statistics, older workers (age 55 plus) receive on average less than half the amount of training that any of their younger cohorts receive. And yet many mid-career and older employees require refresher training in areas from information technology to functional disciplines to cutting-edge management methods.

Retiring Retirement

Retirement, as it's currently understood, is a recent phenomenon. For almost all of history, people worked until they died. It was only during the Great Depression that, desperate to make room in the workforce for young workers – 25% of whom were unemployed – governments, unions, and employers institutionalized retirement programs as we know them today. It's important to keep in mind the fact that when the modern notion of retirement was first articulated in the early decades of the twentieth century, the designated retirement age of 65 was longer than the life expectancy at the time.

Today, a new generation of vital and energetic older adults don't necessarily want a life of pure leisure; half of today's retirees say they're bored and restless. Last year, the average retiree watched 43 hours of television per week. According to *Webster's Unabridged Dictionary,* to retire means "to disappear." A growing number of older adults would rather be in the game – than relegated to the sidelines. And it's also becoming obvious that most boomers will simply not be able to afford to permanently retire. A recent AARP/Roper Report survey found that 80% of boomers plan to work at least part-time during their retirement; just 16% say that they won't work at all.

They're looking for different blends—three days a week, for example, or maybe eight months a year. Many want or need the income, but that's not the only motivator. People tend to identify strongly with their work, their disciplines, and their careers. Many wish to learn, grow, try new things, and be productive indefinitely, through a combination of paid or even volunteer pursuits. They enjoy the sense of self-worth that comes with contributing to a business or other institution, and they enjoy the society of their peers. And since most work today is not nearly as physically demanding as it was decades ago, the overwhelming majority of older adults are definitely capable of extending their productive years.

For all these reasons, the notion of retirement as it has come to be practiced—a onetime event that permanently divides work life from leisure—no longer makes sense. From the standpoint of the employee, flex and phased retirement programs offer opportunities to mix work and other pursuits. They also offer personal fulfillment and growth and ongoing financial rewards. For employers, the programs provide an elastic pool of staff on demand and an on-call cadre of experienced people who can work part-time as the business needs them.

In an ideal world, employees would be able to move in and out of the workplace seamlessly, without ever being forced to retire. Employers would offer flexible work, compensation, pension and benefits arrangements, subject to sensible and straightforward tests of fairness and merit. Employees would have the option of entering a flexible work arrangement not at some fixed age but whenever it's desirable and feasible, putting together an appropriate combination of salary and "retirement income." Employers would need reasonable flexibility in selecting employees and legal protection from discrimination claims from those workers not selected. Flex retirement would embrace a variety of trajectories—different work for a former employer, the same type of work for a new employer, a career restart, variable schedules.

But things don't yet work that way, and truly flexible retirement is not yet possible for most employees. Indeed, according to an Employment Policy Foundation study, 65% of employers in the United States would like to offer such flexible retirement, but most feel blocked by regulatory restrictions. The obstacles start with pension and benefits regulations and no less than the IRS, ERISA and the ADEA currently have provisions that hinder both an employers ability to provide satisfactory arrangements to older workers and older adults' ability to remain productive as long as they choose. In a few minutes, my colleagues on the panel will be sharing some innovative approaches to breaking through this "silver ceiling."

Old Isn't What it Used to Be

In last fall's World Series, the winning Florida Marlins were led by 72-year-old Jack McKeon, called out of retirement early in the season to turn around the fortunes of an underperforming club. And then there's the litany of business executives called out of already active retirement to inject stability, direction, confidence, and sometimes legitimacy into major corporations in need of leadership. Examples include 68-year-old Harry Stonecipher, who recently succeeded Phil Condit as Boeing's CEO; 65-year old John Reed, named interim chairman and CEO of the New York Stock Exchange; Barbara Walters, continuing to expand her media range and influence in her early 70s; and of course the Fed's Alan Greenspan who remains capable and wise at 78. Warren Buffett remains the world's most respected investor at age 75. Sophia Loren and Sean Connery are still considered sexy in their seventh and eighth decades. Former President Carter, is now 81years old and enjoying a stellar post presidency as a writer and international emissary. Joe Paterno, at 77, signed a four-year contract extension to coach the vaunted Penn State Nittany Lions football team.

Late achievement, while multiplying in frequency isn't altogether new. Grandma Moses didn't start painting until she was almost 80. Groucho Marx launched a new career as a television-show host at 65. George Bernard Shaw was at work on a new play when he died at 94. Galileo published his masterpiece, *Dialogue Concerning the Two New Sciences*, at 74. Noah Webster was 70 when he published *An American*

Dictionary of the English Language. Frank Lloyd Wright designed the Guggenheim Museum in New York at 91. At 94, conductor Leopold Stokowski signed a six-year recording contract. Mahatma Gandhi was 72 when he completed successful negotiations with Britain for India's independence.

We must realize that in this new era, people don't suddenly lose the talent and experience gained over a lifetime at the flip of a switch. It's not good business to push people out the door just because outdated policies say it's time. On the basis of thirty years of research and observation, I've concluded that the concept of retirement is outdated and should be put out to pasture in favor of a new balance between work and leisure in maturity. It's time to retire retirement.

This concludes my testimony. I would be pleased to answer any questions you might have.

Kdychtwald@agewave.com

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It's Time to Retire Retirement

by Ken Dychtwald, Tamara Erickson, and Bob Morison

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It's Time to Retire.
Reti.

Long-standing human resource practices invest heavily in youth and push out older workers. This must change – and public policy, too – or companies will find themselves running off a demographic cliff as baby boomers age.

IN THE PAST FEW YEARS, companies have been so focused on downsizing to contain costs that they've largely neglected a looming threat to their competitiveness, the likes of which they have never before experienced: a severe shortage of talented workers. The general population is aging and, with it, the labor pool. People are living longer, healthier lives, and the birthrate is at a historic low. While the ranks of the youngest workers (ages 16 to 24, according to Bureau of Labor Statistics groupings) are growing 15% this decade as baby boomers' children enter the workforce, the 25- to 34-year-old segment is growing at just half that rate, and the workforce population between the ages of 35 and 44 – the prime executive-development years – is actually declining.

In the United States, the overall rate of workforce growth faces a sharp drop. After peaking at nearly 30% in the 1970s (as the baby boomers as well as unprecedented numbers of women entered the workforce), and holding relatively steady at 12% during the 1990s and again in the present decade, the rate is projected to drop and level off at 2% to 3% per decade thereafter. That translates into an annual growth rate of less than 1% today and an anemic 0.2% by 2020. Meanwhile, age distributions are shifting dramatically. The proportion of workers over 55 declined from 18% in the 1970s to under 11% in 2000 – but it's projected to rebound to 20% by 2015. In other words, we've recently passed what will prove to be a historic low in the concentration of older workers. Just when we've gotten accustomed to having relatively few mature workers around, we have to start learning how to attract and retain far more of them.

During the next 15 years, 80% of the native-born workforce growth in North America – and even more so in much of Western Europe – is going to be in the over-50 cohort. In the next decade or so, when baby boomers – the 76 million people born between 1946 and 1964, more than one-quarter of all Americans – start hitting their sixties and contemplating retirement, there won't be nearly enough young people entering the workforce to compensate for the exodus. The Bureau of Labor Statistics projects a shortfall of 10 million workers in the United States in 2010, and in countries where the birthrate is well below the population replacement level (particularly in Western Europe), the shortage will hit sooner, be more severe, and remain chronic.

by Ken Dychtwald, Tamara Erickson, and Bob Morison

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Most baby boomers want to continue working – and they may need to, for financial reasons – but they may not want to work for you.

The problem won't just be a lack of bodies. Skills, knowledge, experience, and relationships walk out the door every time somebody retires – and they take time and money to replace. Given the inevitable time lag between the demand for skills and the ability of the educational system to provide them, we'll see a particularly pronounced skill shortage in fast-growing technical fields such as health care. What's more, employees are your face to the marketplace. It's good business to have employees who reflect the ethnic, gender, and, yes, age composition of your customer base – especially when those customers are well off. Baby boomers will be the most financially powerful generation of mature consumers ever; today's mature adults control more than $7 trillion in wealth in the United States – 70% of the total. As the population at large ages, and ever-more spending power is concentrated in the hands of older customers, companies will want to show a mature face to their clientele – and yet those faces will be in high demand.

The problem is pretty clear. Workers will be harder to come by. Tacit knowledge will melt steadily away from your organization. And the most dramatic shortage of workers will hit the age group associated with leadership and key customer-facing positions. The good news is that a solution is at hand: Just as companies are learning to market to an aging population, so they can also learn to attract and employ older workers.

And yet, despite irrefutable evidence of workforce aging, many managers may be marching their companies straight off a demographic cliff. According to a recent survey from the Society for Human Resource Management, two-thirds of U.S. employers don't actively recruit older workers. Furthermore, more than half do not actively attempt to retain key ones; 80% do not offer any special provisions (such as flexible work arrangements) to appeal to the concerns of mature workers; and 60% of CEOs say their companies don't account for workforce aging in their long-term business plans. Instead, relying on the mistaken assumption that the future will be populated by a growing pool of talented and loyal young workers, companies are systemically offering older workers the "package" and skimming people out of the labor force from the top age brackets down.

Little wonder that baby boomers and "mature" workers (those 55 and above) are feeling little loyalty to their current employers. These employees are bottlenecked, with too many people competing for too few leadership positions. They're distrustful, fearful, and defensive, knowing that they're "too old" to easily find work elsewhere and likely to be pushed out before the "official" retirement age. They're struggling to update their skills, and they're feeling burned out after 30-plus years on the job. Meanwhile, they stand back and watch as recruiting, training, and leadership development dollars, as well as promotion opportunities, are overwhelmingly directed at younger employees, with little thought to the skills and experience that the over-55 crowd can bring to bear on almost any business problem.

In short, most baby boomers want to continue working – and they may need to, for financial reasons – but they may not want to work for you. Twenty percent of those collecting employer pensions are still working in some capacity, and among people under 60 who are already collecting pensions, more than 50% are working. Among those age 55 and older who accepted early retirement offers, one-third have gone back to work. But these working retirees are more likely to be working part-time or be self-employed than their not-yet-retired counterparts – in other words, they're working on their own terms. That's increasingly where you'll need to meet these older work-

Ken Dychtwald *is the founding president and CEO of Age Wave, a San Francisco–based think tank and consulting firm focused on the maturing marketplace and workforce. A psychologist, gerontologist, and adviser to business and government, he is the author of ten books, including* Age Wave *(J. P. Tarcher, 1989) and his latest book,* Age Power *(J. P. Tarcher, 1999).* ***Tamara Erickson*** *is an executive officer and member of the board of directors for the Concours Group, a management consulting, research, and education firm based in Kingwood, Texas.* ***Bob Morison*** *is an executive vice president and the director of research of the Concours Group. Dychtwald, Erickson, and Morison are coauthors of a forthcoming book about the impact of demographic shifts on the workplace (Harvard Business School Press, 2005). They can be reached at kdychtwald@agewave.com, tjerickson@concoursgroup.com, and rfmorison@concoursgroup.com.*

ers if you want to gain access to their skills. As the labor market tightens, they will have more choices, and the most capable and accomplished among them are likely to be the most mobile and financially independent; they're the ones who are most likely to move on. The challenge is to find a way to reconnect with these employees before they're ready to take a retirement package and run – perhaps to a competitor.

We recently conducted a yearlong research project in which we looked at the implications for businesses of an aging workforce. Broadly speaking, our findings suggest an urgent need to find ways to attract and retain employees of all ages. But of most concern is the potentially debilitating mass retirement that threatens to starve many businesses of key talent in the next ten to 15 years. On the basis of our research, we've concluded that the concept of retirement is outdated and should be put out to pasture in favor of a more flexible approach to ongoing work, one that serves both employer and employee. In this article, we'll describe how companies can retain the skills of employees well past the traditional age of retirement by moving from a rigid model where work ceases at a certain age to a more flexible one where employees can become lifelong contributors.

Create a Culture That Honors Experience

If companies are to win back the hearts and minds of baby boomers and other generations of mature workers, they need to start with the work environment itself, which has become increasingly alienating to anyone over the age of 50. Human resource practices are often explicitly or implicitly biased against older workers, and these biases can seep into the culture in a manner that makes them feel unwelcome.

It starts with recruiting, in subtle ways such as the choice of words in a job advertisement. Even high-energy, young-in-spirit older workers, for example, may interpret an ad stressing "energy," "fast pace," and "fresh thinking" as implicitly targeting younger workers and dismiss the opportunity out of hand. Mature workers are more likely to be attracted to ads emphasizing "experience," "knowledge," and "expertise."

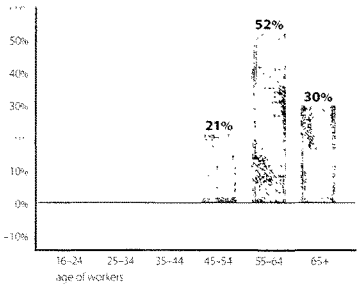
Traditional recruiting channels such as want ads or help wanted signs may not attract older workers either. Twelve years ago, pharmacy chain CVS looked at national demographic trends and concluded that the company needed to employ a much greater number of older workers. But managers didn't know how to find them – older people shopped in the stores but didn't apply for openings, perhaps believing they wouldn't be hired. Now the company works through the National Council on Aging, city agencies, and community organizations to find and hire productive new employees.

Interviewing techniques can be unintentionally off-putting as well. Being left alone for half an hour to build something with Legos or being asked to perform the type of verbal gymnastics Microsoft became famous for in job interviews (example: how are M&Ms made?) may be daunting to candidates accustomed to a more traditional approach to demonstrating their skills. One major British bank realized that its psychometric and verbal-reasoning tests were intimidating to older candidates and replaced these tests with role-playing exercises to gauge candidates' ability to handle customers. And Nationwide, Britain's

Who Will Run Your Company?

If we look at workforce growth rates by age segment, the patterns are dramatic. In the current decade, the ranks of youngest workers (ages 16 to 24, according to Bureau of Labor Statistics groupings) are growing by 15%, thanks to the "echo boom" as baby boomers' children enter the workforce. The 25- to 34-year-old segment is growing at just half that rate, and the workforce population between 35 and 44 years old is actually declining. With the baby boom generation moving into middle age and its vanguard nearing retirement age, the fastest workforce growth rates are in the three oldest age segments.

Growth in U.S. Workforce by Age
2000–2010



largest building society, has begun short-listing job candidates by telephone to reduce the number of applicants who are rejected because they look older.

Training and development activities also tend to favor younger employees. According to the Bureau of Labor Statistics, older workers (age 55 plus) receive on average less than half the amount of training that any of their younger cohorts receive, including workers in the 45 to 54 age range. One reason may be that they're reluctant to ask: As people well established in their careers and very busy on the job, they may not feel or want to admit the need for training and development. And yet many mid-career and older employees require refresher training in areas from information technology to functional disciplines to nonhierarchical management methods. The challenge is to make them feel as though it's not a sign of weakness to ask. At Dow Chemical, the companywide expectation is that employees at all levels will continue to learn and grow; as a result, employees regularly seek training and development opportunities, readying themselves for their next career moves.

Most important, mature workers will be attracted to a culture that values their experience and capabilities – an environment that can take some time and effort to build. The Aerospace Corporation is a company that has, over the years, built a reputation for valuing experience and knowledge. Nearly half of its 3,400 regular, full-time employees are over age 50 – a clear signal to job candidates that experience is appreciated. CVS has made great strides in creating a company that is more welcoming to older employees, having more than doubled the percentage of employees over age 50 in the past 12 years. It has no mandatory retirement age, making it easy to join the company at an advanced age and stay indefinitely (six employees are in their nineties). The company boosts its age-friendly image through internal and external publications. Company and HR department newsletters highlight the productivity and effectiveness of older workers, and the company coproduces with a cosmetics company a senior-focused magazine that's called *In Step with Healthy Living.*

Older workers can see that CVS honors experience. A year ago, after taking a buyout package from his management job in a major drugstore chain, 59-year-old Jim Wing joined CVS as the pharmacy supervisor for the company's southern Ohio stores. What influenced his decision? "I'm too young to retire. [CVS] is willing to hire older people. They don't look at your age but your experience." Pharmacy technician Jean Penn, age 80, has worked in the business since 1942. She sold her own small pharmacy to CVS five years ago and began working in another CVS store the next day. She was recently given a 50-year pin. ("Turns out they don't make 60-year pins," she says.) By giving Penn credit for time served before she joined the company, CVS once again sent a strong signal about the value attached to experience.

Retirement, as it's currently understood, is a recent phenomenon. For most of history, people worked until they dropped.

Offer Flexible Work

While older employees won't sign on or stick around if the HR processes and culture aren't welcoming, the substance and arrangement of work are even more important. Companies need to design jobs such that staying on is more attractive than leaving. Many mature workers want to keep working but in a less time-consuming and pressured capacity so that they may pursue other interests. And many baby boomers have a direct and compelling need for flexibility to accommodate multiple commitments, such as caring for children and elderly parents at the same time. Flex work – flexible in both where and when work is performed, as well as flexibility in the traditional career path – can offer many attractions and rewards and appeal to employees' changing needs.

The concept of flexible work is not new, of course, and many companies offer it in some form – job sharing, telecommuting, compressed workweeks, and part-time schedules. But such programs are usually small in scale and, in practice, are often taken up by new mothers and others with consuming family commitments. What's more, the implicit bargain is often that employees who participate will see their careers suffer for it. Companies that have successful flex programs not only make these programs easily accessible to older workers but also structure them so that people who participate don't feel that they're being sidelined or overlooked for promotions – and so that participation leads to a win-win for employer and employee.

Look at ARO Incorporated, a business process outsourcer based in Kansas City, Missouri. Six years ago, its staff turnover was at 25%, which limited its productivity as an operator of contract call centers, back-office and forms processing, outbound customer interaction, and more. Kansas City hosts some 90 call centers, so employees had numerous other options, and the applicant pool was shallow.

Michael Amigoni, the company's chief operating officer, soon found a way to cut costs and improve service by

upgrading the company's technology to allow some 100 teleworkers to remain off-site. He then actively recruited baby boomers, who were attracted to the flexibility, to fill these jobs. Employees were not permitted to do the work simultaneously with child care, elder care, or pet care, and company managers visited people's homes to make sure they had an appropriate working environment. While some younger workers signed on initially, the company found that these employees missed having an office community and largely dropped out.

Meanwhile, ARO gained access to a large pool of mature, experienced employees, who, on the whole, have stayed with the company longer than younger employees have. Turns out, they're also a much better match for the company's customer demographics. "ARO has clients in the insurance and financial services sectors, and a lot of the people we talk to are older," says Amigoni. "It helps that the people making the calls are older, because they are in similar circumstances to customers." For insurance companies, a lot of ARO's work is underwriting, which involves asking questions about health, among other things. It's useful to have workers who are facing some of the same health concerns – their own or perhaps their parents' – that their customers are. ARO has found that younger, entry-level workers cannot make these connections as easily. Turnover is now down to 7%, and productivity is up 15%, partly because the company now has more seasoned staff. To boot, the company was able to expand without having to move into a larger facility, which it didn't want to pay for.

Other companies offer flexibility in work assignments to reignite older employees who have come to find their jobs a bit stale – an approach that can be of particular value in appealing to highly paid managerial talent. For example, four years ago, Deloitte Consulting looked at the firm's demographics and realized that by 2003, 40% of its then 850 partners would be 50 or older and eligible to retire at 55. The firm didn't want to lose this talented group of men and women en masse, so it created what it called a Senior Leaders program, which enabled partners in their early fifties to redesign their career paths. (The program, along with a similar program at Deloitte's sister company, Deloitte & Touche, is currently on hold as the two companies reintegrate operations following last year's decision not to separate as planned.)

Here's how the Senior Leaders program worked: Each year, a ten-member global selection committee assessed candidates who had made a unique contribution to the firm and would continue to add significant value. The committee then sat down with each nominated employee to customize a second career with the firm, including flexible hours and work location, special projects, and the opportunity to engage in mentoring, research, training and development, company promotions, or global expansion. Deloitte still has about a dozen active senior leaders, most of whom opted for full-time work in their rejuvenated roles. The partner who launched the program told us: "The biggest surprise was the prestige the program gained. Being a senior leader became extremely prestigious both to the firm and to the clients."

