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THE AGING WORKFORCE: WHAT DOES IT MEAN FOR BUSINESSES AND THE ECONOMY?

HEARING

BEFORE THE

SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

WASHINGTON, DC

FEBRUARY 28, 2007

Serial No. 110–3

Printed for the use of the Special Committee on Aging

Available via the World Wide Web: http://www.gpoaccess.gov/congress/index.html

U.S. GOVERNMENT PRINTING OFFICE

35–956 PDF WASHINGTON : 2007

For sale by the Superintendent of Documents, U.S. Government Printing Office
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THE AGING WORKFORCE: WHAT DOES IT MEAN FOR BUSINESSES AND THE ECONOMY?

WEDNESDAY, FEBRUARY 28, 2007

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

The Committee met, pursuant to notice, at 10:32 a.m., in room SD–628, Dirksen Senate Office Building, Hon. Herb Kohl (chairman of the committee) presiding.

Present: Senators Kohl, Carper, Casey, Smith, and Corker.

OPENING STATEMENT OF SENATOR HERB KOHL

The CHAIRMAN. Good morning. We welcome our witnesses to this hearing. They will talk about both the challenges and the opportunities that we confront as our aging population changes the face of our workforce.

Today, people over the age of 65 make up about 12 percent of the population, but they will make up almost 20 percent in the next 25 years. In other words, one out of every five Americans will be a senior by the year 2030.

Experts are talking about what this demographic wave will mean for Social Security, Medicare and long-term care. But as we will hear today, we must also address another piece of the puzzle, namely, how the retirement of the baby-boomers will impact the strength of our Nation's businesses and our economy.

According to one estimate, as the baby-boomers reach retirement age, businesses will face a severe shortage of 6 million workers by 2012, and that will grow to 35 million workers by 2030. Slower growth in the labor force means slower economic growth and, therefore, lower living standards for everybody in our country.

In essence, the retirement of the baby-boom generation threatens to limit the potential of our economy, to lower the speed limit on how fast it can grow. Today, the Federal Reserve will present a projection by its economists that economic growth could decline significantly to 2.2 percent by 2015, compared with an average of 3.2 percent over the past 40 years.

But demography is not destiny. Today, only about 20 percent of men and 12 percent of women over age 65 participate in the labor force at all. Our challenge is to boost those numbers.

Studies show that as older Americans live longer and healthier lives, many are planning to work longer. According to a recent survey, 80 percent of boomers expect to work past the traditional retirement age. Some may recognize the physical and mental benefits of work, while some may need the additional income to remain fi-

nancially secure as they struggle to stretch their retirement savings.

A few businesses today are paving the way to attract and retain older workers. One example who will testify today is Mercy Health System of Wisconsin, who was named AARP's number-one employer for older workers because of policies such as flexible work schedules without a loss of benefits.

However, surveys show that while most employers are aware of the looming brain drain, they are not prepared for it. We cannot afford to wait until the retirement wave is upon us. We must encourage businesses to adopt policies now to attract and retain older workers as they are confronted with the coming labor force shortage.

The message could not be more urgent, as time is short. For, after all, the first of the baby-boom generation will reach retirement age next year.

Today, I am pleased to be introducing two bills that benefit older workers and businesses in America.

First, along with Senators Cochran, Durbin, Lincoln and Craig, we are proposing a tax credit for businesses that employ older workers and offer flexible work programs without a loss of health or pension benefits. Many older workers would delay retirement if their employers, like Mercy Health System, offered flexible work schedules with benefits.

Second, along with Senators Cochran and Durbin, we are introducing a bill to extend COBRA health coverage for older workers, improve their access to Federal job training programs, and establish a national clearinghouse of best practices for hiring and retaining older workers, the sort of clearinghouse that GAO will recommend today.

Senator Smith and I have made this issue a priority for this Committee. Together, we spearheaded a Department of Labor task force on the aging workforce, and its findings and recommendations are due this summer. We are also working together, along with Senator Conrad, on a bill that will include a range of additional ideas to make it easier for older Americans to stay in the workforce longer.

This effort must go beyond legislative proposals. We need to begin a national discussion to change the way we think about retirement. A one-size-fits-all approach will no longer match the very different plans that seniors and baby-boomers have for their later years. So we must incorporate this new mindset into our national culture. As we will hear today from our witnesses, our Nation's economic future depends on it.

I turn now to my esteemed colleague and the Ranking Member on this Committee, Senator Gordon Smith.

OPENING STATEMENT OF SENATOR GORDON H. SMITH

Senator SMITH. Thank you, Chairman Kohl, for holding this important hearing.

We thank all of our witnesses and those attending today. I look forward to a productive discussion.

As the Chairman has just indicated, we are about to experience an unprecedented demographic shift with the aging of the baby-boomer generation. Many, including myself, have referred to this as a demographic and aging tsunami.

According to the Bureau of Labor Statistics, by 2030, about 24 percent of the population, or 66 million Americans, will be age 65 or older. Compare this to 2000, when just over 15 percent of our population was over age 65.

The aging of our population, along with a number of other trends, will have significant impact on many aspects of our society, not the least of which will be strains on Social Security, Medicaid and Medicare.

The aging of America will also impact our labor market, including potential labor shortages. This would hurt both competitiveness of many American businesses and our economic growth as a whole.

We also must be concerned with a possible brain drain. Our workforce will be losing some of our most experienced workers, many of whom have skills that are simply not easily replaced.

However, the effects of these trends can be mitigated if older workers—and, again, I emphasize older workers by their own choice—decide to stay in the workforce longer. I am pleased to be working with Chairman Kohl to address this issue.

In response to our urging, the Labor Department has convened the Task Force on the Aging of the American Workforce. This initiative has brought together agencies from across the Federal Government to collectively address the workforce challenges and help develop opportunities for our aging population.

The task force plans to finalize its findings and recommendations sometime this summer. I look forward to their input, and I expect it will provide us with many legislative ideas and opportunities to get ahead of this problem.

In addition, I am working with Senators Kohl and Conrad to develop legislation addressing the older workers issue. Specifically, our bill will provide incentives to older Americans to stay in the workforce longer, encourage employers to recruit and retain older workers, and eliminate barriers to working longer.

So I thank all of you for being here today.

I want to particularly thank one of my constituents, Preston Pulliams of Portland Community College. He is with us today. Portland Community College has been a leader in supporting older learners who want to remain in the workforce, and I look forward to hearing from him and his valuable insights on this matter.

So, thank you, Senator Kohl. That is all I have.

The CHAIRMAN. Thank you, Senator Smith.

Senator Corker, do you have any comments you would like to make?

Senator CORKER. I will listen to the wisdom of—I am looking forward to the report that they are going to be making from the floor. Thank you.

The CHAIRMAN. Thank you so much.

Senator CORKER. Yes, sir.

The CHAIRMAN. Senator Casey, do you have any comments?

Senator CASEY. I, as well, will wait for the testimony. Thank you.

The CHAIRMAN. Thank you so much.

We turn now to Panel 1. Our first witness will be David Walker, who is comptroller general of the United States and head of the U.S. Government Accountability Office, GAO.

Mr. Walker has long taken an active interest in retirement policy and issues confronting our aging population. He and his staff have been an invaluable resource on this issue, and their work has been a real catalyst for action. We are pleased that Mr. Walker is here today to tell us about his most recent contribution, a forum that he convened on older workers.

Our second witness on the first panel will be Dr. Donald Kohn, who is Vice Chairman of the Board of Governors of the Federal Reserve System. Dr. Kohn has served as a member of the Board of Governors since 2002. He was sworn in as Vice Chairman in June of 2006.

He has more than 20 years of experience at the Federal Reserve and holds a Ph.D. in economics from the University of Michigan. Dr. Kohn is here to discuss declining labor force participation in an aging society and the impact on the labor force and on economic growth.

We are very pleased to have you both with us this morning, and we will take your testimony.

Mr. Walker, we would love to hear from you.

STATEMENT OF DAVID WALKER, COMPTROLLER GENERAL, U.S. GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, D.C.

Mr. WALKER. Thank you, Mr. Chairman, Senator Smith, other senators of the Senate Aging Committee. I assume that my entire statement will be entered into the record, Mr. Chairman——

The CHAIRMAN. Without objection.

Mr. WALKER [continuing]. Therefore, I will move to summarize.

I am pleased to be here today to talk to you about the opportunities and need for incentives for older workers to continue to contribute their considerable skills and knowledge and why it is vitally important, not just to them as individuals, but also to our national economy.

By the way, many people use the term "older workers." I prefer the term "seasoned workers" in order to recognize the considerable skills, knowledge, and experience that these individuals, who have more years, can bring to our workforce.

As I know you are aware of, and as I know that my colleague at the table will testify, there are dramatic demographic changes that are a certainty that we are going to face, and, therefore, there is a need to focus on this issue.

There are a number of benefits that could be attained by better capitalizing on the tremendous national resource evidenced by and reflected in older workers.

First, many of these individuals need to work longer in order to boost their retirement savings.

Second, having seasoned Americans work longer will help employers deal with the projected labor force shortages that we expect to occur.

Third, having individuals contribute their skills and knowledge longer will help us with economic growth and will enhance Federal revenues, as well as helping to defray some of the anticipated costs associated with the tsunami of entitlement spending that is on our horizon.

Last, but certainly not least, several studies have shown that the longer people are mentally and physically active, the longer they are likely to live and, in many cases, the happier they might be.

Despite all the potential gains of having seasoned Americans work longer, there are a number of barriers that have prevented them from doing so. Some of these are legal, some of these are cultural, and some of these are reflected in other areas.

We clearly believe that more needs to be done by employers as well as individuals and possibly the Government in order to facilitate the more effective utilization of this large and growing national resource.

At the same time, we must recognize that there are some Americans who, because of physical disabilities or otherwise, may not be able to work longer, despite the fact that our economy is becoming more knowledge-based, and, therefore, brain power rather than brawn power is really what will drive most of our future economic growth.

On December 5, 2006, we held a forum at GAO on this issue. I believe a copy of the report has been provided to all the Senators, and I will not discuss it in detail. But I will tell you that it was a very informative session. There were a number of observations and recommendations that came out of that forum.

It is important to note that individuals from broad perspectives came together, agreed on a number of issues, but that this summary does not necessarily reflect the opinion of any individual or organization that participated, including GAO, although I am happy to let you know what our views are in the Q&A session.

Forum participants reported that obstacles continue to hinder the ability of individuals to work longer; that certain employer perceptions regarding older workers are outdated and need to be effectively addressed; that there are a variety of best practices, however, that some employers are utilizing in order to attract and retain more seasoned workers, including more flexible work arrangements and adapting their job design to better suit the needs and interests of seasoned workers; that they are also modifying their benefit programs and other policies to try to help achieve this objective.

There clearly was a recognition that there is a need to enhance financial literacy, because, in many cases, quite candidly, we have individuals who are retiring who do not realize that they cannot afford to retire, that they will not have enough income to be able to maintain their standard of living for the period of time that they are likely to live post their retirement date.

There are a number of things that I think should be considered, including looking to determine whether or not our existing pension laws, our social insurance programs, might need to be modified in

order to encourage people to work longer, not necessarily to require them to work longer but to encourage them to work longer.

We also need to look at our age discrimination laws and our employment and training practices to find out whether they might have to be modified in order to better capitalize on this resource.

In summary, engaging and retaining older workers is critical for promoting economical growth, improving Federal finances, and shoring up retirees' retirement income security. Given existing trends and the aging of baby-boomers, pressures on Federal entitlement programs, and threats to individuals' retirement security, it is in our Nation's interest to encourage Americans to work longer.

Despite evidence indicating the future importance of seasoned Americans to contribute longer to the workforce, there are various barriers and misperceptions that continue to get in the way of making progress.

Clearly, there are things the Federal Government should consider doing, including, among other things, promoting the formation of a public-private partnership and a Federal clearinghouse to be able to increase awareness of this issue and to promote best practices among interested parties.

Thank you, Mr. Chairman. I am more than happy to answer any questions that you and the other members have after my colleague has an opportunity to speak.

[The prepared statement of Mr. Walker follows:]

United States Government Accountability Office

GAO

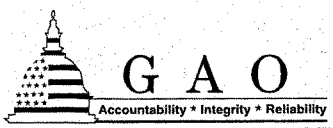
Testimony before the U.S. Senate Special Committee on Aging

For Release on Delivery
Expected at 10:30 a.m. EST
Wednesday, February 28, 2007

OLDER WORKERS

Some Best Practices and Strategies for Engaging and Retaining Older Workers

Statement of David M. Walker
Comptroller General of the United States



GAO-07-433T

February 28, 2007

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Highlights

Highlights of GAO-07-433T, a testimony before the U.S. Senate Special Committee on Aging

OLDER WORKERS

Some Best Practices and Strategies for Engaging and Retaining Older Workers

Why GAO Did This Study

More Americans remaining in the workforce at older ages could lead to benefits at several levels. First, working longer will allow older workers to bolster their retirement savings. Second, hiring and retaining older workers will help employers deal with projected labor shortages. Third, older workers will contribute to economic growth and increase federal revenues, helping to defray some of the anticipated costs associated with increased claims on Social Security and Medicare.

Despite all of these gains to be had, there are barriers to continued employment for older workers. In addition, some employers remain reluctant to engage and retain this group. It is in the nation's interest for people to work longer, which requires that barriers to continued work be removed sooner rather than later.

This testimony highlights issues discussed at a recent forum GAO convened on engaging and retaining older workers, as well as prior GAO work. Forum participants included experts representing employers, business and union groups, advocates, researchers, actuaries, and federal agencies. These highlights do not necessarily represent the views of any one participant or the organizations that these participants represent, including GAO.

www.gao.gov/cgi-bin/getrpt?GAO-07-433T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barbara Bovbjerg at (202) 512-7215 or bovbjergb@gao.gov.

What GAO Found

Obstacles continue to exist for older workers seeking continued or new employment and for employers who want to attract or retain older workers. The following obstacles, best practices, lessons learned, and strategies to address some of these obstacles and promote work at older ages were discussed at a recent GAO forum on older workers.

Key Obstacles

- Some employers' perceptions about the cost of hiring and retaining older workers are a key obstacle in older workers' continued employment.
- Workplace age discrimination, the lack of suitable job opportunities, layoffs due to changes in the economy, as well as the need to keep skills up to date, are all challenges facing older workers.
- Strong financial incentives for workers to retire as soon as possible and some jobs that are physically demanding or have inflexible schedules provide strong disincentives to continued work.

Best Practices and Lessons Learned

- Use nontraditional recruiting techniques such as partnerships with national organizations that focus on older Americans.
- Employ flexible work situations and adapt job designs to meet the preferences and physical constraints of older workers.
- Offer the right mix of benefits and incentives to attract older workers such as tuition assistance, time off for elder care, employee discounts, and pension plans that allow retirees to return to work.
- Provide employees with financial literacy skills to ensure they have a realistic plan to provide for retirement security.
- Treat all employees in a fair and consistent manner and employ a consistent performance management system to prevent age discrimination complaints.

Strategies

- Conduct a national campaign to help change the national mindset about work at older ages.
- Hold a national discussion about what "old" is to help change the culture of retirement.
- Create a clearinghouse of best recruiting, hiring, and retention practices for older workers.
- Strengthen financial literacy education to help workers prepare to retire.
- Make the federal government a model employer for the nation in how it recruits and retains older workers.
- Create a key federal role in partnerships to implement these strategies.
- Consider specific legislation or regulations to increase flexibility for employers and employees to create new employment models.

Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss how providing additional opportunities and incentives for older workers to continue to contribute their considerable skills and knowledge is vitally important to the well-being of both such individuals and our national economy. By the way, while some people talk about "older workers," I prefer to use the term "seasoned workers" to reflect the skills and knowledge that these workers have. But whatever term we use, more Americans remaining in the workforce at older ages could lead to benefits at several levels. First, working longer will allow older workers, many of whom are not adequately prepared for retirement, to bolster their retirement savings. Second, hiring and retaining older workers will help employers deal with projected labor shortages in the future. Third, older workers will contribute to economic growth and increase federal revenues, helping to defray some of the anticipated costs associated with increased claims on Social Security and Medicare. Fourth, several studies show that the longer persons remain mentally and physically active, the longer they are likely to live.

Despite all of these gains to be had, there are barriers to continued employment for older workers. In addition, some employers remain reluctant to engage and retain this group. While many, including GAO, have reported on the benefits associated with work later in life, not enough has been done to address this issue. Many employers are still unaware of the need to engage older workers to meet their workforce needs, and few have implemented programs to engage or retain older workers. Similarly, many workers are not adequately preparing for retirement.

The number of older workers is potentially large and is a growing part of the population. They represent a large and underutilized national resource with the potential to improve the economic well-being of themselves and the nation. At the same time, we must also consider those who cannot work longer due to health limitations or disability and make proper accommodations for them.

Because of your continuing interest in older workers, today I will present the results of a recent forum on older workers, which I convened on

December 5, 2006, as well as discuss some of our prior work on this topic.[1] At this forum, we brought together a diverse array of experts, including some employers from AARP's "Best Employers for Workers Over 50" program; representatives from business and union groups, and federal agencies; along with advocates, researchers, actuaries, and academics, to address issues related to engaging and retaining older workers. Specifically, the forum participants discussed (1) obstacles that older workers encounter when seeking continued work, (2) best practices for hiring and retaining older workers, and (3) general strategies to promote opportunities for older workers. The highlights summarized here do not necessarily represent the views of any individual participant or the organizations that these participants represent, including GAO.

This forum is the latest in a series that GAO has held in recent years. The purpose of these forums is to bring together key stakeholders from diverse groups to discuss emerging issues with the hope of identifying areas of agreement. Such gatherings can serve as a catalyst for future actions, both individually and collectively, on the issue being discussed. For example, the Fiscal Wake Up Tour, a joint endeavor of GAO, the Concord Coalition, the Brookings Institution, and the Heritage Foundation, grew out of a forum on fiscal responsibility held in 2005 and is currently visiting cities around the nation to promote fiscal awareness.[2] In another example, a consortium of not-for-profit, private, and public sector efforts, known as the Key National Indicators Initiative, emerged from a forum on national

[1] The summary report of the forum is being released today as well. GAO, *Highlights of a GAO Forum: Engaging and Retaining Older Workers*, GAO-07-438SP (Washington, D.C.: Feb. 28, 2007). For further information on older worker issues, please see the following reports and testimonies: GAO, *Highlights of a GAO Forum: Workforce Challenges and Opportunities for the 21st Century: Changing Labor Force Dynamics and the Role of Government Policies*, GAO-04-845SP (Washington, D.C.: June 2004); GAO, *Older Workers: Demographic Trends Pose Challenges for Employers and Workers*, GAO-02-85 (Washington, D.C.: November 2001); GAO, *Redefining Retirement: Options for Older Americans*, GAO-05-620T (Washington, D.C.: Apr. 27, 2005); GAO, *Older Workers: Labor Can Help Employers and Employees Plan Better for the Future*, GAO-06-80 (Washington, D.C.: Dec. 5, 2005); and GAO, *Older Workers: Policies of Other Nations to Increase Labor Force Participation*, GAO-03-307 (Washington, D.C.: Feb. 13, 2003).

[2] GAO, *Highlights of a GAO Forum: The Long-Term Fiscal Challenge*, GAO-05-282SP (Washington, D.C.: Feb. 2005). For more information on the tour, see, http://www.concordcoalition.org/events/fiscal-wake-up/index.html

indicators that GAO hosted and co-sponsored with the National Academies in 2003.[3]

Summary

The aging of the baby boom generation presents both a challenge and an opportunity for our nation. Our past work has highlighted the importance of engaging and retaining older workers, and also, unfortunately, how little has been done to reap the benefits of this large and growing national resource. We convened this forum to continue our efforts to address issues associated with the aging of the American workforce.

Forum participants reported that obstacles to continued work at older ages remain, including employer perceptions regarding older workers, workers' perceptions regarding the benefits of working longer, and limited job opportunities for older workers. To surmount some of these obstacles, forum participants suggested a variety of best practices, including offering more flexible work arrangements and adapting job design to suit the needs of older workers. In addition, they said that the right mix of benefits and incentives was needed to attract older workers and that employees needed additional financial literacy skills to ensure they have a realistic plan for retirement security. Participants offered a variety of strategies to move forward on this issue. These included a national campaign to promote work at older ages in the hope of changing the national mind-set and to engage in a national discussion to reconsider what "old" is, how we should think about retirement, and whether there should even be a retirement age. Participants also suggested the establishment of a national clearinghouse of best practices for engaging and retaining older workers. Efforts to increase financial literacy may also help workers plan for their futures and learn more about the benefits of working longer. Finally, participants outlined several federal actions that could help with this issue, including for the federal government to act as a model employer of older workers and to consider specific legislation or regulations that would increase flexibility for employers and employees to create new employment models.

[3] GAO, *Forum on Key National Indicators: Assessing the Nation's Position and Progress*, GAO-03-672SP (Washington, D.C.: May 2003). For more information, see http://www.keyindicators.org/

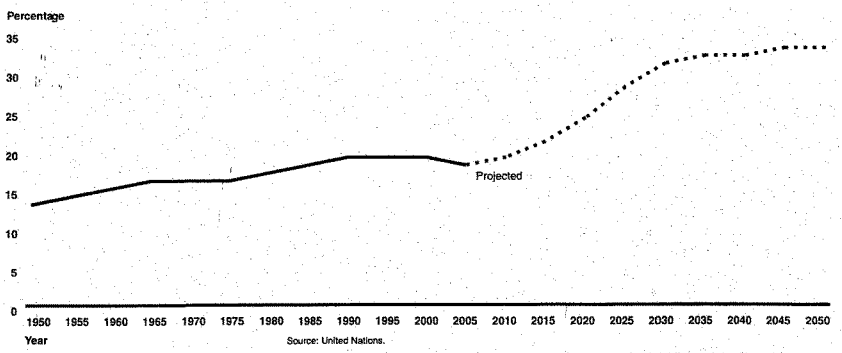
Background

In the 21st century, older Americans are expected to make up a larger share of the U.S. population, live longer, and spend more years in retirement than previous generations. The share of the U.S. population age 65 and older is projected to increase from 12.4 percent in 2000 to 19.6 percent in 2030 and continue to grow through 2050. In part this is due to increases in life expectancy. The average number of years that men who reach age 65 are expected to live is projected to increase from just over 13 in 1970 to 17 by 2020. Women have experienced a similar rise—from 17 years in 1970 to a projected 20 years by 2020. While life expectancy has increased, labor force participation rates of older Americans only began to increase slightly in recent years.[1] As a result, individuals are generally spending more years in retirement. In addition to these factors, fertility rates at about the replacement level are contributing to the increasing share of the elderly population and a slowing in the growth of the labor force. Also contributing to the slowing in the growth of the labor force is the leveling off of women's labor force participation rate. While women's share of the labor force increased dramatically between 1950 and 2000—from 30 percent to 47 percent—their share of the labor force is projected to remain at around 48 percent over the next 50 years. By 2025 labor force growth is expected to be less than a fifth of what it is today.

The aging of the baby boom generation, increased life expectancy, and fertility rates at about the replacement level are expected to significantly increase the elderly dependency ratio—the estimated number of people aged 65 and over in relation to the number of people of aged 15 to 64. In 1950, there was one person age 65 or over for every eight people aged 15 to 64. The ratio increased to one to five in 2000 and is projected to further increase to one person aged 65 and over for every three people aged 15 to 64 by 2050. As a result, there will be fewer younger workers to support a growing number of Social Security and Medicare beneficiaries.

The aging of the population also has potential implications for the nation's economy. If labor force growth continues to slow as projected, fewer workers will be available to produce goods and services. Without a major increase in productivity or higher than projected immigration, low labor force growth will lead to slower growth in the economy and slower growth of federal revenues. These circumstances in turn will accentuate the overall pressure on the federal budget, which will be encumbered with increased claims for benefits for seniors such as Medicare and Social Security, while relatively fewer workers are paying into the benefits systems.

Figure 1: U.S. Elderly Dependency Ratio (Population age 65 and Older Relative to Age 15 to 64), 1950-2000 and Projected 2005-2050



Source: United Nations.

Note: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2004 Revision and World Urbanization Prospects: The 2003 Revision. Data for 2005 through 2050 are projected. The elderly dependency ratio equals the number of people age 65 and older divided the number between age 15 and 64, expressed as a percentage.

As Americans live longer and spend more years in retirement, several factors contribute to the growing insecurity of retirement income. With greater life expectancies, individuals need to finance more years of retirement; however, many workers claim their Social Security benefits prior to reaching the full retirement age, which results in lower monthly payments. Not only do individuals need to make their money last longer; they also bear greater risk and responsibility for their retirement savings than in the past. About half of U.S. workers do not have a pension plan through their employer, and those who do are less likely than in the past to be covered by defined benefit (DB) plans. The shift from traditional DB plans to defined contribution (DC) plans places greater responsibility on workers to make voluntary contributions and make prudent investment decisions. It also increases the importance of workers preserving such savings for retirement. Moreover, rising health care costs have also made health insurance and anticipated medical expenses increasingly important issues for older Americans. A long-term decline in the percentage of employers offering retiree health coverage has leveled off in recent years, but retirees face an increasing share of costs, eligibility restrictions, and

benefit changes that contribute to an overall erosion in the value and availability of coverage. Finally, it is clear that Social Security, Medicare, and Medicaid are unsustainable in their present form. When the needed reforms to these programs are made, one result will be that millions of individuals will have to assume increased responsibility for their economic security in retirement. These trends suggest that more and more Americans will find they have inadequate resources to finance retirement. For many, continued work past traditional retirement age may be the solution.

We, along with others, have highlighted the need to engage and retain older workers to address some of these challenges associated with an aging workforce. In 2001, we recommended that the Secretary of Labor form a broad interagency task force to develop regulatory and legislative proposals addressing the issues raised by the aging of the labor force and to serve as a clearinghouse of information about employer programs to extend the work life of older workers. After strong encouragement from this Committee, this task force, which includes representatives from the Departments of Labor (Labor), Commerce, and Education, along with the Social Security Administration, began meeting in 2006 and plans to focus on three areas: employer response to the aging of the workforce; individual opportunities for employment in later years; and legal and regulatory issues regarding work and retirement. The task force intends to release a report on its findings and strategies in summer 2007. In 2003, we recommended that Labor review the Workforce Investment Act performance measure regarding earnings to ensure that this measure does not provide a disincentive for serving employed workers, some of whom might be older workers.[4] Labor has partially addressed this issue, but the potential for existing measures to have unintended consequences remains. In 2005, we held a series of focus groups with workers and retirees to better understand the factors that influence the timing of retirement. We found that health problems and layoffs were common reasons to retire and that few focus group members saw opportunities to gradually or partially retire. Workers also cited what they perceived as their own limited skills and employers' age discrimination as barriers to continued employment.[5] As part of this work, we also participated in a roundtable discussion with

[4] GAO, *Workforce Training: Employed Worker Programs Focus on Business Needs, but Revised Performance Measures Could Improve Access for Some Workers*, GAO-03-353 (Washington, D.C.: Feb. 14, 2003).

[5] GAO-06-80, pp. 25-26.

employers to learn what they were doing to hire and retain older workers. While these employers generally agreed that flexibility was the key feature necessary to recruit and retain older workers, few of them had developed programs to put this belief into practice.

Building on this body of work, we convened this forum on older workers to address these issues.

Obstacles to Engaging and Retaining Older Workers

According to participants at our forum, some of the key obstacles that hinder continued work at older ages include: first, employer perceptions about the cost of employing older workers; second, employee perceptions about the costs and benefits of continued work; and third, changes in industry and job skill requirements, which may hinder older workers from remaining employed or finding suitable new employment.

First, many employers cite both compensation—including the rising cost of health insurance—and training costs as obstacles to hiring and retaining older workers. In addition, forum participants reported that many employers have not learned to place a high value on their experienced workers, instead gearing their succession planning toward replacing older workers with younger ones. Forum participants also cited negative stereotypes surrounding older workers that include the belief that such workers produce lower-quality work than their younger counterparts, and less work overall. Also, many employers believe that older workers are resistant to change. Finally, but not least, it was suggested that some employers are hesitant to hire older workers for fear of age discrimination lawsuits. While many employers express an interest in recruiting older workers, our prior work has found that few develop programs to do so.

At the same time that there is some resistance among employers to hiring older workers, there are also strong incentives for workers to retire. Participants noted that a "culture of retirement" exists in this country which encourages workers to claim retirement benefits and stop working as early as possible. The availability of Social Security at age 62 and high effective tax rates on earnings between age 62 and Social Security's full retirement age may discourage some workers from continuing to work once they start claiming benefits. Workers who receive Social Security benefits but have not yet reached the full retirement age will have their benefits reduced by one dollar for every two or three dollars that they earn above a set threshold due to the Social Security earnings test. As a result, workers who have claimed Social Security benefits at 62 may not feel that it is worthwhile to continue working. Also, the structure of traditional DB

pension plans may encourage retirement because pension laws have prohibited working for the same employer while receiving benefits. While the Pension Protection Act of 2006 does contain a provision that allows plans the option of providing some benefits to participants who remain in the workforce at age 62 and beyond, it is too soon to determine what the impact of this policy change will be.[6] In addition to these financial incentives, jobs that are physically demanding or have inflexible schedules that compete with family caregiving needs also provide strong disincentives to continued work.

For some, the incentive to retire lies in the lack of suitable job opportunities. Some employers are reluctant to offer flexible work arrangements such as part-time work to existing employees. In addition, layoffs due to changes in the economy, along with the lack of skills needed to compete in the global economy, are also challenges facing older workers. Forum participants reported that employers who downsize may lay off older workers sooner than younger workers, in part because older industries tend to have a disproportionate number of older workers in their labor force. Positions of some low-skill older workers also may have been automated, eliminated, or outsourced. At the same time, displaced older workers may lack the necessary training to make a career change. Our past work has found that when older workers lose a job, they are less likely than younger workers to find other employment.[7]

Best Practices and Lessons Learned on Engaging and Retaining Older Workers

We, along with others, have previously reported on the importance of flexibility in recruiting and retaining older workers. In order to effectively engage older workers, forum participants suggested implementing new recruiting approaches, workplace flexibility, the right mix of benefits and incentives, financial literary education, and consistent performance management systems. Moreover, participants warned against designing a "one-size-fits-all" approach, noting the significant differences among employers and employees.