Still other companies appeal to older workers' desire for flexibility by reducing hours in the years leading up to retirement. The reduced hours are an attractive option because it gives workers opportunities to pursue outside interests. At Varian, a leading provider of radiotherapy systems, employees age 55 and over who have a minimum of five years of service and who plan to retire within three years can negotiate a reduced work schedule. The typical arrangement is four days per week the first year and three days a week thereafter. Half-time is the minimum, and

It's not good business to push people out the door just because your policies say it's time.

two half-timers can job share. Participants retain full medical and dental benefits and can request a return to full-time work if the new schedule results in economic hardship.

We are strong advocates of flexible work, in all the varieties described here, not only because it's a way to entice older workers to continue working but also because it forms the foundation of a flexible new approach to retirement, one that assumes people can continue to contribute in some way well into their "retirement" years.

Introduce Flexible Retirement

Flexible retirement is flexible work in the extreme – a logical extension of the flexible work models just described, where the work may continue indefinitely.

Retirement, as it's currently understood, is a recent phenomenon. For almost all of history, people worked until they dropped. It was only during the Great Depression that, desperate to make room in the workforce for young workers, governments, unions, and employers institutionalized retirement programs as we know them today, complete with social security and pension plans. When the modern notion of retirement was first articulated near the end of the nineteenth century, the designated retirement age of 65 was longer than the life expectancy at the time. Over the last 50 years, the average retirement age declined steadily; in the United States, Great Britain, and Canada, the average retirement age is currently around 62. Meanwhile, life expectancies have increased, leaving more years for leisure.

But in fact, many people don't want a life of pure leisure; half of today's retirees say they're bored and restless. A recent AARP/Roper Report survey found that 80% of baby boomers plan to work at least part-time during their retirement; just 16% say that they won't work at all. They're looking for different blends – three days a week, for example, or maybe six months a year. Many want or need the income, but that's not the only motivator. People tend to identify strongly with their work, their disciplines, and their careers. Many wish to learn, grow, try new things, and be productive indefinitely, through a combination of commercial, volunteer, and personal pursuits. They enjoy the sense of self-worth that comes with contributing to a business or other institution, and they enjoy the society of their peers. For some people, the workplace is their primary social affiliation.

For all these reasons, the notion of retirement as it is traditionally practiced – a onetime event that permanently divides work life from leisure – no longer makes sense. In its place, companies are starting to design models in which employees can continue to contribute in some fashion, to their own satisfaction and to the company's benefit. Some regulations currently restrict our vision of workers moving seamlessly in and out of flexible work arrangements without ever actually retiring. The IRS prohibits defined benefit plans from making distributions until employment ends or an employee reaches "normal" retirement age. And pension calculations often discourage people even from reducing their hours with a current employer prior to retirement because payouts are often determined by the rate of pay in the last few years of work. (For more on these barriers, see the sidebar "Why So Inflexible?") But a growing number of companies have found ways to call on the skills of retired employees for special purposes.

From the standpoint of the employee, these flex programs offer opportunities to mix work and other pursuits. They also offer personal fulfillment and growth, ongoing financial rewards, and continued enjoyment of the society of colleagues. For employers, the programs provide an elastic pool of staff on demand and an on-call cadre of experienced people who can work part-time as the business needs them. Recruiting and placement costs are close to zero because the business is already in contact with these workers, and training costs are minimal. They know the organization and the organization knows them; they fit in right away and are productive without ramp-up time. And they bring scarce skills and organizational knowledge that can't be matched by contractors unconnected with the organization.

Retirees can also act as leaders on demand. Corporations periodically face waves of executive retirements, and many have done a poor job of maintaining the leadership pipeline. A group of experienced executives who can step in at a moment's notice can both fill gaps and help bring the next generation of leaders up to speed.

Typically, these programs allow an employee to take regular retirement and then, sometimes after a specified break in service (typically six months), return to the employer as an independent contractor, usually for a maximum of 1,000 hours a year. (The IRS imposes the hourly restriction to discourage companies from substituting

Many people don't want a life of pure leisure; half of today's retirees say they're bored and restless.

Why So Inflexible?

IN AN IDEAL WORLD, flexible retirement would allow employees to move in and out of the workplace seamlessly, without ever choosing a moment to retire. Employers would offer flexible work, compensation, pension and benefits arrangements, subject to sensible and straightforward tests of fairness and merit. Employees would have the option of entering a flexible work arrangement not at some fixed age but whenever it's desirable and feasible, putting together an appropriate combination of salary and "retirement income." Health insurance and other benefits would be portable from employer to employer, and the government would ensure a health-care safety net for all. Employers would need reasonable flexibility in selecting employees and legal protection from discrimination claims from those workers not selected. Flex retirement would embrace a variety of trajectories – different work for a former employer, the same type of work for a new employer, a career restart, variable schedules.

But in the United States, at least, things don't yet work that way, and truly flexible retirement is not yet possible for most employees of publicly held for-profit corporations. Indeed, according to an Employment Policy Foundation study, 65% of employers in the United States would like to offer such flexible retirement, but most feel blocked by regulatory restrictions. The obstacles start with pension and benefits regulations:

IRS. Internal Revenue Code regulations prohibit defined-benefit pension plans from making distributions until employment ends or the employee reaches "normal retirement age." Coupled with an ERISA provision, this can prohibit distributions even *after* normal retirement age.

ERISA. The Employee Retirement Income Security Act imposes rules of uniformity in the treatment of employees and their pension benefits. These rules make it hard to construct arrangements for the skilled and valuable employees whom companies most want to retain.

ADEA. The Age Discrimination in Employment Act requires equal benefits, such as health insurance, regardless of age. The implications of this law have yet to be sorted out, but it raises the question: Can benefits be reduced as part of a flexible retirement arrangement?

Working around pension regulations can complicate the design of flex retirement programs. The regulations may also impel employees, for financial reasons, to retire altogether (or return altogether) rather than opt for flex retirement. Legislative changes are required to overcome these regulatory impediments, and major employers may have to band together in lobbying for them. The Employment Policy Foundation has outlined the needed changes:

- Amend pension rules to prohibit reductions in pension benefits if an employee's pay is reduced owing to flex retirement.
- Eliminate the 10% penalty on early distribution to employees with 30 or more years of service, regardless of their age, and allow distributions from 401(k) plans before age 59.
- Allow people ages 55 to 65 to buy Medigap insurance at competitive rates.
- Liberalize nondiscrimination tests for flexible retirement plans.

Recent attempts to change these laws have stalled, and the gradual raising of the Social Security full payout age and easing of restrictions on outside income offer relief only for the already retired. The U.S. government has yet to face the demographic and economic imperative to make it easier for mature employees to work.

The costs of health benefits, which have been rising at double-digit rates annually, complicate matters further. Employers are motivated to reduce these costs by reducing coverage for employees and retirees. And because costs and premiums increase with age, employers have a disincentive to retain older workers. As the number of retirees grows, their health benefits become a significant proportion of an employer's fixed costs. In response, more and more employers are taking strong, sometimes draconian, action: Almost everyone is increasing employee premiums and copayments, some are lowering contribution levels and raising eligibility requirements, and a few are eliminating retiree health coverage. Employees are afraid to take advantage of flex retirement programs if it means their health care costs go up.

full-time employees with retirees and thus avoiding expenses such as benefits and FICA. Employees who work more than 1,000 hours per year usually need to be contracted through an agency and make their services available to other employers as well.)

While most such programs today lack sufficient scale to make a difference in a company's overall staffing, serving instead as a safety valve and a source of specific skills and experience, large corporations would do well to bring these programs up to scale as labor markets tighten. An example of a program at a scale proportional to the overall employee population is that of the Aerospace Corporation, which provides R&D and systems-engineering services to the air force. The personnel needs of this California-based company vary from year to year and contract to contract, and its Retiree Casual program helps level the staffing load.

Long-term employees can generally retire with full benefits at age 55 or older. As part of the Retiree Casual program, they can then work on a project-consulting basis for up to 1,000 hours per year at their old base salaries, sometimes less, depending on roles and responsibilities. Eighty percent of retirees sign up, and some start back the day after they retire. About 500 retiree casuals are available at any given time, while 200 are working. They work various patterns–most work two days per week, but some work six months on, six months off (the 1,000-hour limit is approximately the equivalent of half-time). A few (three to four a year) are so indispensable that they have to be dropped from the program and contracted via an agency after they hit the 1,000-hour limit. Most participate into their midsixties, some beyond 80.

The program assures the company a degree of "corporate memory," according to George Paulikas, who retired in 1998 at age 62 as an EVP after spending his entire post-PhD career with the company. He was off only a couple of weeks before being asked back to help on a project and has worked part-time ever since–about one-quarter time last year. "You don't want people with enormous experience to just walk out the door. The Retiree Casual program keeps expertise around and helps transfer it to others. People often remark that we don't have many consultants around here. Actually, we do, but they're called retirees, and they already know the business inside out." Paulikas sticks with the program because it allows him to keep his association with the organization but on his own terms. "This program is a pleasant way to keep associated with a great organization, great people, great work. I get to work less often and with less intensity." And because he's not working full-time, Paulikas has been able to pursue other professional interests; he works as a consultant to the Institute for Defense Analyses and is a member of the National Academy of Sciences Space Studies Board.

Monsanto has a similar program, which it calls the Resource Re-Entry Center. It's open to all employees who leave the company in good standing and want to return to a part-time position, though departing employees have to wait six months after leaving a full-time job. Managers are directed to use retirees for job sharing, for cyclical spikes, and for temporary positions in the case of unplanned leaves. They're told not to attempt a reduction in benefit costs by hiring retirees for long-term work. Participants are eligible for company savings and investment plans as well as spot bonuses (though not the normal bonus structure). Originally, participants were limited to 1,000 hours of work per year to ensure the program wouldn't interfere with pension payouts, but Monsanto recently relaxed the requirement for those people whose pensions wouldn't be affected, such as retirees who had received a lump-sum payout.

Jim Fornango, who retired from Monsanto in 1996 at the age of 53, has returned to work on a variety of projects since 1998. He likes the flexibility: "I spend the amount of time I want doing things I want. I'm not locked into a structure." And, like Paulikas, he's been able to explore other interests at the same time; he serves as a substitute teacher and as a counselor to other teachers.

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It's fashionable to invest heavily in high-potential employees, creating programs that give these select (and historically young) people the leadership experiences they'll need to ascend quickly through an organization. Why not, then, develop a similar type of program aimed at older and midcareer workers with the skills, abilities, and experiences that your organization most needs? A lifelong-contributor or high-retention program could call on a variety of techniques to reengage these valuable players. Such a program might include fresh assignments or ca-

About the Research

Our yearlong research project, "Demography Is Destiny," concluded in the fall of 2003 and was conducted by the Concours Group in partnership with Ken Dychtwald and Age Wave. Sponsored by 30 major public and private organizations in North America and Europe, the project explored the emerging business challenges presented by workforce aging and other profound shifts in workforce demographics. On the basis of our findings, we developed a series of management actions and pragmatic techniques for anticipating, coping with, and capitalizing on those changes. Member organizations shaped the focus and direction of the project, shared their experiences as part of the field research, and participated in a series of workshops. (For a management summary of our research findings, see http://www.concoursgroup.com/Demography/DD_MgmtSumm.pdf.)

reer switches, mentoring or knowledge-sharing roles, training and development, and sabbaticals – all of which have the potential to rejuvenate careers while engendering fresh accomplishments and renewed loyalty.

And yet in our research, we didn't find a single company that explicitly created such high-retention pools among over-55 workers. Some businesses are taking the first step: Sears, for example, has expanded its talent-management and retention focus to include not just highly promotable people but also solid contributors and pros with specific, tough-to-replace skills. Dow Chemical has oriented its human resource management systems toward "continuous rerecruitment" of its workforce, in part by encouraging people to move into different roles throughout their careers. And companies like Aerospace and Monsanto are using their retiree programs to retain employees with valuable skills. But by and large, in most companies, the over-55 crowd continues to get very little attention from management.

That's going to have to change. Sixty-five isn't what it used to be. In 2001, Bob Lutz, then 69, was recruited to join General Motors as vice chairman of product development, charged with rejuvenating the product line as he had done at Chrysler with the Dodge Viper, Chrysler PT Cruiser, and Dodge Ram truck line. In last fall's World Series, the winning Florida Marlins were led by 72-year-old Jack McKeon, called out of retirement early in the season to turn around the fortunes of a youthful but underperforming club. Collecting Grammy Awards in 2000 were Tony Bennett, Tito Puente, and B.B. King – combined age around 220. Al Hirschfeld's caricatures graced the print media for more than 75 years, and he was still drawing when he passed away last year, his 100th. And then there's the litany of business executives called out of already active retirement to inject stability, direction, confidence, and sometimes legitimacy into major corporations in need of leadership. Examples include 67-year-old Harry Stonecipher, who recently succeeded Phil Condit as Boeing's CEO; John Reed, named interim chairman and CEO of the New York Stock Exchange; Allan Gilmour, vice chairman of Ford, who rejoined the company after retirement; and Joseph Lelyveld, who stepped in temporarily at the *New York Times* last year.

But then, maybe 65 was never what we thought. Lee Iacocca once told *Wired*, "I've always been against automated chronological dates to farm people out. The union would always say, 'Make room for the new blood; there aren't enough jobs to go around.' Well, that's a hell of a policy to have. I had people at Chrysler who were 40 but acted 80, and I had 80-year-olds who could do everything a 40-year-old can. You have to take a different view of age now. People are living longer. Age just gives experience. Besides, it takes you until about 50 to know what the hell is going on in the world."

What Iacocca understood was that people don't suddenly lose the talent and experience gained over a lifetime at the flip of a switch. It's not good business to push people out the door just because your policies say it's time. Smart companies will find ways to persuade mature workers to delay retirement or even eschew it entirely as long as they remain productive and healthy.

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About The Concours Group

The Concours Group is a new breed of management consulting, research and education firm. The firm works with senior executives of over 300 of the Global 1000 to master critical issues in management and to turn human and technological potential into business value. The Concours Group integrates the processes of consulting, research and education in order to constantly expand the performance and value of each. Our work revolves around future – not past – best practices in business, technology and human asset management. Our research discovers and develops these practices, our executive education articulates them and motivates their adoption, and our innovative senior-person consulting enables clients to implement them quickly and realize the business results.

We are associated with many of the world's thought leaders in management practice, and we amplify client value and results through working partnerships with a select few complementary and world-class implementation firms. Our staff has developed many of the important management techniques of the last decade and displays an old-fashioned commitment to delivering client results. Our leadership has been delivering innovative management consulting and education services for nearly two decades.

3 Kingwood Place
800 Rockmead Drive
Kingwood, Texas 77339
Tele: +1 281 359 3464

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The Concours Group

About Age Wave

Age Wave was created in 1986 to guide leading companies and government groups worldwide in product and service development – geared to aging boomer and mature population segments. The company's far reaching explorations and innovative solutions have fertilized and catalyzed a broad spectrum of industry sectors from vitamins and cookies to automotive design and retail merchandising to mutual funds and health insurance.

To founder Dr. Ken Dychtwald and the Age Wave professionals, every research or consulting assignment presents a unique challenge to break new ground and discover or invent new opportunities. As a result of having overseen hundreds of research and consulting assignments, Age Wave has developed a unique understanding of the body, mind, heart, soul, desires and demands of new generations of consumers and workers. Age Wave's services include groundbreaking primary and secondary research, brainstorming, business development guidance and a wide range of highly acclaimed presentations, communications, education, and training programs.

One Embarcadero Center
Suite 3810
San Francisco, CA 94111
Tele: +1 415 705 8015

www.agewave.com

Age Wave

Senator BREAUX. Dr. Brangman.

STATEMENT OF SHARON A. BRANGMAN, M.D., PROFESSOR OF MEDICINE AND DIVISION CHIEF, GERIATRIC MEDICINE, SUNY UPSTATE MEDICAL UNIVERSITY, SYRACUSE, NEW YORK, ON BEHALF OF THE AMERICAN GERIATRICS SOCIETY

Dr. BRANGMAN. Thank you for allowing me to testify today. I am Dr. Sharon Brangman. I am a board-certified geriatrician, professor, and division chief of geriatrics at SUNY Upstate Medical University in Syracuse, New York. I appreciate the opportunity to participate today on behalf of the American Geriatrics Society, an organization of approximately 7,000 geriatricians and other health care professionals dedicated to the care of older adults. Geriatricians are primary care-oriented physicians who are experts in caring for older adults.

Our country is aging rapidly, as we have heard. Compared to about 35.6 million aged persons today, by 2030, it is projected that this number will double, to about 71.5 million older persons. The implications of this demographic imperative are dramatic.

Public health measures, prescription drugs, and advances in medicine have allowed our citizens to live longer. Americans can now live for many years with multiple chronic illnesses, whereas a generation ago, most people died rapidly from an acute illness. This means that more people are able to work despite a chronic disease or disability. Technological advances can allow the workplace to be adapted so that these individuals can continue gainful employment.

For many older Americans, age does not pose a major barrier to working. While health problems do increase with age, these are usually gradual processes that can be managed by current medical care. As a clinician, I see many patients who are able to work in some capacity. In many instances, working would allow for a person to do what we call aging successfully. Geriatricians typically evaluate the physical, social, and psychological aspects of their patients' lives since all of these elements are critical to our patients' ability to age successfully.

First, we need to look at workplace involvement and how it creates more opportunities for community involvement that maximizes interactions with the outer world, allowing for greater physical and mental stimulation for older adults.

Second, workplace involvement creates opportunities for important intergenerational exchanges that have a positive social and psychological impact on older adults. It is important to emphasize that this works both ways, since the younger worker also benefits from the mentoring and experience of older workers.

Third, workplace involvement has a physical benefit. Individuals who do not have enough activities to occupy their day are more likely to sit at home and focus on all their aches and pains, which allows these ailments to have a greater significance in their day-to-day functioning.

Another physical benefit of working is the increased physical activity that results from going to work. A recent study that appeared in the Archives of Internal Medicine indicated the importance of physical exercise in the elderly as a way of reducing physical de-

cline and enhancing quality of life. The current 65 and older generation is not as likely to go into a gym or engage in formal exercise as younger adults do. However, employment can provide physical activity that can be just as beneficial as formal exercise. I am reminded of a patient who delivers flowers 6 days a week and benefits from the walking involved in his job.

Fourth, workplace involvement has a psychological benefit, specifically preventing or reducing the onset of depression. Depression is not a normal part of aging, but unfortunately, it is very common in the elderly. In addition, advancing age is often accompanied by the loss of key social support systems. Because of this loss of social support and the fact that they are expected to slow down, some elderly persons are more likely to get depressed. Depression in later life frequently coexists with other medical illnesses and disabilities, which can make them worse.

Persons who stay in the workforce feel valued. They have a strong sense of accomplishment, and they feel that it is important to remain contributing members of society. Almost universally, my patients state that they don't want to be a burden to their children or others. Studies have shown that the mental activity associated with working can allow for greater brain function and decreased rates of depression. This means that individuals will be more likely to remain functional and independent within their families, communities, and societies.

I have two patient anecdotes that are relevant to today's hearings. The first patient is a highly successful and unmarried businessman who left his home State and retired to Florida at age 75 to live with his five sisters. In Florida, his family pampered him, a lifestyle that was new to him, and he became very depressed and lethargic. He ultimately left Florida, returned home, and started a new business, which has become nationally known, and he continues to work at age 85.

The second patient is a retired Spanish teacher in her mideighties with over 35 years of teaching experience. She currently teaches adult Spanish classes four nights a week. She is an active gardener and a volunteer in her community. She enjoys a sense of accomplishment she has by working daily, and the continued interaction with others keeps her sharp and engaged. She could never imagine herself sitting home and doing nothing.

I would be remiss if I did not discuss the needs of geriatrics and the acute shortage of trained physicians this profession is facing. Today, there are approximately 6,700 certified geriatricians in our country. Some studies indicate that we currently need about 13,000 more, with as many as 36,000 by 2030. Senator Breaux and other members of this committee have supported legislation that provides incentives to train more geriatricians, and we certainly respect and appreciate that support you have given us.

Thank you for allowing me to address the committee today, and I look forward to working with you on this issue in the future.

Senator BREAUX. Thank you, Dr. Brangman.

[The prepared statement of Dr. Brangman follows:]

Testimony of
Dr. Sharon A. Brangman

Professor & Division Chief
Geriatric Medicine
SUNY Upstate Medical University

On Behalf of the
American Geriatrics Society

Before the Senate Special Committee on Aging

"Breaking the Silver Ceiling: A new Generation of Older Americans Redefining the New Rules of the Workplace"

September 20, 2004

Thank you for allowing me to testify today on an important issue – eliminating barriers to work place entry by older workers.

I am Dr. Sharon Brangman, a Board certified geriatrician and Professor & Division Chief of Geriatric Medicine at SUNY Upstate Medical University. I appreciate the opportunity to participate today on behalf of the American Geriatrics Society (AGS), an organization of approximately 7,000 geriatricians and other health care professionals dedicated to the care of older adults.

Today I will discuss the following areas:

- A brief history of geriatrics;
- The general health status of Americans age 65 and older and projected life expectancy for these individuals over the next 30 years; and
- The positive mental and physical impact that working has on older Americans, focusing particularly on the emotional, social and health benefits of extended work.

Brief History of Geriatrics

Geriatricians are physicians who are experts in caring for older persons. Geriatric medicine promotes preventive care, with emphasis on care management and coordination that helps patients maintain functional independence in performing daily activities and improves their overall quality of life. With an interdisciplinary approach to medicine, geriatricians commonly work with a coordinated team of other providers such as nurses, pharmacists, social workers, and others. The geriatric team cares for the most complex and frail of the elderly population.

Geriatricians are primary–care-oriented physicians who are initially trained in family practice or internal medicine, and who, since 1994, are required to complete at least one additional year of fellowship training in geriatrics. Following their training, a geriatrician must pass an exam to be certified and then pass a recertifying exam every 10 years.

The Demographics of Persons Age 65 and Older

Our country is aging rapidly. In 1900, there were 3.1 million Americans age 65 and older, and, today, there are roughly 35.6 million aged persons. By the end of the next decade, we will see an even more dramatic increase in the growth of the older population, a result of the post World War II "baby boom". By 2030, it is projected there will be about 71.5 million older persons, more than twice their number in 2000. People age 85 and older are the fastest growing segment of the entire population, with expected growth from 4 million people today to 20 million by 2050. The implications of this "demographic imperative" are dramatic.

In addition to longer life spans among our citizens as a result of public health measures, more prescription drugs and advances in medicine, the nature of illness is changing. Americans are not dying typically from acute diseases as they did in previous

generations. Americans can now live for many years with multiple chronic illnesses, rather than expect to face an acute illness and to die soon after onset. The Partnership for Solutions, a Robert Wood Johnson initiative, has found that about 78% of those over age 65 have at least one chronic condition while almost 63% have two or more. In general, the prevalence of chronic conditions increases with age – presumably persons over 65 with just one chronic condition or two minor chronic conditions would be able to enter and/or remain in the work force.

However, Americans are retiring earlier even as they live longer, healthier lives. As a result, they spend more time in retirement than ever before. In 1965, a typical male worker could expect to spend 13 years in retirement; today, he will spend 18 years. For working women the retirement span has increased from 16 years to 20.

The trend from a death at a relatively early age from an acute illness to living longer with an array of chronic diseases or some level of disability means that more people are able to work, even though they have some level of chronic disease or disability. Technological advances and health breakthroughs mean that the workplace can be adapted so that these individuals can continue gainful employment. Adaptations for visual impairment that were not available 10 – 20 years ago are now readily available.

Older workers can be broken down into two major groupings: skilled and unskilled/repetitive motion workers. Skilled workers are more likely to keep working or to want to keep working. In comparison, the physical demands of a repetitive motion job may cause this employee to seek retirement earlier. For this reason, we must not assume that all elderly persons can work indefinitely or, alternatively, can work in their primary mode of employment indefinitely. However, the job market has evolved with a lower percentage of workers involved in heavy labor jobs, such as mining, where the physical demands dictate early retirement. Thus, trends in life expectancy and the health of the population as well as in the work force would allow for many Americans to maintain their employment or pursue a new career as they reach 65 years.

The Positive Mental and Physical Impact that Working Has on Older Americans

Sixteen percent of older Americans who are no longer working report that they are unable to work – it appears that health problems can play a determining role in the work-retirement decision. As stated above, withdrawal from the work force for health reasons is more common for those in physically demanding jobs.

However, for the majority of older Americans, age does not pose a major barrier to working. While health problems do arise more frequently with age, these are gradual processes. Many of the severe conditions and limitations stereotypically associated with old age are more common among much older Americans, such as those ages 75 and older. Furthermore, deficiencies in adaptability and learning typically attributed to older workers are likely to be the product of environment and attitudes – of the older workers themselves, their employers and their co-workers – rather than a byproduct of their healthiness.

As a clinician, I see many patients who are able to work in some capacity. In many instances, working would allow for the most successful aging. "Successful or healthy aging" is a term often used by geriatricians to describe those older adults who remain active and involved with their families and communities, despite the presence of chronic illnesses. Geriatricians typically evaluate the physical, social and psychological aspects of their patient's lives, since all these elements are critical to our patient's ability to age well. These individuals would benefit from some type of work arrangement for the following reasons.

First, work place involvement creates more opportunities for community involvement. The work place maximizes interactions with the outer world for many older Americans, allowing for greater physical and mental stimulation for older adults.

Second, work place involvement creates opportunities for important intergenerational exchanges. All too often, older Americans socialize with persons their age, as do other age cohorts. Lack of intergenerational exchanges allows for the perpetuation of incorrect stereotypes about the capacity of older persons and their values. Some of my patients live far away from their younger family members, seeing them infrequently. Working can help compensate for these issues, allowing for important intergenerational exchanges that have a positive social and psychological impact on the aging process and feelings of increased involvement in society. Significantly, the benefit of this is bidirectional, with the younger generation learning as much if not more from the mentoring and experience being provided by the older generation.

Third, work place involvement has a physical benefit. Individuals who do not have enough activities to occupy their day – such as employment or even volunteering – are more likely to focus on their aches and pains and to allow these to have a greater significance in how they function. Working can be an investment in an individual's longer-term health as it can help ward off worsening of existing medical conditions, depression and even minor sicknesses such as colds.

Another physical benefit of working is the increased physical activity that results from going to work. Recent studies have determined that exercise improves the health of older individuals. In fact, a study that appeared in the Archives of Internal Medicine indicated the importance of physical exercise in the elderly as a way of retarding the process of physical degeneration and enhancing the quality of life of the elderly. As an example, peripheral arterial disease (PAD), a disease that affects circulation in the legs and feet, can be prevented, reduced or even eliminated by exercising and diet modification. Physical activity can promote healthy aging. The current 65 and older generation is not as apt to go to the gym or engage in physical activity for the sake of exercise as younger generations. Employment, however, can provide physical benefits. I am reminded of a patient who delivers flowers six days a week and benefits from the walking involved in his job.

Fourth, work place involvement has a psychological benefit, specifically preventing or minimizing the onset of depression. Depression is not a normal part of aging; but, unfortunately, it is very common in the elderly. Late-life depression affects about 6 million Americans age 65 and older. Depression in later life frequently coexists with other medical illnesses and disabilities. In addition, advancing age is often accompanied by loss of key social support systems such as retirement. Because of their change in circumstances and the fact that they're expected to slow down, some elderly individuals are more likely to get depressed.

We believe that persons who remain in the work force demonstrate higher rates of feeling valued and of remaining a contributing member of society. Studies have shown that mental activities, such as those required by work, allow for greater brain functioning and decreased onset of depression. Decreased rates of depression mean that individuals will actually be less likely to get other illnesses associated with depression and will be more likely to function within their families, communities and the larger society.

Two patient anecdotes are relevant to today's hearing. The first patient is a highly successful and unmarried businessman who retired to Florida at age 75 to live with his 5 sisters. In Florida, his family pampered and spoiled him – a lifestyle that was new for him. The patient became depressed and lethargic and, because of these symptoms, ultimately moved back to Massachusetts. At that time, he started a new business, which has become nationally known, and, at age 85, he continues to work.

The second patient is a lawyer, 100 years old. He reports that his professional life is much easier when compared to his younger years as he can now pick and choose his clients and cases. He notes higher levels of job satisfaction and in discussions notes that his work has helped him live to be 100.

Conclusion

I would be remiss if I did not discuss the needs of geriatrics and the acute shortage the profession is facing. Today, there are approximately 7,598 certified geriatricians in the nation. While estimates of potential needs for geriatricians vary, most experts agree that our nation faces a severe and worsening geriatric workforce shortage, both in the area of clinical and academic geriatrics.

The Alliance for Aging Research estimated that another 14,000 geriatricians -- 20,000 in total -- are currently needed to adequately care for the elderly population. By 2030, they estimate the need to train 36,000 geriatricians. Based on both of these assumptions, our country lags far behind in training an adequate supply of clinical geriatricians to care for our nation's frail elderly. Senator Breaux, the Ranking Minority Member and other members of the Committee, such as Senators Reid and Lincoln have supported legislation that aims to provide incentives to train more geriatricians. I thank the distinguished members for their support.

Thank you for allowing me to address the Committee today. I look forward to working with you on this issue in the future.

Senator BREAUX. Doug Holbrook, we are glad to have you.

STATEMENT OF DOUGLAS C. HOLBROOK, VICE PRESIDENT/ SECRETARY-TREASURER, AMERICAN ASSOCIATION OF RETIRED PERSONS, WASHINGTON, DC

Mr. HOLBROOK. Mr. Chairman and members of the committee, I am Doug Holbrook, vice president and secretary-treasurer of AARP. Before I begin, Senator Breaux, I would just like to say on behalf of AARP we deeply appreciate your years of service and we will miss you here on Capitol Hill, and we thank you for convening this hearing to highlight one of our nation's most under-used resources, the older worker.

AARP is the largest organization representing the interest of Americans age 50 and older and their families. About half of AARP members are working either full-time or part-time. All of our working members, as well as those that want to work, have a vital interest in being able to remain on the job and to contribute to society without facing age discrimination by their employers.

Protecting and expanding the rights and opportunities for older workers was a founding principle of AARP. Today, we work to eliminate age discrimination in employment and improve employment conditions and policies to all workers. We collaborate with employers to increase job opportunities for those age 55 and over and serve as an information clearinghouse.

Older workers are similar to other workers. They work in comparable professions. They want a good income with benefits. They strive to balance job and family life. Indeed, family obligations are a key reason these workers are interested in flexible schedules, part-time work, and non-traditional arrangements, and older workers are very concerned about age discrimination in the workplace.

The number of workers age 55 and over is growing in real terms and as a percentage of the overall workforce. As of this past July, more than 23 million persons aged 55 and older were on the job. By 2012, the Bureau of Labor Statistics projects the participation rate for 55- to 64-year-olds to jump from 61 to 65 percent.

There are basic economic reasons older workers choose to remain in the workforce. Earnings are often necessary to supplement inadequate income from savings and pensions, and this is especially true for women. The increase in the age for collecting Social Security benefits to 67, which affects those born after 1937, also means that many people will continue to work to avoid receiving a reduced benefit. Still others will work to have health coverage.

Given projected labor shortages, we believe businesses will need to do more to attract and retain older workers. Some employers already are ahead of the curve and have adopted practices that address older workers' needs.

Four years ago, AARP established an annual award program to recognize these companies. On Thursday, 35 businesses and organizations will be honored as AARP's best employers for workers over 50. They have formal and informal arrangements that allow older workers flexibility, such as job sharing and compressed work weeks. They also tailor programs to older workers, such as medical screening by employers who are health care providers.

In addition, AARP has begun working with employers to expand job opportunities. For example, the AARP Foundation's Senior Community Service Employment Program formed a partnership with Home Depot to place qualified applicants with Home Depot stores that have open positions. CSEP serves people age 55 and over living near or below the Federal poverty level that need training to re-enter the labor force. Although it is relatively new, the program has generated a great deal of interest.

Over the next decade, population growth will be most pronounced among individuals age 55 and older. Many will retire fully; many will not. One of the challenges for employers who want to stay competitive is to make work more attractive to those mature workers. Employers who understand this and adapt their work environment will find themselves better positioned to reap the benefits of this potential resource.

The challenge for Congress is to establish policies that complement the innovative policies of employers who have successfully attracted older workers. For example, legislation protecting the retirement and health benefit of older workers will encourage these workers to remain in the workforce. Recognizing the needs of workers age 55 and over will help Congress develop policies to meet these growing needs.

Mr. Chairman, thank you very much for the opportunity to address you today.

Senator BREAUX. Thank you, Mr. Holbrook.

[The prepared statement of Mr. Holbrook follows:]

TESTIMONY BEFORE THE

SENATE SPECIAL COMMITTEE ON AGING

ON

BREAKING THE SILVER CEILING: A NEW GENERATION OF OLDER AMERICANS REDEFINING THE NEW RULES OF THE WORKPLACE

SEPTEMBER 20, 2004

WASHINGTON, D.C.

WITNESS: DOUGLAS C. HOLBROOK
VICE PRESIDENT/SECRETARY-TREASURER
AARP BOARD OF DIRECTORS

For further information,
Contact: Amy Shannon
Federal Affairs Department
(202) 434-3760

Mr. Chairman and members of the Committee, I am Douglas Holbrook, and I am a member of AARP's Board of Directors. Thank you for convening this hearing to promote an under-used resource—the older worker.

With more than 35 million members, AARP is the largest organization representing the interests of Americans age 50 and older and their families. About half of AARP members are working either full-time or part-time. All of our working members have a vital interest in being able to remain on the job, earning a living, and contributing to society without facing age discrimination by their employers.

Protecting and expanding older workers' rights was a founding principle of AARP. Today, AARP is the leading organization advocating for older workers at the federal and state court levels, before Congress and state legislatures, and before enforcement agencies. AARP works closely with other organizations seeking fair treatment for those in the workforce, as well as with employers to develop policies that enhance opportunities for, and eliminate discrimination against, the ever-increasing number of workers who stay on the job past age 55.

AARP has embarked on a multifaceted effort to identify employers and programs that provide employment opportunities and acts as an information clearinghouse for employers and workers.

I. Older Workers: Today and Tomorrow

As of July 2004, more than 23 million persons aged 55 and older were in the labor force, an increase of nearly one million over the previous 12 months alone. The labor force participation rate for men in this age group also rose, continuing a trend that began in the mid-1980s after decades of decline. In recent years, labor force participation rates have been rising even among persons in their late 60s and 70s—beyond the age of traditional retirement.

Despite the increase in the number of older workers in the United States, the labor force participation rates of older Americans are well below what they were in 1950, when 43 percent were in the workforce. Today, just over one in three persons aged 55 and older remain in the labor force. The Bureau of Labor Statistics (BLS) projects continued increases in the participation of older persons. By 2012, BLS projects a participation rate of 65.1 percent for persons aged 55-64, up from 61.3 percent in July 2004. For persons aged 65 and older, BLS projects an increase in participation from 14.3 percent to 15.9 percent between July 2004 and 2012.

By 2012, the oldest boomers will reach age 65, often considered the conventional retirement age. Many will have already retired, taking advantage of reduced Social Security benefits at age 62 or employer-provided pensions at even younger ages. The large majority of boomers say, however, they expect to work in retirement. AARP's recent research on 1,200 boomers' expectations for retirement found that about 80 percent of boomers plan to work in some capacity during their retirement years. Over half of these boomers, aged 38-57 at the time of the study, expect to work part time, and 15 percent say they plan to start their own businesses.

Whether 80 percent of boomers stay in the labor force into their late 60s or even later remains to be seen. Retirement may look more appealing to boomers as they approach that age. In fact, over the past five years, the proportion of older boomers (ages 48-57 in 2003) planning not to work in retirement has increased by seven percentage points to 23 percent. The Employee Benefit Research Institute's Retirement Confidence Survey for 2004 found that workers typically expect to leave the workforce later than actual experience demonstrates.

Numerous economic factors will impact whether workers remain in the labor force later in life:

- Inadequate retirement savings.
- Stagnating pension coverage leaving many workers with little or no pension protection. Only about half of private industry employees participate in an employer-provided pension plan.
- The shift from defined benefit to defined contribution plans transferring the risk of investing to employees. About one in five older workers who had lost money in the market said that they had postponed retirement as a result.
- Cuts in retiree health benefits, making early retirement financially unfeasible.
- The increase in the age of eligibility for full Social Security benefits and reduction in the size of the age 62 benefit.

Other factors may **encourage** workers to postpone retirement:

- Higher education levels. Better educated workers are more likely to be in the labor force than less educated peers.
- Increased life expectancy.
- Improved health status.
- Changes in the physical demands of many jobs.
- Labor shortages that may prompt employers to implement programs and policies to attract and retain older workers.

Several AARP studies provide insights into the work and retirement expectations of boomers and older workers. AARP's *Staying Ahead of the Curve 2003* surveyed 2,001 employed men and women between the ages of 50 and 70. Like the workers in the boomer survey, the majority of these workers also plan to continue working in retirement. The respondents cited a variety of reasons for their decision, including the desire to stay active, to be productive, and to help or be around people. Finances play a very significant role as well. The need for

money was most frequently cited, followed by the need for health benefits. Fifteen percent of retired workers continued to work for many of the same reasons. Financial need was even more important to working retirees than to nonretirees.

The 23-plus million men and women aged 55 and over in the labor force are not that different from their younger counterparts. They can be found in virtually every industry, although few are in the more physically demanding. When it comes to industry, however, gender differences are more apparent than age differences. More than half of employed women aged 55 or older work in the service sector, as opposed to less than one-third of men. Older men are more likely to be in manufacturing, construction, transportation, communication, and public utilities.

Although older workers can be found in every occupation, fully one-third are in professional jobs where experience and institutional knowledge are valuable attributes. Gender differences in occupational distribution are once again more striking. Women, including older women, are about four to five times as likely as older men to have administrative support jobs.

Older workers express considerable interest in flexible schedules, part-time work, and non-traditional arrangements. Over 80 percent of the older workers in *Staying Ahead of the Curve 2003* who plan to work in retirement expect it will be part-time or part-year. Almost 80 percent of workers aged 55 and over are employed full time, in part, because of a dearth of attractive part-time options. A very high percentage of older workers in the Health and Retirement Study said they would like to continue to work in retirement, but few felt their employers would let them move to less demanding jobs.

II. "Employers of Choice"

Some employers are "ahead of the curve" when it comes to addressing the challenges and opportunities as the workforce ages. By implementing programs and policies to attract and retain older workers, some companies not only better meet the needs of today's older workers, they also position themselves to respond to future demands.

AARP has established an award program to recognize these companies. *AARP Best Employers for Workers Over 50*, now in its fourth year, annually honors companies and organizations whose practices and policies address the needs of an aging workforce. AARP and a panel of judges take into consideration an employer's recruiting practices; opportunities for training, education, and career development; workplace accommodations; alternative work options, such as flexible scheduling; health and pension benefits; and the age of the workforce.

On September 23, the 35 awardees for 2004 will be honored at a ceremony in New York. A detailed examination of their programs (prepared for AARP by Mercer Human Resource Consultant) reports that:

- Attraction and retention of the right workforce is important to the winning companies.
- Some employers offer programs to support the maturing workforce.
- New programs are emerging to show appreciation for longer service, recognize mature worker issues, and support family care needs. One company administers an elder care flexible spending program, for example.
- Some companies have formal or informal arrangements allowing long-tenured and older employees to reduce work hours without jeopardizing their benefits.
- Many Best Employers emphasize career-long training.