[6] See Section 905 of the Pension Protection Act, Pub. L. 109-280.

[7] GAO-02-85, p. 3.

New Approaches Being Used to Engage Older Workers

Employers have found innovative recruiting techniques to identify and recruit older workers. For example, some employers have established partnerships with national organizations, such as AARP, to help advertise themselves as employers of older workers. Other employers rehire their own retirees for specific needs, both short-term and long-term. For example, one employer actively retrains its employees for other distinct roles in the organization.

Flexible Schedules and Workplaces Needed to Attract and Retain Older Workers

Labor force decisions of older workers are also influenced by the availability of flexible work arrangements. Full and complete withdrawals from the workforce are no longer as common as they once were, but rather workers are more likely to seek out phased retirement or bridge employment options. Employers who are creative in how they design jobs, and who allow for flexible work locations away from the traditional office, have an advantage in engaging older workers. One employer mentioned three reasons older workers retire: (1) elder care responsibilities, (2) physical constraints, and (3) a desire to pursue other interests. To address these concerns, this employer provides workers 10 days off each year for elder care, and flexible work schedules. Two employers have a "snow bird" program, which allows employees who live in different places during the year to work in both locations. Other employers have adapted job designs to accommodate the physical constraints of older workers. One participant mentioned a hospital that installed hydraulic systems in all of its beds so the beds could fold into a sitting posture, a change that assisted older staff in moving patients. In the second example, an employer modified an assembly line so that cars on the line could be rotated to grant easier access for mechanics who were unable to lie down to work on cars.

Benefit Packages Help to Attract and Retain Older Workers

Benefit packages that complement some of these new work arrangements are also important in attracting and retaining older workers. Some forum participants' organizations offer benefits to both full- and part-time workers. One employer offers medical benefits and tuition reimbursement for employees working at least 15 hours per week, while another offers employee discounts.

Modifying pension plans can also entice workers to work longer. One participant's organization offers its employees the opportunity to retire and return to work after 1 month while still collecting pension benefits.[8]

[8] This type of pension plan, known as a deferred retirement option plan (DROP), is largely limited to the public sector.

Another employer is considering matching a greater percentage of older workers' DC plan contributions, thereby appealing to older workers who may not have been with the company for a very long time. However, not every employer can offer such a portfolio of benefits for older workers who work part-time, due to the costs.

Improving Employee Financial Literacy and Helping Employees Better Prepare for Retirement

With older Americans living longer and spending more time in retirement, workers will have to ensure they have a realistic plan to provide for retirement security that may include working longer. Increasing financial literacy can help workers better prepare for retirement by giving them the tools to assess whether or not they have sufficient funds to retire at a particular age. With DC pension plans becoming more common, the burden of financial management on employees is growing, thereby increasing the importance of financial literacy. To address this issue, one forum participant's employer offers a retirement-planning program for employees over 50 years old that includes individual counseling services. Another participant mentioned automatic enrollment in retirement savings plans as an effective way to help employees save for retirement, while also noting that employees need ongoing education to ensure their portfolios remain balanced. Such education should not be limited to only pension plans, as participants highlighted the need to plan for future health care costs as well.

To limit exposure to age discrimination litigation, one participant said a consistent performance management system is essential for dealing with all workers. Besides saying that all employees should be treated in a fair and consistent manner, participants agreed it is also important to show older workers that they are valued.

Finally, when discussing best practices, forum participants cautioned against designing solutions with a "one-size-fits-all" approach due to the variety of employers' needs and workers' knowledge, skills, and goals.

Suggested Strategies for Policymakers and Employers

Given the scope and importance of this issue, participants offered a number of strategies to encourage older workers to remain in the labor force and to encourage employers to engage and retain older workers. They generally agreed that a change was needed in the national mind-set about work at older ages and that a national campaign to promote this concept was needed. Such a campaign could highlight the different types of work older people are engaged in, the positive attributes of older workers, and the benefits to employers of engaging and retaining older

workers. To change the "culture of retirement" that currently exists, one participant suggested the need for a national discussion to reconsider what "old" is, and how we should think about retirement, or if there should even be a retirement age.

Participants also agreed that employers need information about the best practices for engaging and retaining older workers. One strategy discussed was the establishment of a national clearinghouse of best practices, such as the different kinds of work structures, recruiting techniques, and workplace flexibilities used by some employers to attract and retain older workers.

Participants agreed that strategies that increase financial literacy may help workers better plan for their futures and learn more about the benefits of working longer. Although this is a long-term endeavor, participants suggested that both public and private efforts may be needed to promote financial literacy, including incorporating financial literacy into the grade school curriculum, promoting the discussion of retirement planning much earlier in workers' careers, and using faith-based organizations as a conduit for financial planning.

Finally, participants discussed a number of ways that the federal government could be a leader in encouraging older workers to remain in the workforce. First, as an employer of millions facing the impending retirement of many of its workers, the federal government should "lead by example" and be a role model in how it engages and retains older workers. Second, it can help to foster the kinds of public/private partnerships that would promote the national campaign, begin a national discussion, or contribute to the national clearinghouse discussed above. In addition, the public sector, in cooperation with the private sector, can help displaced older workers who need new skills to remain in the workforce. And third, through specific legislation or regulations that would increase flexibility for employers and employees, the federal government can help create new models of employment for older Americans. For example, some participants discussed the need for safe harbors in the tax code and the Employee Retirement Income Security Act that would make it easier for people to return to work after retirement and still collect their pensions. The related provision in the Pension Protection Act, which affords some flexibility in this area, represents a step in the right direction. Another participant suggested that age discrimination laws may have had some unintended consequences, and that these laws should be reevaluated or amended to provide safe harbors that would encourage employers to hire older workers.

Conclusions

Engaging and retaining older workers is critical for promoting economic growth, improving federal finances, and shoring up retirees' income security. Given the right mix of incentives, programs, and job designs, we have an opportunity today to support those who wish to work later in life, thereby reinventing the traditional concept of retirement, helping to bolster individuals' retirement security, and fostering economic growth. With the oldest members of the baby boom generation eligible to begin collecting early Social Security benefits next year, time is running out to seize this opportunity. We convened this forum because of the importance of engaging and retaining older workers, and we congratulate this Committee for its sustained leadership on this issue.

Given existing trends in the aging of baby boomers, pressures on federal entitlement programs, and threats to individuals' retirement security, it is in the nation's interest for people to work longer. Harnessing the benefits of this growing group of potential older workers requires that barriers to continued work be removed sooner rather than later. At the same time, it is important to acknowledge that not everyone can work at older ages, and proper accommodations are needed for such persons as well.

Despite evidence indicating the future importance of older Americans to the workforce, barriers and perceptions continue to get in the way of making progress. Forum participants generally agreed that employers do not place a high enough value on experienced workers, and that suitable job opportunities are lacking for older workers. These findings echo many of those that we heard in our 2005 focus groups and reiterate findings from our 2001 report. While some progress is being made, in the absence of additional change, we risk a missed opportunity to engage those workers who wish to remain in the workforce longer.

At our forum, there was a good deal of enthusiasm among participants to confront this issue, and I hope that by sharing some best practices and suggested strategies today progress will continue with renewed insight and energy. At the same time, given the national scope of the challenge, addressing it will require not only workers and employers. Clearly, there is also a role for government to play, whether it be through becoming a model employer of older federal employees or helping to foster flexible work arrangements in the private sector to meet the needs of older workers, or by considering legislative and regulatory changes, including those that Labor's interagency task force may propose. Finally, consideration of the current mix of federal policies—including Social Security, Medicare, and pension laws—may be warranted to ensure that their incentives are appropriate given future demographic changes and the

benefits that can be gained from work at later years for both individuals and the nation.

Mr. Chairman, this concludes my remarks. I would be happy to answer any questions you or the other members of the Committee may have. I am pleased by your continued interest in this area and look forward to working with you on this issue in the future.

Contact and Staff Acknowledgments

For questions regarding this testimony, please call Barbara Bovbjerg, Director at 202-512-7215. Other individuals making key contributions to this statement included Mindy Bowman, Alicia Puente Cackley, Jennifer Cook, Scott Heacock, and Kevin Kumanga.

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The Chairman. We thank you, Mr. Walker.

Now we turn to Dr. Donald Kohn.

STATEMENT OF DONALD KOHN, VICE CHAIRMAN, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, WASHINGTON, DC

Mr. KOHN. Thank you, Mr. Chairman.

Chairman Kohl, Senator Smith, Members of the Committee, I am pleased to be here today to discuss some recent research at the Federal Reserve on the effect that population aging may have on the growth of the labor force.

I, too, will be reading a somewhat condensed version of my testimony, and I will be referring to charts at the end of my testimony that are also on the easel over here to my right.

As we all know, the United States is at the front edge of a massive and important shift in the demographic composition of the population. Exhibit 1 shows that, around 2003, the population of those age 62 and older began growing as a share of the population age 16 and older. According to projections from the Bureau of the Census, shown in the shaded area of the exhibit, this upward trend in aging will steepen noticeably in the next few years.

A subset of the adult population is in the labor force, that is, are either actively looking for work or have a job, and this is shown in Exhibit 2. Because the participation of men and women in the labor force declines sharply after age 50, the rising share of older individuals will put significant downward pressure on the total labor force participation rate in coming years, provided the basic pattern of participation over the life cycle is maintained. That is the pattern you can see on the chart in the rise and, in particular, the fall after age 59 in that participation.

Changes in the labor force behavior within age groups also have the potential to affect labor force participation. Exhibit 3 shows that by the time men born in 1935 reached age 30, about 97 percent of them were in the labor force. In contrast, only about 92 percent of the 30-year-old men born in 1976 were in the labor force.

Now, until recently, this decline in the labor force participation rate of successive generations of men had been more than offset by a steady increase in the participation rates for each new generation of women. Women born in the 1920's and 1930's had low participation rates at age 30, but three-quarters of the 30-year-olds born in 1960 were in the labor force. However, participation rates for more recent generations of 30-year-old women have not risen any further, and you can see the red line levels out in that chart.

Economists at the Federal Reserve have developed a model that combines information on the decline in labor force participation at older ages with information on changes in the labor force participation across generations. Exhibit 4 shows the actual participation rate, the model's estimate of the underlying trend between 1995 and 2006, and the model's projection of the trend in participation out to 2015.

Now, as you can see from the red line in that chart, the estimated trend has been declining since about 2002 and is projected by the model to fall substantially further by 2015. I would add that

if the chart were extended, that line would continue to move downward.

That decline in the overall participation rate, coupled with the slowing in the growth of the working age population projected by the Census Bureau, would be consistent with a slowing in the annual growth of the labor force from the roughly 1.25 percent average of recent years to only a .25 percent rate of increase in labor force by 2015.

Now, this forecast is predicated on a number of assumptions, some of which may not be borne out. As I outline in Exhibit 5, several factors that are not incorporated into the model may work toward raising the labor force participation rate. In particular, increasing longevity and improvements in health may induce many more individuals to remain in the workforce well past age 65.

For their part, employers, upon facing slower growth in the labor force, may attempt to attract and retain older workers by enhancing wages and benefits, creating more flexible work strategies and schedules, and increasing training.

Government policies can also influence the attractiveness of remaining in the workforce. For example, to raise participation rates among older individuals, policymakers could seek ways to preserve or enhance the incentives to work beyond traditional retirement age.

Finally, to a limited extent, immigration has the potential to alter the future pace of labor force growth.

Some of the influences described above may already be boosting the participation rate relative to the model's prediction. As shown in Exhibit 6, the labor force participation rate of individuals aged 62 and older has been rising markedly since 1995. To some extent, this increase simply reflects the aging of a generation of women who were more likely to be in the labor force throughout their lifetimes than earlier generations. However, the magnitude of the rise is greater than can be explained by this factor alone.

Reflecting the considerable uncertainty that surrounds any long-term economic projection, economists hold a range of views about the pace of future labor force growth.

A projection from the Congressional Budget Office is shown in Exhibit 7. The CBO foresees the pace of trend labor force growth slowing to .5 percent by 2015. That is a smaller deceleration than projected by the model that the Board staff has, but it is still a very significant slowing.

As I indicated at the outset, the aging of the population has important implications for future generations. Because total output is equal to output per worker times the number of workers, a slowdown in the rate of labor force growth will, all else equal, tend to slow the growth of output, and that is shown in the rightmost column of Exhibit 7.

Moreover, if the growth in the labor force is lower than population growth, output per person will, all else equal, rise even more slowly than output per worker.

Indeed, as indicated by comparing columns 1 and 2 with column 3 in the exhibit, both the Federal Reserve's staff projection and the CBO projection for growth of the labor force through 2015 are lower than the growth of the population expected in that period by

the Census Bureau. Consequently, on these projections, the level of output per person will be lower than it would have been without population aging.

Increasing labor force participation would help reduce these effects, but is unlikely to completely offset them. Thus, without an offsetting increase in productivity growth, the aging of the population likely means that output per person will have to be lower than it would have been in the absence of population aging.

Accordingly, a critical question is how that burden will be distributed across generations. If we do nothing, it will by default fall entirely on future generations. However, by foregoing some consumption today to increase national saving, we can take on some of that burden today and thereby raise the living standards of future generations.

A rise in saving can achieve that shift, because the extra savings would be used to increase the Nation's stock of capital or increase our net holdings of foreign assets. Increasing the amount of productive assets owned by Americans increases the amount of consumption that future generations will be able to enjoy.

Determining the best way to distribute the burden associated with the aging of the population should be high on society's list of priorities.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Kohn follows:]

For release on delivery
10:30 a.m. EST
February 28, 2007

Statement of

Donald L. Kohn

Vice Chairman

Board of Governors of the Federal Reserve System

before the

Special Committee on Aging

United States Senate

February 28, 2007

Chairman Kohl, Senator Smith, and members of the Committee, I am pleased to be here today to discuss some recent research at the Federal Reserve on the effect that population aging may have on the growth of the labor force.[1] The research is careful and important, but I would like to emphasize that it is a staff product and so does not necessarily represent the views of the Federal Reserve Board.

As we all know, the United States is at the front edge of a massive and important shift in the demographic composition of the population. The onset of the traditional retirement years for the oldest members of the baby-boom generation,[2] coupled with a trend toward greater life expectancy and relatively low fertility rates, will cause the share of older individuals in the population to rise markedly in the years ahead. How our society responds to the challenges associated with demographic change will have important consequences for the longer-run prospects for economic growth, average living standards, and the distribution of income and consumption across generations.

The main demographic story is in exhibit 1, which shows that around 2003, the population of those aged 62 and older began growing as a share of the population aged 16 and older. Age 62 is important as the time at which individuals become eligible for Social Security retirement benefits under current law. According to projections from the Bureau of the Census, shown in the shaded area of exhibit 1, the upward trend in aging will steepen noticeably in the

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[1] Stephanie Aaronson, Bruce Fallick, Andrew Figura, Jonathan Pingle, and William Wascher (2006), "The Recent Decline in the Labor Force Participation Rate and Its Implications for Potential Labor Supply," *Brookings Papers on Economic Activity, 2006:1*, pp. 69-154.

[2] The baby boom is generally taken to be children born from 1946 through 1964. The Census Bureau estimates that roughly 78 million American baby boomers were alive as of July 1, 2005, and that approximately 2.9 million Americans turned 60 in 2006. U.S. Census Bureau (2006), "Facts for Features: Special Edition, Oldest Baby Boomers Turn 60," press release CB06-FFSE.01-2, January 3, www.census.gov/Press-Release/www/releases/.

next few years. The share of the adult population that is aged 62 and older, now at about 19 percent, is projected to rise to more than 22 percent by 2015.[3]

A subset of the adult population is the labor force--that is, those who are either actively looking for work or have a job. Because the participation of men and women in the labor force declines sharply after age 55, as shown in exhibit 2, the rising share of older individuals has important implications for the nation's labor supply. In particular, the aging of the population will put significant downward pressure on the total labor force participation rate in coming years, provided the basic pattern of participation over the lifecycle is maintained.

Changes in labor force behavior within age groups also have the potential to add to the downward trend in labor force participation. Exhibit 3 shows that by the time men born in 1935 reached age 30, about 97 percent of them were in the labor force. In contrast, only about 92 percent of 30-year-old men born in 1976 were in the labor force. Although not shown in the exhibit, a roughly similar pattern exists for men older than 30, and, all else equal, the gradual reduction in labor force participation of men has put downward pressure on the overall participation rate.

Exhibit 3 also shows that, until recently, the decline in the labor force participation rate of successive generations of men had been more than offset by a steady increase in the participation rates for each new generation of women. Women born in the 1920s and 1930s had low participation rates at age 30, but three-fourths of 30-year-olds born in 1960 were in the labor force. However, participation rates for more recent generations of 30-year-old women have not risen any further.

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[3] This projection combines the latest estimates of population from the Bureau of the Census for 2006 (http://www.census.gov/popest/estimates.php) with the Census Bureau's projections of population growth by age through 2015 (http://www.census.gov/ipc/www/usinterimproj).

Economists at the Federal Reserve have developed a model that combines information on the decline in labor force participation at older ages, shown in exhibit 2, with information on the changes in labor force participation across generations, shown in exhibit 3. Exhibit 4 shows the actual participation rate, the model's estimate of the underlying trend in the total participation rate between 1995 and 2006, and--under a specific set of assumptions--a projection of the trend out to 2015. The fluctuations in the actual participation rate around the trend largely reflect cyclical influences. For example, the strong demand for labor in the late 1990s caused participation to rise above its longer-run trend, whereas the 2001 recession and subsequent weak labor market caused participation to fall below the trend. Currently, actual participation is again above the estimate of the long-run trend, according to this model, largely because of the current strength of the labor market.

A point more relevant to today's hearing is that the estimated trend has been declining since about 2002 and is projected by the model to fall substantially further, from about 65-1/2 percent today to about 62-1/2 percent by 2015. That decline in the overall participation rate, coupled with the slowing in the growth of the working-age population projected by the Census Bureau, would be consistent with a slowing in the annual growth of the labor force from the roughly 1-1/4 percent average pace seen in recent years to only 1/4 percent by 2015.

By its very nature, the model can only illustrate what will happen if workers, employers, and policymakers behave in the future in line with the assumptions embodied in the projections. Specifically, the forecast proceeds under the assumption that (1) participation rates among the elderly will rise gradually, (2) the average participation rate for men aged 25-61 will continue to edge down, and (3) participation rates for women in the same age group will not increase further.

Of course, these assumptions may not be borne out. As outlined in exhibit 5, several factors may work toward raising the labor force participation rate.

In particular, increasing longevity and improvements in health may induce many more individuals to remain in the workforce well past age 65. For their part, employers, upon facing slower growth in the labor force, may look for ways to attract workers into the labor market. Paying higher wages is one obvious approach. But they could also create flexible work schedules, increase the availability of part-time work, encourage telecommuting, increase training for older workers, and provide additional health care coverage as a way to retain and attract older workers. Such changes might also boost the labor force participation of other age groups.

Government policies can also influence the attractiveness of remaining in the workforce. For example, to raise participation rates among older individuals, policymakers could seek ways to preserve or enhance the incentives to work beyond traditional retirement ages. Government policies could also be designed to make work more attractive to other demographic groups.

Finally, to a limited extent, immigration has the potential to alter the future pace of labor force growth. Most directly, if future immigration rates exceed those assumed by the Census Bureau, the population, and hence the labor force, would grow faster than the Census Bureau currently projects. In addition, because new immigrants tend to be younger and are more likely to participate in the labor force than are native-born individuals, higher immigration would also lead to a higher overall participation rate.

Some of the influences described above may already be boosting the participation rate relative to the model's prediction. As shown in exhibit 6, the labor force participation rate of individuals aged 62 and older had been trending down since the late 1970s but has been rising

markedly since 1995. To some extent, this increase simply reflects the aging of a generation of women who were more likely to be in the labor force throughout their lifetimes than were earlier generations of women. However, the magnitude of the rise is greater than can be explained by this factor alone.

Because the factors just discussed have the potential to offset some of the effects of population aging, and given the considerable uncertainty that surrounds any long-term economic projection, economists hold a range of views about the pace of future labor force growth. A projection from the Congressional Budget Office is shown in exhibit 7. The CBO foresees the pace of trend labor force growth slowing to 1/2 percent per year by 2015, a smaller deceleration than projected by the model developed by Board staff but still a significant slowing.

As I indicated at the outset, the aging of the population has important implications for the living standards of current and future generations. Because total output is equal to output per worker times the number of workers, a slowdown in the rate of labor force growth will, all else equal, tend to slow the growth of output--as shown in the right-most column of exhibit 7. Moreover, if the growth in the labor force is lower than population growth, output per person will, all else equal, rise even more slowly than output per worker. Indeed, as indicated in the exhibit, both the Federal Reserve staff projection and the CBO projection for the growth of the labor force through 2015 are lower than the growth of the population expected in that period by the Census Bureau. Consequently, on these projections, the level of output per person will be lower than it would have been without population aging.

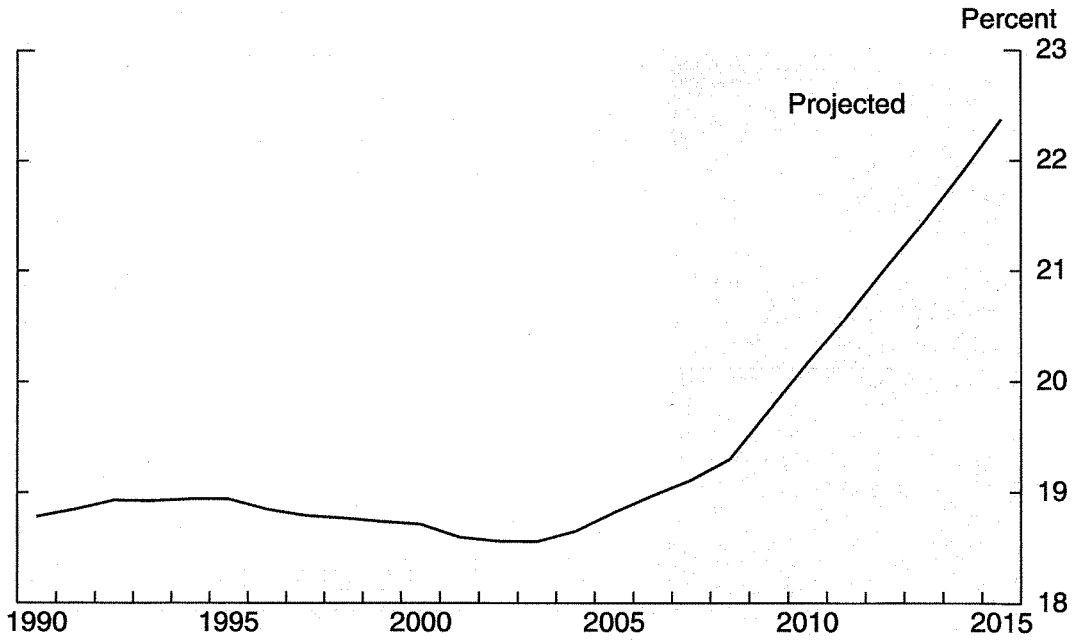
Increasing labor force participation would help reduce these effects, but is unlikely to completely offset them. Thus, without an offsetting increase in productivity growth, the aging of the population likely means that output per person will have to be lower than it would have been

in the absence of population aging. Accordingly, a critical question is how that burden will be distributed across generations. If we do nothing, it will, by default, fall entirely on future generations. However, by forgoing some consumption to increase national saving, we can take on some of that burden today and thereby raise the living standards of future generations.[4] A rise in saving can achieve that shift because the extra savings would be used to increase the nation's stock of capital and increase our net holdings of foreign assets. Increasing the amount of productive assets owned by Americans increases the amount of consumption that future generations will be able to enjoy. Determining the best way to distribute the burden associated with the aging of the population should be high on society's list of priorities.

[4] The relationship between population aging and living standards is explored in more detail in Louise Sheiner, Daniel Sichel, and Lawrence Slifman (2007), "A Primer of the Macroeconomics of Population Aging," Finance and Economics Discussion Series 2007-01 (Washington: Board of Governors of the Federal Reserve System, January).

Exhibit 1

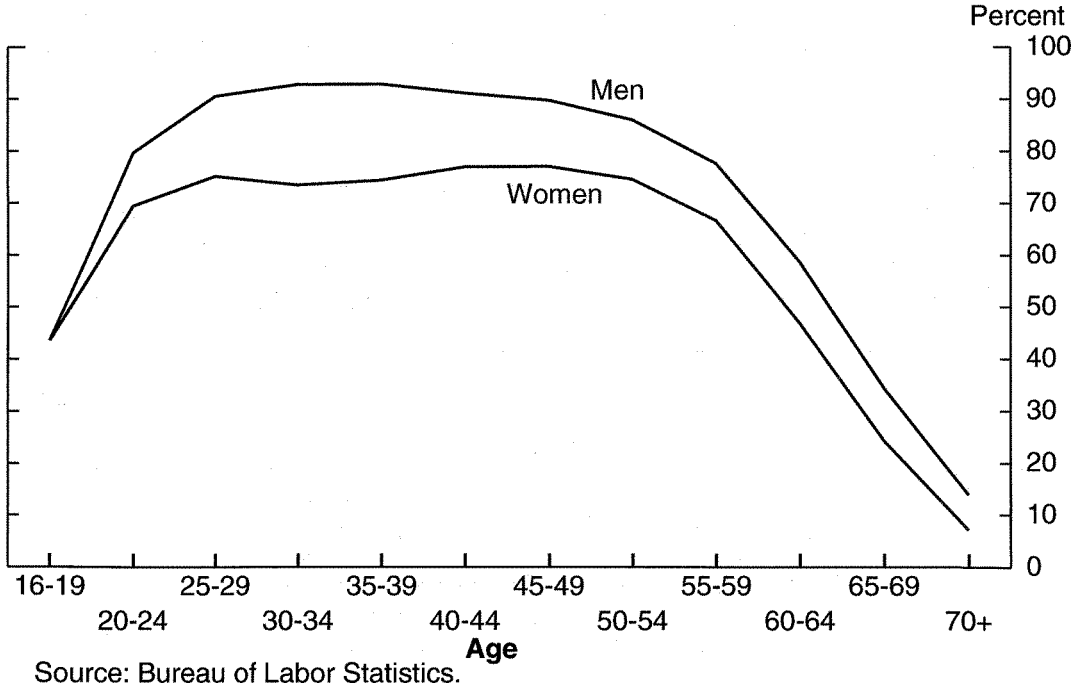
Population Aged 62 and Older as a Share of the Population Aged 16 and Older, 1990-2015



Source: Bureau of Labor Statistics.

Exhibit 2

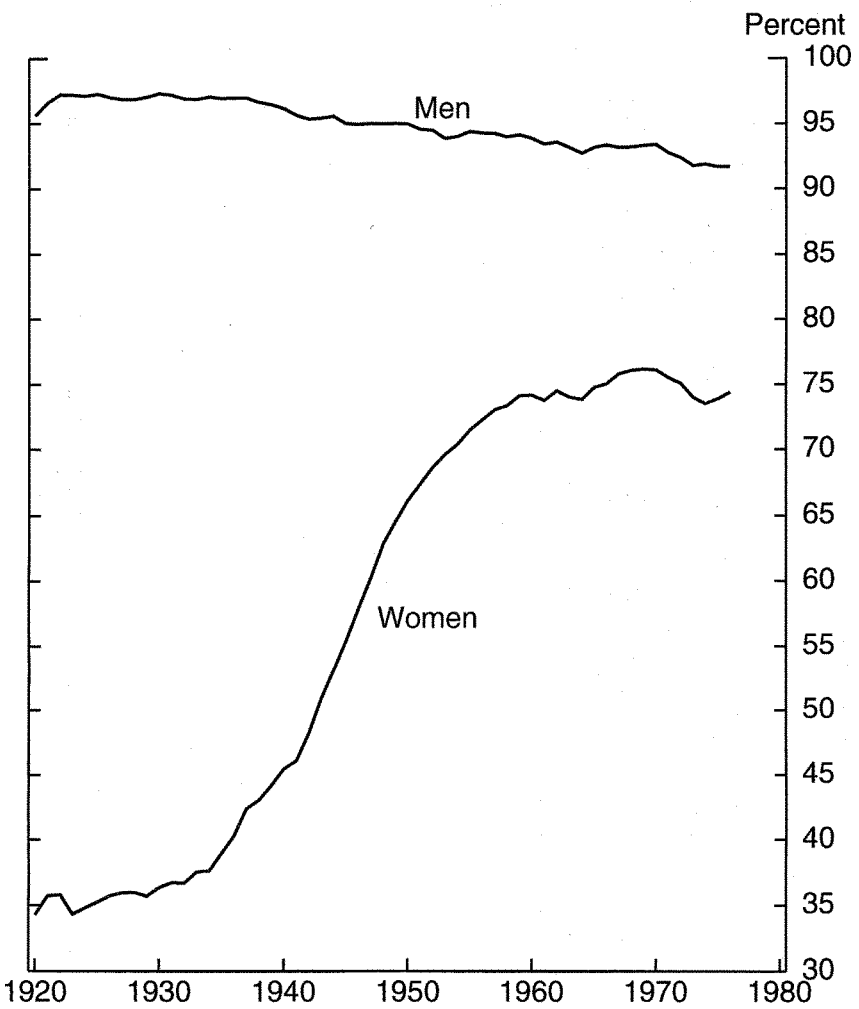
Labor Force Participation Rates of Men and Women, by Age, 2006



Source: Bureau of Labor Statistics.