These are some examples of exemplary programs that the Best Employers for Workers Over 50 have implemented. The AARP Best Employers for Workers Over 50 program demonstrates that hiring and retaining older workers is part of the management of a successful business model.

III. Expanding Opportunities for Older Workers

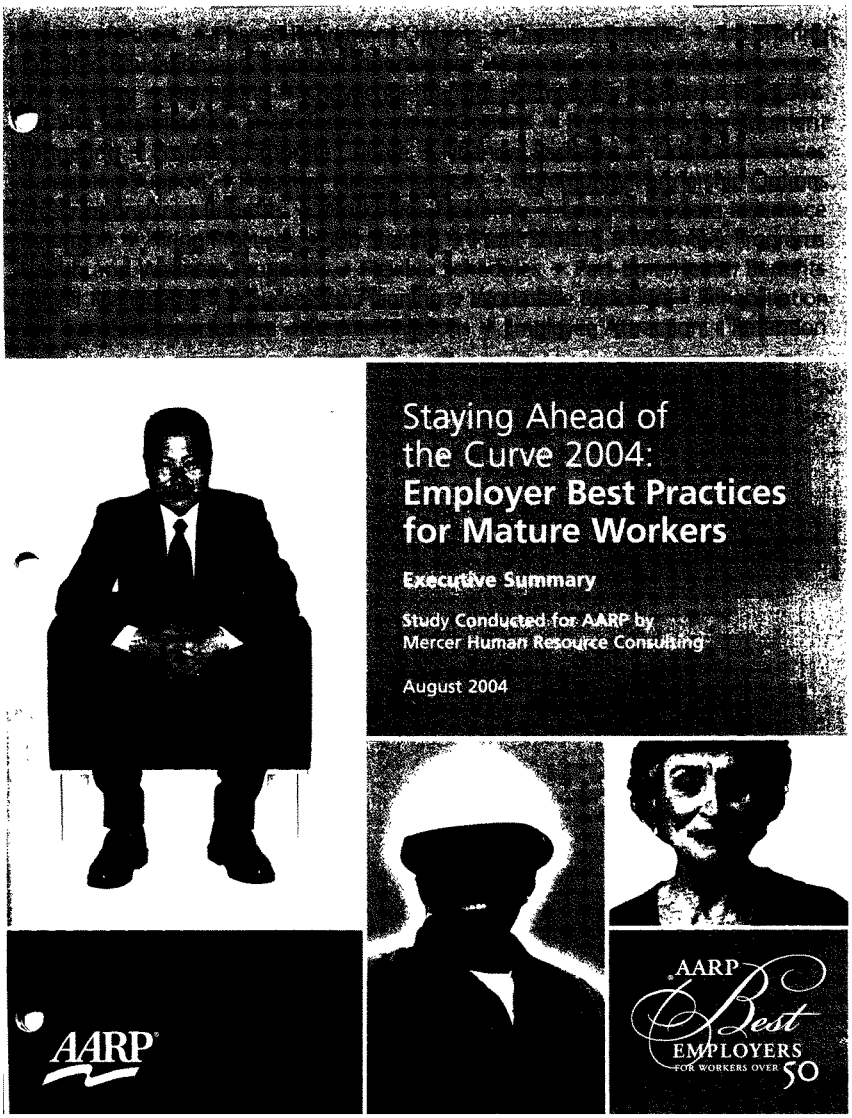
AARP is involved in a national effort to expand employment opportunities for older workers. In early 2004, the AARP Foundation Senior Community Service Employment Program (SCSEP) formed a National Hiring Partnership with Home Depot, the second largest retailer in the United States. The purpose is to encourage the hiring of qualified, mature workers for Home Depot's stores throughout the country. SCSEP primarily provides community service employment opportunities for eligible people aged 55 and over to obtain new job knowledge and enhance their skills. It serves those who are near or below the poverty line and who need skills and training to re-enter the labor force. With 1,500 stores nationwide, Home Depot will look to the National Hiring Partnership to increase its pool of trained applicants.

The Best Employers for Workers Over 50 program and the AARP/Home Depot Partnership reflect just one aspect of AARP's commitment to increasing employment opportunities. AARP believes that public and private employers should be encouraged to provide more flexible work options. Employers that provide benefits should do so for all employees regardless of their full- or part-time status.

Our surveys tell us that older workers would value retirement jobs that provide them flexibility, meaningful work, health benefits, the ability to learn new skills, and that also enable them to keep mentally and physically active and to interact with others. Like many younger workers, they seek work/life balance. No one type of program or policy will do the job. Employers who listen to what older

workers are saying and who then assess their own workplace and offerings will find themselves at a competitive advantage, especially in the future.

Over the next decade, population growth will be most pronounced in the age 55 and older segments of the population. Many men and women say they want to work in retirement, and many have no financial choice but to do so. The challenge is to make work attractive. Employers who begin now to identify and implement programs and policies to attract and retain older workers will find themselves well-poised to convert a potential resource into an actual one, and reap the benefits of their foresight.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Study Conducted for AARP by
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AARP
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For additional information, please contact Deborah Russell at (202) 434-2067, Sara Rix at (202) 434-2416, or Kathi Brown at (202) 434-6296.

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Staying Ahead of the Curve 2004: Employer Best Practices for Mature Workers

Executive Summary

A major shift is taking place in the U.S. workforce. It is aging rapidly. In 2002, 14% of the workforce was aged 55 or older. By 2012, 19% of workers will be at least 55, an increase of more than 10 million workers in that age group.[1] The number could be substantially higher if anticipated labor shortages materialize, employers implement strategies to attract and retain older workers, and/or if many of the boomers who say they expect to work in retirement, actually do.

AARP's goal is to expand employment opportunities for older workers, helping both workers and employers in the process. Toward that end, it has established the AARP Best Employers for Workers Over 50 (AARP Best Employers) program. Launched in 2001, this program seeks to recognize employers for their exemplary policies and practices. Employers who wish to be considered for the AARP Best Employers honor complete an extensive application describing their practices in areas such as recruiting, workplace culture, training and development opportunities, alternative work arrangements, health benefits, pensions and retirement savings plans, and retiree benefits. A multi-tiered selection process used to select the AARP Best Employers includes a detailed assessment of each company's application by an outside consulting firm under the supervision of AARP, a review by a panel of external judges, and a due diligence process designed to ensure that the honorees have practices and policies that are generally consistent with AARP's public policies.

In 2004, AARP engaged Mercer Human Resource Consulting (Mercer) to conduct an analysis of the workforce practices and policies of many of the most recent and former AARP Best Employers.[2] Through this analysis, based primarily on an extensive review of the applications submitted by

[1] Source: 2002 figures from Mitra Toossi, "Labor Force Projections to 2012: The Graying of the U.S. Workforce," Monthly Labor Review, February 2004.

[2] The descriptions of the workforce practices and policies included in this report are based primarily on AARP Best Employers applications submitted by employers that received the AARP Best Employers designation in 2002, 2003, or 2004. In some cases, additional information was gathered through phone interviews or email communication with these companies. The information that the employers submitted, either on the applications or through subsequent communication, was assumed to be accurate and was not independently verified. Prior to publication of this report, the employers were given the opportunity to review content related to their practices.

winning companies in 2002, 2003, and 2004, Mercer identified many employer programs that are used to support, attract, retain, and manage a mature workforce. In a number of instances, Mercer supplemented its analysis with information from telephone interviews with representatives of winning companies as well as from outside sources. This report highlights numerous examples of best practices implemented by the AARP Best Employers that can be adopted, perhaps with modifications, by other employers to create a workplace of choice that appeals to older workers. It may also encourage employers to identify and implement other policies, programs, and practices that meet the needs of mature workers and their employers.

The information highlighted in this project should prove of value to employers, employees, and society as a whole in light of the changes that are occurring in the workforce. Not only is the workforce aging, it is growing more slowly than it had been when the huge boomer cohort was entering the labor force. Those boomers will soon begin reaching retirement age. More than half of the workforce of one of the AARP Best Employers, Deere & Company, for example, is expected to retire within 10 years. Deere & Company is not alone. Other organizations in the public and private sectors—particularly utilities and aerospace companies, universities and health care organizations, and the federal government—will face similar high retirement rates. The pool of replacement workers may not be sufficient to meet employer needs. Many employers have not yet identified what the workforce changes may mean to their organizations and what they will have to do to meet their workforce needs.

Some employers, however, do seem better prepared to meet the staffing challenges that an aging workforce seems to promise, and some of them have become "AARP Best Employers." The awardees have in place programs and policies that make their workplaces good for all workers, which means they are good for mature workers and younger workers. They may also have implemented programs and policies with an eye toward attracting and retaining mature workers.

Throughout this report, the term "employer of choice" is used to describe an organization whose policies, practices, and programs make it an attractive place to work. In some respects, however, the needs and priorities of mature workers may differ from those of other workers. Consequently, the mature workforce

may find certain policies, programs and practices more attractive or important than others, or than the younger workforce does. Moreover, there is considerable diversity within the mature workforce, so not all older workers will want or need the same programs or practices.

This study focuses largely on practices that address mature worker needs and interests.

The main themes that emerged in the analysis of the AARP Best Employers are as follows, in order of prevalence:

- Attraction and retention of the right workforce are important to the companies chosen as AARP Best Employers.
- Newly implemented programs reported by winners that focused on mature workers usually required only a modest investment.
- A company's individual industry and market focus can in many cases be leveraged to offer programs to support the maturing workforce.
- New programs are emerging to meet the workplace needs of the mature worker; the incidence of such programs has increased among the AARP Best Employers over the three years of the study.
- The AARP Best Employers in the healthcare sector appear to have more developed mature worker programs than AARP Best Employers in most other sectors.

Each of these themes will be discussed in more detail in the context of a framework that categorizes mature worker programs based on whether they are:

- **Fundamentals:** These are the policies, programs, and management practices that an informed individual is likely to regard as basic requirements when choosing a long-term job.
- **Core programs:** These programs involve job and career design, workplace design, work options and enablers of work options, flexibility, hiring and recruiting, and methods of leaving the workforce. They relate to the design and organization of a job.
- **Programs of significant value:** These programs create economic value but not career opportunity. They are also important in addressing the specific needs of mature workers and deal with their concerns about workplace flexibility, retirement security and healthcare. These programs give the worker a better deal and are of economic value to them.
- **Extras:** These programs may be a big help to some people, but they do not speak to the essence of the jobs, or the employment relationship. They create nominal economic value for employees.

This framework is used throughout the report to create a logical structure for thinking about the different types of employer programs and their significance.

The analysis identifies what is referred to by AARP as "best practices." There is no universally accepted definition of "best practices." For the purpose of this report, "best practices" are the practices implemented by winning companies in the AARP Best Employers for Workers over 50 program

that expand employment opportunities for mature workers, address their particular needs and interests, and generally make work more rewarding. More attention is paid to practices that are followed by a number of companies across several industries than to practices found in only one or two companies or one industry.

Several themes emerged from the analysis of the best practices among the AARP Best Employers:

Attraction and retention of the right workforce are important to the winning companies.

- Many of the best practices involve retention and focus on influencing the ways workers exit the labor force. A number of companies offer some form of phased retirement and/or rehire retirees. Examples of these include the programs of current and past winners such as **Pinnacle West Capital Corporation,** Phoenix, AZ; **SSM Health Care,** St. Louis, MO; and **Bon Secours Richmond Health System,** Richmond, VA.
- Flexibility is a key theme in supporting retention, and the best practices include options about work schedules and location. Restructuring job content was far less prevalent, although it likely will be a bigger issue in the future. Common options included job sharing, part-time work, and compressed work schedules. The case example of **Scripps Health,** San Diego, CA, illustrates a combination of job sharing and flexible scheduling.
- Retention was also fostered by efforts to help employees move to different jobs and access new opportunities within the company. Some winners had formal systems to support and enable workers to move to new jobs within their organizations. Many offered career counseling. Some winners offered special assignments to mature workers. Mentoring was a form of special assignment that also facilitated knowledge transfer. Employers with such programs include **The Principal Financial Group,** Des Moines, IA, and **Deere & Company,** Moline, IL.

- Some companies retain employees by restructuring the workplace to make work less physically demanding. There were very few examples of this, but it is a promising area for the future.
- Extra benefits such as 401(k) "catch-up" contributions (optional additional contributions allowed for workers age 50 or older) and time off to care for dependents beyond that required by the Family and Medical Leave Act (FMLA) were used to support retention efforts. Many winning employers featured this option.

- Comprehensive programs specifically designed to attract mature workers were found in healthcare organizations, but not among other types of employers, except temporary agencies. Efforts in rehiring nurses after an absence from the workforce by **St. Mary's Medical Center,** Huntington, WV, is an example of such programs. What is happening at St. Mary's Medical Center and in other healthcare institutions may be a precursor of what will happen elsewhere.
- Comprehensive talent planning offers a way to deal with retention issues on a longer term and more comprehensive basis. Talent planning focuses on the talent that will be needed, where to get the talent, how to keep it, and how to manage its loss. This analysis uncovered little evidence of comprehensive talent planning among AARP Best Employers. Healthcare organizations appeared to have more programs with multiple components than did the other winning companies. Mercer's experience is that most employers are not yet doing such planning. Examples of Return on Investment (ROI) measures are mentioned in the case example of **Scripps Health** and examples from outside sources.

Newly implemented programs that focused on mature workers usually required at most a modest investment.

- Retirement planning and preparation programs were common. Through these programs, employers help workers plan and prepare for their retirement years, for which workers are shouldering more of the financial responsibility. Most of the AARP Best Employers in 2004 provided some sort of retirement planning.
- Added benefits such as 401(k) "catch-up contributions," dependent-care spending accounts focused on elder care, and group offerings of long-term care insurance provide for tax breaks and group purchase, although employers seldom pay for the benefit. Such practices were very common among the 2004 AARP Best Employers.
- Workplace restructuring (changing the physical environment to make work easier) offers a good opportunity to impact productivity, but the AARP Best Employers applications provided few examples of this. This may be a big opportunity area.

Within the programs of significant value, retiree health is a major exception to the observation that programs do not cost much. Retiree health is a long-established benefit that is very costly.

Many of the companies honored as AARP Best Employers leverage their areas of market focus to offer programs to support the maturing workforce.

- Financial service and insurance companies were most likely to offer financial planning programs to employees, including access to their service centers and support mechanisms. **The Principal Financial Group** and **Farmers Insurance Group of Companies,** Los Angeles, CA, are examples of this.
- Some hospital systems and healthcare providers offered healthcare services either

at a substantial discount or at no cost to the employees covered under their health plans. Prime examples of these practices cited in the report are repeat winners **Scottsdale Healthcare,** Scottsdale, AZ, and **St. Mary's Medical Center.**

Newer programs are emerging to engage the mature worker. The incidence of such programs among these companies has increased over the three years of the study.

- These include programs to reinforce messages and show appreciation for longer service employees, such as the Personnel Achieving Long-Term Service (PALS) Program at **Children's Health System-Birmingham,** Birmingham, AL.
- Programs recognizing mature worker issues help mature employees work more effectively in a common work culture and integrate these individuals with other workers that have different needs and issues. **The Vanguard Group,** Valley Forge, PA, and **Scripps Health** both offer examples of these types of programs.
- Support for family care needs, the rehiring of retirees, phased retirement, and flexible work arrangements address some of the most burning issues of mature workers. Examples of these were found in a number of winners, such as **First Horizon National Corporation,** Memphis, TN, and **Volkswagen of America, Inc.,** Auburn Hills, MI.

The AARP Best Employers from the healthcare sector appear to have more developed mature worker programs than most of the AARP Best Employers from other sectors.

The healthcare industry depends on many specialized workers in different occupational groups, and the issues it is facing may be a precursor of what is coming to organizations in other sectors that depend on a number of specialized occupations. Examples of mature worker programs that have been implemented by healthcare organizations include:

- Healthcare organizations that have worked with professional schools to encourage and support entry into nursing. The initiatives of **Loudoun Healthcare, Inc.,** Leesburg, VA, with George Mason University is an example.
- Targeted recruiting programs that are being used to recruit professionals, particularly nurses, from as many sources as possible. Retirees and mature workers are clearly being targeted for these efforts. **St. Mary's Medical Center** and **Loudoun Healthcare** provide examples of these practices.
- Healthcare organizations that offer a wide variety of flexible work options.
- Hospitals that make the job of nurses less strenuous by, for example, installing hydraulically functioning hospital beds.
- Phased retirement and retiree rehire programs, which are more likely to be formalized within the healthcare industry than elsewhere.
- Specialized services at a discount to employees and/or retirees. **Scottsdale Healthcare** provides an example of this practice.

The Future: More Focus on Business Issues that Drive Policy

Given global competition and the expectations of investors, the business case and results produced by all workforce management programs are very important. In this climate, Mercer's experience has shown that most organizations are reluctant to implement or keep programs that they cannot make a business case for or show a positive return on. Business cases provide management an avenue to show to their boards that they are acting rationally. An important step in understanding the business issues is an analysis of the internal and external labor markets and the importance of finding a match between the two. The shift in the external labor market as the population ages and the corresponding shift in the internal labor market mean that the solutions of the past often will no longer work.[3] Some of the issues that employers will be confronting:

- Availability of talent generally; particularly needed are specialties such as nursing and nuclear engineering.
- Importance of maintaining intellectual capital and relationships so that as one group leaves, the business will continue to benefit, maintain continuity of customers, regulators, etc.
- Costs of benefit programs.
- Retention of key employees.

- Potential changes in employee productivity (both increases and decreases).
- Rewards for performance suited to the maturing workforce.
- Careers and career progression.
- Market branding and customer perceptions.
- Work/family friendly (linked to employer of choice).
- Skilled worker shortages.
- Health and productivity.

[3] External Labor Market The demand and supply of current and future labor outside of an organization's own workforce. It is generally accessed for specific skills or job groups. Internal Labor Market: An organization's three interrelated flows of employee attraction, development, and retention, and the effectiveness with which these flows are managed. (Source: Mercer Human Resource Consulting)

Industry-Linked Business Issues

Some companies unwittingly exacerbated the effects of future demographic shifts when they slowed hiring and terminated younger workers during the economic slowdown in the early 1990s. As a result of these decisions, their workforces now lack younger and mid-career employees that would be part of these groups

Furthermore, entire industries are already feeling the pressure of the demographic shift. Aerospace and defense, utilities, healthcare, insurance and financial services, and public education, in particular, face some of the greatest threats of a "brain drain" as mature, experienced workers approach retirement and too few skilled replacements are available. The problem is not restricted to white-collar professions; the ranks of experienced blue-collar workers are already thinning, with implications for such industries as construction and heavy manufacturing that are heavily reliant on the skilled trades. Nor is this problem limited to the private sector: the federal government is highly populated by individuals nearing retirement age and faces substantial talent shortages in certain jobs as a result. Some examples of how these issues are linked to specific industries are described below.

Aerospace and defense. The defense budget cuts of recent decades caused workforce pruning in aerospace and defense companies, with cuts often focused on workers with lower seniority. Budgetary restrictions also severely limited new hiring. During recent decades, many experienced employees were offered attractive buyouts under early retirement incentives. As a result, the average age of workers in the defense sector of the industry is now 51. Engineers, mechanics, and many other skilled personnel in these businesses are nearing retirement age, and the industry's traditional retirement programs still encourage early retirement. Furthermore, the industry is not seen as very attractive by the best potential new entrants to the labor force.[4] Much of the work requires security clearances, so options for getting work done offshore and/or using immigrants are not as readily available as they might be in other manufacturing businesses.

Utilities. Many utilities downsized their workforces in the face of deregulation and new types of competition. These businesses have skilled workers—nuclear engineers are one example—that are aging and in short supply in the labor market. The industry's traditional

[4] Source: Mercer Human Resource Consulting.

retirement plans still offer attractive early-retirement options that accelerate the loss of seasoned workers with critical skills.

Healthcare. Hospitals use many skilled health professionals who are projected to become increasingly scarce. This is particularly true of nurses, who are already in short supply. The average age of nurses today is in the late 40s. As a result of healthcare cost controls, hospital re-engineering, and higher patient acuity levels as care of less-ill patients has shifted to out-of-hospital settings, nursing has become an increasingly difficult job. With many more professional options now available to women, for whom nursing was once one of the few occupations open to them, many women have left nursing for other jobs, and many who might have chosen nursing are making other choices. Retired nurses who still want to work often can find less demanding work in less stressful environments.

Public education. A growing number of teachers in the public education system will soon be eligible for early retirement, which typical public-sector retirement programs make very attractive. The U.S. General Accounting Office (GAO) reports that as a way to deal with teacher shortages, some states now allow critical teachers to collect their pension benefits and continue working. Arkansas, California, Louisiana, and Ohio have all adopted incentives for older teachers to stay on the job rather than retire. Many public entities have installed Deferred Retirement Option Plans (DROPs) that allow workers to continue working beyond retirement age but with the provision that the benefits they would have collected are set aside in a special fund to be paid to them in a lump sum when they retire.[5] However, the degree to which such policies (which may not be legally available to private-sector employers) can stem the loss of experienced teachers and therefore meet the need for teachers is uncertain.

[5] Source: GAO-02-85, Nov.,2001, Demographic Trends Pose Challenges for Employers and Workers, page 27–29

Looking to the Future

The general aging of the workforce in the U.S.A. and overseas is likely to lead to substantial shifts in the workforce. At a minimum, companies will experience major talent challenges in some occupations. Some observers are projecting major talent shortages nationwide, but there is less consensus about this. This study suggests to employers a combination of a long and short term strategy. It also raises issues that require policy attention.

In the short term, employers will want to look at their current programs, identify problems and unmet needs, and think about how to improve what they are doing now. They will also want to make a first-round assessment of how the changing demographics will affect them and identify specific occupational groups where there may be problems and where a strategy is needed.

Over the longer term, employers will have several opportunities for more effective responses to mature workforce challenges and issues. Today's responses are often piecemeal rather than comprehensive. Addressing these challenges as a business issue and focusing on the business cases in their responses will allow organizations to provide justification for new programs to managers and to boards of directors. In addition, employers can improve productivity through workplace and program redesign in ways that will respond well to mature worker issues. Finally, talent shortages will be a major problem for many employers. Talent planning is vital to understand where staffing gaps are likely to fall and to build job-specific strategies to fill them, particularly in scarce occupations. Organizations have many options to address all of these challenges; and by doing so in a comprehensive way, they can turn potential staffing liabilities into business opportunities.

Policy barriers to the expansion and implementation of best practices programs must be identified. In particular, policy issues around phased retirement and rehiring retirees should be examined.

Recommendations

Companies will soon face the demographics of a changing talent pool, if they are not doing so already. These companies can use the following steps to define a process to address issues such as impending talent shortages, knowledge transference as the boomers retire, and skill development of the growing number of older workers:

- **Analyze workforce demographics:** In performing the workforce analysis, use quantitative as well as qualitative approaches. Talent issues are quite likely to be job specific—for instance, in healthcare there can be shortages in nursing.
- **Identifying potential solutions:** The best practices identified in the report provide some ideas, and many other solutions are available as well.
- **Assess the fit to the company:** As part of this step, most organizations will want to calculate the return on investment. Identification of methods of measuring success is an important step towards improving programs and keeping them in place. Choose directions to take. Based on the assessment of fit and resources available, a company will select the types of programs to implement and set timing of when to introduce them.
- **Design the details of the specific program to fit the context:** Programs need to be tailored to each environment.
- **Pay particular attention to implementation:** Good implementation is vital to success. Many good ideas fail to live up to their potential not because they are bad, but because the implementation was not adequate.
- **Monitor results and utilization of programs implemented:** Use predetermined success measures.
- **Evaluate:** Determine what benefits are being achieved and whether they justify the cost. If not, move resources to other areas.
- **Refine as necessary:** Many programs must be fine tuned and adjusted as the business context changes. Often, the plan is to expand them. Most organizations will want to start small and build later. Measurements of success for the earlier parts of the program help build the business case for future additions.

Selected Examples of Best Practices[6]

Job Mobility at Deere and Company, Moline, IL (Excerpts from Case Example 5-2):
Deere and Company reports that in 2004 it has "a self-nomination process for job openings for career movement." The company has "many team and special assignments that are provided for development, along with task forces, presentations and steering committees." Managers are encouraged to seek out opportunities with employees as part of the annual performance review process. The advantage of these programs for mature workers is that they provide workers with opportunities for mobility and skill building that are institutionalized in the company, something that is fairly uncommon. (Source: AARP Best Employers applications)

Phased Retirement Options (Excerpts from Case Example 5-4):
Among those companies that offer phased retirement, several allow employees to collect their full retirement benefits while continuing to work part-time or reduced hours while also allowing health and ancillary benefits. This is especially true among healthcare organizations. Some winners such as **SSM Health Care,** St. Louis, MO; and **Bon Secours Richmond Health System,** Richmond, VA, allow their long-tenured employees to do this once they qualify for retirement. Other winners, such as **St. Mary's Medical Center,** Huntington, WV, adjust pension calculations to allow workers to reduce hours in their final years of employment without decreasing their final pension benefit. St. Mary's Medical Center notes that these options are typically taken by mature workers who have not yet reached retirement age—in addition to transitioning, it allows mature or infirm workers to cut down on their hours without risking loss of retirement benefits in the final years of their mandatory employment. This particular program, in fact, was driven by employee demand.

On another level are companies that allow long-tenured and older employees to stagger or reduce their work hours, often to part-time or per-diem status, without jeopardizing benefits that otherwise would not be available to part-time workers. Several winning companies had formal programs that fit this profile, while others had informal arrangements that were implemented at the discretion of individual managers.

Finally, there are practices that encourage work after retirement but not through formal phased-retirement options. Rather,

[6] These examples represent either complete case studies or excerpts from case studies that appear in the full report Additional case studies are included in the full report

these practices encourage the hiring of retired workers in part-time and contracting positions. Workers with these arrangements have jobs similar to those that they had prior to retirement, but receive the pay and benefits of part-time employees. Such arrangements offer flexibility as employees begin retirement and can be attractive to smaller firms where elaborate phased-retirement planning is beyond the scope and capabilities of the human resources and administrative staff. Examples of these arrangements were reported by several winners, including **Adecco Employment Services,** Melville, NY. (Source: AARP Best Employers applications and subsequent communication with the employers)

Rehiring Retirees at Hoffmann-La Roche, Inc., Nutley, NJ, and St. Mary's Medical Center, Huntington, WV (Excerpts from Case Example 5-6):
Several winning companies had hiring practices that target retirees. These programs included hiring retirees as temporary and replacement workers and the establishment of pools of retirees who could be called in times of increased labor demand. Other programs were aimed at reintroducing retirees as full-time participants into the workforce.

Hoffmann-La Roche has an on-site agency that places former/retired employees in temporary Roche job openings. **St. Mary's Medical Center** has a program targeted at nurses that is designed to include re-entry training and a flexible work schedule. The program is intended to meet the personal work/life situations of retired employees and employees returning to the workforce after a long absence. St. Mary's Medical Center reports particular success with this program, noting that many returning workers prefer the part-time work options offered by the practice. In addition, returning mature workers bring a wealth of experience to the job that new entrants do not have.

There are many advantages to rehiring retired employees, including their proven job skills and familiarity with the existing culture, norms, and practices within an organization. As such, it makes business sense to do so. Programs such as these that aid the participation of retired, mature workers in the workforce provide benefits to all parties and take advantage of an otherwise untapped resource. (Source: AARP Best Employers applications and subsequent communication with the employers)

Individual Accommodations (Excerpts from Case Examples 5-9):
The Principal Financial Group, Des Moines, IA: The company purchased a magnicam to help an employee who had developed vision difficulties. The employee could place paper documents under a camera and view the documents on a TV monitor.

Pitney Bowes, Inc., Stamford, CT: The company offered to retrain a mature employee who had developed a chronic heart condition. The employee had previously worked a strenuous job but successfully transitioned to a less strenuous job that required computer skills.

DentaQuest Ventures, Inc., Boston, MA: An accommodation was provided for an employee who developed carpal tunnel syndrome. The organization provided a new computer mouse and armrests that helped the employee perform the job effectively.

Adecco Employment Services, Melville, NY: A blind IT Help Desk Analyst was given accommodations that helped him perform his work, including special hardware and software as well as a workstation large enough to accommodate his dog. A buddy system helped him to navigate through the building. (Source: AARP Best Employers applications)

Partnering with Local Colleges at Loudoun Healthcare, Inc., Leesburg, VA (Case Example 5-12):
A strategy for developing needed skills in scarce specialties is by partnering with local educational institutions. Such arrangements can bring the classroom to the workplace,

making it convenient for current employees to receive training and to upgrade their skills. This is especially true for technical and clinical skills that are not easily taught through online offerings.

Loudoun Healthcare, partnered with George Mason University in Arlington, VA. The University held classes for its Masters of Science in Nursing program on site at Loudoun Healthcare facilities. Current employees are encouraged to join the program through a tuition forgiveness program, which is funded through the hospital. The organization reports that the opportunity to pursue continued education, on site and employer-funded, is a terrific retention and recruiting tool. To date, the program, in place since 2001, has assisted dozens of nurses to further their studies. In this "best practice," Loudoun Healthcare is able to further the careers of all its workers, including mature workers, while filling a need within the hospital: trained nurses.

Partnering with local colleges will become increasingly important in areas with scarce skills in the future. In addition to healthcare jobs, skill shortages will be a vital issue for other skilled jobs such as machinists, carpenters, electricians, etc. Traditionally, apprentice programs were used to train workers for these jobs. However, many of these jobs are not favored by today's entrants to the workforce. Mentoring, mentioned above, is another way to facilitate learning at different life stages. (Source: AARP Best Employers applications and subsequent communication with the employer)

Lifelong Learning at The Principal Financial Group, Des Moines, IA (Excerpts from Case Example 5-11):
Another example is **The Principal Financial Group's** commitment to "Lifelong Learning." Employees are encouraged and, in fact, held accountable for upgrading their knowledge and skills throughout their careers at The Principal. Rather than focusing the training programs on new hires and younger workers, The Principal advocates a career-long learning process, one that is also aimed at enhancing educational opportunities for long-service and older workers. An example of this is its Managing Diversity course, which includes examples and a case study that focus on the need and value of developing older workers. As part of its overall commitment to employee development and its people development core value, The Principal is in the midst of a significant revision of its entire core curriculum. A particular focus will be placed on leadership and management, high performance culture, engaged employees, business and financial acumen, corporate responsibility, and enhanced productivity (including wellness). There is an expectation that all employees at The Principal will have an individual development plan that is supported through the company's development consultants and human resource generalists. (Source: AARP Best Employers applications and subsequent communication with the employer)

Flexible Schedules and Job Sharing at Scripps Health, San Diego, CA (Case Example 6-6):
Workplace flexibility comes in many guises. **Scripps Health** has addressed the issue in two complementary ways: flexible work options and job sharing.

Job sharing at Scripps is available to all employees, especially those who want to work part-time or work fewer hours. Two employees in the same job position can share the same job, work fewer hours, yet keep their skills competitive. This is in addition to the flexible work options that are provided for employees phasing into retirement, compressed workweeks, telecommuting, and specific individual accommodations. The value of this approach is that it does not try to achieve a "one size fits all" solution. Rather, it offers a broad range of options, including support, such as home office equipment and training that give its employees freedom to choose what works best for them. (Source: AARP Best Employers applications and subsequent communication with the employer)

Flexible Spending Accounts for Elder Care at Volkswagen of America, Inc., Auburn Hills, MI (Case Example 6-2):
An added benefit that emerged in several winning applications was Flexible Spending Accounts for elder care. In many instances, companies had set up flexible spending accounts that allow employees to put away money for elder care pretax. While a company rarely matches the contributions to these accounts, it does bear the costs of administering the program. **Volkswagen of America** provides this benefit, allowing workers to allocate $5,000 in pretax earnings to such accounts. Although most employees elect to use this program for childcare, the fact that this benefit is also directed at mature workers and may be used to care for aging dependent parents makes a statement about how the company has decided to spend its benefit budget. By steering funds into a mature worker-focused benefits program, Volkswagen not only provides for these employees, it sends a message that they are valued and that the company has an interest in attracting and retaining them. (Source: AARP Best Employers applications and subsequent communication with the employer)

Measuring Program Results and Return on Investment at Scripps Health, San Diego, CA (Case Example 8-3):
In its 2004 AARP Best Employers application, **Scripps Health** describes the measures it uses to evaluate the success of its Career Transition Program (CTP). Positioned as a retention and attraction device in an industry facing a talent shortage, Scripps uses the program to allow displaced employees "to enroll in the CTP and receive pay and

benefits at their current base rate for up to 12 weeks while they look for positions they are qualified for both internally and externally." Notably, Scripps Health is able to report reliable measures of the success of this program: "from October 2002 through March 4, 2004, the CTP has realized total savings of $684,451 to the organization by placing employees internally and externally." (In addition, it has a high success rate in placing mature workers both within and outside of the organization.) The advantages of this approach extend beyond the retention effects and cost savings. Through rigorous tracking of its results as well as a quantifiable return on investment, program administrators are better able to make informed decisions about potential changes in the program. They are not forced to rely on "gut instinct" and guesswork when it comes to evaluation and potential modifications. (Source: AARP Best Employers applications and subsequent communication with the employer)

AARP is a nonprofit, nonpartisan membership organization dedicated to making life better for people 50 and over. We provide information and resources; engage in legislative, regulatory, and legal advocacy; assist members in serving their communities; and offer a wide range of unique benefits, special products, and services for our members. These include *AARP The Magazine,* published bimonthly; *AARP Bulletin,* our monthly newspaper; *AARP Segunda Juventud,* our quarterly newspaper in Spanish; *NRTA Live and Learn,* our quarterly newsletter for 50+ educators; and our Web site, www.aarp.org. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

Design Faith, Creative, Inc.

Senator BREAUX. Ms. Humphrey.

STATEMENT OF VICTORIA HUMPHREY, EXECUTIVE DIRECTOR OF HUMAN RESOURCES, VOLKSWAGEN OF AMERICA, INC. AND VOLKSWAGEN CANADA, INC., AUBURN HILLS, MI

Ms. HUMPHREY. Good afternoon. I am pleased to be here today to discuss the value and appreciation Volkswagen of America has for its older workers.

Volkswagen of America, or VOA, was founded in 1955 and is headquartered in Auburn Hills, Michigan. We employ approximately 2,200 people in the United States who are responsible for various aspects of the design, testing, marketing, and service of Volkswagen group products, including Volkswagen, Audi, and Bentley brands. Our financial services subsidiary, VW Credit, Inc., provides financing for our products. Our retail network comprises about 840 independent dealers, and each year, VOA buys more than a half-a-billion dollars worth of American-made parts and components.

One thing that makes Volkswagen different from other car manufacturers is our success rate in retaining employees, old and young alike. Nearly one-quarter of our U.S. workforce is over the age of 50 and employee turnover is just 5 percent. Recently, the AARP recognized us as being one of the top companies for older workers.

Our attitude toward older workers is different from most companies. In the mid-1990s, it became common practice for companies to actively recruit young professionals with MBA degrees in order to bring in what was commonly referred to as "new blood," which always meant young. As many companies started to turn their organizations around, they became dismissive toward older, more experienced workers. This attitude is, in fact, a form of ageism, and ageism can be just as destructive as any other "ism." In fact, in today's job market, older workers trying to make themselves more competitive are obscuring dates on their resumes so their age isn't so apparent.

I had the experience of joining VOA at the age of 53. Knowing I was one of six candidates, I was concerned that my age might be an issue. I later learned, during the discussion of candidates, age was never mentioned. It was then that I knew I had joined a company that valued experience, knowledge, and skills over anything else.

I was asked to talk today about the benefits VOA offers our older workers and what we do to retain them. The truth is that there is no magic benefit. Rather, it is the magic of treating all employees with decency and respect.

However, we have several programs of special interest to our older workers. As an example, we give special bonuses for 25-year and 35-year anniversaries. We provide ongoing training. We offer flexible work options. We actively encourage our older workers to mentor our younger workers. We provide opportunities for employees to gain retirement planning advice.

However, we mainly attribute our good record of retaining employees to a positive corporate culture. Employees feel they are part of a larger family and we have a clear policy against discrimi-

nation of all kinds, including a strong commitment to diversity supported by our Diversity Council. Our anti-discrimination policy is taken very seriously, starting with our CEO, Gerd Klauss, and is a hallmark of our entire organization.

The best human resources professionals understand human nature, and part of human nature is that people appreciate feeling valued. Companies that demonstrate an appreciation for older workers will retain them, as well as their experience and knowledge. Older employees hold a vital key to success, a solid understanding of the business that cannot be gained any way other than through experience.

Data shows that when communication fails, 93 percent of the time, it can be attributed to a lack of relationship building rather than a lack of technical expertise. Clearly, companies that understand the importance of relationship building will have a competitive edge over those that do not. VOA is a company rooted in relationships, which can explain why employees who join tend to remain with us for a significant period of time.

Why are we a company that has such a capacity for valuing differences? It is a tough question, but perhaps it is based on our culture and unique history. We have always been an emotional brand, even an icon to some generations. People root for the Beetle, and most everyone has his or her own VW story.

In conclusion, we understand that the keys to success are great products and great people. Our teamwork has the power to ensure that our successful car brands continue going strong. We place a high value on our older workers and that is our magic. Older employees want to work at VOA, and in turn, that makes us successful.

Thank you for the opportunity to share a little of our culture with you today.

Senator BREAUX. Thank you, Ms. Humphrey.

[The prepared statement of Ms. Humphrey follows:]

Statement of
Victoria Humphrey
Executive Director of Human Resources
Volkswagen of America, Inc. and Volkswagen Canada, Inc.

Testimony before the U.S. Senate Special Committee on Aging
Hearing Entitled
"Breaking the Silver Ceiling: A New Generation of Older Americans Redefining the New Rules of the Workplace"

September 20, 2004

Good afternoon, Mr. Chairman, Sen. Breaux, and members of the committee.

I'm pleased to be here today to discuss the value and appreciation Volkswagen of America has for its older workers. I would like to thank Sen. Stabenow for her support of our Company and our industry.

Volkswagen of America was founded in 1955 and is headquartered in Auburn Hills, Michigan. Volkswagen employs approximately 2,180 people in the United States who are responsible for various aspects of the design, testing, marketing and service of Volkswagen Group products, including Volkswagen, Audi and Bentley automobiles. In the U.S. alone, Volkswagen of America's retail network comprises approximately 840 independent dealers. We are the nation's top-selling European importer of automobiles. Additionally, Volkswagen of America's International Purchasing Department is responsible for sourcing from U.S. suppliers approximately half a billion dollars' worth of components annually for the Volkswagen Group's worldwide production.

One thing that makes Volkswagen different from other car manufacturers is our success rate in retaining our employees – old and young alike. Nearly one quarter of Volkswagen's U.S. workforce is over the age of 50, and employee turnover rate is just 5%. And, recently, the AARP recognized Volkswagen as being one of the top environments for older workers.

Volkswagen's attitude toward its older workers is different from most companies. In the mid-90's, there was a common practice of actively recruiting young professionals with MBA degrees in order to infuse the organization with what was commonly referred to as "new blood." As many companies tried to turn their organizations around, they became dismissive toward older, more experienced workers. This attitude is, in fact, a form of ageism...and ageism can be just as powerful as any other "ism." In fact, in today's job

market, older workers are obscuring dates on their resumes so their age isn't so apparent.

I had the experience of joining Volkswagen at the age of 53. Knowing I was one of six candidates, I was concerned that my age might be an issue. I later learned that when the hiring managers discussed the candidates, age was never even mentioned. It was then that I knew I had joined joining a company that valued experience, knowledge and skills over anything else.

I was asked to talk today about the benefits Volkswagen offers its older workers and what Volkswagen does to retain its older workers. The truth is that there is no "magic" benefit at Volkswagen...

...rather, it's the "magic" of treating all employees with decency and respect.