Exhibit 3

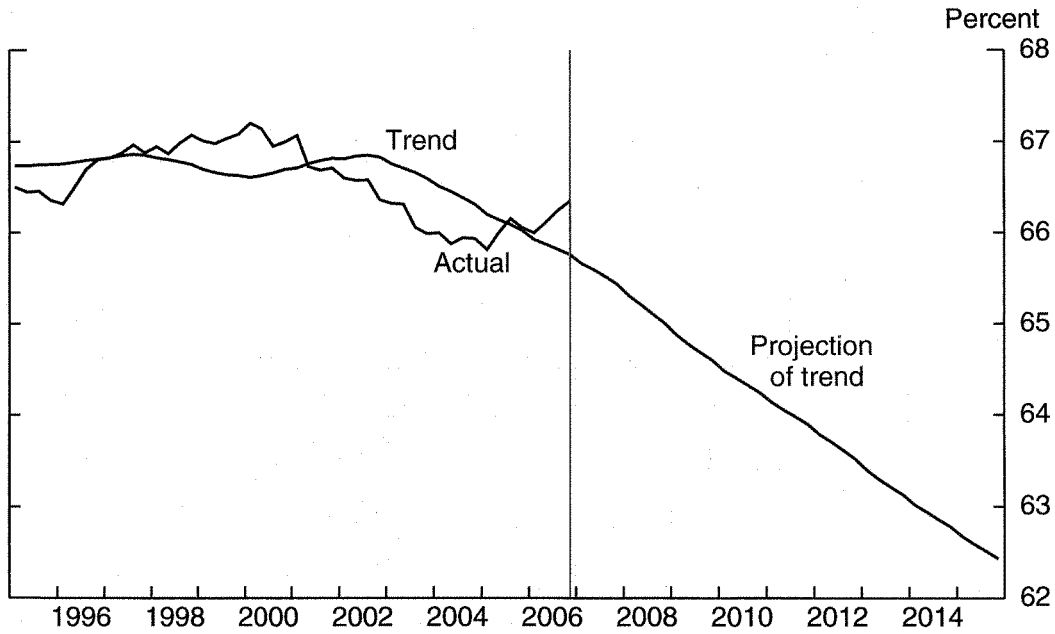
Labor Force Participation Rates of Men and Women at Age 30, by Birth Year



Source: Bureau of Labor Statistics.

Exhibit 4

Total Labor Force Participation Rate



Source: FRB staff paper.

Exhibit 5

Possible Changes Not Anticipated in the FRB Staff Model

- **Individuals**: Increasing longevity and improvements in health may induce many more individuals to remain in the workforce well past age 65.

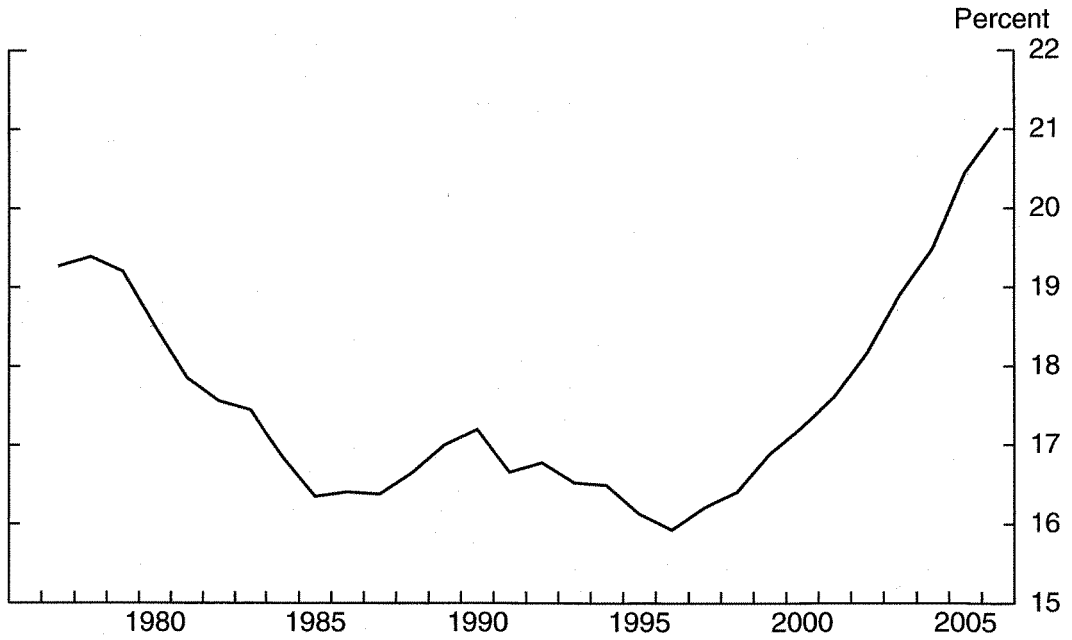
- **Employers**: Facing slower growth in the labor force, employers may look for ways to attract workers into the labor market.

- **Government**: Government policies can alter the attractiveness of remaining in the workforce.

- **Immigration**: If future immigration rates exceed those assumed by the Census Bureau, the population would grow faster than the Census Bureau currently projects.

Exhibit 6

Labor Force Participation Rate of Individuals Aged 62 and Older



Source: Bureau of Labor Statistics.

Exhibit 7

Actual and Projected Growth of the Labor Force, Population, and GDP

(Percent)

Year	Labor force		Population aged 16 and older	GDP[1]
	FRB Staff Paper	Congressional Budget Office	Census Bureau	
	Actual			
1995-2005 (average)	1.2	1.2	1.2	3.2
2006	1.7	1.7	1.3	3.4
	Projection			
2010	0.4	0.8	1.0	2.4
2015	0.2	0.5	0.8	2.2

1. The projection assumes that growth in output per worker is 2 percent per year, equal to the average from 1995 to 2005, and that employment growth equals the projection of trend labor force growth in the FRB staff paper.

The Chairman. Thank you, Dr. Kohn.

Mr. Walker, your forum participants said that most businesses are not focused on this issue and may not act until there is a crisis.

Given the labor force projections, do you think that Government has an important role to play in encouraging businesses to act sooner to attract and to retain older workers?

Mr. WALKER. Given the significant national implications that both of us have talked about, I do think that there is a broader public interest. I think that consideration needs to be given as to how public-private partnerships might be able to be used in order to enhance public education, and to facilitate sharing of best practices.

I also think that Government should look at its own policies and programs to determine what it can do to lead by example. For example, the Government is the largest employer in the United States. What can and should we do in order to lead by example with regard to our own policies with regard to seasoned workers?

Furthermore, as the Government looks down the road entitlement reform, namely Social Security, Medicare and Medicaid, tax reform and health-care reform, what can be done to try to facilitate and encourage people to work longer? I think there is a lot there.

Hopefully, we will get some of that out of the Labor Department's interagency task force that you referred to earlier. We are anxious to see what they come up with.

The CHAIRMAN. Isn't it true—and I think you are saying it is true—that our whole philosophy in this country, which has been at 65 people just naturally retire, and our entitlement programs are predicated on that and pension programs are predicated on that, and we sort of drum it into the mindset of people in our country that when you get to be 65, you retire—that whole philosophy must change if we are going to get older people in the workforce?

Mr. WALKER. Mr. Chairman, I think you are exactly right. I think a lot of times, people don't realize that Federal policies can have unintended consequences.

Let me take my father as an example, who was an executive with what now will be AT&T. He, was looking into determining when he was going to retire, and the fact that Social Security said you could retire at 62 had a significant psychological impact on him.

Furthermore, his employer piggy-backed on the Social Security early retirement age and made the employer-sponsored programs equivalent to the Social Security program. So, there were tremendous psychological factors that were involved here. When you get right down to it, Social Security is not material to his particular retirement income, but that is something we need to think about.

Frankly, I would respectfully suggest, I don't know if there is anything as a normal retirement age anymore. Maybe there is an age at which you get full benefits, where you don't end up having a penalty if you end up leaving earlier, or where you might get a supplement if you retire later. But words matter, and I think we need to think about our terminology and think about our policies in light of the tremendous changes in the economy and in light of the workforce shortages that we are expected to see in the future.

The CHAIRMAN. That is very good.

Dr. Kohn, I think you are telling us that if we don't somehow anticipate what is happening, and perhaps even if we do, we will not be able to change the outcome; our standard of living is likely to be affected considerably by this change in demographics.

Mr. KOHN. That is correct, Mr. Chairman. You can see it in the chart over there on Exhibit 7, and I think, partly, you see it in comparing the first or second column with the third column.

We have a situation in which the labor force will be growing less rapidly than the population. That means each worker, in effect, is working for more people, and the consumption of the folks who aren't working, who are dependent on the other folks, will have to be supported by their work.

So we will have increases in standards of living, but they won't be as rapid as they would be without the aging population. You can see, looking at, say, columns 4 and 5 there, we have enjoyed about a 2 percent increase in average standards of living over the last 10, 11, 12 years. Now, look down to the last column, and that is about a 1.5 percent increase in the average standard of living. If people expect their recent gains to continue, they are going to be disappointed.

So I think, yes, we do need to take steps to share the burden of how people retire and want to retire across generations. I think we need to take the steps that you and Mr. Walker have been talking about to encourage people to participate more in the labor force, to have more flexible work rules, to make sure that the Federal Government rules and the entitlement programs aren't putting barriers up, either psychological or real barriers, to people adopting a more flexible attitude toward retirement.

These are serious questions that stretch across generations that we need to confront.

The CHAIRMAN. Thank you so much.

Senator Smith.

Senator SMITH. Thank you, Mr. Chairman.

Mr. Walker, we are going to hear from a community college president from Oregon soon about skills. I am wondering, when you had your GAO older workers forum, did you focus at all on the skills gap that may exist for seniors and what we can better do to help remedy that?

Mr. WALKER. We did talk some about that. Probably the biggest skills gap that exists is that many seasoned Americans aren't as proficient with technology as younger workers are, in part, because——

Senator SMITH. I would be in that number, too, by the way.

Mr. WALKER. Yes, and I would imagine there would be a lot—but we don't have to identify everybody. [Laughter.]

That is a real challenge. Now, some jobs require proficiency with regard to the use of technology and some don't. But I think that is clearly an issue that more attention has to be focused on, and that was probably the single biggest issue that came out.

Senator SMITH. Yes. You know, I am just astounded at how much new technology comes out every year that is baffling to folks. That is probably undoubtedly an area where we can do a better job incentivizing community colleges to reach out and fill that gap.

I don't know if you have a comment on that, Dr. Kohn.

Mr. KOHN. I agree that that is a problem for all of us, I think, most of us in this room. But I do think that technology also helps to simplify job tasks to a certain extent, and people can be taught. I don't think I am as teachable today as I was 30 years ago, but I don't think I have stopped learning, and I am using technology a lot better and a lot smarter than I did just a few years ago.

So I think there are ways of adapting jobs and adapting the technology to most of the people in society. You don't need to be cutting-edge, high-tech to use this.

The technology is helping, I think, and should actually help older workers stay in the labor force by structuring the jobs in a more flexible way, for example, meaning that you don't have to commute by car. Telecommuting and things like that are also a product of technology. So I think it is a plus as well as a problem.

Mr. WALKER. I think we also have to keep in mind that, because of some of the comments that have been made earlier, many individuals may not want to embrace learning technology because they are planning to retire by a certain age, because they want to or because they think they can afford to, which, in many cases, they can't.

I think that one of the things that clearly has to happen is that we need to do more to help individuals plan, save, invest and make more informed decisions about when they really can afford to retire.

There are many Americans that don't realize that, with expected life spans, they have to have a lot more money than they may have at the point in time that they retire. That would provide them, then, another incentive to improve their skills such that they will ultimately be in a position to where they can retire comfortably at that point.

The Pension Protection Act also was a positive step forward, which Congress passed last year. It provides some flexibility for individuals to go from full-time work to part-time work and draw on their pensions. That was a huge barrier before, because you had to change employers in order to draw on your pension, which, obviously, didn't make a whole lot of sense.

So we are starting to make some changes that I think are necessary, but much more needs to be done.

Senator SMITH. I wonder if you can speak to financial planning literacy. I wonder if there is more that we could do at the Federal Government to foster that.

I have a bill that requires Social Security every year to send seniors a retirement readiness checklist what with questions such as will it take for you to retire, what income will you need, have you determined your life expectancy, and what are you saving?

I think you mentioned, David, that the savings rate is negative. I think most people—and if there are seniors watching this—understand that that calculation made by the Government is literally about two lines: What did you make, what did you spend, and the net is the savings rate.

But I wonder if you could speak to the issue of what the Federal Government can better do, perhaps through the Social Security Administration, to facilitate financial planning literacy.

Mr. WALKER. Well, first, it is my understanding that for the last 2 years in a row, Americans spent more money than they took home, now, possibly because of taking out home equity loans—I mean, there are a lot of ways you can get there. But the last time that that happened, it is my understanding, was 1932 and 1933, which weren't particularly good years for the economy.

Now, we are in a very different situation than 1932 and 1933. I think one of the things we have to recognize is that we need to look at our education programs, and we need to start no later than high school and probably earlier than high school with regard to financial literacy. It is amazing to me how few young people really understand the basics.

Unfortunately, many Americans are following the bad example of their Federal Government. They are spending more money than they make. They are adding debt at record rates, and they are facing increasing debt service costs due to compounding interest.

So I would say that Government needs to lead by example more, but I would also say that we need to figure out how Government can work at all levels to increase financial literacy and related education efforts, starting early.

Yes, we should think about what else could be done for individuals who are approaching retirement. But, quite frankly, in many cases, that is too late because people need to start thinking about planning, saving, investing and preserving for retirement so they can benefit from the miracle of compounding, because if they just find out late in the ball game, they have a lot fewer options.

Senator SMITH. Dr. Kohn.

Mr. KOHN. Senator, financial education has been a major initiative for the Federal Reserve over the last few years. Importantly, we are responding not only to the issues that Mr. Walker and you are talking about, the fact that people are living longer and need to think more carefully about what they have, but also the increasing complexity of the instruments available to people to borrow and to save.

People need to understand the implications of what they are doing, the implications of the contracts they are signing for their future welfare. The Federal Reserve has a number of programs starting in schools, working hand in hand with school systems across the country to start this education process. But it is a big and growing problem.

The financial miracle of our markets has extended a lot of opportunities down the income scale, across the age scale—opportunities for borrowing and saving that weren't there 5, 10, 20 years ago. But extending those opportunities means that we need to make sure the folks that are newly attracted in the financial system understand what they are getting and what the implications are.

It is a big issue.

Senator SMITH. Thank you very much.

The CHAIRMAN. Thank you, Senator Smith.

Senator CORKER.

Senator CORKER. Yes, Mr. Chairman.

Thank you. This has been great testimony.

Yesterday, in our offices, we went through some of the tremendous financial implications to our country and to individuals as it

relates to the very subject matter you are talking about right now. Obviously, Congress has not been particularly adept at dealing with some of these upcoming issues, and yet people working longer and saving more can be one of those things that actually can give us some breathing room and actually be productive for us.

I would love to hear some specific policy measures—I know you all have talked about incentives—both to encourage people to stay longer in the workforce, but also to addressing the savings side, which, obviously—as I traveled around the State of Tennessee extensively over the last couple of years prior to being here, I have a tremendous fear that we are going to have not just a tsunami as it relates to the workforce issue, not just a tsunami as it relates to Social Security and Medicare within Government, but I just see so many people that are going to be devastated in later years because of a lack of understanding about saving for retirement and not having the funds in place.

I would like to hear specific proposals that we here in the Senate might engage in to actually correct this.

Mr. WALKER. Well, I have mentioned a few things already, but let me note that I think we have four serious deficits in America today. We have a budget deficit. We have a balance-of-payments deficit, of which the trade deficit is a subset. We have a savings deficit. We have a leadership deficit.

Now, on the savings deficit, saving is critical to our future economic growth. It is critical to improving our standard of living over time. With savings, you get investment. With investment you get R&D. With R&D, you enhance productivity. With enhanced productivity, you can improve economic growth and you can improve our standard of living.

We have dis-savings at the Federal level, because we are running large deficits, larger than advertised, because we are spending all the Social Security surplus. We have negative savings rates for individuals, and that is a matter of concern.

I think Americans need to recognize the reality that Social Security, Medicare and Medicaid will be reformed, and that people will have to assume more personal responsibility for saving and investing and preserving those savings for retirement.

Now, that is going to be for younger people more than, after, people who are already retired or are nearing retirement. You are going to see little to no changes, in all likelihood, for those individuals. But the people who are not retired or who are not approaching retirement age, are going to have to assume more personal responsibility.

I think the other thing we have to recognize is we have a lot of tax incentives for saving. They result in a lot of foregone revenues. So we need to do a better job of analyzing, do they really increase the savings rate? Second, who benefits from those tax incentives?

I think one of the things, quite frankly, that we are going to have to think about, possibly in conjunction with Social Security reform, is whether or not there base ought to be a mandatory savings on top of a reformed and defined benefit Social Security program, e.g., 2 percent mandatory savings, payroll deduction, going into an individual account, into a real trust fund, with real fiduciary responsibilities, with limited investment options along the lines of the

Federal thrift savings plan, that would provide a pre-retirement death benefit, that would help to fund for long-term care, that would help to link people to the markets and how investments work.

So I think we are going to have to think outside the box, because I think our historical approaches, quite frankly, have not been very effective.

Mr. KOHN. Senator, I think if I could build on one of the remarks Mr. Walker made about people coming to realize what they can and can't count on in Social Security and Medicare, here is an example where, I think, the sooner we can act, the better.

I think people have to see action by their elected representatives to address these problems, so they can see what they can and can't count on in the future, so they can do the planning they need to do to have the savings, the flow of income, that they want to have in retirement.

These are issues in which the longer we delay attacking them, the worse the issues get. That demographic imperative means that you are not going to really cut benefits or make major changes for people near retirement. You want to give people a warning. This would be only fair. The longer we wait, the more that tsunami, that upswing in that chart, comes into play, the fewer people that can be affected by these changes.

So I think one of the really most important things that you could do as our elected representatives is to tackle these programs soon, so that people know and can plan on what they need to save. That would be No. 1.

No. 2, I agree that you should be looking at the incentives to save in the tax system. We have moved into the direction, to some extent, of taxing returns from savings a little less than we used to. But this is one of the issues raised by the tax commission last year, and that is something that you should be looking at. I don't know whether we are in the right place or not. That is really your decision.

But I think that interaction of the tax system and savings would be another fruitful place to look, as well as some of the things that we were talking about before, whether Social Security, Medicare, ERISA regulations, pension regulations are, at least, not giving people the wrong signals about when they should retire.

Senator CORKER. Mr. Chairman, thank you for this testimony.

I hope that each of you will meet personally with me later on. We want to set something up. We follow very much what both of you do, and I just see human tragedy on the horizon.

So many people are working for companies—you go, you talk to them in the lunchroom where they are working, and they say, "Oh, my company has a 401(k)," and you say, "Well, how much are you putting into it?" "Nothing."

I think that all of us together need to show leadership to cause people to really begin to act in a different way. I certainly realize that we in Congress have not shown much leadership as it relates to the financial issues that we are going to be dealing with down the road as it relates to Social Security and Medicare.

I thank you, and I look forward to meeting with you personally. I appreciate it.

The CHAIRMAN. Thank you, Senator Corker.

Senator CASEY.

Senator CASEY. Mr. Chairman, thank you very much for putting this hearing together. It is a very important issue.

I want to thank both of the members of this panel for your testimony today as well as your work and scholarship that goes into the testimony you provide today.

I want to make one comment. Senator Corker and I are in our first year, and we know the benefit of seasoned workers. Our colleagues who have been here ahead of us give us the benefit of that every day.

I come from a State where we have a higher percentage of those over 65 than virtually any other State, other than Florida. The last time I checked, it was about 15.6 percent over 65. The rest of the country around 12.4 percent or 12.5 percent, somewhere in that.

So we have in Pennsylvania, I know, both the reality of that demographic and also, I think, the opportunity to be able to test ideas maybe before other States do.

Certainly, seasoned workers—and, Mr. Walker, I am glad you gave us that terminology. It is important to use the right terminology. But I have no doubt that those workers play a vital role in the economy of Pennsylvania and the country.

I think one of the important points both of you have made is that this isn't just a good thing to do. That, in and of itself, would be helpful to younger workers to have the benefit of that experience that their colleagues provide. I think it would provide, if not an economic benefit, certainly an intangible benefit you really can't define.

But the point you have made is that making sure that we are providing incentives for seasoned workers to stay in the workforce longer is not just an economic benefit, but there is an economic imperative here.

Mr. Walker, I was struck by your introduction in the GAO report, where you say in the first paragraph, "By 2025, the labor force growth is expected to be less than a fifth of what it is today. Without a major increase in productivity or higher than projected immigration, low labor force growth will ultimately lead to slower growth in the economy and slower growth in Federal revenues." We can't say that enough, and I am glad that both of you have highlighted that.

Then, also, there was a CBO number which I am reading from some of the summaries of the testimony: "From today to 2017, CBO projects that slower labor force growth will slow average economic growth to 2.6 percent, compared to an average of 3.2 percent over the past 4 years."

All of that by way of background to highlight the imperative. I guess the question I have is very simple, and I invite both of you to weigh in on this.

In terms of the strategies, the real basic strategies the U.S. Senate should deal with, whether it is changing the national mindset, whether it is changing the culture of retirement, whether it is financial literacy, the clearinghouse idea that is highlighted in the GAO report, legislation or regulation to increase flexibility from

employers—of those strategies—because we know what the problem is, and we know what the imperative is.

Of those strategies, what are the ones that you think are most effective and most likely to be the subject of action in the U.S. Senate?

Because too often we talk about theories, but we need to move the ball down the field, so to speak, expeditiously.

Of those strategies or others, what do you think are the most important, first? Second, what do you think are the most likely to have success in the U.S. Senate and the House?

Mr. KOHN. Well, Senator, I would hate to choose. I would like to say all of the above and dodge the question in that way. But I do think that the problem is serious enough that we can't afford to operate on some dimensions and not others.

As you were talking, I was thinking about my own mother, who was a resident of Pennsylvania and who retired as a teacher and then went back to work part-time, using some of her teacher training, at the Philadelphia Museum of Art. She had a second career of 20 years after her retirement. She had the opportunity because it was part-time, the hours were flexible, and they used the skills that she had acquired as a teacher in the Pennsylvania school systems.

So I think that, to a considerable extent, people, through their private initiatives, will do a lot to solve these problems. Businesses will see that their incentives are to make work available that people can do, to be flexible. Individuals will be incentivized by the fact that they are living longer and feeling better. They are capable of working. They get a lot of satisfaction, as I know my mother did out of her work experience. I think, to a large extent, this will be taken care of by the private market.

But we need to be very certain that people in the private sector are educated to what is possible and what can be done. We have all worked in places that are reluctant to make changes because there could be costs to them. But if they can see that other firms have made changes to accommodate seasoned workers, that there haven't been the costs that they might fear, I think that this would be very important.

So it is information, it is policies. I just don't think we can choose certain things.

Senator CASEY. Thank you.

Mr. WALKER. Senator, I believe that, ultimately, market forces will come together and they will force people to act.

But we need to figure out what we can do to encourage people to act sooner rather than later, because this is a national imperative. This is not a want; this is a need. We need to do something here.

Now, I would respectfully suggest that there are probably several categories.

One category would be: What are some of the things that need to be done, that need to be done cooperatively, that might require public-private partnerships, not necessarily just involving the Federal Government, but also involving State and local Government public education, the clearinghouse idea, financial literacy efforts? What can be done at different ages to try to help in that regard?

Second, let's make sure the Government leads by example. The Federal Government is the largest employer in the United States. Let's make sure that our Government policies and programs are such that we are actually leading by example here.

Then, last, I would say that there are certain things that only the Federal Government can do. The Federal Government is going to have to reform Social Security, Medicare and Medicaid, sooner rather than later. The Federal Government is going to have to engage in comprehensive health-care reform, and it is going to have to engage in comprehensive tax reform, probably in installments over a number of years, but we need to get started.

So there are certain things that we should encourage. There are certain things that we should do in partnership with others. There are certain things that we should lead by example as the largest employer in the country. There are certain things that only the Congress, in conjunction with the President, can do, and that has to deal with legislative actions.

Senator CASEY. Thank you very much.

The CHAIRMAN. Thank you very much, Senator Casey.

Gentlemen, I cannot say how much we appreciate your being here today and giving us the benefit of your experience and your wisdom. It has made a big contribution to this hearing and to the whole effort that we are engaged in. So we thank you for coming here today.

Mr. WALKER. Thanks.

I would like to thank our staff. Our staff does a great job, and I just try to make sure I don't let them down.

The CHAIRMAN. Thank you.

Mr. KOHN. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Now, we will turn to our second panel.

Our first witness on the second panel is Dr. Marcie Pitt-Catsouphes. She serves as director of the Center on Aging and Work, a unique research center at Boston College. She holds an MSP from Boston College and a Ph.D. from Boston University. She is here to describe the impact of the aging workforce on businesses and what they could do, but are not currently doing, to prevent a brain drain.

The second witness will be Javon Bea, president and CEO of Mercy Health System. I am proud to say that Mercy Health System, based in Janesville, WI, is ranked the number-one employer for older workers by AARP, in part because of its flexible work schedules.

Mr. Bea's leadership and success in the business world is widely recognized, and I hope other companies will follow his example. He will discuss his company's need for older workers, his policies for hiring and retaining older workers, as well as a need for other companies to adopt similar policies on a Nation-wide scale.

We have a third witness from the State of Oregon, who Senator Smith will say a word about.

Senator SMITH. Thank you, Mr. Chairman.

It is my pleasure to again welcome Dr. Preston Pulliams. He is a great Oregonian, and he is also the district president of the Portland Community College. He will be discussing Portland Commu-

nity College as it is supporting older learners who want to remain in the workforce and partnering with businesses to assist them in retaining older workers.

So thanks for coming, Preston.

Mr. PULLIAMS. THANK YOU, SENATOR.

The CHAIRMAN. Thank you.

Ms. Pitt-Catsouphes.

STATEMENT OF MARCIE PITT-CATSOUPHES, DIRECTOR, CENTER ON AGING AND WORK/WORKPLACE FLEXIBILITY, CHESTNUT HILL, MA

Ms. PITT-CATSOUPHES. Good morning, Senator Kohl, Senator Smith and Members of the Special Committee on Aging. I certainly thank you for the opportunity to come and speak before you today.

This morning, I would like to address four key points.

First, as we have already discussed, the time really is right.

Demographers have used the metaphor of the pig and the python to describe how the baby-boomer population group has changed the contour of virtually every societal institution. Today, the boomers have passed the midsection of that python. An average of 4.6 adults will turn 65 each minute in 2007. By 2025, this will increase to an average of 8.0 adults per minute.

The projections for the aging of the labor force are also dramatic, and these statistics compel us to pay attention. If you consider older workers to be those who are 45 years and older—and I want to emphasize that this is an age demarcation that is often used at the workplace—older workers comprise approximately 40 percent of today's workforce.

Labor economists anticipate a significant increase in the percentage of older workers over the next 5 years, a 48 percent increase in the number of workers aged 55 to 64 and a 40 percent increase in those 65 and older.

There really are three basic sets of reasons why anywhere from two-thirds to three-quarters of older workers anticipate working into their 70's.

First, as we have discussed, our life spans have expanded, and most people report they enjoy relatively good health during their older years. This makes it possible for people to consider working longer. If older adults leave the labor force as early as 62, they could have two decades or more in retirement, and many boomers are telling us this is just too long for full-time retirement.

Second, many boomers do not have sufficient savings, as we have discussed, for the 20 or more years of retirement. These boomers will face precarious financial situations if they retire completely, and a substantial number will, in fact, outlive their savings. This is the have-to reason.

Third, a significant portion of boomers indicate they also want to work, because being employed offers many quality-of-life benefits.

My second point is that flexible work options, indeed, are important. Although a majority of older workers expect to work past what has become our traditional retirement age, few of them, in fact, less than 10 percent, report they want to work on a full-time, full-year basis.

Older workers are seeking flexible employment situations which includes opportunities, choice and control. These flexible work options can take many shapes, but they include options for different starting and quitting times, the number of hours worked, the number of months they work each year, provisions for entering and exiting, re-entering the workforce, and remote work.

The access that older workers have to flexible work options may well be one of the most critical factors in their decisions about whether they can and they want to remain in the labor force. But here is the rub: Only a minority of U.S. workers has access to the flexible work options that they both want and need.

My third point is that employers are not yet taking many steps to get ready for the aging of the workforce. Indeed, many employers are aware of the predictions about the anticipated labor force shortages, and they acknowledge the value that older workers already do add to the workplace.

Let me first speak to the labor force shortages briefly. As we have discussed, many labor force economists feel that U.S. businesses, at least those in some industries and in some regions of the country, will face either workforce shortages in general or may not be able to find the talent they need for specific occupations.

The second point is the one that is most compelling for employers, that, in fact, there may not be enough people to fill jobs in some professions which depend on experienced workers, and these could confront challenges if a majority of the boomers abruptly transition into full-time retirement. Specific industry sectors, such as health care, may be particularly vulnerable to occupational replacement needs.

The second point here is the value of older workers. This past year, our Center on Aging and Work/Workplace Flexibility conducted a study to explore the perspectives of U.S. employers about the aging of the workforce, their readiness to respond, and including their adoption of a range of flexible work options.

The first thing that is important is the employers reported positive attitudes about their own older workers, these they have already hired, particularly when compared to their assessments of young-adult employees and workers at mid-life.

It is particularly important to note that the employers were likely to report that it is very true that older workers tend to bring attributes that can directly contribute to organizational success. These included their high level of skills compared to what is needed for the job, their professional networks, their client networks, and their desire to lead and to supervise.

Despite these positive attitudes, however, only a small percentage of employers in our study seemed to be getting ready. For example, a fourth of the employers stated their organizations had not analyzed the demographics of their own workforces at all, and only a third of the employers reported that their organizations had made projections about the retirement rates of their own workers to a moderate or great extent.

Over half of the employers say that they have made a strategic link between flexible work options and business effectiveness. Unfortunately, less than half of the employers say that they allow

most or all of their full-time employees to access different forms of flexible work options.

The fourth point is that employers are interested in information about promising practices. In closing, I would like to share with you just a couple of lessons I have learned about the ways employers pilot-test innovative practices.

First, they want a strong business case for the innovation. Second, they want solid, research-based evidence about the probable outcomes of innovative practices.

But as important as these first two steps are, they are rarely enough to spur employers into action. Business practitioners often want to see examples of innovative practice as implemented by other employers before they are willing to try the innovations at their own workplace.