We mainly attribute Volkswagen's good record of retaining our employees to a positive corporate culture. Our employees feel they are part of a larger family, and Volkswagen has a clear policy against discrimination of all kinds and a strong commitment to diversity. Our anti-discrimination policy is taken very seriously starting with our CEO Gerd Klauss and throughout the entire organization. Volkswagen protects and sustains this vital aspect of its culture through the work of a Corporate Diversity Council comprised of top management and employees at all levels.

The best human resources professionals understand human nature – and part of human nature is that people appreciate feeling valued. Companies that demonstrate an appreciation for older workers will retain them...as well as their experience and knowledge. Older employees hold a vital key to success: a solid understanding of the business that can not be gained any way other than through experience.

Data[1] show that when communication fails, 93% of the time it can be attributed to a lack of relationship building rather than a lack of expertise. Clearly, companies that understand the importance of relationship-building will have a competitive advantage over those that do not.

I believe that Volkswagen is a company rooted in relationships, which can explain why employees who join Volkswagen tend to remain with Volkswagen for a significant period of time. Volkswagen understands that relationship-building is a significant component to survival. Understanding differences between people and establishing a value for diversity is vital. At Volkswagen, we understand the different – but equally significant - contributions that older and younger employees bring to the organization.

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[1] Cite source of data
Harris and Osborne (1975)
Assertiveness Training for Women

Why is Volkswagen a company that has such a capacity for valuing differences? It is a tough question to answer, but perhaps it is based on Volkswagen's culture and unique history and place in this country. Volkswagen has always been an emotional brand – even an icon to some generations. People root for the Beetle. Volkswagen and Audi have always been thought of as innovative and creative brands – not only in automotive design and engineering, but also in management.

Performance in the auto industry is critical to success. It is a complex industry, made even tougher in today's highly competitive marketplace.

Volkswagen understands that the keys to its success are its products and its people. Its people have the power to keep two of the most successful automotive brands alive. And that power comes from years and years of in-depth experience, and a thorough understanding of what works and what doesn't. For this, Volkswagen places high value on its older workers – and that is the "magic" benefit that makes older employees want to work at Volkswagen, and in turn, what makes us successful.

Thank you for the opportunity to share a little of Volkswagen's culture with you today. I will now be pleased to answer any questions you may have.

Senator BREAUX. Mr. Potter.

STATEMENT OF EDWARD E. POTTER, PRESIDENT, EMPLOYMENT POLICY FOUNDATION, WASHINGTON, DC

Mr. POTTER. Thank you, Mr. Chairman. The previous witnesses have documented the contribution that older workers can make to the workplace and have discussed the consequences of the great demographic changes that are taking place that will result in a labor skills shortage in the United States over the next 30 years.

One of the ways in which you can deal with a labor and skills shortage is to increase participation rates in the labor force, including increasing overall hours of work of older workers who would otherwise be retired. The focus of my testimony is on the private sector, where a number of legal and regulatory obstacles limit the ability of older workers to shift gradually from full-time work to full retirement through the use of phased retirement programs with their current employer.

Phased retirement is any human resources program that allows older workers to reduce their hours and eases the transition to full retirement if that is what the workers' preference is. Phased retirement programs offer a win-win strategy to meet the needs of retirees, companies, and this country.

Because of legislative and regulatory obstacles, virtually no company offers a seamless phased retirement program in which the employee gradually shifts from full-time employment to retirement. As a consequence, most phased retirees are retired employees from other firms or former employees who return after several years or months break in service as independent contractors or part-time employees. The rules are sufficiently complex that many companies are unwilling to consider phased retirement strategies for fear of jeopardizing their qualified pension benefits programs.

The legal and regulatory obstacles to phased retirement arise primarily from ERISA, the Internal Revenue Code, IRS rulings, and the Age Discrimination in Employment Act. Social Security, Medicare, and tax policy are also important factors, particularly from the employee point of view.

The most significant barrier to phased retirement, at least those administered through qualified defined benefit plans, is the prohibition against pension distributions to active employees who have not attained normal retirement age. This is entirely a regulatory question. Because the IRS considers the restriction of pension distributions to be a qualification issue, the consequences of premature or inappropriate distribution of benefits could disqualify the defined benefit plan, resulting in disallowance of deductions for employer contributions to the plan as well as taxation of trust earnings and participants' vested benefits.

Most companies with modified phased retirement plans require at least a 6-month break in service with maximum annual hours of 1,000 hours. If the phased retiree works more than 1,000 hours, the pension benefits are cutoff. Some companies require a year break in service. Some companies have ruled out modified phased retirement entirely because their legal conclusion is that there is no break in service that is long enough to remove the pension plan from jeopardy.

ERISA requires employers to adhere to rules promoting uniformity and standardization in the treatment of employees and the types of benefits offered, and that is a good thing. However, when we are looking at this question of phased retirement, we are looking at an entirely different question in which the distribution of critical skills across the labor force are not equally distributed.

The limits of the benefits payable from the defined benefit plans are much more complex to administer and affect phased retirements. The most significant issue is the lack of clarity regarding application of limits when a portion of participants' benefit begins with phased retirement and the remainder on full retirement. The phased retirement payment option in a qualified plan is an optional benefit covered by the anti-cutback rule. This is a very complicated, complex rule in which there is no experience in dealing with it in the context of phased retirement.

Employers are also susceptible to potential lawsuits under the Age Discrimination in Employment Act. Phased retirees are likely to be part-time workers. Employers frequently provide different benefit packages to part-time workers than to full-time workers. Even a nominal difference in benefits could serve as a basis for an age discrimination suit.

For a phased retirement to flourish to meet the skill and labor needs of employers and the retirement and work-life balance needs of older Americans, legislative and regulatory phased retirement policy must be flexible to accommodate the varying needs of workers and employers. There should be flexibility in what is considered to be the normal retirement age in order that length of service considerations for the current employer can be taken into account.

Legislative and regulatory phased retirement policy must be voluntary for workers who may elect phased retirement and employers who may choose to offer it as a retirement benefit. Business conditions, realignment, new lines of business, and labor demographics will be critical considerations in whether to offer a phased retirement program. Phased retirement should not be considered a permanent entitlement nor should there be an expectation of early retirement subsidies or health insurance as part of the phased retirement program.

Until the legislative and regulatory hurdles are removed, most companies will be unlikely to offer more extensive phased retirement options because of the lack of flexibility, potential cost, and liability.

Thank you for the opportunity to testify before you today, Mr. Chairman.

[The prepared statement of Mr. Potter follows:]

EMPLOYMENT POLICY
F O U N D A T I O N

Testimony of

Edward E. Potter

President
Employment Policy Foundation

Before the

Special Committee on Aging

of the

U.S. Senate

for the Hearing on

Breaking the Silver Ceiling: A Generation of Older Americans

Redefining the New Rules of the Workplace

September 20, 2004

STATEMENT OF EDWARD POTTER

Before the Special Committee on Aging
U.S. Senate

September 20, 2004

I am Ed Potter, president of the Employment Policy Foundation (EPF). EPF is a research and educational foundation founded in 1983 that focuses on workplace trends and policies. This hearing on older workers comes at crucial time as the American workplace faces future labor and skill shortages, spiraling health care costs, and concerns over Social Security, and the adequacy of retirement benefits and retiree health care benefits. The focus of my testimony will be on the private sector where the greatest number of legal and regulatory obstacles appear to exist to widespread use of phased retirement programs.

Americans are living longer than ever before. The average American now lives 19 years beyond retirement; many are living as retirees for 20 or 30 years. Moreover, by 2030, based on recent retirement patterns, some 50 million baby boomers can be expected to leave the labor market with a shortfall of labor supply needed to replace these workers as well as to fill the 150,000 a month net new jobs that, on average, can be expected to be created between now and 2030–about 45 million new jobs. Although there is concern about the performance of the labor market at the present time, by historical standards the current labor market is relatively tight, especially those with critical skills. The overall unemployment rate is below the average over the last half century and under three percent for those with a college degree and/or critical skills.

The retirement of baby boomers will result in the loss of critical workplace knowledge and skills across the spectrum of jobs that will affect American competitiveness. This trend coincides with the rapid rise in the skill levels of workers in other nations. At the same, surveys show that the interest in full-time work by the typical older worker falls after age 60 as workers seek to balance work, energy, economic anxiety, and personal self fulfillment

What is Phased Retirement?

Phased retirement programs offer a win-win strategy to meet the needs of retirees, companies and this country. Phased retirement is any human resources program that allows older workers to reduce their work hours and eases the transition into full retirement if that is the

workers' preference. Although employer surveys suggest that 16 percent of employers have formal phased retirement programs, virtually no company, particularly those with a defined benefit pension plan, offers a seamless phased retirement program in which the employee gradually shifts from full-time employment to retirement. As a consequence, most phased retirees are retired employees from other firms or former employees who return after a several month break in service as independent contractors or part time employees. The rules are sufficiently complex that many companies are unwilling to consider phased retirement strategies for fear of jeopardizing their qualified pension benefits programs.

The Need for Phased Retirement

The American workplace is moving toward a devastating loss of human capital. As the large baby boom generation moves toward retirement, a smaller pool of workers will be left to fill their positions. Our research shows that by 2006, the demand for labor will exceed supply. By 2012, the labor shortage may grow to in excess of 6 million qualified workers.

Today, over 50 percent of the workforce is over age 40. Many of these workers will retire over the next 20 years. The number of employees under age 40 today, will be insufficient to fill the labor demand as those older workers retire. Increased labor force participation will be needed to help mitigate the loss of skilled workers. Phased retirement is a potential tool to help American companies maintain their international competitiveness while keeping per capita income growth strong. Presently, about 15 percent of the U.S. population is retired. Without a change in retirement policy, by 2030, this percentage will rise to 25 percent.

The Trends

As American workers live longer, they are also healthier in their retirements than ever before. Researchers at Duke University found that between 1982 and 1994, incidents of sickness and disability among Americans between 55 and 75 declined from 25 to 21 percent.[1] In the 1997, the Current Population Survey found that a minority of people in their late 60s and early 70s reported their health as being in fair or poor condition. Even fewer Americans reported disabilities, which would limit their ability to do work.[2]

The evidence indicates that many Americans are leaving the workforce long before their health or physical ability to carry out their job would require it. Recent research by the

Committee for Economic Development shows that there is no significant difference in the productivity levels of older workers and younger workers.[3]

Working in conjunction with a healthier older population, is a decline in the number of physically demanding jobs. As the economy has transitioned from a manufacturing to services, the number of workers engaged in physically demanding work has steadily declined. In 1950, 20.3 percent of U.S. workers worked in physically demanding jobs. By 1980, that number had fallen by more than half, to 9.1 percent of workers. According to an Urban Institute analysis of the Current Population Survey, by 1996, only 7.5 percent of U.S. workers were in physically demanding jobs.[4]

Employers, older workers and this nation all stand to gain from seamless phased retirement programs.

The Benefits of Phased Retirement for Employees

As Americans live longer, the amount of time they spend in retirement has grown. As more retired Americans seek out employment in retirement, the implementation of phased retirement programs would allow another option and more flexibility for older workers who would like to continue to work beyond the traditional retirement age. A continued employment option with their current employer would provide a psychological benefit deriving from a continued feeling of usefulness, in addition to a paycheck. For many Americans, retirement is the time when they recognize that work meant more than just a paycheck. The Committee for Economic Development found that work has a positive impact on the quality of one's life, promoting better physical and mental well-being.[5]

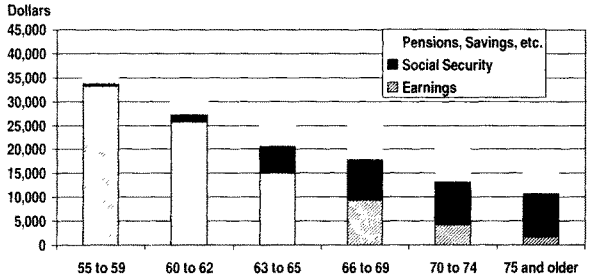
Older Americans are recognizing these benefits of work. According to a Cornell Employment and Family Careers Institute study, thirty-five percent of workers, age 54 and older, stated that being able to "partially retire" would be ideal, compared to only 19 percent who would prefer to "fully retire."[6] As Americans live longer, concerns about lengthier periods of isolation and social detachment become more pressing.

Today, many employees have jobs that require a heavy commitment of time and energy. Like many of us their full-time job is all consuming, but for some they may prefer to retire earlier and move to a job with a more realistic time commitment.

Moreover, older Americans have significant financial reasons for wanting to work past a normal retirement age. A 1999 Roper Starch Worldwide survey for AARP study found that 84

percent of respondents felt that their generation needs more money than their parents' generation to live comfortably. Older workers, having realized their higher standard of living have begun to seek ways to continue their income stream beyond the traditional retirement age. In addition, workers are increasingly concerned about whether their company's pension program and Social Security benefits will be sufficient to meet their retirement needs. Not surprisingly, Figure 1 shows that earned income, on average, is a declining share of income as workers pass age 60.

Figure 1
Total Income by Source
U.S. Civilian Population, Age 50 to 75, 2002



Source: Employment Policy Foundation tabulations of Current Population Survey, Annual Social and Economic Supplement.

There is evidence that older workers may be prematurely retiring. In 2000, a longitudinal study of retirement behavior of older Americans through the Health and Retirement Survey, revealed that nearly 40 percent felt that they retired earlier than they wanted to retire. Current Population Survey data suggest that, as a result of the 2001 recession and the decline in equity prices, the desire to extend employment for individual between 55 and 64 may have grown substantially, as reflected by increased labor market participation of this age group. Moreover, as shown by CPS data, beginning in the 1980s, the labor market participation of male pensioners between the ages of 55 and 61 has risen substantially from 37 percent to over 50 percent.

The implementation of phased retirement programs would greatly enhance the possibility of continued labor market participation with their current employer. Current pension regulations have led many workers to shift into contract consultant positions to maintain income or, alternatively, to seek employment with competitors or in different companies or industries.

The Benefits of Phased Retirement for Employers

Employers also stand to benefit from the implementation of formal phased retirement programs. At least 80 percent of the impending labor shortage will be a skill shortage. For example, in 2003, managerial, professional and technical occupations with high education and skill requirements constituted over 34 percent of all jobs. In the next 10 years, over 52 percent of all net new jobs will be in these categories. At the same time, skilled blue collar workers will be in demand in some industries. One Midwest utility stands to lose 50 percent of its skilled hourly workforce in the next 10 years through retirements.

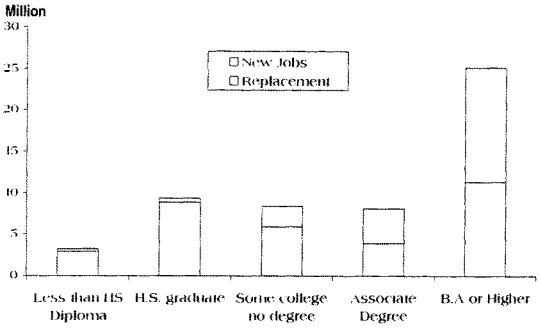
Consequently, the need to retain highly skilled and experienced workers will become more acute. Current college graduation rates and workforce participation rates show that the labor force will be unable to replace the large-scale retirements of the baby boom generation. Flexible phased retirement programs would allow employers to mitigate the impact of those retirements by spreading them over a period of years.

In addition to slowing the loss of retiring workers, retention of those skilled employees has other benefits for employers. Workers reaching the traditional retirement age often have large amounts of institutional experience with company operations, requirements, procedures and structure that make them able to perform more efficiently in their positions than those without their experience. As new workers are brought into the labor force, older workers, who might otherwise have retired—can serve as mentors and educators—sharing their experience and knowledge with new employees. This can decrease the employee "ramp-up" time that would otherwise be required, resulting in more rapidly increased productivity levels.

The Benefits of Phased Retirement Programs to This Nation

Taking into account long term trends in economic growth, productivity growth, population growth, labor market participation, hours of work and immigration, EPF has projected for several years that there could be a labor shortage of up to 35 million workers by 2030. With the transformation of the workplace to increasingly higher skill jobs requiring post high school education, we estimate that 80 percent of the labor shortage will be a skill shortage. As

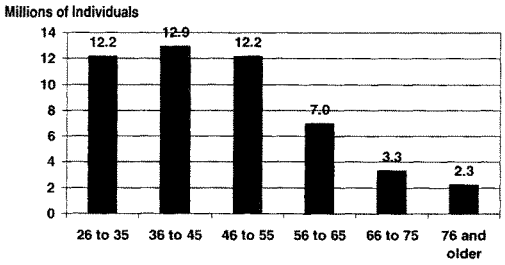
Figure 2
American Workplace Education Needs by 2014
Employees to Fill New Jobs and to Replace Retirees by Education



Source: Employment Policy Foundation estimates based on Bureau of Labor Statistics data and projections

Figure 2 shows, in the next 10 years, the vast majority of new jobs and a significant majority of jobs needed to replace retirees will require people with education beyond high school. The need to take advantage of the skills of retiring baby boomers is highlighted by Figure 3. It highlights that, because of slower population growth, for the first time in our history the number of college graduates entering the labor market is less than the generation that preceded it.

Figure 3
Skill Shortage Challenge
Persons with B.A. or Higher Degree by Age Group, 2003



Source: Employment Policy Foundation tabulations of BLS/ Census Bureau Current Population Survey data, March 2003 Annual Social and Economic supplement (March).

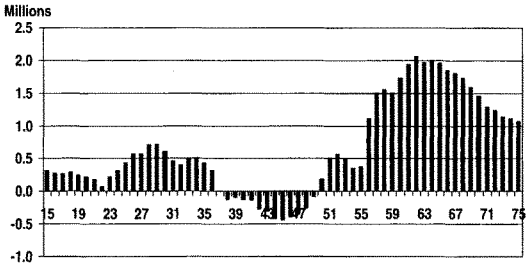
On average, each of us produces about $78,000 of goods or services. If the U.S. economy were short 35 million workers today, it would mean that our economy would be approximately $2.8 trillion smaller and our overall standard of living would be lower. This economic impact dwarfs the tax preference and lost tax revenue consequences that could result as a result of increased used of phased retirement programs provided by qualified pension plans.

Phased Retirement as a Strategy for Reducing Part of the Labor and Skill Shortage

Greatly over simplifying a complicated subject, there are essentially four ways to reduce a labor and skill shortage. You can raise the rate of productivity growth, by increasing capital investment, and research and development in order to replace unavailable labor. You can increase human capital investment through education and training to make available labor more productive. You can increase reliance on immigrants and guest workers from abroad. You can increase participation rates in the labor force, including increasing overall hours of work.

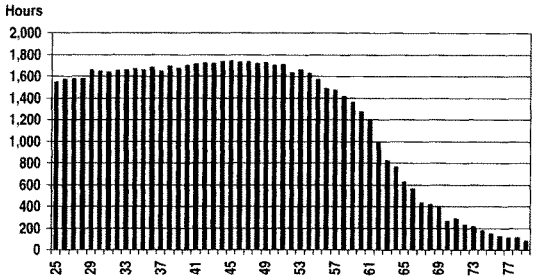
One way you can increase participation rates is by retaining older workers in the labor market who would otherwise be retired. Figure 4 shows the net change in the U.S. population over age 15 between 2002 and 2022, visually highlighting the significant bulge we will have in retirements in the next 20 years.

Figure 4
Change in Population by Age
U.S. Civilian Population, Age 15 to 75, Projected 2002 to 2022



Source: Employment Policy Foundation tabulations of U.S. Census projections data.

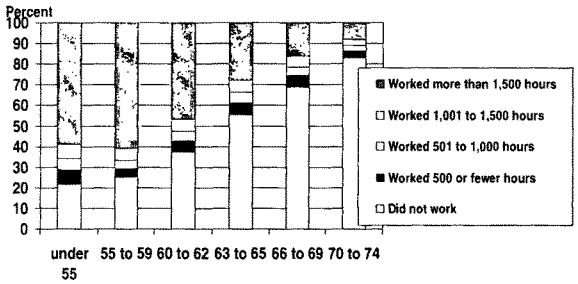
Figure 5
Average Annual Hours Worked by Age
U.S. Civilian Population, Age 25 and Older 2002



Source: Employment Policy Foundation tabulations of Current Population Survey, Annual Social and Economic Supplement.

Another means of reducing labor and skill shortages is by increasing hours of work of older Americans. Figure 5 shows that average annual hours clearly decline sharply for older workers. Clearly, a substantial number of older workers work incredibly hard as shown by Figure 6.

Figure 6
Duration of Annual Work Effort
U.S. Civilian Population, 2002



Source: Employment Policy Foundation tabulations of Current Population Survey, Annual Social and Economic Supplement.

Obstacles to Phased Retirement Programs

Today, phased retirement plans must confront a number of regulatory and legislative obstacles. A 2002 Employment Policy Foundation survey, conducted by researchers at the College of William and Mary, found that 65 percent of companies were interested in offering a phased retirement program. However, of the respondents, none of them had a formal phased retirement program in place. The survey found employers were highly concerned about legal and regulatory obstacles to implementing the phased retirement plans they desire. A random sample survey of Fortune 500 companies conducted by EPF this summer yielded similar results.

The obstacles arise from the Employee Retirement Income Security Act (ERISA), the Internal Revenue Code and related IRS rulings, and the Age Discrimination in Employment Act (ADEA).

1. Termination of Employment and Normal Retirement Age

a. Defined Benefit Plans

ERISA, and especially the Internal Revenue Code, make it difficult for individuals who are seeking to phase in their retirement. The most significant barrier mentioned as an obstacle to phased retirement, at least those administered through a qualified defined benefit plan, is the prohibition against pension distributions to active employees who have not attained normal retirement age. This is entirely a regulatory question. IRS rulings interpreting the IRS regulatory definition of a pension plan have interpreted this regulatory provision as prohibiting a pension plan from allowing for distribution of benefits prior to any termination of employment or plan termination for those who have not attained the normal retirement age. Unlike defined contribution plans discussed below, the normal age of retirement is not statutorily set but varies from plan to plan, ranging from age 55 to 62 depending on years of service with 59 ½ being the most common normal retirement age.

Because the IRS considers the restriction of pension distributions to be a qualification issue, the consequences of premature or inappropriate distribution of benefits could disqualify the defined benefit plan, resulting is disallowance of deductions for employer contributions to the plan as well as taxation of trust earnings and participants' vested benefits. As a result, companies are very cautious on the conditions for modified-phased retirement programs. Most require at least a six month break in service with maximum annual hours of 1000 hours. If the phased retiree works more than 1000 hours, the pension benefits are cut off. Some companies require a year break before rehire. Some companies have ruled out modified phased retirement

entirely because their legal conclusion is that there is no break in service that is long enough to remove the pension plan from jeopardy.

As a consequence, an individual may retire in mid-project and the project requires special expertise to be completed. This puts companies in a position where to retain or rehire the person on a part-time basis for a period of time, whether as an employee or as a third-party independent contractor threatens the qualified status of the pension plan. The concern is whether the IRS would view such a retirement as a "sham" aimed at getting the individual off-payroll and receiving pension benefits. In addition, employers run the risk that retired "contractors" hired by employers may be found to be misclassified by the Internal Revenue Service (IRS), making for a large potential downside risk of penalties and fines. Further, contract-employment relationships with former employees often carry higher costs than do continued employment.

The alternative in some cases is to hire experienced outside consultants, at a multiple of the hourly rate, to do the work that the very qualified retiree could have done more easily, more effectively, and probably at a lower cost. The break in service requirement provides a strong incentive for the retiring employee to work for a different firm, once reaching retirement age. This prevents many workers, who wish to retire gradually from moving from full-time to part-time with their current employer. By working for a competitor, employees with intimate knowledge of a company's business operations and internal procedures and structure can provide that competitor with a strategic advantage, which could have been avoided if the employee had had the option to participate in a phased retirement program.

b. Defined Contribution Plans and Profitsharing Plans

By statute, most types of defined contribution plans prohibit distribution of benefits to employees before age 59 ½ except in cases of death or disability. Except for money purchase and target defined contribution plans, in service distributions can be made to participants who have not achieved normal retirement age. Only profit sharing plans are permitted to distribute benefits to participants while they are still working as long as the amount being distributed has been in the plan for at least two years or the participant has participated in the plan for five years.

2. Nondiscrimination Standards

ERISA requires employers to adhere to rules promoting uniformity and standardization in the treatment of employees and the types of benefits offered. The standards make it difficult for employers to create special benefit packages for select groups of workers—such as highly skilled workers or phased retirement plan participants. Consequently, the design of phased retirement

plans is challenging because many of the individuals, whom companies would want to participate in a phased retirement program, would be chosen based on their level of skill and knowledge. Critical skills and labor shortages are not evenly distributed across the workforce. At the same time, higher paid workers might not want to take advantage of phased retirement because of loss of status and lower paid workers may not be able to afford the reduced income resulting from a phased retirement arrangement.

These considerations would not be an insurmountable hurdle if IRS regulations permitted a smaller pension option proportionate to the degree their work effort is below typical full time work and a larger pension once they fully retire. That is, employees taking advantage of phased retirement would retain the present value that their pension would have had if phased retirement did not exist. Under this approach no employee would be advantaged or disadvantaged by whether the phased retirement option was available to them. Thus, traditional discrimination testing would be unnecessary.

3. Age Discrimination in Employment Act (ADEA)

The application of the 1967 Age Discrimination in Employment Act (ADEA) prohibits age discrimination for persons 40 and over. The ADEA precludes the use of a mandatory retirement age for most workers and cessation or reduction of the rate of benefit accrual or allocation of contributions for workers attaining normal retirement age. When companies hire older workers near the plan's normal retirement age, these protections result in increased employment costs.

Plaintiff's attorneys have increasingly utilized ADEA to file lawsuits - particularly class action suits -- against employers. As a result employers are not likely to risk such litigation by implementing phased retirement programs. Phased retirees are also likely to part time workers. Employers frequently provide different benefit packages to part-time workers than to full time workers. Even a nominal difference in benefits could serve as the basis for an age discrimination suit.

4. Limitations on Benefits and Contributions

Qualified plan regulations impose limits on the amount of benefits payable from defined benefit plans and the annual contribution that can be made to defined contribution plans. Changes made in 2002 eliminate potential problems on the maximum contribution for defined contribution places that might have served as an obstacle to phased retirement plans.

The limits on the benefits payable from defined benefit plans are much more complex to administer and affect phased retirements, however. The most significant issue is the lack of

clarity regarding application of the limits when a portion of the participant's benefit begins with phased retirement and the remainder upon full retirement. There is no IRS guidance, for example, on whether an employee who is a 50 percent phased-retiree can receive a 50 percent distribution of the full benefit. This is a likely expectation that an employee would have.

There are other complications. The maximum benefit from qualified defined benefit plan is the lesser of $160,000 or average compensation in the final three years of employment. An employee-participant who enters phased retirement may have lower compensation in the final three years of employment than would have been the case if he or she had remained in full time employment. Moreover, adjustments in benefits beginning before age 62 complicate payments to a phased retiree. An early retirement subsidy can significantly affect the maximum benefit limit, and can actually reduce it.

5. Anti-Cutback Rule

A phased retirement payment option in a qualified plan is an optional benefit covered by the anti-cutback rule. That is, the phased distribution option cannot be removed for benefits already earned. The rule is a significant impediment to phased retirement programs because, depending on firm demographics and business conditions, phased retirements may make sense in some circumstances but not others. Moreover, there is no experience with phased retirement plan design and which forms will work and those that do not.

6. Social Security

As Figure1 shows, the Social Security will be a critical factor in any worker's decision to take phased retirement because it is a substantial factor in the economic well being of fully or semi-retired workers. Fully recognizing that benefits paid out from Social Security is likely to exceed employer and employee taxes collected by 2040, it needs to be recognized that several aspects of the Social Security system do not match up well with phased retirement. Social security recipients are not eligible for benefits until 62. This is an older age than the normal retirement plan under most pension plans. For recipients under 65, the earnings test reduces benefits by $1 out of $2 earned at a low annual wage income that is well below the poverty level at just over $10,000.

7. Medicare

Because the primary source of public retiree health care cover is Medicare, it is among the most important factors considered by older workers in making their retirement decision. If

phased retirement means the loss of employer-provided health benefits, most workers will not leave full time employment until they are eligible for Medicare coverage at age 65.

Phased Retirement Compromises

Faced with significant regulatory and legislative hurdles, some firms have creatively implemented phased retirement plans that allow them to use retirees to fill the need for highly skilled workers. The common denominator of all these programs, and possibly the lynchpin, is the availability of health insurance.

One approach has been for a group of companies to pool their retired talent that can be hired for short-term assignments. The venture, which is just getting started, will include about 200 employees from six companies, with plans to add 10 to 12 companies a year and eventually include more than 4,000 retirees.

An engineering firm, faced with a need for skilled workers, has developed a policy to allow workers to continue to work after retirement. The company's policy was implemented after they noticed many of their employees would retire only to return to work right away as consultants. The company's "retiree casual" program allows retired workers—from secretaries to engineers—to join a pool of retired workers who are hired back on a temporary basis to solve problems and work on special projects. The employees continue to earn the same wages they did as full-time employees. Responding to Internal Revenue regulations that prohibit workers from returning full-time to a company from which they draw a pension,, employees in the program are limited to 1,000 hours per year. Each year, about 250 workers return to the company to work under these terms. The company doesn't provide additional benefits to these workers, but all workers who retired after 10 or more years of service are entitled to lifetime health benefits.

Some firms allow long-term and older employees to stagger or reduce their work hours, often to part-time status without jeopardizing benefits that would not be available to part time employees. A large telecommunications company offers employees the ability to reduce their hours for up to three years before fully retiring. The company does not offer a traditional pension plan, but employees in the program can continue to contribute to their 401(k) while working their reduced schedules. Employees, who work at least 20 hours per week under the gradual retirement plan, are eligible to collect benefits, such as the company's health insurance plan.

Not withstanding these innovative programs, however, the obstacles that need to be overcome are such that relatively few employers have the resources to implement such programs. In addition to legal and regulatory obstacles, research shows that phased retirement policies vary by firm characteristics.[7] They include:

- Small organizations are more likely to permit modified phased retirement.
- Phased retirement opportunities tend to be greatest for establishments in the services sector.
- Establishments that are increasing their employment are more likely to report that phased retirement is possible.
- An establishment is less likely to permit phased retirement when the workforce is unionized.
- Establishments that employ part-time workers are more likely to permit phased retirement.
- Opportunities for phased retirement are most limited for managers and least limited for professionals.

The Future of Phased Retirement

At present, seamless, employee phased retirement with their current employer is the exception. Particularly for the 38 percent of workers covered by defined benefit plans, by regulation and IRS ruling, a substantial break in service is required in order to continue working for their current employer. For most companies and employees, this is a "show stopper." For the worker who needs continued earned income in addition to pension benefits, this means working for another employer, most likely a company in the same industry that is a competitor. For companies, there is simply too great a risk of inadvertently disqualifying the pension plan, incurring unexpected liability or a potential age discrimination lawsuit once there has been a sufficient break in service.

For phased retirement to flourish to meet the skill and labor needs of employers and the retirement and work-life balance needs of older Americans, legislative and regulatory phased retirement policy must be:

1. Flexible to accommodate the varying needs of workers and employers. A "safe harbor" that reflects both employer and employee needs and that encourages implementation of phased retirement should be provided. There should be flexibility in what is considered

to be the normal retirement age in order that length of service considerations with the current employer can be taken into account, *e.g.*, age 55 and 30 years service or age 60 and 25 years service.

2. Voluntary for workers who may elect phased retirement and employers who may choose to offer it as a retirement benefit. Because the business needs of companies change with increasing speed, their staffing needs also change. Thus, they are continually evaluating their staffing needs. Business conditions, business realignment, new lines of business, and labor demographics will be critical considerations in whether to offer a phased retirement program. Phased retirement should not be considered a permanent entitlement nor should there be any expectation of early retirement subsidies or health care insurance as part of the phased retirement program.

A legal and economic analysis of the legislative and regulatory conditions necessary for phased retirement to be a successful public policy benefiting both workers and their employers suggests the following:

1. Legislation should be enacted to allow in service pension distributions without penalty below age 59 ½. The designation of the normal retirement age should be flexible that allows years of service to be taken into account. Where the employee taking advantage of phased retirement is younger than age 59 ½, tax free distributions from his or her Individual Retirement Account should be permitted.
2. A different kind of discrimination testing rule based on business and labor market conditions such as employer employment growth, skill shortages and employer workforce needs, should be adopted for phased retirement programs. Such a rule would prohibit any programs that primarily benefit highly compensated employees.
3. The amount of the benefit to be paid at phased retirement should be flexible based on the relationship of hours worked in phased retirement compared with full time employment.
4. There are technical rules such as the suspension of benefits and the anti-cut back rule contained in ERISA and the Internal Revenue Code that were designed without consideration of phased retirement programs. Because of the limited experience with phased retirement programs, Congress should direct the Department of Labor and Internal Revenue Service to permit the establishment of phased retirement programs without running afoul of existing regulations while their evaluation of existing

regulations is ongoing. In this context, safe harbor rules should be promulgated that accommodate the characteristics of phased retirement programs.

5. Regulatory guidance would be needed in a number of areas. A practical obstacle is dealing with the situation where a person is drawing a pension while working but also continuing to accrue additional credited service (leading to a possible increased pension) at the same time, as well as the implications of changes to final average compensation (with some of the years being part-time) after the phased retirement. How would service and compensation be counted toward an ultimate pension benefit? In unionized settings with bargained pension plans, how would service accruals be tied to the current and future negotiated pension rates as a person works through a period of time when they are in a phased retirement program? While the person is partially working and receiving a pension benefit, would the company be obligated to continually adjust the pension payment amount recognizing continued service credits and what would the timing of adjustments be? Another area requiring clarification concern those receiving minimum required distributions. How would these be affected by a phased retirement program?
6. Individuals should be allowed to purchase Medicare coverage between age 55 and age 65 at a rate that is competitive with group insurance policies that provide similar benefits, but without consideration of insurability and pre-existing condition requirements.
7. Consideration should be given to extending the total COBRA period for employees losing coverage after age 55.
8. Social Security's retirement earnings test has the opposite purpose of phased retirement programs because it creates an incentive to stop working. The test should be removed for those under the age of 65.
9. The DOL and EEOC should review the application of the ADEA in the context of phased retirement programs and provide guidance to employers and employees on what conditions and boundaries are required for an acceptable phased retirement program.

Conclusion

Phased retirement programs are becoming more and more essential for the health of American employees and employers. As the baby boom approaches retirement age and the labor market continues to be tight, there is an increased interest in retaining older workers among

businesses. Additionally, the shift of more jobs into the services sector in lieu of more physically demanding jobs enables more workers to work past the traditional retirement age.

Despite both employer and employee interest in phased retirement programs, significant legislative and regulatory hurdles remain to implementing a formal phased retirement program. The need for skilled workers has caused some companies to seek innovative ways to implement informal phased retirement programs through contractual agreements. Until these hurdles are removed, however, most companies will be unlikely to offer more extensive phased retirement options, because of lack of flexibility, potential cost and liability. By removing these hurdles, phased retirement can become an important part of enabling retirees to live more fulfilling lives after retirement and enhance the competitive position of companies offering these plans.

Thank you for the opportunity to present my views. I will be glad to answer any questions that you may have.

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[1] Steuerle, C. Eugene et al, *Can Americans Work Longer?* http://www.urban.org/url.cfm?ID=309228, Urban Institute, 1999.
[2] *Ibid.*
[3] *New Opportunities for Older Workers.* Committee for Economic Development, 1999, p. 17.
[4] Steuerle, C. Eugene et al. *Can Americans Work Longer?* http://www.urban.org/url.cfm?ID=309228, Urban Institute, 1999.
[5] *New Opportunities for Older Workers.* Committee for Economic Development, 1999, p. 17.
[6] Moen, Phyllis. *The Cornell Retirement and Well-Being Study Final Report*, 1999.
[7] Hutchens, Robert, "Who Among White-Collar Workers has an Opportunity for Phased Retirement? Establishment Characteristics," Working Paper, Cornell University (2003).

Senator BREAUX. Thank you very much, all the panel members, for your presentation. After listening to all of this, I feel like I almost have a conflict of interest in chairing this committee on retirement while I am in the midst of doing that—— [Laughter.]

But it has also all been very helpful, both personally and as a chairman of the committee, to hear your thoughts.

The issue you just talked about, Mr. Potter, was really very interesting because, it seems like there is either a statute or regulation that really makes it more difficult for people to continue in a phase-down type of employment operation, so it is not being done very much. There are not a lot of people, I take it, taking advantage of a phase-down retirement work schedule?

Mr. POTTER. Well, the issue, frankly, is that because of the break in service requirement, that there is no straightforward way, particularly for those employees who are eligible for defined benefit plans, to do this kind of gradual phase-down. They must leave their employer for some period of time.

Senator BREAUX. How long is that period?

Mr. POTTER. Well, it is not clear what it is. I would say the center of gravity is around 6 months, but——

Senator BREAUX. So they could leave, as I understand it, they would have to actually depart and sever their relationship with their employer for approximately 6 months——

Mr. POTTER. Six months.

Senator BREAUX. Then they could come back legally, I guess?

Mr. POTTER. You can see that is quite an obstacle. By that time, if you need to work, want to work, you are going to go someplace else.

Senator BREAUX. In your opinion, would Congress have to act to change that, or is that something that is done by regulation and is not likely to be changed because of the bureaucracy?

Mr. POTTER. This particular issue really is entirely a regulatory issue. Obviously, Congress can provide advice here. This issue also really is more than just a revenue issue, and so consideration ought to be given to giving joint jurisdiction to the Department of Labor and IRS to work out the——

Senator BREAUX. Yes. It seems like these decisions which affect individuals' working conditions is being regulated by the Internal Revenue Service as opposed to, say, the Department of Labor, which would look at it from a different perspective as far as the workforce is concerned.

Mr. POTTER. That is right, and there is precedent for this kind of joint jurisdiction. It has been done in other circumstances and it ought to be done here.

Senator BREAUX. I wonder if it would take more than just changing jurisdiction. I wonder if it would require perhaps a legislative endeavor by the Congress to send a message that this is how it should be considered.

Suppose you were in charge of writing the rule and you had the pencil and you were ready to write it. How would you structure what you think would be a preferable way of handling this particular problem that you spoke about?

Mr. POTTER. Well, I think that you would want to start with some kind of amendment to ERISA, because not only do you want

to address this break in service issue, but you want to lay down some guidance on the issue of discrimination in benefits and what you do in a phased retirement context. You want to make clear what Congressional intent would be with respect to the anti-cutback rule in this respect.

So I think what you would want to do is, and I think this could easily be a bipartisan activity, I think this is not—I mean, the thing that is interesting to me about this hearing is everybody is on the same page here. I think there is a consensus across the country that would make something like this quite possible.

Senator BREAUX. Perhaps we could ask if you could—I know you address it in your statement, but if you could synthesize it into sort of a recommendation, I think the staff would like to take a look at it. There is still some time left in this Congress for things that have to be done legislatively, and perhaps something like this could be placed in legislation that is working its way through the Congress, i.e. an appropriations bill or an omnibus appropriations bill where just maybe if we could do it in a bipartisan fashion, which I think we may be able to do, we could really make a difference at this late hour. So if you could give us a more synthesized recommendation on what you think would be helpful, then the legislative staff could take it and maybe we could find a place to put it.

Mr. POTTER. I would be glad to do that.

Senator BREAUX. I saw a TV program the other day. I would like to ask you to comment on the substance of it in the sense that there was an employer who specialized in seeking out people over 65 to work in their shop, and they basically, not to talk in details about who it was—I honestly don't remember—but they were making widgets, making small pieces of product—I am not sure whether it was jewelry or whatever it was—but it was basically a hands type of craft. The employer basically only hired seniors.