For this reason, this spring, our center is pilot-testing a benchmarking data base project for promising practices. We feel such a data base with rich information about the real-life experiences will help employers adjust to both the opportunities as well as the demands of our 21st-century world of work.

Thank you very much.

[The prepared statement of Ms. Pitt-Catsouphes follows:]

A Research Center Supported by the Alfred P. Sloan Foundation

THE CENTER ON
AGING & WORK | WORKPLACE FLEXIBILITY
AT BOSTON COLLEGE

Testimony Given by Dr. Marcie Pitt-Catsouphes
To the Senate Special Committee on Aging
February 28, 2007

Good morning Senator Kohl, Senator Smith and members of the Senate Special Committee on Aging.

My name is Dr. Marcie Pitt-Catsouphes. With my colleague Dr. Michael A. Smyer, I direct the Center on Aging & Work/Workplace Flexibility at Boston College.

Thank you for the opportunity to come before you today and share my perspectives about the opportunities and challenges that face our country with regard to the aging of the workforce.

During this testimony, I will be presenting research-based information to you. However, the opinions I offer are mine and should not be interpreted as official positions either of the Center or the Alfred P. Sloan Foundation which supports our work.[1]

I believe that the aging of the U.S. workforce may well be one of the defining social issues of the 21st century. This new demographic could have far-reaching implications for:

- the well-being of older workers and their families,
- the development of innovative workplace policies and practices that could make good use of the talents of experienced workers, and
- the adoption of public policies that are in synchrony with the realities of older adults' plans for work and retirement.

This morning, I would like to focus on four key points.

1. The time is right for our country to develop innovative responses to the needs of older workers.
2. Access to flexible work options is a priority for older workers.
3. At present, most employers have not yet taken many steps to ensure that they are ready to engage the talents of older workers.

[1] *Information in italics supports comments made during the testimony.*

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4. Employers - even those that we might consider the most advanced in this arena - are searching for "promising practices."

1. The time is right.

Policy makers often ask two critical questions when they consider whether "the time is right" to consider and respond to new socio-economic issues.

- Who is affected by this issue?
- Is this an "important" or "significant" issue?

The aging of the workforce is important, in part, because older adults comprise a significant proportion of our population, and this demographic will become even more pronounced over the next 15-20 years as the Baby Boomers (those born between 1946 and 1964) continue to age.

The sheer size of the Baby Boom generation has had ripple effects on our society practically since they were born. For several decades, demographers have used the metaphor of the "pig in the python" to describe how this large population group has changed the contours of our societal institutions as they have grown from childhood to adulthood. For example, communities across the country instituted "split session" school days and started to construct new school buildings when these Baby Boomers entered kindergarten and first grade. Today, of course, this group of Baby Boomers has now past the mid-section of that python, and they have become older adults who range in age from 43 - 61.

Let us consider just a couple of statistics about the aging of the population, in general:

- In 1980, individuals age 50 and above represented 26% of the population. In 2003, they represented 28% of the population; but by 2050, they are projected to represent 37% of the population (U.S. Census Bureau, 2005).

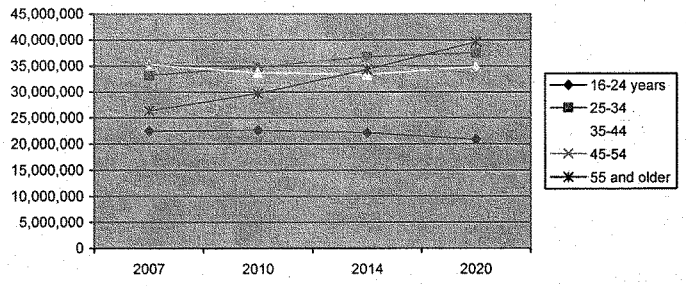
- The Center on Aging & Work/Workplace Flexibility has used U.S. Census data to calculate that an average of 4.6 adults will turn 65 each minute in 2007. In 2025, an average of 8.0 adults will turn 65 each minute (McNamara, 2006).

This morning, what is of particular importance is the aging of the labor force, not just the population in general. The projections for the aging of the labor force are dramatic, and these statistics compel us to pay attention.

At present, there is no one commonly accepted line of demarcation that indicates when adult workers become older workers (Pitt-Catsouphes & Smyer, 2006). If you consider older workers

to be those who are 45 years and older, older workers comprise approximately 40% of today's workforce, increasing to 44% of the workforce by 2020 (See Figure 1).

Figure 1: Labor Force Composition
by age groups



Source: Data from the Bureau of Labor Statistics, 2007

Labor economists anticipate a significant increase in the percentage of older workers over the next five years: a 48% increase in the number of workers aged 55-64 and a 40% increase in those 65 and older. In contrast, for example, we can expect only a 1% increase in the 20-24 year old group, a moderate 12% increase in the 25-34 year old group, a moderate 10% increase among the 35-44 years olds, and a 10% decrease among the 45-54 year olds. (Horrigan, 2004)

A number of surveys have found that between two-thirds and three-quarters of Baby Boomers plan to continue to work into the so-called "retirement years." (Helman, Copeland, & Van Derhei, 2006; AARP) One AARP survey of older workers found that over half of workers between the age of 50 and 70 expect to continue to work until 70 (AARP, 2003).

We should expect the Baby Boomers to re-define retirement. In fact, focus groups conducted by the Center on Aging & Work/Workplace Flexibility found that older workers often referred to "retirement" as "the R-word" because they felt it has so many negative connotations. Interestingly, it is commonplace to hear Baby Boomers to talk about their plans for their "retirement-jobs". This was a concept barely imagined just 5 years ago.

There are three sets of reasons why many older workers anticipate working into their 70s.

- First, our lifespan has been extended, and many people enjoy good health during their older adult years. According to the Federal Interagency Forum on Aging, U.S. citizens who lives to age 65 can expect to live an average of nearly 18 more years and those who survive to age 85 today can expect to live for an additional 6 - 7 years. A majority of our older adults (73% of those 65 and older) report that their health is good or better (Federal Interagency Forum on Aging, 2006). Having longer and healthier lives makes it possible for people to consider working longer. Furthermore, if older adults leave the labor force as early as 62, they could have two decades or more in retirement. Some Baby Boomers feel that this is "too long" for full-time retirement.

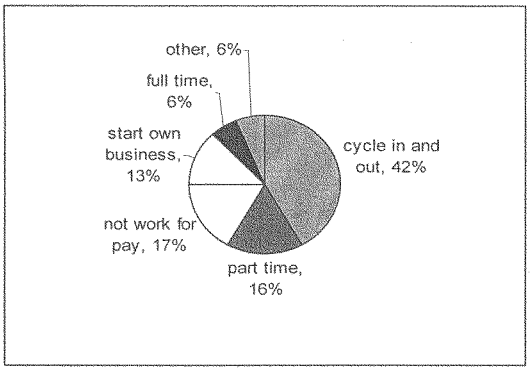
- Secondly, many Boomers do not have sufficient savings for the 20 or more years of retirement. According to the most recent Retirement Confidence Survey conducted by the Employee Benefits Research Institute, three-fourths (74%) of workers age 55 and older report that their savings are less than $249,999 (Helman, Copeland, & Van Derhei, 2006). Many Baby Boomers will face precarious financial situations if they retire completely; a substantial number will outlive their savings. The Center for Retirement Research at Boston College reports that, as a result of increasing longevity and inadequate retirement resources, 35% of the Early Boomers (born between 1946 and 1954) will not have sufficient retirement income; this rises to 44% of the Late Boomers and 49% of the Generation Xers (Munnell, Golub-Sass, & Webb, 2007).

- Third, a significant proportion of the Boomers indicate that they also want to work because being employed offers important quality-of-life benefits. Older workers recognize that employment provides them with intellectual stimulation, a sense of purpose and accomplishment, access to a social support system, and "something to do." (Smyer & Pitt-Catsouphes, in press)

2. Flexible work options important.

Although a majority of older workers expect to work past the traditional retirement age, few of them want to work on a full-time, full-year basis. Indeed, a recent survey of Baby Boomers found that only 6 percent want to work as full-time employees (Harris Interactive, 2005).

Figure 2: Employment Preferences of Baby Boomers



Source: Harris Interactive, 2005

The message is clear: older workers are seeking flexible employment situations.

The notion of flexibility recognizes that "one size doesn't fit all" (Pitt-Catsouphes & Smyer, 2005). I consider the term "flexibility" to refer to workplaces that offer opportunities, choice, and control to employees and to their supervisors.

Flexible work options can take many shapes, but they include options for:

- starting and quitting times (for instance, flexible schedules),
- the number of hours worked (for instance, part-time jobs or phased retirement),
- the number of months worked each year (for instance, 9-month positions), and
- remote work (for instance, telecommuting for part or all of the work week).

Flexible work options might also include the choice to cycle in and out of the workforce, the flexibility to work at one worksite for part of the year and at another worksite of the same employer for another part of the year), job mobility, career flexibility, benefits flexibility, and options for changing the scope and intensity of some job responsibilities. For older workers with marketable skills and competencies, flexibility could also entail the opportunity to work as a consultant or contractor or even to start a small business (Center on Aging & Work/Workplace Flexibility, 2005).

There are two important points with regard to flexibility.

1. It is my opinion that workplace flexibility will become one of the hallmarks of good management practice, in part because it can produce positive outcomes for employees as well as for workplaces if implemented in a quality fashion.
2. As importantly, the access that older workers have to flexible work options may well be one of the most critical factors in their decisions about whether they can and want to remain in the labor force.

But here is the rub: only a minority of U.S. workers has the access to the flexible work options that they want and need. One of the most commonly available forms of flexibility is schedule flexibility and less than half (43%) report that can even periodically change their starting and quitting times within some range of hours (Families and Work Institute, 2002).

3. In general, employers are not taking many steps to get ready for the aging of the workforce.

Forward-thinking employers are examining links between the aging of the workforce and core business strategies. Particular attention has been focused on the intersections between anticipated labor force shortages expected for some occupations in specific industries and the value of experienced workers.

Anticipated Labor Force Shortages: For the past three decades, there has been an almost steady supply of workers for the American labor market due to the sheer size of the Baby Boom generation coupled with the relatively continuous employment of women in this age cohort.

However, many labor economists feel that U.S. businesses – at least those in some industries and in some regions of the country – will face either workforce shortages (in general) or will not be able to find the talent they need for specific occupations. These projections reflect a number of factors but, as Dychtwald et al. (2004) state, "... 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." (p.1)

There is significant debate among labor force economists about the extent of the predicted labor for shortage in the United States. The Employment Policy Foundation reported that the demand for labor in the U.S. will exceed the supply by 2006, with a projected shortage of perhaps as many 6 million qualified workers by 2012. Furthermore, they expect that the shortage will continue to increase through the first three decades of the 21st century (Potter, 2003). The Department of Labor also anticipates that the labor force need/supply gap will continue to increase, estimating that there will be 168 million jobs in the U.S., but potentially only 158 million people in the labor force in 2010 (U.S. Bureau of Labor Statistics, 2002). Productivity increases could offset some of the labor force pinch, but the productivity increases would need to be significant (U.S. General Accounting Office, 2004).

There might not be enough people to fill the jobs in some professions and occupations which depend on experienced workers could confront challenges if a majority of Baby Boomers abruptly transition into full-time retirement. Specific industry sectors, such as health care, may be particularly vulnerable to the labor force replacement needs anticipated for specific occupations (U.S. Bureau of Labor Force Statistics, 2007). For example, 10 of the 20 fastest growing occupations are concentrated in health services. These positions include: medical assistants (59% growth), physician assistants (49% growth), home health aides (48% growth), and medical records and health information technicians (47% growth) (U.S. Bureau of Labor Statistics, 2002).

The Value of Older Workers: This year, the Center on Aging & Work/Workplace Flexibility completed a study to explore the perspectives of U.S. employers about the aging of the workforce, and their readiness to respond, including the adoption of a range of flexible work options. We obtained information from 578 workplaces in the U.S. (Pitt-Catsouphes, Smyer, Matz-Costa, & Kane, 2007)

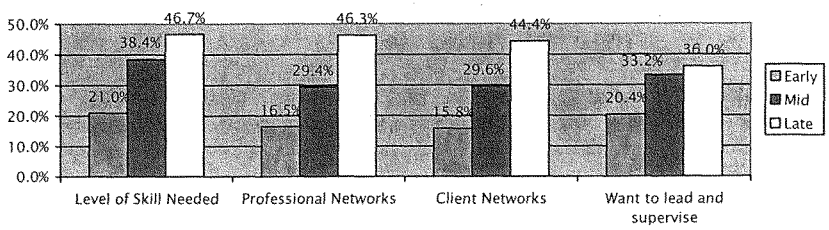
Employers reported positive attitudes about older workers, particularly when compared to their assessments of young adult employees and workers at mid-life.[2] For example, older workers are perceived as being more loyal, having a strong work ethic, and more reliable (Appendix A).

It is also worth noting some of the similarities in employers' perspectives of young adult, midlife and older workers. Contrary to some of the stereotypes of older workers, similar percentages of employers (within a 10 percentage point spread) felt it is "very true" that older workers take initiative as did those who reported that this is "very true" for young adult and mid-life employees. There was also little difference in the percentages of employers who felt it was "very true" that employees in these age groups are productive.

Given employers' need to focus on performance and productivity, it is particularly important that employers were likely to report that it is "very true" that their older employees tend to bring attributes that can directly contribute to the organizational success, including: their high level of skills, their professional networks, their client networks, and their desire to lead and supervise (See Figure 2.).

[2] The employers who responded to this survey were asked to clarify the age ranges typically associated with "early career," "mid career," and "late career" employees. For the purposes of this testimony, I will use the terms "young adult workers," "workers at mid life," and "older workers" that reflect the age ranges associated with the three career stages.

Figure 2: Business-Related Attributes by Career Stage
% respondent organizations stating "very true"



Source: Pitt-Catsouphes, Smyer, Costa-Matz, & Kane, 2007

Let me recap the situation about the business case for recruiting and retaining older workers: many employers understand that they may be facing some workforce shortage and employers appear to have positive assessments of the contributions that older worker make to their businesses.

But, are they ready for the aging of the workforce?

Our study found that only a small percentage of employers seems to be "getting ready". On the one hand, employers appear understand that the aging workforce is nearly at their doorsteps. On the other hand, since the oldest of the Baby Boomers will not reach the traditional retirement age (62-65 years) for a couple of years, most employers do not exhibit a sense of urgency.

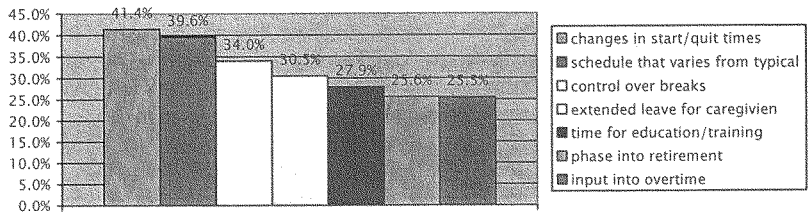
- One-fourth (25.8%) of the employers stated that their organizations had not analyzed the demographics of their workforces at all.
- Only 12.0% felt that their organizations had pursued this type of analysis "to a great extent."
- About one-third of the employers reported that their organization had made projections about the retirement rates of their workers to either a "moderate" (24.1%) or "great" (9.7%) extent.
- Approximately one-third (30.7%) report that they have "to a great extent" adopted practices to recruit employees of diverse ages.

Let us now turn our attention to action steps. I would like to focus on the availability of flexible work options, since they are so important to older workers. This is where we face a bit of a paradox. Over half of the employers (54.9%) say that "to a moderate/great extent" they have

made a strategic link between flexible work options and business effectiveness. However, as noted in Figure 3, less than half of the employers say that they allow most or all of their full-time employees to have access to different forms of flexible options, such the ability to change starting or quitting times or to adopt a schedule that varies from the typical schedule for that organization.

Figure 3: Flexible Work Options Most Frequently Available to "Most/All" Full-Time Employees

% of respondent organizations



Source: Pitt-Catsouphes, Smyer, Costa-Matz, & Kane, 2007

I believe that we are at a critical crossroads: if employers want to take full advantage of the talents that older workers can and want to contribute at the workplace, it will be important for employers to take concrete steps toward the goal of workplace flexibility.

4. Employers are interested in information about promising practices.

In closing, I would like to share with you some of the lessons I have learned about the ways that employers pilot test innovative practices.

- First, they want to see a strong business case for the innovation.
- Secondly, they want solid research-based evidence about the probable outcomes of the innovative practices. Research supported by the Alfred P. Sloan Foundation and other funders is providing this data.

As important as these first two steps are, they are rarely enough to spur employers into action.

- Business practitioners often want to see examples of innovative practice – as implemented by other employers – before they are willing to try innovations at their own workplaces.

For that reason, this spring, the Center on Aging & Work/Workplace Flexibility is pilot testing a benchmarking database project for "promising practices." We are gathering descriptive information about these innovations. Equally important, we will put that information into context by comparing organizations with promising practices with the nearly 600 organizations that participated in our National Study of Business Strategy and Workforce Development. We feel that such a database with rich information about real-life practice experiences will help employers adjust to the opportunities and demands of the 21st century world of work.

In conclusion, I urge you to think about the aging of the workforce as a common ground issue, one that is of concern to older workers and their families, employers, and elected officials. Congressional leadership will be important in encouraging innovations, supporting the documentation of promising practices, and convening forums for the discussion of how the aging of the workforce could offer some opportunities for our country.

But, the demographic imperative is upon us. As a society, we need to take action.

Thank you for focusing national attention on this important topic and for inviting me to participate this morning.

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Appendix A

Perceptions of Positive Workforce Characteristics by Career Stages
% respondent organizations stating "very true"

	Early-Career	Mid-Career	Late-Career
Our employees are loyal to the company.	22.4%	37.7%	53.8%
Our employees have a strong work ethic.	24.4%	39.4%	51.9%
Our employees are reliable.	23.5 %	46.1%	51.3%
Our employees have low turnover rates.	19.0%	33.6%	50.3%
Our employees have high levels of skills relative to what is needed for their jobs.	21.0%	38.4%	46.7%
Our employees have established networks of professional colleagues).	16.5%	29.4%	46.3%
Our employees have established networks of clients.	15.8%	29.6%	44.4%
Our employees are productive.	28.5%	42.1%	38.5%
Our employees want to lead and supervise others.	20.4%	33.2%	36.0%
Our employees take initiative.	30.7%	34.5%	32.1%
Our employees are creative.	35.4%	34%	29.1%

Source: Pitt-Catsouphes, Smyer, Costa-Matz, & Kane, 2007

The CHAIRMAN. Thank you very much.

Mr. Bea.

STATEMENT OF JAVON BEA, PRESIDENT AND CEO, MERCY HEALTH SYSTEM, JANESVILLE, WI

Mr. BEA. Thank you, Chairman Kohl, Ranking Member Smith, Members of the Committee, for this opportunity to discuss the shortage that we see of health-care workers coming forth in our industry.

Mercy Health System currently operates 63 facilities throughout southern Wisconsin and northern Illinois. We are based out of Janesville, WI.

As Chairman Kohl mentioned, last fall, we were named as the number-one employer in the Nation by AARP for workers over 50. Currently, 28 percent of our workers are over the age of 50, and we expect this number to grow in the upcoming years.

We actually started to analyze this problem about a decade ago—the impending shortage of health-care workers.

Just a couple of interesting statistics that isn't in my written testimony that I came across is that we employ at Mercy hundreds of physicians, and by 2020, the number of physicians that are expected to retire each year is going to be greater than the number who graduated last year.

In 2001, an American Hospital Association survey showed that 75 percent, 75 percent, three-quarters, of the 168,000 vacancies in health care were nurses. That is a real—it is hard to run a hospital without nurses.

So, basically, we decided some time ago that we needed to start to change our systems of scheduling. We started talking to our older workers, older physicians, nurses and said, "What do we need to do in order to keep you in the workforce longer?" It came back, as Marcie just stated, flexibility. They want more control over their time, their lives, to be able to pursue other things.

So we developed a system that really provides flexibility in hours of the day, days of the week, seasons of the year, and location of work site. That way, we are able to recruit older workers but, more importantly I think, maintain workers that we have invested a great deal of time, money and training in through the years, who are still very healthy and have forgotten the idea that, "Boy, I am going to leave at age 55 so I can pursue some interest "or" I can spend winters with my husband in Florida." What we have done, then, is make that possible for them to do it now and stay in the workforce.

One of our most popular benefits is what we call our work-to-retire program, which allows employees over age 50 the opportunity to work reduced hours, pool hours, work at home, and still maintain all their benefits.

In the work-to-retire program, if you are age 55 or over, you can work seasonally. So you work 1,000 a year at your discretion, and then you can still maintain full benefits throughout the entire year. So that allows individuals, as I said, to spend winters in Florida, to pursue other interests. Some people go on mission work. We just had some nurses go over and do some mission work in Kenya for 6 months, came back to their jobs, and maintained full benefits.

What we have done, also, in addition, is invest a great deal of resources in training programs in order to help even our non-skilled personnel to be able to adapt to new technology changes.

We have invested heavily in mechanical assisted lifting devices at all of our hospitals that allow older nurses to be able to lift patients more easily using these mechanical assisted lift devices—doing whatever we need to do to keep people, again, who are highly skilled, highly experienced, at a time in their lives where their children are raised, they do want to give back to society, they do want to keep working, but they just don't want to be in that 8:00-to–5, Monday-through-Friday, daily grind all year long.

So throughout the years, we basically have also found—and this is more of an intangible note—that we have less complaints, patient complaints, regarding the care provided by our older workers. Our data shows that our older workers, our older nurses, are simply, generally—there are always exceptions—kinder, more patient, gentler, and they relate.

You have to be really sick to get into a hospital today. You are usually older, and I think the more mature worker can actually relate to many of our patients sometimes more than our younger workers.

So as a consequence, our older workers serve as good mentors. They serve as good role models. We started to discover on the patient floors where we had older workers that we had better patient satisfaction, because they were having a positive influence in a mentoring role on our younger nurses.

So as a business, we really think that we benefit, as well as our older workers benefit. Some of our folks, because they are highly skilled physicians, nurses, they tell us that they are at a point—and with our retirement program, they are not so much working for the money.What they don't want to do is have to work the Monday through Friday, 8 to 5, all-year grind. So they really want to continue to contribute to society.

So we really believe that providing programs will help older workers stay in the workforce. It is a win-win for businesses, as well as the workers.

I think what I would like to do is just thank you again for inviting me and then open up to any questions.

[The prepared statement of Mr. Bea follows:]

The Aging Workforce: What Does It Mean for Businesses and the Economy?
Testimony of Javon R. Bea, President and CEO of Mercy Health System
February 28, 2007

1. Thank you, Senator Kohl, for the opportunity to discuss the impact of the aging workforce on today's businesses. My name is Javon Bea and I am president and CEO of Mercy Health System, based out of Janesville, Wisconsin. Mercy operates 63 facilities throughout 24 southern Wisconsin and northern Illinois communities.
2. Last fall, Mercy Health System was ranked number one on the AARP Best Employers for Workers Over 50 list, an honor received because of the unique programs we offer to our older workers.
3. Mercy Health System employs 3,856 workers. Of those, 28% are over the age of 50, and we expect this number to grow in the coming years, as the shortage of qualified health care workers continues to grow.
4. A decade ago when analyzing the impending shortage of health care workers, we knew we needed to put programs in place to recruit and retain older workers.
5. When talking to our mature employees, we find that what they want most in a job is flexibility... time off to travel, volunteer and be with family.
    - And so we continue to develop flexible work schedules and benefits to meet their needs.
    - In return, Mercy is able to recruit and retain a large percentage of older workers, who bring a wealth of knowledge and expertise to their jobs.
6. One of our most popular benefits is our "Work to Retire" program, which allows employees over age 50 the opportunity to work reduced hours, pool, or work-at-home schedules.
    - It also allows employees age 55 and older the ability to work seasonally, for 1,000 hours a year at their discretion, while still maintaining benefits for the entire year.
    - Thus, they could choose to work full-time for six months, then take six months off to travel, live part of the year in a warmer climate, spend time with their families, or whatever they may choose, while still receiving Mercy benefits.
7. We have also invested over a quarter million dollars in a low lift program, which has placed assistive lifting devices at all of our hospitals to aid older workers when they need to lift patients. This equipment helps them avoid injury, keeping them in the workforce longer.

8. Throughout the years, we have found that older workers have a stronger connection to the significance of their work and our organizational mission than do younger employees.
    - Many older workers are no longer working as much for the money as they are working to make a contribution to society.
    - They want to make a positive difference in the lives of others.
9. In addition, they bring years of experience to their jobs, serving as effective mentors and role models to younger employees, bringing loyalty, dedication and responsibility to the workplace.
10. As a business, offering programs to retain older workers has proven to be a successful decision.
11. I am in full support of the Older Worker Opportunity Act, and applaud Senator Kohl and the Special Committee on Aging.
    - This bill will encourage more businesses to follow Mercy's successful lead in creating expanded work options for older Americans.
    - Providing programs that persuade older workers to stay in the workforce longer is a win-win situation for both older workers and employers alike.
12. Thank you again for inviting me to speak on this important topic.

The CHAIRMAN. Thank you, Mr. Bea.
Mr. Pulliams.

STATEMENT OF PRESTON PULLIAMS, DISTRICT PRESIDENT, PORTLAND COMMUNITY COLLEGE, PORTLAND, OR

Mr. PULLIAMS. Good morning to Chairman Kohl, Ranking Member Smith and Members of the Committee. I want to thank you for the opportunity to testify this morning and to talk about this subject of the aging workforce and its impact on business and economy, but also what the local community college can do in this situation.

At Portland Community College, we are experiencing, in part, a trend or a national trend in terms of aging baby-boomers and pre-boomers returning to college or school, not simply for enrichment but also for re-training and re-careering.

In a conference that we are hosting today back in Portland, OR, at the college, we are releasing the results of three studies that directly impact the subject that we are discussing today.

The first is the Oregon Gray Matters, which is a study of the impact of the aging population on Oregon's workforce.

The second is the AARP employer poll on workers 50-plus, a survey of some 400 Oregonian employers to determine how they are preparing for anticipated work and labor shortages.

No. 3, Boomers Go To College, which is a survey at the college, by the college, of students who are 40 years of age or older. We believe that this last report may be the first detailed picture of the needs and aspirations of baby-boomers as they enroll in college and other lifelong learning programs across this country.

What we are learning from this work is that 43 percent of Oregon businesses report that they very likely will face a shortage of qualified skilled workers in the next 5 years. But nearly two-thirds of them have also noted that they have taken little or no action regarding these projected labor shortages.

At the same time, approximately 80 percent of Oregon's older workers are planning on working past traditional retirement years. Furthermore, four out of five older students enrolled at the college are not taking courses simply for personal enrichment but to upgrade their skills and re-enter the workforce or re-career.

Given the right conditions and incentives to both older workers and employers, Oregon can count on this aging workforce to meet most of its projected workforce needs within the next decade.

Whether Oregon capitalizes on this great potential will depend on whether the State can bring together the necessary range of business, civic, education, and Government actions and partnerships to overcome the barriers older workers experience in working longer.

For example, we must work to overcome the misperception that many employers have about older workers. While a number of businesses surveyed indicate that tapping into the institutional knowledge of long-term employees is extremely important, many businesses believe that older workers are more costly to employ.

However, AARP's research finds that workers over 50 make up for any increase in health-care costs with low turnover and a re-

sulting reduction in recruitment costs, training costs and loss of institutional knowledge.

To maintain a competitive edge in a tightening labor market, employers need to help design a workplace that attracts and retains workers who are eligible to retire. This may include flexible work schedules, enhanced training opportunities and competitive benefits.

To stay competitive in a changing labor market, older workers require skills training and education. However, few have the luxury to complete a 4-year degree or perhaps even a 2-year degree through traditional semesters and quarters. Juggling work, home, family and school obligations, older students are extremely motivated to complete their studies in a relatively short timeframe through alternative modalities, such as distance learning, to enable them to translate their education quickly into meaningful employment.

Colleges can do much to support the older student by increasing flexibility in class scheduling and content, providing credit for prior work experience, expanding college counseling and advisement services to assist older students to successfully reach their goals, and developing internships and other workplace training programs in partnership with local employers in the community.

At Portland Community College, we have developed several strategies to help older workers stay in the workforce.

The first is the Older Worker Transitioning Program, where our college, in partnership with several businesses and nonprofits, have begun a program to help baby-boomers near retirement to plan for their future. The partnership, Work by Design Northwest, is built around three stages for its participants: discover, design and engagement.

In discover, our participant explores his finances and health to set the stage for planning. In design, he uses the information to develop a life path. In engagement, they connect with educational institutions, such as our college or community organizations, to pursue new careers, volunteer opportunities and other interests.

The second is a short-term skills training by the college Career Pathway Program, which has developed 17 professional technical offerings, most of which are appropriate for older workers who are no longer capable of working physically demanding jobs. They are delivered in a compressed schedule, so students can get back to the workforce quickly.

These programs, which are eligible for WIA funding and support, are scheduled with the working adult in mind, organized in cohorts so students can provide support to each other, linked directly to high-demand occupations.

The college has also developed processes to provide college credit for prior learning, as well as for work-based learning that employers might provide. Our objective is to make sure that all legitimate college-level learning is captured and leads to credentialing along the way.

The third is helping business manage the aging boom. PCC's departments are anticipating or working with businesses' needs to manage impending boomer retirement, to customize service training programs for employers. The planning workshops also lead to

customized services, such as multi-generational management, supervisory training, mentoring programs for older workers so they can transition, again, into less strenuous work.

In closing, I would like to thank you again for an opportunity to testify this morning on behalf of the 1,200 community colleges across this country. I sincerely appreciate your interest and consideration in terms of the work we do in our institution in addressing this issue.

Thank you very much.

[The prepared statement of Mr. Pulliams follows:]

Testimony of Dr. Preston Pulliams
District President, Portland Community College
Before the U.S. Senate Special Committee on Aging, February 28, 2007

Good morning Chairman Kohl, Ranking Member Smith, and members of the Committee.

Thank you so much for the opportunity to testify this morning on the aging workforce and its impact on business and the economy. I would especially like to thank Senator Wyden and Senator Smith for their support and leadership on behalf of Oregon's higher education system.

My name is Preston Pulliams and I am District President of Portland Community College in Portland, Oregon. Portland Community College is the largest post-secondary education institution in Oregon, enrolling more than 88,000 students each year in college transfer, professional technical programs, community and adult education. In addition, our Division for Workforce and Economic Development provides a full range of services to businesses and job seekers, including pre-employment services, customized training, and continuing education for professionals.

As a community college, the average age of our students has always been higher than four-year universities. Currently one in six students enrolled in PCC's credit courses, and 6 in 10 students taking our Community Education classes, are 40 or older. This represents approximately 10,000 to 15,000 students each term at PCC who are 40-plus.

We are certainly not unique, however. What PCC is experiencing is part of a nationwide trend of aging boomers and pre-boomers returning to school, not simply for enrichment, but for retraining and re-careering. And, this trend will only increase in the future. Between 2000 and 2015, Oregon residents 25 and older – the "nontraditional" student population – are projected to increase by 25%, while the number of residents age 18 to 24 will grow only 2%. Furthermore, Oregon residents 55 and older are expected to comprise 26% of the population by 2020 and its 65 and older population is expected to comprise 25% of the state population by 2025, making Oregon the 4th oldest state in the country.

Over a year ago, I commissioned a college-wide Taskforce on Aging to make recommendations on how PCC could best prepare for these trends. The scheduling of this hearing is quite timely because today, back in Portland, PCC is hosting a conference of our faculty and staff, together with our business and community partners, to explore how the College can most effectively respond to the age boom we are all confronting. A major focus of this conference is on the aging workforce, including how PCC can support older workers who want to remain in the workforce and how PCC can help businesses retain an older workforce.

In connection with the Age Boom Conference, we are releasing three studies that directly bear on the subject of today's hearing. They are:

- *Oregon Gray Matters* – a study of the impact of the aging population on Oregon's workforce;
- *AARP Employer Poll on Workers 50+* – a survey of 400 Oregon employers to determine how they are preparing for anticipated labor shortages; and
- *Boomers Go to College* – a survey of Portland Community College students who are 40 and older. We believe this last report may be the first detailed picture of the needs and aspirations of the baby boomer wave enrolling in colleges and other life-long learning programs across the country.

PCC is grateful for the support and collaboration of several community and government partners in the development of these reports, including AARP and its affiliate AARP Oregon, the Oregon Department of Community Colleges and Workforce Development, the Oregon Employment Department, and Worksystems, Inc., the Portland area workforce investment board.

Here's what we learned.

Forty-three percent of Oregon businesses report that it is extremely or very likely that their organization will face a shortage of qualified workers during the next five years, as result of the retirement of the baby boom generation. However, nearly two-thirds have not taken measures for the projected labor shortages.

At the same time, approximately 80% of Oregon's older workers are planning on working past "traditional" retirement years. Furthermore, four out of five older students enrolled at PCC are not taking classes simply for personal enrichment but to upgrade their skills, re-enter the workforce, or re-career.

Given the right conditions and incentives – to both older workers and their employers – Oregon can count on its aging workforce to meet most of its projected workforce needs within the next decade. Whether Oregon capitalizes on this great potential will depend on whether the state can bring together the necessary range of business, civic, education, and government actions and partnerships to overcome the barriers older workers experience to working longer.

For example, we must work to overcome the misperceptions that many employers have about older workers. While a number of businesses surveyed indicated that tapping into the institutional knowledge of long-term employees is extremely important, many businesses believe that older workers are more costly to employ. However, AARP's research found that workers over 50 make up for any increases in health care costs with lower turnover and the resulting reduction in recruitment costs, training costs and loss of institutional knowledge. To maintain a competitive advantage in the tightening labor market, employers need help designing a workplace that attracts and retains workers who are eligible to retire. This may include flexible work schedules, enhanced training opportunities, and competitive benefits.

To stay competitive in a changing labor market, older workers require skills training and education; however few have the luxury to complete a four-year degree, or perhaps even a two-year degree, through a traditional semester or quarter system. Juggling work, home, family, and school obligations, older students are extremely motivated to complete their studies in a

relatively short timeframe and through alternative modalities, such as distance learning, to enable them to translate their education quickly into meaningful employment. Colleges can do much to support the older student, by increasing flexibility in class scheduling and content, providing credit for prior work-based learning, expanding counseling and advising services to assist older students to successfully reach their goals, and developing internships and other workplace training programs in partnership with local employers in the community.

In order to take advantage of these opportunities, older workers must have access to sufficient financial aid and re-training dollars. We are so pleased that both the House and the Senate have approved the Fiscal Year (FY) 2007 Joint Funding Resolution, establishing the first increase in the Pell Grant maximum in five years. Thank you for your leadership on this issue. But there is more we can do to ensure that higher education remains accessible for students, including older students, and I urge you to consider an additional increase in the Pell Grant maximum this year. I also believe we must deepen our investment in workforce training. In addition to the problems that any adult worker might face in getting retrained, older workers can be more vulnerable to dislocation. Once they exit the labor force (through downsizing or layoffs), they often find it much more difficult to re-enter and find salary and benefits at their previous level. However, the funds appropriated for dislocated worker training have increased less than half a percent from FY 2000 to FY 2006. Funds appropriated for adult job training have actually decreased during that same time period, from $950 million to $864 million. The President's FY 2008 budget would cut these programs even further, despite the fact that they are so critical to keeping older workers employed and businesses competitive.

Community colleges are uniquely qualified to address many of the obstacles that prevent older workers from remaining in or returning to the workforce. We are accustomed to working with non-traditional, older students, who are balancing school with life's many demands. According to the Center for Community College Policy, older students are twice as likely to attend a community college as a 4-year college or university. Community colleges have historically offered the most affordable route to higher education. In addition, our close relationships with business and industry and our record of flexibility and responsiveness results in training that is highly relevant for the workforce of today and tomorrow.

At Portland Community College, we have developed several strategies to help older workers to stay in the workforce.

Older Worker Transitioning: PCC, in partnership with several businesses and non-profit organizations, has begun a program to help baby-boomers nearing retirement to plan for their future. The partnership, Life by Design NW, is built around three stages for its participants -- Discover, Design and Engagement. In Discover, a participant explores his or her interests, finances and health to set the stage for planning. In Design, they use this information to develop a life path. In Engagement, they connect with educational institutions such as PCC or community organizations to pursue new careers, volunteer opportunities or other interests.

Short-term Skills Training: PCC's Career Pathways program has developed 17 professional technical offerings – most of which are appropriate for older workers who may no longer be capable of working in physically demanding jobs – that are delivered in a compressed schedule

so students can get back into the workforce quickly. These programs, which are eligible for WIA support, are scheduled with the working adult in mind, organized in cohorts so students can provide support to each other, and linked directly to high demand occupations. PCC is also developing processes to provide college credit for prior learning as well as for workplace-based learning that employers might provide. Our objective is to make sure that all legitimate college-level learning is captured and leads to credentialing along the way.

Support For Older Workers Seeking Employment: PCC manages three of the Portland area's One-Stop Career Centers. In response to the growing number of 50-plus workers coming in for services, our One Stops developed a weekly job search support group for them. In her 60s herself, the facilitator brings in guest speakers from the community to cover topics such as: "Ability is Ageless: Learn how Mature Workers Confidently Approach Employment"; "Rewired & Rehired: Dealing with the Overqualified Issue"; and "Age as an Advantage in the Workplace."

Helping Business Manage the Age Boom: Finally, PCC's entrepreneurial departments are anticipating and responding to businesses' need to manage the impending boomer retirement through customized strategic planning workshops for employers. The planning workshops often lead to customized services such as multi-generational management and supervisory training; mentorship training for older workers so they can transition into less-strenuous work; succession planning and performance; and management services to help efficiently develop "bench" strength in the workforce.

In closing, I would like to thank you again for the opportunity to testify this morning. On behalf of the 1200 community colleges across the country, I sincerely appreciate your interest and consideration of the role our institutions can play in assisting businesses and workers as our population ages. With the support and collaboration of both business and government, community colleges are ready to meet the challenges presented by our changing demographics.

The CHAIRMAN. Thank you, Mr. Pulliams.

Senator Smith, would you like to ask some questions?

Senator SMITH. Yes, thank you, Mr. Chairman.

Preston, I was struck by a comment in a survey you did—that some businesses were fearful that to employ seniors or an aging population was more expensive. How big an obstacle is that? I think you cited AARP to show that that actually wasn't the case.

Mr. PULLIAMS. Yes. Again, in our surveys and in terms of our meetings, in terms of training programs with business and industry, that appears to be one of those barriers that we are trying to address. We are also sharing those studies around our district so that businesses will realize that that is, indeed, not the case.

But, again, in our surveys, we are finding that that is one of those, I guess, stereotypical kinds of views about this particular part of the population, but it is, indeed, not the case.

Senator SMITH. Do you think that businesses in Oregon have a sense of the labor issue and the resource that PCC is for them for finding qualified seniors who still want to work?

Mr. PULLIAMS. Well, in terms of my experience there in the last 3 years, when I arrived in this position, I have had now many conversations with local business and industry leaders, managers and CEOs, and they are becoming very aware of this problem. As a matter of fact, in my conversations with them, this tends to be the number-one issue now.

So as I get more familiar with the business and industry leaders in the community, they are beginning now to call me. At first, I was trying to knock on their doors and get appointments with them. In the last year, this has been really an issue that they are contacting me and working very closely in terms of these programs.

Senator SMITH. I was going to ask that. So you find a receptive audience and an improving audience in terms of employers in Oregon who are looking to you as a resource.

Mr. PULLIAMS. I certainly do, Senator. Times are changing.

Senator SMITH. What kinds of businesses are you finding most often that you are doing business with, who come to you? Is there a category? Is it high-technology? Is it food service? Can you categorize it at this point?

Mr. PULLIAMS. Usually, in areas of high-skilled areas, particularly technology industries, recently a lot of contact with health-care facilities, as was testified earlier by the gentleman to my right; also the construction industry, welding—those areas where you have the boomer generation now retiring and moving out of. Now employers are recognizing these potential shortages, and they are now contacting us.

There is also an attraction for trained employees of color, because of our large enrollment of non-traditional and students of color in the community college sector.

Senator SMITH. Do you find that businesses are responsive to what Mr. Bea indicated has helped Mercy, and that is having flex-time schedules, so that they can get seniors if they can provide them the kind of work schedule that still lets them enjoy some aspects of retirement age?

Mr. PULLIAMS. I am finding that also to be the case in the Portland area, particularly in a number of the large health-care sys-

tems in our district, the realization that we simply have to do business differently.

I am also facing the same situation as a large employer in the area in terms of shared job responsibilities, flexible schedules and the willingness to be non-traditional in terms of how we look at employees from the past.

Senator SMITH. Thank you very much, Preston.

Mr. Chairman, it seems to me that businesses are going to learn the message ahead of time that they have to get creative in employment and how they schedule people, because the work pool is going to be older in the future.

The CHAIRMAN. Thank you so much, Senator Smith.

Marcie, Mr. Walker's forum participants said that the Federal Government should help create new models of employment for older Americans through specific legislation, for example, offering employers tax credits as a way to motivate employers to hire older workers.

I would assume you believe that we are not going to tackle this problem effectively without a panoply of Government legislation to change the culture.

Ms. PITT-CATSOUPHES. When we talk to employers, we often help them think about the kinds of changes that they need to implement as kind of a four-step model, and I think this may help answer your question.

The first huge hurdle we have to get across is awareness. You have heard several people testify this morning that although, on the one hand, employers understand the labor force is different and there may be occupational shortages, on the other hand, since it is not in front of them necessarily this year or this quarter, they may not be taking action steps. So I think that the first hurdle for us to get over is an issue of awareness.

The second one that they always go through is an alignment with their key business strategies, and I will come back to that in a minute.

The third thing, of course, is some kind of adaptive action, and we have talked a lot about flexible work options and what helps to stimulate and motivate them.

The last piece of that is for them to assess their impact.

I think strategies such as tax incentives are very, very helpful in the first two steps. It gets the attention of employers who might, in fact, not yet be paying attention.

There are many employers—I am interested in terms of the projected retirement rates at Mercy. Last week I was at a conference of about 400 employers, and when we asked people what they expected in retirement rates, we were getting retirement rates of anywhere from a third to 60 percent. When you ask them what they are doing about it, very few of them indicate they are taking many steps.

I think that, on the one hand, they have an awareness, but that awareness has not become so acute that they are doing anything. I think measures such as tax incentives get their attention.

I think the second thing, when you talk about alignment with key business strategies, one of the first things, of course, that employers ask about is how that may impact some kind of a business

case. Thought leadership is important, and, again, I think it gets their attention.

The CHAIRMAN. Thank you.

Javon, you seem to have been particularly effective in tailoring incentives for people to stay on in the particular business that you are operating. Is it true that there are general things, but there are also particular things a business can do, depending upon the business that they are in?

Mr. BEA. Yes, definitely, Chairman Kohl. I think that what we have found is that turnover is expensive, you know, recruiting, training new people. So, the longer that we can keep our workers that are skilled—and unskilled even—in the workforce, we think that the resources that we expend, the expenses that we incur to keep our older workers in the workforce is offset by the savings that we have through longer retention.

One other key statistic is that one-third of the current Nation's 750,000 physicians that are post-residency physicians are over age 55 and are projected to be retiring when the baby-boom generation is at the time of their greatest medical need.

So, as Marcie alluded earlier, health care is especially facing a growing labor shortage of both skilled and unskilled workers, and we just decided that we needed to start now at putting in programs.

Really, what it took was the commitment, the desire, to change our scheduling mechanisms, to change our way of doing business, to adapt to people who wanted to be able to take a season of the year off or work certain days or take an extended vacation. We felt that that was wiser on our part to do than just to find ourselves in shortages.

Many hospitals today are closing units, entire nursing units, because they have nursing shortages. As I mentioned earlier, 75 percent of all the health-care worker shortage, 168,000, are nurses.

So we realized, with 63 facilities, that we needed to begin taking measures now, not to speak of the fact that we felt since the senior senator from Wisconsin is Chairman of the Committee on Aging, we had better step it up a notch, too, you know. [Laughter.]

The CHAIRMAN. Thanks a lot.

Preston, any comments you wish to make about this paradox, that while so many companies do realize that they are going to face a shortage of qualified workers, so few of them seem to be responding in a way that anticipates the problem that they are going to be facing in just a few short years? What are your thoughts about this paradox?

Mr. PULLIAMS. What I am seeing in terms of our area in Portland, OR, is that they are really quickly beginning to realize that there is not a pipeline of younger workers or trained workers to fill those who exit in retirement and whatever. As that hits them, that is when they call my office and want to know what can the community college do.

Also, there seems to be an increase in terms of partnerships now, in terms of business and industry being willing to work with us at the community college, in terms of joint programs, where they can work with us to help recruit perhaps skilled workers or to help counsel those who are retiring to perhaps come back as a part-time

worker in the same industry. So it is changing, as was reported earlier by the first panel.

The numbers are really revealing the shortage, and people are really grabbing onto this reality, and they are getting quite creative in terms of how they are addressing this. But it continues to be a struggle in terms of people being aware and of what they can do and how they can react.

The CHAIRMAN. Thank you very much, Preston.

Senator CASEY.

Senator CASEY. Mr. Chairman, thank you very much again for our second panel here and this great information.

One organizing or unifying subject in all of your testimony, one way or the other, that I have noticed is health care. I want to focus on that for a couple of moments.

Doctor, I appreciate the work that you have done at Boston College, and I say that as a graduate of Holy Cross, long time ago rivals. But your school passed us a long time ago, so we are not even in the same league, athletically. I hope we are in the same league, academically.

But, in particular, when you were trying to summarize your testimony—and I know you read or summarized this part of it, and I am not sure what page this is, but you said, "Specific industry sectors such as health care may be particularly vulnerable to labor force replacement needs anticipated for specific occupations." Then you had examples, which I don't think you got to because of the limited time.

Your paper says, "Ten of the 20 fastest growing occupations are concentrated in health services. These positions include medical assistants, 59 percent growth; physicians' assistants, 49 percent growth; home health aides, 48 percent growth; medical records and health information technicians, 47 percent growth." I am struck by that, because in our State—as I mentioned before, Pennsylvania has the second-highest population over 65. Our fastest-growing population, literally, is 85 and up. I know that Wisconsin and Oregon and other States are facing similar challenges.

But in my work in State Government, we spent a good deal of time on long-term care issues and, in particular, this real urgent need for health-care workers, from the lower-skilled positions to the higher-skilled positions.

I really believe that people that do this work are not only essential for our future in terms of the services they provide and the skilled care they provide, but I think they provide a kind of ministry that is so critical to the fabric of America.

I know from my own experience—my father was in a hospital, several, in the last months of his life—last couple of years, actually, of his life. I knew that even what is considered a low-skilled worker in the scheme of skills or the range of skills—a nursing assistant who comes in to a bed and takes someone who, in his case, could not move from one side to the other, had to have the pad underneath his body folded the right way, and the tiniest little person could do that because she had skill. I remember my family, that might have been bigger than she was, couldn't do it because we didn't have that skill. So I reflect upon that in a very personal way.

Tell us more about that, though, the urgency of making sure that those health-care jobs are filled and how grave the challenge is.

Ms. PITT-CATSOUPHES. Well, thank you, Senator. I appreciate the question.

The health-care industry is important for us to look at for several reasons. When we anticipate or look at the projections around labor force shortages or, specifically, occupational replacement needs, the health-care industry is fascinating, in part because of course it is such a critical need for our country, as you pointed out.

The second thing, which we have been focused on today, is that it happens to be one of those industries with several occupations that are so-called "aging out." The third thing, which is equally interesting, and this has been for a while in certain health-care occupations, is that they have had to think of very creative ways of attracting new and, in many cases, younger workers into the so-called pipeline. So, in that sense, they have more experience than a lot of other industries.

When you have this kind of double-whammy effect, you have an aging workforce on the one hand, but you have occupations that may not be attracting as many younger workers, so, as a consequence, all those things are happening.

But the health-care industry is also interesting, because, of course, the aging of our population means there is going to be a higher demand.

So, when you have all of those factors simultaneously, that, in fact, is one of the reasons, in addition to some good thought leadership, that the health-care industry is out front in this arena.

Our conversations with employers would suggest that there are other industries that are also in similar situations but, of course, different occupations: for example, retail. If you look at the anticipated expansion of that, they have similar pressures as health care.

You know, much like my colleague just commented on, retailers are also beginning to say that they are finding that customer service relations, in fact, can be improved when the experienced workers not only are dealing directly with customers but sort of modeling very positive behavior for their younger colleagues.

So I think that you are exactly right, that although the conversations understandably turn to industry sector, that, really, where the pinch is felt, and that is where employers are paying a lot of attention, is in specific occupations.

Thank you.

Senator CASEY. Thank you.

I have to run, but I do want to say to both of your colleagues that the work that you are doing in the context of a community college and in the context of a health-care facility and institution is critically important. We appreciate that. We appreciate the fact that we can find and identify models that are working.

I want to see how we are doing in Pennsylvania in the context of both of your contributions. But we appreciate the good examples you provide.

Mr. PULLIAMS. Thank you, sir.

Mr. BEA. Thank you.

The CHAIRMAN. Thank you so much, Senator Casey.

In bringing this hearing to a conclusion, I think between yourselves, the three of you, and the two people who testified before you, plus the questions and the responses that we got, there is a keen, keen awareness of the problem that we are facing.

There are a multiplicity of recommendations that have been made today that probably would give us a tremendous ability to impact this whole problem we are facing successfully, just on the basis of what we have heard today, what we have said today and the things that we have discussed today.

Of course, the problem, the difficulty, the challenge is to get the things we have discussed out there in policy, in position, in taxes, in reform, in legislation—not an unawareness of the problem or not an unawareness of what needs to be done, but getting it done. I mean, that is really what we are facing.

I think what you have brought here by way of your experience, your thoughts and your recommendations really adds an awful lot to our understanding of the problem that we face, to its importance and to the solutions that we need to seek and find and put in place.

So I thank you. We all thank you for journeying here to Washington today and for testifying in front of this Committee, and you have made a real contribution.

With that, the hearing is closed.

[Whereupon, at 12:05 p.m., the Committee was adjourned.]

APPENDIX

PREPARED STATEMENT OF SENATOR LARRY E. CRAIG

Chairman Kohl, I want to thank you for holding a hearing on this important topic. I know you are well aware of the enormous changes the retirement of the baby boom generation will have on our nation.

We face several challenges when it comes to responding to our Aging workforce in a manner that is beneficial and practical for both baby boomers and the business community. Some of these challenges include concerns about the costs of retaining older workers or negative stereotypes about older Americans. Fortunately, implementing policies that will benefit Aging workers and benefit businesses are not mutually exclusive.

As many of the witnesses today have noted, there are numerous reasons why older workers will benefit from staying in the workforce past traditional retirement age. I wanted to take a moment to highlight the fact that many older workers remain in the workforce, not simply because of financial concerns, but for their overall health. Several studies have shown that having a social network and being intellectually challenged are incredibly beneficial for the mental and physical health of older Americans. The statistics indicate that that more Americans are beginning to realize that. In the past 10 years, the percentage of men and women aged 62 and older who are paid employees has increased.

However, this message has not reached all Americans who are facing retirement. While we should not try to force individuals to stay in the workforce, it is important that work place options are available to allow older Americans to reap the benefits of remaining in the workforce.

Fortunately, businesses will also benefit from retaining older workers. Older workers provide invaluable institutional knowledge and save businesses on recruitment and training costs. There are negative perceptions out there about older workers, but some companies are already proving that older workers have a lot to offer.

I am pleased that Javon Bea of Mercy Health System is here today to talk about their experience with older workers. If I may, I would like to point out what I feel is a particularly significant observation that Javon Bea made in his testimony. He noted that the older older workers in the Mercy Health System are "no longer working as much for the money as they are working to make a contribution to society." This is yet another compelling argument for older workers. It is an opportunity to have employees who are personally invested in the work they are doing.

Mercy Health System has provided an excellent example of how businesses, and older Americans, can benefit from remaining in the workforce. Now our goal has to be to encourage other businesses to follow Mercy's example.

Finally, I just want to say that I am proud to join Senators Kohl and Lincoln in cosponsoring the Older Worker Opportunity Act. This bill will provide tax incentives for businesses to create flexible work programs in order to retain older workers. I am confident that these kind of incentives will go a long way in reducing the negative impact that retiring workers will have on our nation's economy. Given our evolving workforce and economy we must continue to reexamine our definition of retirement. Even the United State Senate, where the *average* age of a Senator is 60, can provide an example of Americans working past retirement age.

Again, Chairman Kohl, thank you for calling this hearing and I look forward to hearing from our witnesses.

Statement Submitted for the Record

by

HR POLICY ASSOCIATION AND AMERICAN BENEFITS COUNCIL

Before the

U.S. Senate Special Committee on Aging

Hearing on

The Aging Workforce: What Does It Mean For Businesses and the Economy

FEBRUARY 28, 2007

MR. CHAIRMAN AND DISTINGUISHED MEMBERS OF THE COMMITTEE:

Thank you for this opportunity to present the views of the American Benefits Council and HR Policy Association regarding the aging workforce and its impact on businesses and the economy. We are very encouraged that you are turning your attention to this critical area. We would urge you to focus on the role that phased (or "flexible") retirement programs can play in meeting the needs of both workers and employers, as well as in bolstering the economy and relieving burdens on government programs. Under current law, there are certain obstacles to the ability of employers to implement these "win-win" programs and, as the population ages, the disconnect between the law and the needs of the workplace will expand.

Because of the broad interest within our memberships, we have joined to form a Phased Retirement Initiative to seek changes in law and policies to remove these obstacles. HR Policy Association consists of chief human resource officers representing more than 250 of the largest corporations in the United States, collectively employing nearly 18 million employees worldwide. One of HR Policy's principal missions is to ensure that laws and policies affecting employment relations are sound, practical, and responsive to the realities of the modern workplace. The American Benefits Council is a public policy organization representing principally Fortune 500 companies and other organizations that assist employers of all sizes in providing benefits to employees. Collectively, the Council's members either sponsor directly or provide services to retirement and health plans that cover more than 100 million Americans. Both of our organizations are very eager to broaden this effort to include other organizations interested in the same goals.

Clearly, we are in a period where attitudes toward work and retirement are evolving. As life expectancies increase, fewer Americans see early retirement as an attractive option, and not just for financial reasons. Workers also seek the intellectual challenges and social interaction associated with work. Thus, more and more workers are restructuring their work and moving gradually into retirement. Meanwhile, from the employer's perspective, older employees possess skills and institutional knowledge that are highly valued and often can help meet the companies' pressing demand for workers. Thus, employers are interested in implementing phased retirement programs—more aptly labeled "flexible retirement" programs—that enable older employees, who might otherwise retire, to remain actively employed either on a part-time or full-time basis.

Indeed, the aging of the workforce will exacerbate a serious labor shortage in this country. With the unemployment rate in most states less than or equal to 5%, it is not surprising that a recent AARP survey of companies found that 74% were having difficulty finding and retaining qualified employees.[1] Meanwhile, demographic trends indicate that this labor shortage will become more acute as our population ages. Average life expectancies have increased from 66.7 and 73.2 years for men and women, respectively, in 1960 to 74.8 and 79.6 in 2005, with steady increases expected through the 21st century.[2] Coupled with a drop in the fertility rate from 3.61 in 1960 to 2.1 in 2005,[3] there are fewer new workers to replace aging ones.

A partial solution to this problem can be found in the evolving attitudes of older workers. The 2004 Phased Retirement Survey conducted by Watson Wyatt Worldwide revealed that nearly two-thirds of surveyed workers between ages 50 and 70 would prefer to phase down from full-

time work to part-time work rather than leave the workforce completely.[4] A recent survey by the Pew Research Center found that almost eight in 10 Americans say they will continue to work at least part-time after retirement from their traditional full-time employment. Indeed, 60% of workers in this survey said they would continue to work even if they had enough money to live comfortably for the rest of their lives.[5] Thus, increasing numbers of older Americans are leaving the labor force gradually, utilizing "bridge jobs" between full-time career employment and complete withdrawal from the labor force.[6]

The goods news for these workers is that they are still wanted. For many employers facing labor and skill shortages, retention of older workers avoids the costs of recruiting and training new employees, and preserves the institutional knowledge possessed by a company's long-service employees.

Unfortunately, there are significant impediments to the shared goal of employers and employees for the employees to work longer. These impediments include:

- The inability of active employees to access early retirement subsidies under traditional defined benefit plans that encourage employees to leave the workforce between ages 55 and 62 and that generally phase out by the plan's normal retirement age;
- The inability of active employees to take advantage of low interest rates that result in a greater lump sum payments at retirement under traditional defined benefit plans that permit lump sums; and
- The inability of employees under current law to work a reduced schedule while drawing benefits from their employer's retirement plan in order to supplement their income.

The law generally precludes qualified retirement plans from making payments to current employees, effectively causing some older employees to retire completely in order to receive an early retirement subsidy, a large lump sum, or supplemental retirement income. Alternatively, they may go to work for another company while receiving retirement plan payments from their first employer. This type of movement is generally disruptive and unwanted for both employees and employers.

In November 2004, the Treasury Department sought to address this problem with proposed phased retirement regulations. The Treasury Department is certainly to be applauded for taking a step toward facilitating flexible retirement, but unfortunately the proposed regulations are too restrictive to be widely used. Among other problems, a minimum age of 59½ is required, precluding use by a significant group of potential workers seeking flexible retirement. The rule also establishes very rigid and administratively burdensome hour reduction rules that create a strong disincentive for employers to implement a program. Moreover, these rules fail to address a form of flexible retirement where the employee continues to work full-time but with fewer responsibilities. Finally, very importantly, the rules leave unaddressed a major component of the flexible retirement area: the need to prevent valued employees from terminating employment to obtain an early retirement subsidy or a large lump sum (attributable to low interest rates).

Section 905 of the Pension Protection Act[7] enables employers to permit active employees to begin receiving retirement benefits starting at age 62 under tax and benefits laws. A recent

notice from the IRS indicates, however, that the IRS may well issue rules that dramatically reduce the attractiveness of this option. Moreover, as noted above, many employees seek flexible retirement prior to age 62, so as to take advantage of early retirement subsidies starting earlier. Thus, the provision leaves much of the flexible retirement need unaddressed and would not stop the "brain drain" due to older employees leaving to take advantage of early retirement subsidies.

Meanwhile, we would underscore that flexible retirement is not just a problem under defined benefit plans. In the case of a 401(k) or 403(b) plan, if the employee wishing to phase down is under 59½, the law does not permit withdrawals of the employee's own pre-tax contributions in the absence of a hardship (such as a medical expense, a home purchase, or college tuition). For participants in a 457(b) plan, the approach would be even less effective because the prohibition on withdrawals by current employees, other than in hardship cases, applies to all plan benefits and continues until age 70½.

We strongly encourage this Committee to take a very close look at these and other obstacles to the implementation of flexible retirement programs. However, we would also urge you to be very careful in shaping policy changes so that these programs provide maximum flexibility to employers and employees and remain attractive to both interests. As we have seen from employers' reaction to the 2004 proposed regulation, the imposition of too many restrictions and hurdles will simply reduce the likelihood of employers utilizing flexible retirement programs under the rules, so that the new rules will have little or no effect. If Congress is going to tackle this issue, we know that you want to do it in a way that is productive and facilitates the growth of flexible retirement programs.

We are very eager to join you in this effort and thank you for allowing us an opportunity to express our views.

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[1] "Business Executives' Attitudes Toward the Aging Workforce: Aware But Not Prepared?," AARP, October 2006.
[2] Table V.A3, 2006 OASDI Trustees Report, Social Security Administration.
[3] "IDB Summary Demographic Data for United States," U.S. Census Bureau, August 24, 2006.
[4] "Phased Retirement: Aligning Employer Programs with Worker Preferences," Watson Wyatt Worldwide, 2004.
[5] "Working After Retirement: The Gap Between Expectations and Reality," Pew Research Center, September 21, 2006.
[6] "Are Traditional Retirements a Thing of the Past? New Evidence on Retirement Patterns and Bridge Jobs," Kevin E. Cahill, Michael D. Giandrea, & Joseph F. Quinn, Boston College Working Papers in Economics No. 626, 2005.
[7] Pension Protection Act of 2006, Pub. L. 109-280.