But his reason for doing it wasn't because so much as he was trying to help the seniors. He was trying to help his company, and the logic he had was that—sort of cold-hearted as it sounded—I don't have to provide them health insurance because they are all on Medicare and they already all have health insurance. Therefore, by hiring 65-year-old people who are on the Medicare program with health insurance, I was actually—he said—I am actually able to beat my competition, who is hiring employees who they have to provide health insurance for. It is a huge savings. It makes my company much more profitable.

Do you have any comments on that? Ken.

Mr. DYCHTWALD. That is a great example. There are a few pieces to it that perhaps are worth commenting on. First, there is generally the point of view that older workers are less reliable, less productive, or more likely to injure and hurt themselves on the job. I am sure the other panelists could comment that this is all kind of a myth.

In general, older workers tend to be more loyal, more reliable, less likely to hurt themselves on the job, less likely to miss work. They are pretty terrific workers.

To the point of an employer saying, "Hey, why not recruit more of these people, they pretty well get the job done", I think you are actually going to see more and more of that.

To the point that people are thinking, well, gee, if I hire an older adult at that particular age, then they get their insurance sort of picked up by the government, or if they are over 55, they can use their AARP discounts and get cheaper rate on car rentals when they are out making sales calls and get the low rates on the airlines—— [Laughter.]

I mean, some people are going to figure out how to game the system and actually find out that not only are older people pretty darn productive and valuable, but there are some benefits they bring along with them. The question is, is that fair or just? I think it is legal, but I think you are going to see more of it.

Senator BREAUX. I mean, this guy was saying, "Look, I am not doing this for any reason other than it makes my business more profitable."

Mr. DYCHTWALD. Sure.

Senator BREAUX. The people show up on time. They are not late for work and they are dependable. They already have health insurance, so I am not having to pay for it, so this helps me in beating my competition.

Mr. DYCHTWALD. I would add that most older adults are empty-nesters and so they are not having to take time off from work to look out for their children. They are not having to worry about child care. They make——

Senator BREAUX. They are not taking maternity leave.

Mr. DYCHTWALD. That is right. So when you add up the new equation and you remove some of these false biases, they are actually a pretty attractive group of candidates.

I would add also, if I might, as your drafting what conceivably could be the new regulations, that some older people are keen on the idea of phasing their work down, phased retirement, maybe going from 5 days to 4 days to 3 days to 2 days. As was pointed out, with many companies, the only way you can accomplish that, is to first quit, or be fired, or retire, and then what people often do is just go work across the street, where you can startup the next day, which is a little bit ridiculous because employees are giving up the legacy you have invested in.

But there are many people in the boomer generation who envision a more flex version of retirement, where instead of simply having to pare down each year, they might want to work 6 months out of a year and have a big time off and maybe work in cycles. I would hope that any new regulatory considerations would accommodate that, as well.

Senator BREAUX. Thank you.

Mr. HOLBROOK. Mr. Chairman.

Senator BREAUX. Yes, Mr. Holbrook?

Mr. HOLBROOK. If I may, I think there are a lot of myths associated with the fact that older Americans should not be working, but the fact of the matter is, I think that Ken has pointed out some of those myths. But the fact of the matter is, there are problems that some employer is going to hire someone on the basis that they are not going to have to pay any type of health care.

Unfortunately, at the present time, people are not fully covered under Medicare, particularly for prescription drugs, which is a real serious problem for many of our seniors in this country, and many

of them have to have and need and do have supplemental coverage. That is one of our major concerns, is that they have these health benefits provided. I don't know that you would declare that employer selfish, but I think it is a little unwise to use that as the only criteria to go and use for your business, is that they do not have any health—we do not have to pay health coverage.

Senator BREAUX. Well, this person really talked about the other aspects, too. He said, "Look, they are dependable. They do good work. I can count on them showing up. In addition, they already have health coverage." So he was complimentary about the work ethic they had, as well.

Dr. Brangman, give me some discussion, if you might, on any potential connections between retirement and depression. I mean, it seems to me that, and I think Jack Valenti and John Glenn both referred to it, but if you are staying active physically by working, your body is active, you have a better attitude, more positive attitude, et cetera. How many of the people who we find that are clinically depressed, I mean, how much of a contribution do you think the fact that they don't have a job, they don't have something to do every day that they wake up to, contributes to that?

Dr. BRANGMAN. I think that is a large contributor to depression in old age. It is still vastly under-diagnosed and under-treated, but for people whose identity has been their job and their work and that suddenly stops, they lose a lot of their social connections, their outside contacts with the world, their sense of purpose. If they didn't have any other interests or activities that they had cultivated during their working life, everything kind of comes to a stop.

Most of my patients tell me that they want to feel like they are contributing to the world around them. They don't want to be a burden. They want to remain independent. When they don't have those feelings and they have time to sit by themselves, I think that depression is a significant issue.

Senator BREAUX. What about the possibilities of people who find themselves in an assisted living type of facility continuing to work? I mean, it would seem to me that with all the outsourcing that we are doing out of the country, it seems to me that we could attempt to utilize and provide work for people who are in assisted living type of facilities and not being fully utilized. It seems like you can only play so much golf in a retirement home or what have you. Is there any potential in that area for doing something like that?

Dr. BRANGMAN. Well, I think so. Generally, patients, or people who are living in assisted living facilities just need minor supervision. They are still fairly healthy and can move around and take care of most of their needs. They have vast periods of time with very little activity. I have many patients who tell me they never want to play Bingo or shuffleboard. If we could become creative and figure out ways that they can contribute, volunteer work, there are a number of jobs that are done by telephone, other things that can be looked at that could give them a reason to be excited when they get up in the morning, something to look forward to, and something that they feel most importantly connected to that they can contribute to.

Senator BREAUX. I think that is all very important. I have been a big participant and promoter of the Senior Games, the so-called Senior Olympics, and you find that in talking to these people that have these challenges out there that it is such a motivation for them to get out and try and improve and compete against people in their own age category. I think it is incredibly good.

Ms. Humphrey, tell us a little bit about how Volkswagen of America, has been involved in employing older Americans. Do you segregate the type of work they do? Are they hired for the same work disciplines as someone who is 25, as opposed to someone who is 65? How does it work? I mean, does human resources say, "All right, here are all of our 65-year-old employees. Let us go find something to do for them that is fitting for a 65-year-old." Or are they spread throughout the workforce indiscriminately? Can you comment on how they are placed and what they do? What is the structure of Volkswagen's use of older Americans?

Ms. HUMPHREY. As I said in my remarks, it truly is a remarkable environment in the sense that not only do we not discriminate, but in the automotive industry today, which is getting increasingly more complicated, it is the experience that matters. So we try to keep our younger workers away from complicated stuff, and I say that in jest, but it is a very complicated business. It is the older workers that are so critical to our success and they are the mentors for our younger workers. So there is absolutely nothing that we do that separates our workers——

Senator BREAUX. So there is no separate division for people over 65 that is the senior division of Volkswagen that you have segregated out? [Laughter.]

Ms. HUMPHREY. Not at all.

Senator BREAUX. I appreciate your comments about the experience. I remember when I ran for Congress 32 years ago, my slogan at that time was "experience makes the difference." Of course, I was 28 years old. [Laughter.]

I am not sure how I got away with that slogan, but we did. [Laughter.]

Senator Kohl, we have had a terrific hearing. We had our former colleague, Senator John Glenn, here, and Mr. Jack Valenti talking about keeping active and how important it was and how they felt about retirement, and they didn't retire, they just changed jobs. That is kind of what I am doing, too. This panel was very helpful in discussing some of the opportunities for the utilization of seniors as well as some legislative and regulatory prohibitions about allowing them to do phased retirement, working less and less but continuing in the workforce, which we may try to address. Do you have any comments or questions? We welcome you here.

Senator KOHL. Thank you very much, Senator Breaux.

As I understand it, the demographics indicate that in the years to come, looking out ahead 5 and 10 years, the number of people leaving the workforce are likely to be far larger than the number of people entering the workforce. If that is true, isn't that going to create a whole new situation with respect to the need for people who are older remaining active and busy?

I think that while it is true in terms of the advice given to people who are about to retire, they need to stay busy and active and en-

ergetic and engaged, there needs to be, isn't it true, in the final analysis, a real need for people to stay working, and if there isn't a real need for it, then it is awful hard to create ways in which people who are retiring can stay engaged. But if, in fact, there is a real need for people in the workforce, then, of course, you will have more people in the workforce. My understanding is that the numbers indicate that there will be a real need.

Do you know anything about that? Do you have any comments to make on that? Yes, sir?

Mr. DYCHTWALD. Yes. Very often, we imagine that economics and workforce flow have a great deal to do with technology and immigration and geopolitical dynamics, all of which they do. But we often think that demography is flat like a lake. Quite the opposite. It is convulsing like an erupting lava flow.

During the 1990's, the number of 18- to 34-year-old Americans actually shrank by 9 million people while the number of 50-plus Americans grew by 12 million people, and that movement, brought on, of course, by increasing longevity, the aging of the baby boom and the baby bust that began in the mid-1960s, is going to be a powerful engine that reshapes workforce talent.

So yes, you are 100 percent right. In the years to come, more than ever before, we are going to need those 57, 62, 74, and 80-year-olds who, by the way, may have enormous contributions to make. But we may need to construct the kind of flexible work arrangements and remove the obstacles so that they can do that.

I think there is another side we have to be careful not to hammer on, which is I don't think we are saying, any of us, that everybody must work until their last breath. I think what we are saying is, for those who wish to work, who wish to earn a livelihood, cash-flow often takes a little bit of the worry off of dependency and who is going to pay for this, that we remove the obstacles, both psychological and workforce and regulatory, so that folks may continue to be gainfully employed in some way, should they wish.

We will need the talent and the capability of our aging workforce. Eighty percent of the growth in the American population over the next 25 years will come from people over the age of 50. That is an event that has never occurred before. This is a very serious issue.

Mr. POTTER. Senator, another way to look at your question is that, on average, each individual in our country contributes $78,000 worth of value each year. To the extent that that value is taken out of the economy, that is how much smaller our gross domestic product will be. So if you take the projection in 10 years that we may be short as many as 10 million workers, 10 million times $78,000 is about $0.7 trillion off of the national gross domestic product. So we are talking about standard of living, per capita income, ability to deal with hard social problems.

Senator KOHL. Will we need to make some different financial arrangements with these people as they get older, so a person who reaches 62 or 65 or whatever wants to continue to work, the employer may want to continue to have that person working, but maybe with different kinds of money considerations?

Mr. DYCHTWALD. For the elder himself, there is the good news and the bad news. The good news is, as Mr. Potter has identified,

there are some regulatory shifts that I think must occur in order to ease the obstacles to people who want to continue working.

But from the employer's point of view, there is a concern about merit-based versus tenure-based pay. In other words, if two people are holding a camera for my network and one of them is 27 and she is quite good and one of them is 67 and she is quite good, but I am paying the older one four times as much, I may want to remove the older one to get competitive rates.

So the idea of everybody taking a deep breath and saying, we can make these rules more fluid, but on the other hand, people shouldn't expect just because they have been around the planet longer that people are going to be willing to pay them enormous amounts, and that is a bit of a bite the bullet.

I might also add that it is not just compensation-related work, that today, seniors have the lowest volunteer level of any age group in America, and perhaps we might think of those 40 million retirees as an enormous national treasure that could be reinserted back into our culture for everyone's advantage. Having a productive elder population is a substantial link to our future.

Senator KOHL. You made a point that I think is indisputably true. If you have a person 67 and a person 27 and they are equally productive and the person 67 is making 50 percent more than the person 27, as an employer, you almost have no option but to try and move the person 67 off your payroll, right? If you are running a business on behalf of your shareholders——

Mr. DYCHTWALD. Or you might go to another country to find workers, or you might fire that older person and then hire them back as a contract consultant in order to get around the ERISA and ADA and IRS restrictions. But yes, you are encumbered to try to find a way to be competitive, and a lot of older workers, their fee scale is difficult for employers.

Mr. HOLBROOK. It would seem to me, Senator, that if the elder worker is doing the same work as the younger worker, I have a serious concern when you say, let us get rid of the older worker and give the younger worker more money. That is an argument that would be very difficult in my mind to live with. If the older worker is doing the job, producing the way that they should be producing and would be producing, I don't understand the logic of saying, we will take away their salary benefits or any of their fringe benefits that they might have.

Senator KOHL. But if you can, as an employer, at some point hire someone who is younger and just as productive at less cost, employers are almost required to think seriously about that because that is just the way the marketplace works, isn't that true? I am not suggesting what the morality is. We are talking about the requirements of people running businesses who need to make profits. Not to say that you should move the person out, but you make rearrangements of sorts to keep that person employed rather than have a situation where you are forced to move them out even though you may not want to move the person out.

Mr. HOLBROOK. Well, we in AARP do not believe in mandatory retirement, so that takes care of that problem for us.

Mr. POTTER. Senator, in the context of this hearing, I think your example is actually going to be the exception in the future. I think

the future is going to be the situation you are going to need a critical skill that is not available by any age demographic in your workforce and you are going to need to keep that older worker in order to maintain the competitiveness of that business.

Ms. HUMPHREY. I would like to add, too, that the more complicated the job is, the more important it is to have that experience. You may not run into a critical situation every day where you need to draw on that experience, but when it happens and you have the right experience, it can be worth its weight in gold. That is why we try to partner our older workers with our younger workers, because there is just too much complexity in our environment.

Senator KOHL. Thank you, Senator Breaux.

Senator BREAUX. With that, I thank very much the panel and I appreciate their nice and generous comments.

With that, this committee will be adjourned.

[Whereupon, at 3:40 p.m., the committee was adjourned.]

APPENDIX

STATEMENT FOR THE RECORD OF EMILY STOVER DEROCCO
ASSISTANT SECRETARY OF LABOR
EMPLOYMENT AND TRAINING ADMINISTRATION
BEFORE THE SPECIAL COMMITTEE ON AGING
U.S. SENATE

September 22, 2004

Mr. Chairman, thank you for the opportunity to provide the Employment and Training Administration's (ETA) perspective on the important role that older workers play in today's workforce.

Setting the Stage

The U.S. economy is entering a period of dramatic demographic change as our population ages. As a result of lower birth rates in recent years, and the aging and retirement of the baby boom generation, the American workforce is growing more slowly. These circumstances make it critical that every available worker, including the older American, join the workforce to enable the continued competitiveness of American businesses in the 21st century.

According to projections from the Bureau of Labor Statistics, the civilian non-institutional labor force is anticipated to increase by 17.4 million over the 2002-2012 period. The combined labor force of 16-24 year olds (young workers) and the 25-54 year olds (prime workers) is projected to grow by 7.2 million, while the 55 and older group is projected to expand by 10.2 million. The annual growth rate of the 55-and-older group is projected to be 4.1 percent over the 2002-2012 period—nearly 4 times the rate of growth of the overall labor force. The share of the 55-and-older age group will increase from 14.3 percent in 2002 to 19.1 percent of the labor force in 2012. By 2030, workers age 65

and older will make up 6 percent of the non-institutional labor force, up from 3 percent on 2002.

At a time when it is becoming more critical that every available worker participate in the workforce, older workers face challenges to full participation. Employment barriers experienced by older workers include difficulties keeping pace with changing skill requirements and technology, lack of opportunities for skills training and professional development, misperceptions among employers about the abilities of older workers, lack of flexible work schedules, and financial disincentives that encourage early retirement. Many older workers want to remain in the workforce and many need to continue working for financial reasons, but these and other barriers discourage them from doing so. The Department of Labor's Employment and Training Administration (ETA) has an important role to play in helping older workers obtain the necessary skills and the opportunities to continue working.

Building a Demand-Driven Workforce System

To meet global competition and ensure the availability of a qualified workforce, the Department of Labor is pursuing a demand-driven approach to workforce development, which focuses the workforce investment system on equipping workers with readily useable skills, knowledge and information that is most needed by the employers seeking to hire. It is necessary that we tap into new or previously untapped or underutilized labor skilled pools, such as older workers, to help ensure that industries have the supply of skilled workers they need in order to successfully compete in today's economy.

The Department of Labor has implemented several demand-driven programs to provide essential leadership to meet further challenges. The High Growth Job Training Initiative, for example, is a strategic effort to identify growing industries with occupations in demand, such as health care, biotechnology, geospatial technology, and retail industries, and provide workers with appropriate training to meet the demands of these industries. The foundation of this initiative is collaborative partnerships that include the public workforce investment system, business and industry, and education and training providers. These partnerships work to develop solutions to the workforce challenges facing growing industries and to develop maximum access for American workers, including older workers, to gain the competencies they need to get good jobs at good wages in these industries.

By expanding the workforce investment system's capacity to be market-driven, responsive to local economic needs, and a contributor to the economic well-being of the community, the Department is promoting workforce quality, enhanced productivity, and economic competitiveness. While the Department has spearheaded the movement toward a demand-driven workforce investment system, its success depends on the dedication of employers to provide training for their employees, the input of local government and business leaders who can identify labor market conditions and needs, and the services provided by community colleges and other training institutions, as well as the will of workers to engage in such opportunities for career advancement. Each of these actors stands to benefit from an effective workforce investment system, which is being achieved through cooperation toward a common goal: leaving no worker behind.

Efforts to Assist Older Workers

Older workers of all income levels, while less likely to lose their jobs, are more likely to leave the workforce if they are laid off, and have more trouble finding new employment. ETA serves older workers through the Workforce Investment Act (WIA) programs, the Employment Service, the Unemployment Insurance program, the Senior Community Service Employment Program (SCSEP), and through Trade Adjustment Assistance.

WIA provides for integrating workforce investment services through One-Stop Career Center systems, providing job seekers, including older workers, and employers with access to an array of employment-related and supportive services provided a number of partner programs. In general, older workers are eligible to receive services provided through the WIA Title I Adult and Dislocated Worker programs. Like other participants in those programs, older workers who qualify may secure training services from eligible providers that are most suited to their needs.

Despite the increasing levels of educational attainment reached by the older population (the high school completion rate of those aged 65 and over between 1970 and 2000 rose from 28 percent to 70 percent), 10.2 million individuals in this age group did not graduate from high school. Their inflation-adjusted incomes are 12 percent lower than for similarly-educated persons in their parents' generation. This expected increase of low-income older workers has major implications for the public workforce investment system if it is to ensure that the older worker population is engaged in training programs

and employment opportunities that help increase their earnings and foster successful careers in emerging industries.

The Employment and Training Administration administers SCSEP to address the issues faced by some in this low-income population. SCSEP is a national employment and training program, authorized under title V of the Older Americans Act, which is aimed exclusively at low-income older persons who have multiple barriers to employment. The program provides community service work experience for low-income persons age 55 or older with the dual objective of providing income and transitional employment that encourages reentry into the labor market.

Over 100,000 program participants each year participate in the program through training in a wide variety of occupations, such as nurse's aides, teacher aides, librarians, clerical workers, and day care assistants. Participants in the program are involved in their communities through their community service positions, and benefit from the income they earn and through social contact with other people of all ages.

Also of particular note is the new Alternative Trade Adjustment Assistance Program for older workers which was established by the 2002 amendments to the Trade Act and began operation in August of 2003. This program assists eligible workers over age 50 who lose their jobs as a result of international trade and worked in firms with a significant number of older workers; do not have easily transferable skills; and find reemployment at less than $50,000 annually. The program provides these older workers with 50 percent of the difference between their new salary and their old salary, for up to two years, up to a maximum of $10,000. Alternative TAA participants may also receive

health care assistance in the form of the Health Coverage Tax Credit, which provides an advanceable tax credit of 65 percent of the premium for qualified health coverage.

Conclusion

To meet the rapidly-changing skills demands of business and to handle potential labor shortages, successful employers will seek out untapped labor pools, like older workers, immigrants and other growing segments of the population, such as Hispanic and Asian-Americans. Some employers already recognize the value that older workers bring to the workplace: they know that older workers are a human capital asset and bring responsibility, loyalty, dedication, experience and skills to the workplace, and serve as effective mentors to younger employees. Through partnerships with employers and attractive training and work opportunities, the Department of Labor aims to encourage older workers to continue to participate in the workforce.

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