NCCNHR **The National Consumer Voice for Quality Long-Term Care**

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February 28, 2007

The Honorable Herb Kohl
Chairman
Special Committee on Aging
United States Senate
Washington, DC 20510

The Honorable Gordon Smith
Ranking Republican
Special Committee on Aging
United States Senate
Washington, DC 20510

Dear Senator Kohl and Senator Smith:

NCCNHR appreciates the opportunity to provide you with our concerns about the President's FY 2008 budget proposal and its impact on America's elderly citizens who need long term care services. We request that this letter be entered into the record of the Committee's February 15 hearing, *Boomers and the Budget: What Does It Mean for America's Seniors?*

The budget proposed by President Bush would jeopardize safety and quality of care in nursing homes and put those who seek care in other long term care settings at risk. While reducing funding increases for skilled nursing facilities, the Administration's proposal would also reduce support for public agencies that investigate neglect that occurs when facilities cut back on nursing staff to save costs. Even with regular Medicare payment updates, registered nursing hours have been declining in Medicare-funded nursing homes, and reducing future funding increases while slashing public oversight and accountability would almost certainly lead to fewer staff and more resident neglect.

NCCNHR is particularly concerned about provisions in the budget that would:

- Weaken the nursing home survey and certification program by reducing federal financing for administrative costs and compromise its independence, consistency and effectiveness by imposing user fees on providers.
- Cut back funding for the long term care ombudsman program at a time when its caseload of complaints is growing rapidly and capacity to address them is diminishing.
- Reduce legal protection of vulnerable adults by implementing steep cuts in legal services funding and Medicaid fraud control unit administrative costs; and introduce medical malpractice reforms that would deny abused and neglected elders access to civil courts.
- Reduce the capacity of community-based programs to provide services and Medicaid beneficiaries' ability to retain their homes.

Nursing Home Survey and Certification

The President's proposed budget would dangerously weaken the state nursing home survey and certification program in two ways:

1. Cut federal support for inspections and enforcement. Currently, the federal government provides a 75 percent match of state funds used to administer survey and certification activities. The Administration would reduce the match to 50 percent – costing state enforcement agencies almost a billion dollars a year – in spite of studies by the Office of Inspector General and Government Accountability Office showing that states already have difficulty hiring and retaining qualified surveyors because of noncompetitive salaries and heavy workloads. With the proposed reduction, states would have even less ability to hire surveyors with the clinical skills and regulatory knowledge necessary to conduct accurate surveys and timely complaint investigations.
2. Charge user fees for follow-up surveys. The provision attempts to offset system-wide under-funding of surveys of healthcare providers by requiring states to charge providers for re-inspections when they find serious violations during surveys and complaint investigations. NCCNHR opposes user fees for several reasons:

- Shifting millions of dollars in survey costs from the government to providers will increase nursing home industry pressure on state survey agencies not to conduct onsite revisits to assure that serious problems have been corrected – or will cause surveyors not to cite deficiencies that would require a revisit. There is substantial evidence to support this concern. Investigations by the Inspector General, Government Accountability Office, Senator Charles Grassley, and numerous journalists have found that the state survey process is already under tremendous political pressure to ignore or downgrade deficiencies. Reports show that citations for actual harm to residents declined steeply after CMS instituted mandatory sanctions, although numerous studies have demonstrated that residents are being harmed even while their injuries are cited at a lower level. User fees are a "mandatory penalty" that nursing homes will seek to avoid.
- Although intended to generate needed revenues for health care survey and certification, funding for nursing home surveys may be reduced if fees generate less money than anticipated in state budgets.
- Inspecting Medicare and Medicaid facilities' compliance with health and safety standards is a government obligation, and charging providers for inspections is a conflict of interest. In 1982 Congress rejected the Reagan Administration's attempt to remake the nursing home survey system as one entirely paid for by providers and conducted by a private accrediting agency.

NCCNHR urges Congress to increase appropriations for health care survey and certification programs, not to impose user fees that will compromise the process.

Long-Term Care Ombudsman Programs
The Administration budget would cut $1 million in funding from state ombudsman programs, which investigate more than 300,000 complaints a year against long-term care facilities. In 2005, these included almost 16,000 complaints about abuse, gross neglect and exploitation and more than 78,000 about poor resident care, including preventable accidents, mishandling of medications, and inattention to residents' symptoms. Between 2000 and 2005, the complaint caseload increased 32 percent while ombudsman capacity to handle complaints decreased by 3 percent. The growth of assisted living across the country is exacerbating the demand for ombudsman services.

Legal Protections for the Elderly
In many communities, legal services are on the front lines providing free representation to long-term care residents whose rights are abused, yet the President's budget would reduce their funding by 5 percent. State Medicaid fraud control units also play an important role in protecting nursing home residents, prosecuting both workers and operators who neglect and abuse residents while investigating

misuse of Medicaid funds. The budget proposal would reduce federal matching funds to administer these programs from 75 to 50 percent.

Medical Malpractice Reform
The Administration has renewed its promise to "reduce frivolous lawsuits." Nursing home cases are not frivolous, however – most lawsuits are for gross neglect and abuse. Tort reform would cap non-economic damages in civil cases, rendering the elderly victims of neglect unable to recover for pain and suffering resulting from untreated, bone-deep pressure sores; broken bones; infection; dehydration; and other abuse. In 2006, NCCNHR published *The Faces of Neglect: Behind the Closed Doors of Nursing Homes*, which chronicled the experiences of 36 older Americans who were severely neglected or abused in long term care facilities. In most of the cases, state authorities took no action against the facilities or individuals that mistreated them and caused or hastened their painful deaths. Civil litigation was the only deterrent the nursing homes encountered.

Home and Community-Based Services
Although the Administration often touts community-based alternatives to nursing homes, the budget proposal would weaken long term care support services in the home and community. Proposed cuts include $2 million from National Family Caregiver Support Services; $4 million from nutrition programs; and $9 billion from Medicare home health services. The budget would eliminate funding altogether for Preventive Health Services and Alzheimer's Demonstration Grants.

Moreover, the proposal would tighten Medicaid eligibility for elderly homeowners. The Deficit Reduction Act passed last year denied Medicaid long-term care coverage to people with more than $500,000 equity in their homes. Congress softened the provision for people in areas with high housing costs, giving states the option to increase the limit to $750,000, but the Administration proposes to eliminate this state option.

NCCNHR urges the Special Committee on Aging to oppose these harmful cuts requested by the Administration.

Sincerely,

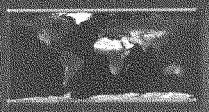
Alice H. Hedt
Executive Director

Janet C. Wells
Director of Public Policy

NCCNHR is a nonprofit membership organization founded in 1975 by Elma L. Holder to protect the rights, safety, and dignity of America's long-term care residents.

COMPTROLLER GENERAL'S

FORUM



HIGHLIGHTS OF A GAO FORUM

Engaging and Retaining Older Workers

February 2007

GAO-07-438SP

GAO
Accountability * Integrity * Reliability

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Highlights

Highlights of GAO-07-438SP, a GAO forum.

Why GAO Convened This Forum

In the future, older Americans are expected to be a larger share of the U.S. population, live longer, and spend more years in retirement than previous generations, and by 2025 labor force growth is expected to be less than a fifth of what it is today. Without major increases in productivity or immigration, low labor force growth will ultimately lead to slower economic and federal revenue growth. This in turn will accentuate the overall pressure on the federal budget, which will face increased claims for Medicare and Social Security benefits while relatively fewer workers pay into the benefits systems. Moreover, the possible loss of many experienced workers as the baby boomers retire could lead to further adverse effects.

If older Americans were to remain in the labor force longer, it could ease some of the pressures on Social Security, supplement individual retirement incomes, and help finance health care. However, researchers have suggested that barriers may impede some older workers who want or need to work.

GAO convened this forum to address the issues surrounding engaging and retaining older workers. Participants included experts representing employers, business and union groups, advocates, researchers, actuaries, and federal agencies. These highlights do not necessarily represent the views of any one participant or the organizations that these participants represent, including GAO.

www.gao.gov/cgi-bin/getrpt?GAO-07-438SP

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barbara Bovbjerg at (202) 512-7215 or bovbjergb@gao.gov.

February 2007

HIGHLIGHTS OF A GAO FORUM

Engaging and Retaining Older Workers

What Participants Said

Forum participants discussed obstacles, best practices, and lessons learned from programs to help those older workers who can to work longer and better prepare for retirement. Participants also considered strategies for encouraging organizations to implement practices that will result in more opportunities for older workers.

Key Obstacles

- Some employers' perceptions about the cost of hiring and retaining older workers are a key obstacle in older workers' continued employment; total compensation and training costs were seen as primary concerns.
- Workplace age discrimination, the mismatch of workers' skills and availability of jobs because of changes in the economy, as well as the need to keep skills up to date, are all challenges facing older workers.
- There is a more limited pool of interested workers because of financial incentives to retire as soon as possible, workers' desire to retire or change careers, and some jobs' requirements that make continued work unappealing or unfeasible because of health issues.
- Legal and regulatory requirements hinder hiring and retaining older workers.

Best Practices and Lessons Learned

Participants shared examples of best practices and lessons learned, such as

- Use nontraditional recruiting techniques such as partnerships to help identify and recruit older workers.
- Employ flexible work situations and adapt job designs to meet the preferences and physical constraints of older workers.
- Offer the right mix of benefits and incentives to attract older workers such as tuition assistance, time off for elder care, and employee discounts.
- Treat all employees in a fair and consistent manner and employ a consistent performance management system to prevent age discrimination complaints.
- Provide employees with financial literacy skills to ensure they have a realistic plan to provide for retirement security.

Strategies

- Conduct a national campaign to help change the national mindset about work at older ages.
- Hold a national discussion about what "old" is to help change the culture of retirement.
- Strengthen financial literacy education to help workers prepare to retire.
- Create a clearinghouse of best recruiting, hiring, and retention practices for older workers.
- Make the federal government a model employer for the nation in how it recruits and retains older workers.
- Create a key federal role in partnerships to implement these strategies.
- Consider specific legislation or regulations to increase flexibility for employers and employees to create new employment models.

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Abbreviations

DB	defined benefit
DC	defined contribution
DROP	deferred retirement option plan
ERISA	Employee Retirement Income Security Act

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United States Government Accountability Office
Washington, DC 20548

Introduction from the Comptroller General of the United States

The aging of the baby boom generation, increased life expectancy, and declining birth rates have created a demographic tsunami that poses serious future challenges for individuals, employers, and the economy. In the 21st century, older Americans are expected to make up a larger share of the U.S. population, live longer, and spend more years in retirement than previous generations. At the same time, by 2025 labor force growth is expected to be less than a fifth of what it is today. Without a major increase in productivity or higher than projected immigration, low labor force growth will ultimately lead to slower growth in the economy and slower growth of federal revenues. These circumstances in turn will accentuate the overall pressure on the federal budget, which will be encumbered with increased claims for Medicare and Social Security benefits while relatively fewer workers are paying into the benefits systems.

An additional concern is the possible loss of many experienced workers as the baby boomers retire. Employers face challenges in engaging and retaining older workers, that is, recruiting seasoned workers, adapting job designs and making workplace accommodations, and keeping workers past the traditional retirement age. Some research has indicated that the impending retirements of the baby boom generation and the decline in the growth of the labor supply could affect certain industries and occupations more than others. These trends could create gaps in skilled workers and managerial occupations in particular, leading to further adverse effects on productivity and economic growth.

As older Americans live longer and spend more years in retirement, they will face several challenges that contribute to the growing insecurity of retirement income. First, while more older Americans are working, there is a cultural expectation that workers should claim Social Security benefits as soon as they become eligible; many workers claim them prior to reaching the full retirement age, resulting in lower monthly payments.[1] Second, workers bear greater risk and responsibility for their retirement

[1]The full eligibility age (or normal retirement age) for Social Security benefits is being raised gradually from 65 to 67. When the full eligibility age was 65, the actuarial reduction for taking benefits at age 62 was 20 percent. When the age increase to 67 is fully implemented, in 2022, the reduction will be 30 percent. The reduction in monthly payments for claiming early Social Security retirement benefits takes account of the longer period of time over which benefits will be paid.

savings than in the past. About half of U.S. workers do not have a pension plan through their employer, and those who do are less likely than in the past to be covered by defined benefit (DB) plans, which pay a specified amount per month based on the workers' pay and job tenure. Employers have increasingly shifted from traditional DB to defined contribution (DC) plans, such as 401(k) plans, which are based on contributions and investment returns on individuals' accounts. DC plans place greater responsibility on workers to make voluntary contributions and prudent investment decisions. However, in 2005, the personal savings rate declined to the point at which Americans spent more than they received in disposable income. Rising health care costs have also made health insurance and anticipated medical expenses such as the potential need for long-term care increasingly important issues for older Americans. A long-term decline in the percentage of employers offering retiree health coverage has leveled off in recent years, but retirees face an increasing share of costs, eligibility restrictions, and benefit changes that contribute to an overall erosion in the value and availability of coverage. Thus, as older Americans face less secure retirements, many may need to continue working.

If a larger proportion of older Americans were to remain in the labor force longer, even on a part-time basis, it could mitigate some of the economic pressures on Social Security as well as supplement individual retirement incomes and help finance health care. However, researchers have suggested that age discrimination and pension statutes and regulations, among other factors, may present barriers that make it difficult for some older workers who want or need to work to do so.

While many, including GAO, have reported on these trends and their likely consequences, not enough has been done to address them. Many employers are still unaware of these trends, and few have implemented programs to engage or retain older workers. Similarly, despite their increased risk, many workers are not adequately preparing for retirement. With the first baby boomers becoming eligible for Social Security retired worker benefits in 2008, the time to prepare for these challenges is running out, and employers and employees, as well as government, have a role to play.

GAO convened this forum on December 5, 2006, to address the issues related to engaging and retaining older workers. The forum brought together a diverse array of experts, including employers from AARP's "Best Employers for Workers Over 50" program and representatives from business groups, unions, advocates, researchers, actuaries, academia, and

federal agencies. Forum participants discussed obstacles, best practices, and lessons learned from programs to help older workers to work longer and better prepare for retirement. Participants also considered strategies for encouraging more organizations to implement these activities on a larger scale. (See app. I for a list of forum participants and app. II for the forum's agenda.) This forum was designed for the participants to discuss these issues openly, without individual attribution, in order to facilitate a rich and substantive discussion of these issues.

This report summarizes the ideas and themes that emerged at the forum, the collective discussion of participants, and comments received from participants based on a draft of this report. The highlights summarized in this report do not necessarily represent the views of any individual participant or the organizations that these participants represent, including GAO.

I want to thank all the forum participants for taking the time to share their knowledge, insights, and perspectives. We at GAO will benefit from these insights as we carry out our work for the Congress and the country. I look forward to working with the forum's participants on this and other issues of mutual interest and concern in the future.

David M. Walker
Comptroller General
of the United States

February 28, 2007

Key Obstacles to Engaging and Retaining Older Workers

We presented the results of a survey participants completed prior to the forum that asked them to identify obstacles employers face in engaging or retaining workers who are past the traditional retirement age, factors that keep workers from working beyond the traditional retirement age, and any legal or regulatory requirements that impede hiring or retaining older workers. The key obstacles cited by participants in the survey and during the forum discussion focused on employer perceptions about the cost of hiring and retaining older workers, perceptions about older workers' skills and abilities relative to available jobs, skill gaps among older workers, and the limited pool of workers who want to work past traditional retirement age.

Employers' Concern about Costs Associated with Older Workers

Participants stated that some employers' perceptions about the cost of engaging and retaining older workers is a key obstacle in older workers' continued employment. Participants generally agreed that total compensation and training costs are among the most important concerns, although at least one participant challenged employers' perceptions that the costs of older workers exceed the return on investment.

- *Employers are concerned about older workers' total compensation costs relative to younger, less experienced workers.* In particular, participants cited concern about the rising cost of health insurance. However, at least one participant challenged the assumption that older workers cost more, citing the value that older workers bring to a business.

- *Employers perceive that older workers cost more from a training perspective.* For example, some participants stated that younger workers may have better computer and other technological skills. Also, employers are concerned about investing in training older workers because they may retire before the company recovers its training investment.

Perceptions about Older Workers

Perceptions about older workers' skills and abilities were cited as a key obstacle to engaging and retaining older workers. Participants generally agreed that workplace age discrimination is a key obstacle to older workers' continued employment.

- *Participants noted that workplace culture and employer perceptions can be unfriendly to older workers.* Participants stated that many companies have not learned to place high value on their experienced

workers, and they do not understand that much of their organization's intellectual capital and institutional memory can reside within their older employees. Perceptions held by employers include the idea that older workers will produce a lower quality and quantity of work, their poorer health will have an impact on productivity, they may be less flexible and more resistant to change, and have less capacity for training in new technology. Employers may also have the perception that as workers near retirement age, they disengage and await their retirement date. Employees may have their own perceptions about how they are valued. One participant said older workers may believe their life experiences will be disregarded. Another participant mentioned that older workers may not even apply for jobs because they often assume they will not get hired.

Skill Gaps among Older Workers

Changing industries and required job skills can be an obstacle for older workers. Participants said that layoffs due to changes in the economy, as well as the need to keep skills up to date or retrain for a new career, are all challenges facing older workers.

- *Layoffs may affect older workers more than younger workers.* Some participants expressed concern that employers may lay off older workers sooner than younger workers when downsizing. More specifically, one participant noted that declining older industries tend to employ older workers. Another participant mentioned that layoffs due to business restructuring in both manufacturing and professional service industries affect older workers disproportionately. Positions of some low-skill older workers may have been automated, eliminated, or outsourced, according to one participant. In many cases an employer may have changed the enterprise in which it had been engaged. For example, a computer hardware manufacturer who has matriculated to a software or service enterprise will no longer need the hardware engineers and other employees associated with manufacturing processes.

- *Older workers may lack training to keep skills up to date or make a career change.* In general, participants recognized the difficulties older workers sometimes have in finding employment that is comparable in skill level to their previous occupation. One participant stated that access to and financing of training is an issue, especially for career changers. Older workers may have no career adviser program to identify their skills and match them to a new position on a part-time basis that would benefit their organization. Yet another participant mentioned that there may be structural barriers to employers

identifying suitable applicants and high-skilled workers finding suitable employers. Finally, one participant stated that language barriers may be an issue for older legal immigrants in lower-skilled jobs who have limited English proficiency.

Strong Incentives for Older Workers to Retire

Participants generally agreed that there is a limited pool of workers interested in staying employed because of financial incentives to retire at the early retirement age, workers' desire to retire or change careers, and some jobs' requirements that make continued work unappealing.

- *Participants cited the structure of pension plans and Social Security as retirement incentives.*
  - The structure of traditional defined benefit retirement plans encourages retirement because some pension statutes and regulations have traditionally prohibited working for the same employer while receiving benefits.[2]
  - The Employee Retirement Income Security Act's (ERISA) anticutback rule prohibits employers from making amendments to their pension plans that would have the effect of eliminating or reducing an early retirement benefit. This may make it slow and complicated for employers to amend plans to raise retirement ages.
  - The availability of Social Security at age 62 and high effective tax rates on earnings may encourage some workers to retire. They may view the after-tax income from continued work as too little to compensate for the trouble and effort.
  - Workers who receive Social Security benefits and have not yet reached the normal retirement age may have their benefits reduced because of the "retirement earnings test." More specifically, if an early retiree worker's annual earnings exceed a certain threshold, $1 of Social Security benefits will be withheld for every $2 or $3 earned, depending on whether or not the worker reaches the normal retirement age that year.
  - Disincentives also exist for workers with disabilities who generally must show that they cannot work in order to qualify for Social Security disability benefits.

- *Workers want to retire or change careers.* Participants expressed concern about a "culture of retirement" in the United States that leads

[2]However, the Pension Protection Act of 2006 permits employers to make in-service distributions to employees age 62 and older.

many workers to retire at the earliest available opportunity. Some of these workers think they have the means to retire, but may not. Also, the focus on wellness and healthy lifestyles has created a frame of mind that retirement is another phase to enjoy an active lifestyle but in a different setting. Many skilled workers are likely to want to venture into another career.

- *Participants listed job requirements, such as inflexible work schedules, lack of suitable work, physically demanding work, and family needs, such as caregiving, as other disincentives to continued work.*
  - Lack of employer flexibility with regard to hours and vacations and phased retirement was one of the most frequently cited concerns.
  - The availability of jobs that match workers' preferences is another issue. While one participant noted that older workers often do not want to learn new skills, many participants mentioned the unavailability of work that is suitable to being part-time labor, the challenge of generating and managing consulting assignments for high-skilled workers, and limitations of human resource and pension systems that do not facilitate shifting to a less stressful role in the company as potential barriers. Participants also mentioned job location as influencing a job's desirability. Some older workers look toward relocation later in life or desire geographic mobility to spend more time with family.
  - Most participants agreed that jobs that are too physically demanding encourage retirement. One participant noted that work capacity changes as people age and that health problems are realities for those over the age of 40. As a result, employers need to consider and address functional work capacity issues like cancer and back pain. Managing chronic diseases is critical to and can help hold health care costs down.
  - Family caregiving responsibilities frequently compete with work past traditional retirement age. Participants noted that caregiving can be a particularly big issue for workers who, whether for financial or cultural reasons, take care of their relatives or spouses at home.

Other Factors Also Limit Older Workers

- *Legal and regulatory requirements hinder hiring and retaining older workers.*
  - Employers fear age discrimination lawsuits related to hiring and firing decisions based on the Age Discrimination in Employment Act. One participant stated that nondiscrimination laws create a disincentive to hire older workers or implement phased retirement.

- Medicare's Secondary Payer rule prohibits employers of a certain size from terminating employees' health benefits when they become eligible for Medicare at age 65. This means that older workers continue to be entitled to the same health benefits as workers under age 65 and the employer's plan continues to be the primary health insurer and payer. In these cases, Medicare becomes the supplementary insurer.
- The tax code and Internal Revenue Service regulations permit employers to offer early retirement windows, provided certain conditions are met, that give employees an incentive to retire early.
- The Fair Labor Standards Act limits most employers' ability to provide compensatory time off, in lieu of paying for overtime, and therefore reduces employers' incentive to provide flexible work arrangements to hourly workers.
- Mandatory retirement ages in certain professions, such as law enforcement officers and airline pilots, have made it difficult for employers to retain older workers.

- *Succession planning may conflict with retaining older workers.* One participant noted that workforce management is generally geared toward replacing older workers with younger workers. Another participant stated that employers often view lower-skilled older workers as "expendable," and therefore do not place high value on their retention or training and promotion. Finally, one participant noted that employers seek the flexibility to engage and retain those workers capable of performing the job at hand as well as learning new skills for the long run.

- *Employers may not perceive a need to engage or retain older workers, or may not place a high priority on the issue.* Participants disagreed about whether or not companies are aware of the need to engage or retain older workers. One participant stated that some companies may not yet realize that the population is aging and that there are fewer younger workers to hire. Another participant cited an example of one manufacturer that actively retains older workers. A few participants observed that while companies are becoming more aware of the growing need to hire older workers, the issue as a whole is a nonpriority for them. Businesses have generally been reluctant to commit to doing something about the issue. One participant stated that employers understand these complex issues, but those in decision-making roles may be avoiding the responsibility because they won't be around to deal with the problem in the future. Also, officials in human resources departments of small and midsized companies are so busy that they cannot address these issues. Another participant stated that

corporations are only able to focus on one crisis at a time, and that they will not act until there is a crisis.

- *Obstacles differ by industry and type of worker, but are treated uniformly in legislation and regulations.* Participants agreed that the types of problems facing organizations and employees differ depending on the industry and that it is important to talk about these issues in terms of different industries and different types of workers. Although these problems are different for different industries, the legislative and regulatory environment generally does not distinguish among industries regarding older worker issues. One participant cautioned against policies that promote downward mobility or have unintended consequences for younger workers or those with low incomes.

Best Practices and Lessons Learned

Forum participants offered a range of insights, views, and examples from their experience and expertise in educating employers and in helping older workers to work longer and better prepare for retirement. Many of our forum employer participants, who have been recognized as best employers for older workers, have found that new approaches and incentives may be needed to engage and retain older workers. Other participants from business groups, unions, advocates, researchers, actuaries, academia, and federal officials also shared their experiences and knowledge of best practices and lessons learned. One key thread that emerged throughout the discussion was that treating employers and older workers with a one-size-fits-all approach would be a mistake for policymakers, as there are a variety of employers with different needs and a variety of workers with different knowledge, skills, abilities, and goals. In order to effectively engage older workers, participants noted the need for new recruiting approaches, workplace flexibility, the right mix of benefits and incentives, a consistent performance management system, and the need for older workers to feel they are valued. There was also general agreement that there is a need to improve the financial literacy of workers and help them better prepare for retirement.

Educating Employers about Older Workers

Participants discussed methods they are using to educate employers on why they should care about engaging and retaining older workers. One participant's organization is using community-based solutions in working to educate small employers about the need to hire older workers and assists them in addressing the issue. For example, this organization has been working with another organization in four communities to develop a local curriculum on hiring and retaining older workers. Using employer

panels and other tools, this organization educates businesses about what is going on in their areas.

Engaging and Retaining Older Workers

New Approaches Being Used to Engage Older Workers

One participant said that it is important to recognize that employers cannot all rely on the same recruiting techniques if they want to reach older workers. Another participant found that traditional recruiting mechanisms—job boards and newspapers—only find workers who are actively looking for work. To enhance their recruiting efforts, this and another participant have been using partnerships with other organizations to help advertise themselves as employers of older workers, for example, working with the National Council on Aging and the AARP to recruit older workers. The AARP's Featured Employer Program lists 30 national employers who hire older workers on its Web site.

Information sharing can also be useful in engaging older workers. One participant's organization maintains an Employer Resource Center Web site with information on best practices for hiring and retaining older workers, while a second also has resources available for its members on this topic. Another participant works with other human resource officials to locate work for older workers. In spite of these resources, one participant cautioned that it can be complex for retirees to be rehired and that some types of employers are not used to hiring retirees.

Many participants look to their own retirees as a source of seasoned workers or knew of other employers who do so. One participant's organization encourages and recruits retirees from positions at all levels to come back and work for short stints. One benefit of this program is that it helps to retain institutional knowledge. A second participant agreed, saying its clients seek out their retirees for their organizational knowledge and expertise. Another participant knew of an employer that allows its retirees to come back after 6 months of retirement to take part-time jobs, whether it is to work for 1 week or 9 months. A fourth participant knew of an employer with a program called "Reserves at the Ready," which signs up its retirees for availability for specific short-term assignments.

Flexible Schedules and Workplaces Needed to Attract and Retain Older Workers

Participants agreed that flexible work situations were crucial to attracting and retaining older workers. For example, one participant said it is important for employers to be creative in terms of how they design jobs they are looking to fill, and to allow for flexible work locations away from

the traditional office. Another participant stated that people in the health care industry over age 50 leave work for three key reasons: (1) elder care responsibilities, (2) physical constraints, and (3) desire to pursue other interests. To address these concerns, this employer allows employees to have 10 days to use for elder care, flexible work schedules, and for employees working at least 15 hours per week, benefits such as medical benefits and tuition reimbursement. This employer alleviates the physical burden of lifting through the use of patient-lifting teams and supports its employees' desire to pursue outside interests by bringing outside experts in to speak on various topics such as art. The importance of flexible elder care policies was also raised by another participant, who noted that older female workers are more likely to use family medical leave for elder care. As a result, allowance for elder care is critical for retaining these older workers. Another participant's organization highlights opportunities for workers to use flex-time, work part-time, and tele-work in job announcements.

Further corroborating the need for flexibility, another participant noted that there is a whole portfolio of different work models that can help employers engage and retain older workers. For example, the private sector could emulate the emeritus status universities use for their retired faculty to offer opportunities for retirees to continue working.

Adapting the way jobs are designed is also important for retaining older workers. One participant cited two examples of adaptive job design practices from a report on best practices. In the first example, a hospital installed hydraulic systems in all its beds so patients could fold into a sitting posture, a change that assisted older staff in moving patients. In the second example, an employer modified an assembly line so that cars on the line could be rotated to grant easier access for mechanics who were unable to lie down to work on cars as required by the old assembly line system. Another participant stated that the issue of workplace flexibility was common to both older workers and disabled workers, suggesting a need for more dialogue between the two groups.

Adapting workers to fit new jobs is also an important but uncommon practice. One participant mentioned an organization that actively retrains its older workers for new positions. For example, it will retrain staff from the legal department to work in sales or retrain a secretary to work as an assistant on a project.

Participants also offered other suggestions for providing workplace flexibility. In order to retain older workers, two participants' organizations

offer their "snow bird" employees flexible work locations. Under this program, workers can work for the same employer in different parts of the country, depending upon the season. Another participant's organization uses its retirees as substitute teachers and temporary workers. These arrangements are typically flexible and allow older workers to make their own schedules. Finally, one participant suggested that employers think about flexibility in terms of shorter or longer phased retirement options in addition to schedules and workplaces.

Benefit Packages Help to Attract and Retain Older Workers

Many participants noted the importance of benefit packages in attracting and retaining older workers. Some participants were offering benefits to both full- and part-time workers along with additional benefits such as tuition reimbursement and employee discounts. One participant's organization uses a combination of benefits including tuition assistance, performance bonuses, and financial literacy resources that it feels is effective in attracting older workers. However, not every employer can offer full benefits to the older workers it tries to recruit. One participant mentioned an employer who cannot afford to offer older workers the same level of benefits as most of its full-time employees and, as a result, tends to hire older workers on a part-time rather than a full-time basis.

Making pension systems more flexible is also a way to attract and retain older workers. One participant's organization offers its employees a deferred retirement option plan that allows workers to retire and return to work after 1 month.[3] Another employer is considering making itself a more desirable workplace by matching a greater percentage of older workers' DC plan contributions, thereby appealing to older workers who may not have been with the company for a very long time.

[3]Deferred retirement option plans (DROP) are largely limited to the public sector. Under a DROP plan, instead of paying a pension benefit directly to the participant, it is placed in a separate account in the individual's name. This individual account is also invested so that when the participant ceases employment and accepts retirement, he or she receives the accumulated account balance in addition to the ongoing pension benefit. DROPs allow a pension participant, generally for a fixed maximum period, to have his or her pension benefits start on a particular date even though he or she continues to work with the employer providing the pension. By allowing a pension participant to gain access to or be credited with pension benefits while still working, DROPs remove a key incentive for older workers to retire.

Consistent Performance Management and Placing High Value on Older Workers Are Needed to Avoid Litigation Issues

As discussed previously, many participants were concerned that engaging and retaining older workers could increase their exposure to age discrimination litigation. To avoid such exposure, one participant said a consistent performance management system is essential for dealing with all workers. Besides treating all employees in a fair and consistent manner, participants agreed it is also important to show older workers that they are valued. One participant's organization studied mature workers and found that they wanted to be recognized for their contributions, and to feel that they are making a difference. In addition to its companywide commitment to encouraging its employees to stay with them in their later years, this organization encourages its older workers to mentor school-age kids toward a career in this company's industry. Another participant's organization uses its retirees as mentors and as resources for teaching leadership courses. A third participant's organization sponsors a program that brings together different generations of workers to help them better understand each other and work better together.

Improving Employee Financial Literacy and Helping Employees Better Prepare for Retirement

With older Americans living longer and spending more time in retirement, employees will have to ensure they have a realistic plan to provide for retirement security that may include working past the traditional retirement age. The shift from defined benefit plans to defined contribution plans also means that employees will have to improve their financial literacy if they hope to have a secure retirement. Proper preparation can help employees to achieve their retirement goals.

Financial Literacy Is Crucial for Retirement Security

Participants discussed the lessons learned concerning the need for financial literacy among employees. Many participants agreed that increasing financial literacy would help employees better prepare for retirement by giving them the tools to assess whether or not they have sufficient funds to achieve their retirement goals. One participant also noted that many employers have moved from defined benefit plans to defined contribution plans. This change has placed the burden of financial management on employees who may lack the financial literacy skills to effectively manage the investment of their pensions. However, it was further noted that financial literacy education alone is not going to help people who have insufficient resources to support themselves. Another participant said special attention needs to be paid to those groups that are disadvantaged. A third participant, whose group has promoted financial literacy among its members, has found from experience that financial literacy alone has limited impact. They have found that automatic enrollment in retirement savings plans is more effective than financial literacy efforts at increasing savings. According to this participant, once

these savings plans are begun, it is also important to help people regularly manage and rebalance their investment portfolios. Another participant noted that automatic enrollment is particularly effective when the level of contributions automatically increases over time.

Educating workers about future health care costs is also part of financial literacy. Participants said educating and encouraging workers to save to fund future health care and disease management is essential to retirement security. One participant said their organization has undertaken a few initiatives related to helping Medicare recipients become informed about the need for long-term care and options for financing long-term care. The initiatives exist because many people are under the false impression that Medicare pays for these expenses.

Preparation Can Help Employees Reach Their Retirement Goals

Helping employees understand what they need to do to attain their retirement goals can help employees formulate their plans. One participant's employer offers a retirement-planning program for employees over 50 years old. The program teaches employees how to plan financially for this next phase by learning such things as how to put together a budget for their retirement. The program also offers individual counseling to help employees determine how much and how long they need to work to reach their goals and allows program participants to determine what sort of flexibility they may need in terms of their continuing work arrangements. A panel of retirees then discusses with program participants the lessons they have learned about transitioning to retirement. Another participant's organization has developed retirement simulation models to help its employees plan for their financial future.

Suggested Strategies

Participants suggested a number of strategies to encourage older workers to remain in the labor force and to encourage employers to engage and retain older workers. These strategies include creating a national campaign to promote employment opportunities, beginning a national discussion of the definition of "old," increasing financial literacy, and creating a national clearinghouse of best practices. In addition, participants stated that the federal government should become a model employer in engaging and retaining older workers.

Create a National Campaign to Promote Older Workers

Participants generally agreed that what is needed is a change in the national mind-set about work at older ages. To that end, the idea of creating a national campaign to promote older workers was suggested. Such a campaign could highlight the different types of work older people

	are engaged in, the positive attributes of older workers, and the business case, i.e., the benefits to employers, for engaging and retaining older workers.
Begin a National Discussion to Change the "Culture of Retirement"	Many participants talked about the need to think differently about life at older ages. To change the "culture of retirement," one participant suggested the need for a national discussion to reconsider what "old" is and what the new retirement age should be or whether there should be a "retirement age" at all. Another raised the question of what our national norm is on work and lifelong learning.
Increase the Financial Literacy of Workers	Participants agreed that strategies that increase financial literacy may help workers better plan for their futures and know when to retire. Participants suggested that both public and private efforts may be needed to promote financial literacy, including teaching financial literacy as early as grade school, promoting the discussion of retirement planning much earlier in workers' careers, and using faith-based organizations as a conduit for financial planning such as homeownership counseling.
Establish a National Clearinghouse of Best Practices in Engaging and Retaining Older Workers	In addition to encouraging older workers to remain in the labor force, participants agreed that employers need information about the best practices in engaging and retaining older workers. One strategy discussed was the establishment of a national clearinghouse of best practices, such as the different kinds of work structures, recruiting techniques, benefit packages, and workplace flexibilities—such as part-time work, flexible hours, and phased retirement—used by some employers to attract and retain older workers.
Federal Government Should Be a Model Employer and Provide Leadership	Participants discussed a number of ways that the federal government could be a leader on the issue of keeping older workers in the workforce. First, one participant noted that as an employer of millions, facing its own demographic wave, the federal government should be a role model for the nation in terms of how it engages and retains older workers. Second, it can be a key player in the kinds of public/private partnerships that would promote the national campaign, begin a national discussion, or create the national clearinghouse discussed above. Another participant stated that the public sector in general has a role to play, in cooperation with the private sector, in helping displaced older workers who need new skills to remain in the workforce. And third, through specific legislation or

regulations that would increase flexibility for employers and employees, the federal government can help create new models of employment for older Americans. For example, one participant suggested offering tax credits to employers as a way to motivate them to hire older workers and to workers as a way to motivate them to work longer. Some participants discussed the need for safe harbors in the tax code and ERISA that would make it easier for people to return to work after retirement. Others suggested that age discrimination laws may have had some unintended consequences, such as creating disincentives for hiring older workers and preventing employers from taking inventive actions, and that these laws should be re-evaluated or amended to encourage employers to hire older workers rather than discourage them.

Appendix I: List of Participants

Moderator

David M. Walker	Comptroller General of the United States U.S. Government Accountability Office

Participants

Larry E. Anderson	President and Chief Executive Officer National Older Worker Career Center
Martha C. Artiles	Chief Diversity Officer Manpower Inc.
Linda Barrington	Principal Director, Maturing Workforce Program and Research Director, The Conference Board
Charles P. Blahous	Special Assistant to the President for Economic Policy The White House
Barbara Bovbjerg	Director, Education, Workforce, and Income Security U.S. Government Accountability Office
Bradford P. Campbell	Acting Assistant Secretary, Employee Benefits Security Administration U.S. Department of Labor
Barbara Peacock-Coady	Consultant, Aging Workforce Massachusetts Institute of Technology
Craig Copeland	Senior Research Associate Employee Benefit Research Institute
Lynn Dudley	Vice President, Retirement Policy American Benefits Council
Maria Kniesler Flynn	Administrator of Office of Policy Development and Research, Employment and Training Administration U.S. Department of Labor
Steve Grossman	Vice President, Human Resources Hoffmann-La Roche, Inc.

Karyne Jones	President and Chief Executive Officer National Caucus and Center on Black Aged, Inc.
Carol A. Kelly	Director, Office of Policy Centers for Medicare and Medicaid Services
Nancy H. Kichak	Associate Director, Strategic Human Resource Policy Division U.S. Office of Personnel Management
Jan Magill	Director of Workforce & Education Programs U.S. Chamber of Commerce, Institute for a Competitive Workforce
Dawn Malone	Administrative Director, Work and Family Services Bon Secours Richmond Health System
Susan R. Meisinger	President and Chief Executive Officer Society for Human Resource Management
Steven T. Miller	Commissioner, Tax Exempt and Government Entities Division U.S. Internal Revenue Service
Kenneth Mitchell	Vice President UnumProvident Corporation
Sigurd Nilsen	Director, Education, Workforce, and Income Security U.S. Government Accountability Office
Pamela Perun	Fellow Aspen Institute, Initiative on Financial Security
Jane McDonald-Pines	Workforce Issue Specialist, Department of Legislation AFL-CIO
Anna M. Rappaport	President Anna Rappaport Consulting
W. Thomas Reeder	Benefits Tax Counsel, Office of Tax Policy U.S. Department of the Treasury
Deborah Russell	Director, Workforce Issues AARP

Susan G. Standley	Director of Compensation and Benefits Brevard County School Board
Marlon Sullivan	Senior Director of Staffing The Home Depot
Sue Suter	Associate Commissioner, Office of Employment Support Programs U.S. Social Security Administration
Mark J. Ugoretz	President The ERISA Industry Committee
Stephen M. Wing	Director of Government Programs CVS Corporation

Appendix II: Agenda

8:30 a.m.	**Check-in**
9:00 a.m.	**Opening session** **Welcome and introductions** Setting the stage—presentation by the Comptroller General
9:45 a.m.	**Session I: Key Obstacles** Presentation of presurvey results regarding the obstacles facing older workers and their employers, including a discussion of the types of jobs available to older workers and the pay and benefits associated with them.
10:45 a.m.	**Coffee Break**
11:00 a.m.	**Session II: Best Practices and Lessons Learned** Discuss activities or programs now in place to help older workers to work longer and better prepare for retirement. We will hear from participants about employment best practices and lessons learned regarding topics such as recruitment, retention, rehiring, workplace flexibility, training, financial planning, health benefits, pension plans, and phased retirement for both lower-skilled and higher-skilled jobs and workers.
11:50 p.m.	**Lunch will be distributed and Session II continues**
12:30 p.m.	**Break**
12:45 p.m.	**Session III: Strategies** 1. What can government do to encourage more organizations/people to implement these types of activities on a large scale? 2. On what topics should GAO focus its work to help facilitate these solutions? 3. What can employers do to retain or recruit workers who are near or past traditional retirement age among a variety of industries and skill levels? 4. What can employee groups do to facilitate work for those who wish to work longer?
1:45 p.m.	**Wrapup**
2:00 p.m.	**Adjournment**

Related GAO Products

Human Capital: Retirements and Anticipated New Reactor Applications Will Challenge NRC's Workforce, GAO-07-105. Washington, D.C.: January 17, 2007.

Senior Community Service Employment Program: Labor Has Made Progress Implementing Older Americans Act Amendments of 2000, but Challenges Remain, GAO-06-549T. Washington, D.C.: April 6, 2006.

Older Workers: Labor Can Help Employers and Employees Plan Better for the Future, GAO-06-80. Washington, D.C.: December 5, 2005.

Private Pensions: Information on Cash Balance Pension Plans, GAO-06-42. Washington, D.C.: November 3, 2005.

Social Security: Societal Changes Add Challenges to Program Protections, GAO-05-706T. Washington, D.C.: May 17, 2005.

Redefining Retirement: Options for Older Americans, GAO-05-620T. Washington, D.C.: April 27, 2005.

21st Century Challenges: Re-examining the Base of the Federal Government, GAO-05-325SP. Washington, D.C.: February 2005.

Highlights of a GAO Forum: Workforce Challenges and Opportunities For the 21st Century: Changing Labor Force Dynamics and the Role of Government Policies, GAO-04-845SP. Washington, D.C.: June 2004.

Older Workers: Policies of Other Nations to Increase Labor Force Participation, GAO-03-307. Washington, D.C.: February 13, 2003.

Older Workers: Employment Assistance Focuses on Subsidized Jobs and Job Search, but Revised Performance Measures Could Improve Access to Other Services, GAO-03-350. Washington, D.C.: January 24, 2003.

Older Workers: Demographic Trends Pose Challenges for Employers and Workers, GAO-02-85. Washington, D.C.: November 16, 2001.

Private Health Insurance: Declining Employer Coverage May Affect Access for 55- to 64-Year-Olds, GAO/HEHS-98-133. Washington, D.C.: June 1, 1998.

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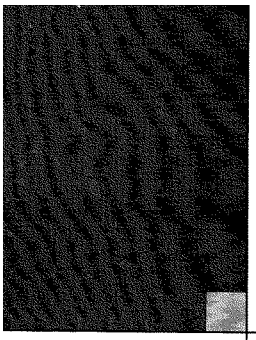

AARP®

AARP Oregon Poll of Employers in the State on Age 50+ Employees

February 2007

AARP Oregon Poll of Employers in the State on Age 50+ Employees

Data Collected by Alan Newman Research, Inc.
Report Prepared by Jennifer H. Sauer

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AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. We produce *AARP The Magazine*, published bimonthly; *AARP Bulletin*, our monthly newspaper; *AARP Segunda Juventud*, our bimonthly magazine in Spanish and English; *NRTA Live & Learn*, our quarterly newsletter for 50+ educators; and our Web site, www.aarp.org. AARP Foundation is our affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

Acknowledgements

Jennifer H. Sauer of AARP Knowledge Management, wrote the report. AARP staff from State and National Initiatives (SNI) contributed to the fielding of this project. John Fries of Alan Newman Research, Inc. delivered a timely and high quality survey. Special thanks also go to Jerry Cohen and Joyce DeMonnin of the AARP Oregon State Office; Rachelle Cummins, Jennifer Leslie, Darlene Matthews of Knowledge Management; Mary White of Procurement and Contract Management; and Michael Schuster of General Counsel. Kate Bridges of AARP Knowledge Management designed the survey and managed the project. For more information, please contact her at (202) 434-6329 or at kbridges@aarp.org.

Background

For decades now, the Bureau of Labor Statistics has been projecting two major shifts in workforce demographics that would prompt many American businesses to face unique human resource challenges – a substantial aging of the workforce and an ensuing cohort of fewer younger workers. Today, the growth and demographic shifts generated by the Baby Boom population of more than 76 million (those born between 1946 and 1964) is being closely observed by American businesses. While the proportion of workers ages 25 to 44 will decrease by about seven percent between 1998 and 2008, those ages 45 and older will increase from 33 percent to 40 percent during the same time period.[1] Included in this older cohort are baby boomers, who turn 60 in 2006 and now represent 40 percent of the U.S. workforce, and in the next five years, will reach the age of 65.[2,3] However, rather than retire, many show a strong indication of choosing to continue to work. Indeed, the Bureau of Labor Statistics projects that by 2012, almost two-thirds of Americans ages 55 and older will be working and they will constitute one fifth of the U.S. labor force. Additionally, the growth rate of workers ages 65 to 74 has been increasing since 1982 and is projected to increase another 3.2 percent up to 23.6 percent between 2000 and 2012.[4]

There are many factors contributing to the increasing number of older workers in the United States including the prohibition of mandatory retirement, changes to Social Security, and the erosion of pension and retiree health benefits.[5] Moreover, in a recent national study conducted by AARP, respondents ages 50 and older said they plan to continue working in retirement out of financial necessity, the need for health benefits, enjoyment of the job, staying mentally and physically active, and quite simply, the need to feel productive. [6]

So faced with an abundant potential 50+ workforce and a smaller pool of younger workers following close behind, American businesses, perhaps small firms in particular, could be confronted with the possibility of losing important organizational knowledge with every worker who leaves the company. If steps aren't taken, critical institutional knowledge such as best practices, corporate networks, client relationships, effective working teams, as well as the cultural knowledge of "how things are done" could be lost. [7] Such losses could negatively affect the performance of an organization and possibly make it vulnerable to increased competition.

In response to the national trend, many states are assessing the idiosyncratic effects of an aging workforce on their own local industries and businesses and some are beginning to develop plans to deal with it.

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[1] DeLong, D. (2004) *Lost Knowledge: Confronting the Threat of an Aging Workforce.* Oxford University Press, Inc.
[2] Bell, A. (2005) *To Raise Boomer Retention, Firms May Have To Update Benefits.* National Underwriter Company, Life and Health-Financial Services Edition.
[3] Current Population Survey, 2005.
[4] Toosi, M. (February 2004) *Labor Force Projections to 2012: The Graying of the U.S. Workforce.* Monthly Labor Review, p. 37, 43.
[5] Rix, S. *Aging and Work – A View From the United States.* Washington, D.C: AARP (2004), p. 2,3.
[6] Brown, S.K. (2003) *Staying Ahead of the Curve 2003: The AARP Working in Retirement Study.* Washington, DC: AARP, p. 20
[7] DeLong, D. (2004) *Lost Knowledge: Confronting the Threat of an Aging Workforce.* Oxford University Press, Inc. , p. 20-25.

Purpose of Survey

AARP Oregon commissioned a survey of employers in the state to better understand the extent to which employers in Oregon are implementing or considering implementing approaches to recruit or keep workers ages 50 and older and retain organizational knowledge. This survey measures the reported likelihood of companies facing a worker shortage, approaches to keeping mature workers, and whether or not they offer certain benefits or programs that might appeal to these employees.[8]

Methodology

In November 2006, AARP engaged Alan Newman Research to conduct a series of research studies among employers in five states (New York, Delaware, Arizona, Oregon, and Idaho) regarding issues pertaining to older workers. AARP was identified as the sponsor of this research.

ANR completed 400 telephone interviews in each state with HR Executives, HR Directors, HR Specialists, HR Generalists, Managers of Compensation, or other individuals responsible for recruiting or hiring employees, managing benefits, supervising training, or conducting dispute resolution between employees, management, and/or unions. All interviewing took place November 13 through December 5, 2006. In order to qualify for this study, employers had to have at least 20 full-time employees and be located within the specified state. Eligible businesses were initially identified based on sample information. However, all respondents were re-screened based on job title, company location, and number of full-time employees. All qualified respondents were offered a monetary incentive for their participation. Respondents at companies with fewer than 100 employees were offered a $10 incentive, while companies with 100 or more employees were offered a $25 incentive for completing the survey. At the end of the interview, respondents were given the option of either providing the required contact information for incentive fulfillment or specifying a charity of the respondent's choice to whom the incentive could be donated. Respondents could also elect to not receive the incentive at all.

Sample was drawn by infoUSA from their database of Oregon businesses. The resulting sampling frame consisted of 4,000 total companies with 20 or more employees. The final sample of 400 completed interviews yields a maximum statistical error of ± 4.9% at the 95% level of confidence. This means that in 95 out of 100 samples of this size, the results obtained in the sample would be within ± 4.9 percentage points of the results obtained had everyone in the population been interviewed.

[8] Most of the questions included in this survey are modified versions of questions asked in other recent AARP state level surveys. For consistency, the background section and summary section of this report may include similar information. Please go to http://www.aarp.org/research/work/ to view those reports.

Highlights

- A little more than one-third (36%) of responding businesses say they have taken measures to prepare for a potential labor shortage as a result of baby boomers retiring.

- Among the top strategies used to address an aging workforce are improving technology (85%), assessing their current workforce (73%), and increasing training opportunities (68%).[9] Additionally, nearly seven in ten (67%) say they have indeed hired older employees and half say their organization has rehired retired employees.

- Over four in ten report it is extremely (21%) or very likely (22%) that their organization will face a shortage of qualified workers in the next five years, and another quarter (24%) think is it somewhat likely.

- Tapping the institutional knowledge of departing employees is extremely (33%) or very important (45%) to most responding employers, and almost a third (31%) have a process in place for employees to contribute their knowledge and experience gained on the job *after* they leave.

- The most common strategies *currently used* by employers to retain 50+ workers are: providing training to upgrade skills (79%), reducing work schedules to allow older workers to ease into retirement (60%), and hiring retired workers as consultants (59%).

- Roughly a third of responding organizations offer a defined benefit pension (34%), prescription drug coverage (33%), retiree health benefits (31%), and a payroll deduction IRA (30%). Most offer employees the opportunity to invest in a 401K plan (81%).

- Over half (53%) of the responding employers say their company offers a phased retirement program, but nearly all offer it on a case by case basis.

- Over four in ten (43%) of employers in this survey say they offer some sort of financial planning program to retiring employees. And among those who don't (55%), one in seven (16%) are considering doing so over the next five years.

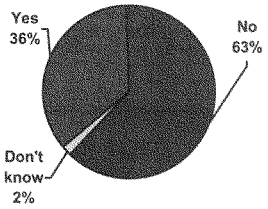
[9] Derived from performing a count of all respondents who said 'yes' to the14 possible steps tested in survey question 8.

Detailed Findings

Preparedness for Potential Labor Shortage Due to Baby Boomer Retirement

In Oregon, a little more than one-third of responding businesses say they have taken measures to prepare for a potential labor shortage as a result of baby boomers retiring. Interestingly, the majority of respondents (70%) also say they have used at 6 or more of the strategies tested in the survey to address an aging workforce. Among the top strategies used are improving technology, assessing their current workforce, and increasing training opportunities.[10] Additionally, nearly seven in ten say they have indeed hired older employees and half say their organization has rehired retired employees to address an aging workforce (see Annotated Questionnaire, Question 3).

Prepared for Baby-Boom Retirements (n=400)



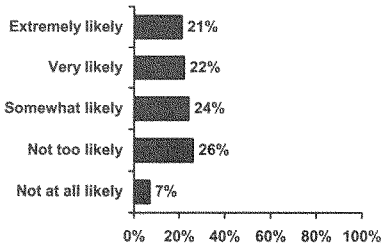
Tactics Used to Address Aging Workforce (n=400)

	Yes	No	Not sure
Improve technology	85%	15%	<.5%
Assess your current workforce	73%	25%	3%
Increase training opportunities	68%	32%	1%
Hire younger employees	67%	29%	4%
Hire older employees	67%	30%	4%
Offer alternative work arrangements	59%	40%	1%
Conduct workforce planning	55%	41%	5%
Change recruitment efforts	52%	47%	1%
Rehire your retired employees	50%	50%	1%
Institute succession planning	45%	51%	5%
Institute a mentoring program	39%	61%	1%
Offer delay retirement incentives	10%	88%	2%

The Likelihood of a Future Shortage of Qualified Workers

Concurrent to the many responding employers who indicate preparedness for a possible labor shortage, many indicate that this issue will be a concern for them in the near future. Over four in ten report it is extremely or very likely that their organization will face a shortage of qualified workers in the next five years, and another quarter think is it somewhat likely. Still, almost one-third indicate a labor shortage is not likely to affect their organization.

Perceived Likelihood of Qualified Worker Shortage in Next Five Years (n=400)

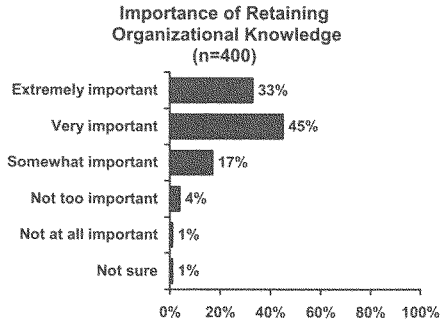


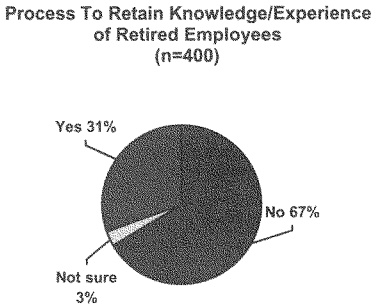
[10] Derived from performing a count of all respondents who said 'yes' to the12 possible steps tested in survey question 3.

Value of Organizational Knowledge Retention

When workers leave or retire from an organization, they take with them valuable knowledge of instruction, experience, and cultural nuances gained while on the job. Unless an organization has a process or strategies in place to preserve worker knowledge, its loss can negatively affect the organization's capacity to innovate and operate efficiently, and may even increase its vulnerability to competition.[11]

Oregon businesses understand this – most say they experience a loss of knowledge when an employee retires or leaves the organization (major amount: 48%; minor amount: 42%) (see Appendix A, Question 4). So it is not surprising that for the majority of them, tapping the institutional knowledge of departing employees is extremely or very important, and almost a third have a process in place for employees to contribute their knowledge and experience gained on the job *after* they leave.





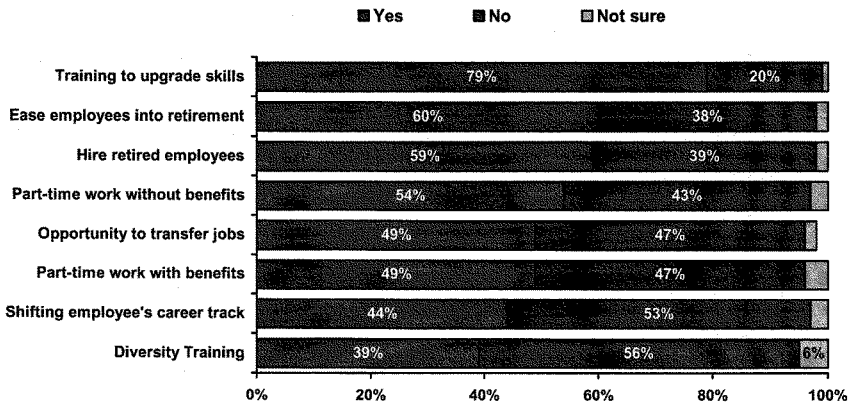
[11] Ibid. DeLong, D. *Lost Knowledge: Confronting the Threat of an Aging Workforce.* Oxford University Press, Inc. (2004).

Strategies of Oregon Businesses to Keep Older Workers

Oregon businesses were also asked how they were helping older employees stay on the job longer than traditionally expected or continue working beyond the conventional retirement age. The most common strategies *currently used* by most businesses are: providing training to upgrade skills, reducing work schedules to allow older workers to ease into retirement, and hiring retired workers as consultants.

Additional analysis shows that half (50%) of all Oregon employers surveyed *currently* use at least half of the eight strategies tested in the survey to accommodate employees who want to continue working beyond the traditional retirement age. Most (81%) of the employers say they currently use up to six of these eight strategies.[12]

Strategies to Help Employees Work Past Traditional Retirement Age* (n=400)



*Blanks represent 5 percent or less respondents.

[12] Derived from performing a count of all respondents who said 'yes' they *currently* utilize any one of the 8 possible strategies tested in survey question 9.

Retirement Benefits

Most (80%) of the employers surveyed say their organization offers retirement benefits. Interestingly, with the exception of two possible retirement benefits – long-term care insurance, which one in five offers, and a 401(k) plan, which three in five offer – about one-third of all employers indicate they offer each of the benefits tested in the survey. Again, additional analysis shows that nearly half (48%) of the employers surveyed say their organizations offer three or more of the seven types of retirement benefits tested, and over one quarter (29%) of them offer two of the retirement benefits. Still, when asked about each of these benefits, the data shows that large proportions of employers say they do not offer them.

Benefit	Yes	No	Not sure
Retiree Health benefits	31%	6%	3%
Prescription drug coverage	33%	65%	3%
Long-term care insurance	22%	72%	3%
Defined benefit pension	34%	61%	5%
401(k) investment plan	81%	19%	1%
Payroll deduction IRA	30%	68%	3%

Retirement Benefits and Programs:

Phased Retirement

One benefit an organization could consider that would allow employees to ease into retirement is commonly known as phased-retirement – a program that allows employees to ease into retirement by reducing their work schedule. Data from this survey show that over half (53% or n=212) of responding employers say their company offers a phased retirement program, and among them, most (94%) offer this benefit informally on a case by case basis (see Annotated Survey, Questions 7 and 8).

Financial Planning Programs

Another benefit that organizations could offer employees considering or preparing to retire would be financial planning program or training to help them identify potential needs during retirement. Over four in ten (43%) employers responding to this survey say they offer such a program. However, among the half (55% or n=219) that do not offer a financial planning program, about one in seven (16%) of them are considering it over the next five years (see Annotated Survey, Questions 9a and 9b).

Summary of Findings

Skilled and experienced workers are vital to organizations and most will do what they can to provide incentives to attract or keep them. Oregon businesses are no exception. Many Oregon businesses are apprehensive about the prospect of a shortage of qualified workers in the next five years, and while over a third of respondents say their organization is prepared for a potential shortage of workers due to the retirement of boomers over the next six years, most are not.

A potential labor shortage due to the retirement of baby boomers is still debatable. [13] Demographic trends, on the other hand, are more absolute and it is very clear that the composition of America's workforce is becoming noticeably older than in previous decades. As one expert points out, 50+ workers, including boomers, differ from their younger counterparts in that they are more likely to have remained with one organization longer. Employees who are able to work in organizations for long periods of time are more likely than short-term employees to accumulate job-specific critical knowledge about business operations, organizational culture, best-practices, and technological changes and adaptations – that is, "institutional memory". It is easy to imagine the negative impact the loss of this type of knowledge could have on an organization or various parts of an organization. Findings from this survey indicate that Oregon businesses understand the value of knowledge and experiences employees gain while working for an organization, particularly over long periods of time. Most place a high level of importance on retaining departing employees' wisdom and recommendations, and thirty-one percent say they have an organizational process in place to preserve such institutional knowledge.

Recruiting and retaining the 50+ worker to bridge the labor shortage gap or prevent a loss in significant organizational knowledge or expertise should not be difficult for businesses in Oregon. While few businesses in the state currently have a formal strategy in place to help their employees continue working beyond retirement age, at least six in ten indicate their organization is currently using strategies listed in the survey, particularly:

- Providing training to upgrade skills and knowledge
- Enabling employees to ease into retirement
- Hiring retired employee as consultants

[13] Ibid. Delong, D. pg. 16

What can Oregon Businesses Do to Retain or Recruit Older Workers and Possibly Stave Off a Labor Shortage?

A recent report released for AARP by the consulting firm Towers Perrin suggests some steps organizations can take to effectively address their aging workforce. [14] Their suggestions include:

- Inventory current talent and define near and long-term organizations goals
- Consider the investment needed and the total compensation costs of attracting 50+ workers
- Pay equal attention to revenue and performance considerations
- Study the available labor pool and define organizational talent strategies
- Align reward programs to support business and talent objectives
- Align workplace policies and culture to make work environment attractive to the 50+ worker

Small businesses are not as exempt from these ideas as they might have been in the past. Indeed, financial services firms like Charles Schwab & Co. and Fidelity Investments are now offering retirement planning services to small businesses to help them set up employee retirement accounts and 401(k)s. [15] Other experts point out that adding or extending health and supplementary benefits packages, such as superior dental and vision plans and long-term care plans can be attractive employment incentives to baby boom workers.[16]

Engaging in strategies such as these may help organizations retain and recruit experienced and skilled 50+ workers, but they may also help organizations preserve the important knowledge gained by their retiring employees and enable them to efficiently pass it on to a current or new worker. Moreover, companies that actively address the impact of labor force issues and trends on their business and take the necessary steps to adjust their operations and policies will remain competitive in the marketplace. Turning to 50+ workers as a means of filling the potential labor shortage gap in the near future may actually put a business *ahead* of the competition.

Combined with the demographic projections and recent studies suggesting many boomers want or plan to work beyond the typical retirement age, organizations should begin (if they haven't already) to consider the 50+ worker as a viable and significant bridge to maintaining organizational knowledge and fostering corporate growth or stability.

The findings from this survey also provide a likely opportunity for AARP Oregon to coordinate information sources for both workers and employers on a wide range of employment issues.

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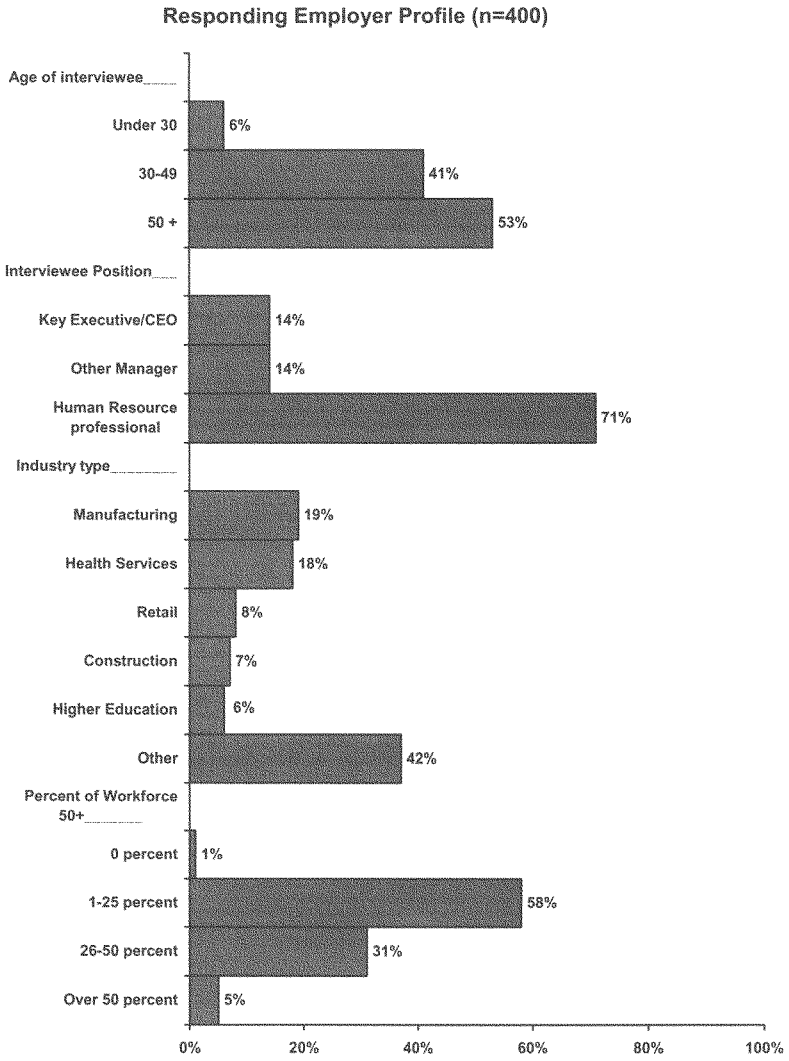
[14] (2005) *The Business Case for Workers Age 50+*. A report prepared by Towers Perrin for AARP.
[15] Opdyke, J. (2005) *Small Firms Offer More Retirement Options – Wall Street Pitches Plan To Underserved Market*. Wall Street Journal, 11/22/2005, D1.
[16] Bell, A. (2005) *To Raise Boomer Retention, Firms May have to Update Benefits*. National Underwriter Company.


Responding Employer Profile (n=400)
Age of interviewee
Under 30
6%
30-49
41%
50 +
53%
Interviewee Position
Key Executive/CEO
14%
Other Manager
14%
Human Resource professional
71%
Industry type
Manufacturing
19%
Health Services
18%
Retail
8%
Construction
7%
Higher Education
6%
Other
42%
Percent of Workforce 50+
0 percent
1%
1-25 percent
58%
26-50 percent
31%
Over 50 percent
5%
0%
20%
40%
60%
80%
100%

Appendix A:
Annotated Questionnaire

Oregon Employer Poll

N=400 Employers

MAIN QUESTIONNAIRE:

1. In your opinion, within the next five years, how likely is it that your company will face a shortage of qualified workers?

%	
21	Extremely likely
22	Very likely
24	Somewhat likely
26	Not too likely
7	Not at all likely
1	Not sure (DO NOT READ)

2. Baby Boomers, or those born between 1946 and 1964, are approaching traditional retirement age. Their retirement may create a shortage of employees since the generation following them is much smaller. Has your organization taken any steps to prepare for this possibility?

%	
36	Yes
63	No
2	Not sure (DO NOT READ)

3. I'm going to give you some examples of tactics some businesses might use to address the aging workforce. Please tell me whether your organization has done any of the following?

		Yes %	No %	Not Sure %
a.	Hire younger employees	67	29	4
b.	Hire older employees	67	30	4
c.	Increase training opportunities	68	32	1
d.	Change recruitment efforts	52	47	1
e.	Assess your current workforce	73	25	3
f.	Conduct workforce planning	55	41	5
g.	Improve technology	85	15	<.5
h.	Rehire your retired employees	50	50	1
i.	Offer incentives to delay retirement	10	88	2
j.	Offer alternative work arrangements such as part-time work, job sharing, or telecommuting	59	40	1
k.	Institute a mentoring program between older and younger employees	39	61	1
l.	Institute succession planning	45	51	5
m.	Other [SPECIFY]_____	13	86	1

4. How much knowledge loss do you think occurs when employees retire or otherwise leave your organization?

%	
48	A major amount
42	A minor amount
3	None
7	Not sure

5. In your opinion, how important would you say it is to retain the institutional knowledge that might be lost when employees retire or leave?

%	
33	Extremely important
45	Very important
17	Somewhat important
4	Not too important
1	Not at all important
1	Not sure

6. Does your organization have a formal process that enables employees who retire or otherwise leave to share the knowledge they have obtained on the job?

%	
31	Yes
67	No
3	Not sure

7. Does your company offer phased retirement, that is, allowing employees to ease into retirement by reducing their work schedule?

%		
53	Yes	
44	No	➔ **[SKIP TO Q9]**
4	Not sure	➔ **[SKIP TO Q9]**

IF PHASED RETIREMENT IS NOT OFFERED, GO TO QUESTION 9.

8. Is phased retirement a formal plan, whereby there are protocols that employees must follow in order to take advantage of this, or is it informal and offered on a case-by-case basis to your employees, without structured or defined policies? (n=212)

%	
6	Formal
94	Informal
1	Not sure

9. Organizations use different approaches to accommodate employees who want to work past traditional retirement age. For EACH of the following strategies, please indicate whether your organization is currently using it.

	Yes %	No %	Not Sure %
a. Enabling employees to ease into retirement by reducing their work schedules	60	38	3
b. Shifting employees from one career track to another career track	44	53	3
c. Providing training to upgrade skills and knowledge of employees	79	20	1
d. Hiring retired employees as consultants or temporary employees	59	39	2
e. Providing opportunities for employees to transfer to jobs with reduced pay and responsibilities	49	47	4
f. Providing part-time work arrangements without continuation of benefits	54	43	3
g. Providing part-time work arrangements with continuation of benefits	49	47	5
h. Addressing age bias issues in the workplace by offering programs such as mentoring or diversity training	39	56	6

TWO State Specific Questions:

9a. Does your organization offer retiring employees a financial planning program or training that helps them identify potential financial needs during retirement?

%	
43	Yes
55	No
3	Not sure

9b. Is this something your organization IS considering over the next 5 years? (n=219)

%	
16	Yes
67	No
17	Not sure

The following questions are for classification purposes only and will be kept entirely confidential.

10. In the past year, about what percentage of your workforce was age 50 years or older for all locations of your organization in Delaware?

%	
1	0%
58	1% - 25%
31	26% - 50%
4	51% - 75%
1	76% - 100%
6	Not sure

11. Which of the following best describes the primary nature of your organization's business?

%		%	
3	Financial	0	Wholesale Trade
1	Insurance	2	Communication
1	Real Estate	4	Transportation
18	Health Services	3	Agriculture
19	Manufacturing	<.5	Forestry or Fishing
6	Higher Education	23	Some other type of business [PLEASE SPECIFY] _____
7	Construction		
8	Retail Trade	<.5	Refused

12. Does your organization offer any retirement benefits?

%	
80	Yes
20	No ►**GO TO QUESTION 14**

13. Does your organization offer any of the following *retirement* benefits: (n=319)

		Yes %	No %	Not Sure %
a.	Retiree health benefits	31	66	3
b.	Prescription drug coverage	33	65	3
c.	Long-term care insurance	22	75	3
d.	Defined benefit pension	34	61	5
e.	401K investment plan	81	19	1
f.	Payroll deduction IRA	30	68	3

13a. IF YES TO ANY IN Q13: Is your organization planning to phase out [INSERT APPROPRIATE PHRASE BASED ON NUMBER OF 'YES' RESPONSES IN Q13: "this retirement benefit" OR "any of these retirement benefits"] in the next five years? (n=305)

%	
4	Yes
93	No
3	Not Sure
<.5	No Response

13b. IF YES: Which ones? [PROGRAMMERS: IF ONLY ONE 'YES' IN Q13 AND A 'YES' IN Q13a THEN AUTOPUNCH BENEFITS BELOW AND SKIP TO NEXT QUESTION] (n=7)

		Yes	No
		%	%
a.	Retiree health benefits	43	57
b.	Prescription drug coverage	57	43
c.	Long-term care insurance	50	50
d.	Defined benefit pension	55	46
e.	401K investment plan	25	75
f.	Payroll deduction IRA	33	67

14. Which of the following best describes your position in the organization?

%	
14	Key Executive/President/CEO/Chairman/Owner
71	Human Resources Professional/ Human Resources Manager or Director
14	Other Manager/Director/Officer
2	Other [SPECIFY] _____

15. What is your age?

%	
6	Under 30
41	30-49
51	50-64
2	65 or older
1	Refused

Screener

S1. Are you the senior level executive responsible for making human resources decisions at your company?

%	
82	Yes ➔ [SKIP TO S2]
18	No
<.5	DON'T KNOW / NOT SURE

S1a. Are you a Manager of Compensation, HR Specialist, OR HR Generalist for your company?

%	
78	Yes ➔ [SKIP TO S2]
19	No
3	DON'T KNOW / NOT SURE

S1b. Are you responsible for any of the following human resource functions at your company? [RECORD ANSWER FOR EACH] n=16%

		Yes %	No %	Not Sure %
a.	Recruiting and/or hiring employees	44	56	0
b.	Managing employee benefits and compensation	69	31	0
c.	Conducting and/or supervising training and development programs for employees	38	63	0
d.	Managing or conducting dispute resolution between employees, management, and/or unions	38	63	0

1 Yes ➔ [YES TO ANY OF THE ABOVE = SKIP TO S2]
2 No [TERMINATE]
3 DON'T KNOW / NOT SURE [TERMINATE]

S2. Excluding contract or contingent employees, approximately how many full-time employees does your company have in all locations in Oregon? [IF NECESSARY: "Just your best estimate is fine."] [RECORD ACTUAL # AND CHECK QUOTA BASED ON CATEGORIES BELOW]

%	
0	Less than 20 [TERMINATE]
20	20 – 49
30	50 – 99
30	100 – 249
13	250 – 499
6	500 – 999
3	1,000 or more
0	DON'T KNOW / NOT SURE [TERMINATE]
0	REFUSED [TERMINATE]

S3. Excluding contract or contingent employees, approximately how many part-time employees does your company have in all locations in Oregon? [IF NECESSARY: "Just your best estimate is fine."] [RECORD ACTUAL #] (n=257)

%	
0	Less than 20
22	20 – 49
26	50 – 99
30	100 – 249
12	250 – 499
5	500 – 999
3	1,000 or more
3	DON'T KNOW / NOT SURE
0	REFUSED

AARP
Knowledge Management
For more information please contact Jennifer H. Sauer at:
202.434.6207 or email jsauer@aarp.org

BOOMERS GO TO COLLEGE

A Report on the Survey of Students 40 and Older

Conducted by the

Portland Community College

Taskforce on Aging

Draft Report for Comment and Review

Released in Portland, Oregon at the Portland Community College

Age Boom Conference

February 28, 2007

Acknowledgements

The Portland Community College Taskforce on Aging is pleased to present this first report based on the Survey of Students 40 and Older conducted in May 2006.

This first report is released on the occasion of the Age Boom Conference that culminates a year of Taskforce deliberations and investigation on how PCC can best prepare for Oregon's aging population, the aging workforce, and our own aging student body. The conference brings our faculty and staff together with our business and community partners to explore how the College can most effectively respond to the age boom we are all confronting. Understanding the needs and aspirations of our older students is a critical part of those explorations.

While the survey results will guide our internal process on adapting our College's programs and services, we wish to share our initial findings with the broader higher education community that is grappling with similar issues. We welcome your comments and reflections, and extend our assistance to other community colleges or universities that may want to conduct a similar survey. Please direct your comments to ger@pcc.edu.

The Older Learner Committee of the Taskforce on Aging gratefully acknowledges support and assistance from several partners in this effort. AARP Oregon provided initial funding to support the survey development process, and the AARP Office of Academic Affairs provided financial support for the daunting analysis of the extensive student responses to open-ended questions. Special thanks are due to Judith Anderson – the "spiritual mother" of this project – who founded Wisdom Keepers, conceived of the idea to conduct a survey and shepherded the initial research and survey instrument development.

Older Learner Committee members Roger Frank and Frieda Campbell-Peltier of PCC, Joyce DeMonnin of AARP Oregon, and Jennifer Sasser of Marylhurst University all contributed to the survey analysis and drafted key report sections. Linda Wiener and Danese Jundt of PCC both made valuable contributions to the effort. Jan Abushakrah and Barbara Dibs joined forces to produce the final draft.

A special note of thanks must go to Barbara for her heroic, upbeat, and prodigious efforts to pull together, edit, and synthesize the many drafts and pieces the Committee presented her. As an "older learner" herself, Barbara took to the project with great enthusiasm and extraordinary skill, a ready sense of humor and unflappable cool under tremendous pressure and an all-too-short timeline. Barbara's writing and editing skills are indeed a wonder to behold.

Jan Abushakrah, Ph.D.
Co-Chair, PCC Taskforce on Aging
February 2007

Boomers Go to College

Executive Summary

Boomers Go to College provides the first detailed study of the wave of baby boomers enrolling in colleges across the country in record numbers. Unlike previous studies of older learners in lifelong learning programs, *Boomers* provides an unprecedented profile of these highly motivated students enrolled in credit programs and looking for career advancement.

The study reveals that some 4 out of 5 students are taking classes not simply for personal enrichment, but to upgrade their skills, re-enter the workforce, or re-career. Despite juggling work, home, family, and school obligations, these older students are intent on completing their studies in a relatively short timeframe to enable them to translate their education into meaningful employment.

The report discusses promising program and service directions that colleges across the country may consider to support the "new" older student. Recommendations include increased flexibility in class scheduling and content, credit for work-based learning and focused coursework designed for older students who already have significant life/education/workplace experience, expanded counseling and advising services to mentor and coach older students to successfully reach their goals, and development of internships and other workplace training programs in partnership with local employers in the community.

This report by the Portland Community College Taskforce on Aging was initiated by older students themselves through Wisdom Keepers – a student resource initiative of the Gerontology Program. The AARP-Oregon office supported the development and testing of the survey, while the AARP Office of Academic Affairs funded the analysis of the extensive qualitative comments of the respondents.

Introduction

In 2006, as the first of the country's 77 million baby boomers turned 60, attention within higher education began to focus on the potential implications of this age wave on its programs and services. In "Ferment and Change: Higher Education in 2015,"[1] Daniel Yankelovich cites the influx of students 55 to 75 years old within the next decade as one of the most significant developments and challenges confronting higher education today. As this age group redefines the nature of both retirement and work, notes Yankelovich, higher education will want to reconsider "virtually every aspect of higher education that is now geared to young people at the start of their work lives rather than those nearing the end… [and] to strengthen existing programs for the growing numbers of adults who wish to add new areas of competence…matching the needs of older adults with more-suitable materials and more-convenient timetables."

Lifelong learning has been a recurring theme, if not a preoccupation, of education policy and practice internationally. One of the challenges–and opportunities–for higher education in the coming decades is reconceptualizing lifelong learning in order to meet the needs of contemporary adult learners, in particular the expanding segment of the "older learner" population composed of baby boomers. In an interview published in a recent Council for Adult and Experiential Learning publication *CAEL Forum & News*, Harry R. Moody, Director of the AARP Office of Academic Affairs, suggests, "…colleges and universities need to give serious attention to lifelong learning, which includes both retraining older workers and liberal education for its own sake – these can both be highly lucrative markets for higher education."[2]

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[1] Daniel Yankelovich, "Ferment and Change in Higher Education," *The Chronicle of Higher Education* (November 25, 2005). See http://publicagenda.org for complete text.
[2] B. Klein-Collins, "An interview with Harry R. Moody." *CAEL Forum & News*: 26-27 (Chicago, Illinois: CAEL), as quoted by Jennifer Sasser, Marylhurst University and member of the PCC Taskforce on Aging Older Learner Committee.

Civic Ventures, MetLife, and other organizations studying aging boomers point to the key role community colleges can play in insuring that the generation entering a new life stage stays active and involved both in work and civic activities:

> Because this new stage of life is likely to span several decades and will be characterized by general good health and an active, engaged lifestyle, adults entering this uncharted territory are finding little in the way of guidance and appealing opportunities for shaping these bonus years. And community colleges, which have throughout their history typified themselves as resourceful and adaptive to new educational opportunities, are better suited than perhaps any other American institution to respond to this new stage of life for Americans.[3]

Rising to the challenge, the American Association of Community Colleges and Association of Community College Trustees, partnering with AARP, Civic Ventures, and other national organizations, have made themselves available as resources to colleges interested in becoming more engaged with what Tony Zeiss describes as "An Encore Opportunity."[4] Noting that four of five people over 50 intend to work in retirement and anticipate a lifestyle blending work, education, and leisure, Zeiss calls on community colleges to seize the opportunity to provide innovative programs to serve this population with the responsiveness and accessibility that have become community college hallmarks.

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[3] Judy Goggin and Bernie Ronan, "Our Next Chapter: Community Colleges and the Aging Baby Boomers," League of Innovations Leadership Abstracts 17 (11) (November 2004), reprinted on http://www.civicventures.org.
[4] Tony Zeiss, "Baby Boomers: An Encore Opportunity," *Community College Journal* (August/September 2006): 39-41.

The PCC Survey of Students 40 and Older

As PCC's Taskforce on Aging began an audit of its existing programs and services to consider how well they met the presumed needs of the boomer generation, student representatives on the Taskforce lobbied for a survey to hear what older students needed and wanted from the students themselves. Wisdom Keepers – a student resource initiative of the Gerontology Program – had already been actively supporting older learners with computer tutoring, information and referral services, and career- and work-related presentations since its inception in 2004. Through their efforts, we had anecdotal information on what older learners were seeking, but we wanted to delve deeper.

Wisdom Keepers, led by Judith Anderson, took the lead and approached AARP-Oregon for an incentive grant to develop the survey. With help from the Taskforce Older Learner committee, Wisdom Keepers reviewed the literature on older learners, developed several drafts of the survey instrument, tested it with input from a number of older students enrolled in several PCC courses and programs across the district, and worked with PCC's Office of Institutional Effectiveness to produce the "Survey of Students 40 and Older," which was emailed to 10,451 students during the spring 2006 term (see Appendix A for details). The results of the survey confirmed what observers of aging boomers had been saying, but presented some surprises as well.

The response to the survey was phenomenally successful, with an overall response rate of 12.5%. An unintended consequence of the emailed survey, however, was that 90 percent of the respondents were enrolled in credit courses, with only a fraction (less than 1 percent) of the non-credit students enrolled in Adult Basic Education, ESL, Community Education, Continuing Education, and Workforce Development represented in survey results.

This unintended consequence presented us with an unexpected treasure. Research on older learners to date has concentrated primarily on students in lifelong learning settings, including community and institute programs, continuing education, and other programs designed especially for older adults. While the role of community colleges in retraining and re-careering boomers for extended employment has been acknowledged, the experience of boomers studying in college transfer and professional technical programs for those purposes has not been studied – until now.

What the Older Learner Arrives With

Motivation and Goals

On the whole, older learners are motivated learners. They are adults "with a great deal of life experience already," who know "what they want to achieve, and [are] willing to work to make that achievement happen."[5] They arrive at college with end goals in sight, although they may not know exactly how to reach them or even how to articulate them at first. Primarily, those goals are work or career related.

While overwhelmingly the survey respondents considered "personal enrichment" one of their reasons for attending PCC, fewer than half enrolled to take exclusively general education courses, and fewer than a third to earn a college transfer degree. This sets them apart from their younger classmates, as does the fact that more than 4 in 10 arrive with a degree—associate, bachelors, or higher—already in hand. For most older learners, it would seem, their time at the community college is at the end of their formal higher education path, while for many of their younger classmates, the community college represents just the beginning.

Instead, older students have their eyes on the prize of an improved career. Over three-quarters of the respondents are taking classes to "upgrade or acquire new work-related skills" and nearly as many to "prepare for a new career." More than half are working toward a professional technical degree, while 2 in 10 are looking to "maintain a license or professional credential."

Life Experience and a Belief in Attainability of Goals

Older learners bring with them vast and varied educational, work, and life experience. As well as having prior degrees, the survey results indicate that many work at least part time, are raising families, or both. Moreover, by sheer virtue of their age, all have acquired life experience and

[5] Unless otherwise noted, quotes are excerpted from survey responses with minor editing for clarity.

life skills that demand consideration and evaluation as older learners strive to reach their educational and professional goals.

Along with their extensive backgrounds, older students bring with them a strong belief that their goals are attainable at the community college, and within relatively short order. Half of the respondents indicated they were "very or somewhat likely to reach their academic and career preparation goals" within a year; another quarter expected to achieve their goals within two years. Their responses would indicate that older learners are highly focused on doing their best and moving through the system as quickly as possible, despite the fact that most are attending only part time.

Obstacles to Achieving Goals

Although highly motivated, the many complexities of adult life can hinder older learners. In the words of one respondent, an older learner often inhabits three encompassing roles: "full-time employee, full-time student, full-time family member." As a result of multiple and competing priorities, "time restraints," chosen by nearly 8 in 10 respondents, topped the list of obstacles toward achieving goals.

Family and work obligations can be particularly burdensome when schoolwork is added to the mix. Older students may be impeded by illness, whether it be their children, grandchildren, parents, partners, or they themselves who have fallen ill. They may be raising one or more children as a single parent, or caring for elderly parents, or both. In the experience of one student, "When you are an older student, you usually have a lot of family issues…During my years in school, I have had family deaths, births, family illnesses and custody battles, all of which I was involved [in] because I was a grandparent." Childcare was frequently cited as a concern, as were job responsibilities that conflicted with class deadlines and workload.

Second only to time constraints as a barrier toward achieving goals were "financial concerns," cited by 6 in 10 respondents. Many were disheartened by the limited financial aid available to older students. "There isn't much funding available for people with prior degrees who are switching professions in mid-life, nor are there many available work-study programs for older, [more experienced] people," noted one respondent, echoing an oft-cited viewpoint. Others expressed dismay about the high cost of tuition, fees, and textbooks.

Another notable impediment toward achieving goals centered on health concerns, cited by twenty-five percent of respondents. While at first glance this smaller percentage may appear to relegate health concerns to a place of lesser significance, it's worth noting that only slightly more than one-third of survey respondents were 50 or older. Given that health issues generally increase with age, as the trend in older learners returning to school grows, health considerations can be expected to grow as well. Prime concerns included limited availability of services that support students with disabilities, and general physical decline in vision, hearing, and mobility. Some students, for example, expressed a need to sit closer to the front of the class, or requested that schedules and assignments be printed in larger type. Others found it difficult to walk the considerable distance from campus parking lots to their classrooms.

Preparing to be a Successful Student (What Students Expect and What They Find)

Entry into College

Although older students returning to school often arrive with goals in mind, they consistently request that the college offer support services to help them achieve them. One respondent expressed it this way: "[For] older learners who are coming to school for the first time or returning after years, the culture is very different than it was. It is a challenge for older students to balance all the responsibilities of [their] lives and to adjust and do well. They need encouragement." Whether navigating their way through registration procedures or online courses, or mapping out a customized course of study that considers their college goals *and* their life experience, older students want help. Already short on time, they want to be confident that they aren't going to waste any. In the words of one respondent, "I feel that life experience should be applicable to the degree program. I've had to take classes that didn't really teach much new material than I had already known from experience. This was a waste of both my time and money." Older students want to be able to more easily "challenge some classes for credit."

Survey respondents expressed the need for a range of support systems upon or just prior to entering the college, including new student orientations, assessment of their prior life/work experience, and one-to-one mentoring. Older students called for "a mentor, an advocate for returning adults," "someone to tell new people what classes to start with," "someone to help guide me through the initial process of re-entering college after 20 years." One student offered this insight:

> Many older students are seeking career changes, others are seeking to complete careers started years ago, such as myself… I would suggest having a formal assessment prior to starting classes where past and future classes are assessed and a plan is outlined to follow.

This will help the student stay on track, not taking unnecessary classes. Outline a time frame. It is very helpful to know there is light at the end of the tunnel.

Awareness and Efficacy of Support Services

To begin with, students need to be made aware of what support services the college offers. While half of the respondents expressed interest in job readiness workshops for older students, better than 3 out of 4 didn't utilize the existing job placement/cooperative education services available at the college. Two-thirds expressed interest in tutoring services for older learners, but two-thirds also didn't use the existing tutoring services.

But the services need to be worthwhile for the students as well. Of those who did access tutoring services, only 1 in 4 were "satisfied" or "very satisfied." The job placement/cooperative education services at the college fared considerably worse, where only 1 in 10 of the small percentage of those who utilized them were "satisfied" or "very satisfied."

Focus on Academic Advising for Older Students

Consistent with the widespread finding that older students attend college to improve their marketability in the workforce, two-thirds of the survey respondents said they would be likely to participate in career exploration workshops specifically designed for students over 40 if they were made available. Better than two-thirds sought out the college's academic advising services, but a full half of those who did were not satisfied with the assistance they received. For some, getting in to see an advisor in the first place was challenging. Students who work during the day were hampered by the limited hours that advisors are available. Some lamented that phone appointments were not offered. But the bulk of students' comments relating to their dissatisfaction had remarkable similarities, including complaints about getting inconsistent—often conflicting—information or inaccurate advice, receiving little or no assistance with a sense

of direction, and having a sense of being rushed through the system. "The advisors need to have more information on each specific field of study," wrote one student, calling the advice "very vague and uninformative." "I don't think the counselor knew enough about the direction I was taking," wrote another. Several labeled the advice "generic." Inaccurate advice resulted in students either taking classes they didn't need or *not* taking ones they did, thus delaying them in achieving their goals.

While some reported satisfying interactions with advisors, more related experiences in which they felt the advisors were uninterested in helping them. Here is where respondents' comments specifically reflected their experiences as *older* students:

- "I understand retention is a priority, however, I do not have money to waste, as a female over 50, nor do I have the time. I would just like to know where I stand and what I really need to focus on."
- "I want more detailed info. What are the hot future job outlooks? What should I focus on? I have over 20 years in work experience. I am just going to school now to stay competitive and earn a piece of paper in case I get laid off again."
- "It is hard enough to go back to school later in life [to] then be treated disrespectfully by people that are there to help me. [It] made me feel like I was wasting my time."
- "I feel sometimes that advisors treat us older people like we should know what we are doing and shouldn't be asking questions."
- "The academic advisor did not actively pursue a complete evaluation of prior work."
- "Look at the degrees and background of the student."

- "When I met with an academic advisor to outline a plan of courses, which needed to be very specific since I am under time constraints, I did not feel at all like I received help."
- "Felt that the advisors were not too interested in my goals because of my age."
- "I needed advising by a mature person closer to my age who understands the difficulties and prejudices faced by an older person in a 'young' environment."

Coupled with an interest in enhanced academic advising, half of the surveyed students also indicated an interest in peer mentoring specifically for older students. Others, noting that "support services do not seem suited to the older student," called for support networks for older adults "to discuss concerns or obtain pertinent information." Study groups for older students and support groups for working adults were also requested.

Assessment and Testing

Assessment and testing is another area that older students felt needed improvement. More than half of the nearly two-thirds of respondents who used the testing and assessment service were not satisfied. Some students questioned the validity of the testing results after being placed into coursework that they (and their instructors) believed they were well beyond. A significant number, especially those with prior degrees, suggested that refresher math workshops, rather than full-term courses, were all they needed to place higher; as one student put it, "I've been out of school a while and don't want to go back and take lower level courses again when what I need is a refresher so that I can test out to take upper level courses again." Still others challenged the relevance of certain required courses in math and writing, given their education/employment goals. In the words of one student, "When you are older, time is important. I feel better testing

can be done to get older students going on their studies. Life experience should be included as well."

Additional Preparatory Skills Supports

Older students welcome skills programs that prepare them for the rigors of college-level coursework. Two-thirds would likely participate in memory skills workshops tailored for older students, and the majority would take part in study skills workshops as well. "My brain doesn't seem to have the same capacity for memorization as it did," acknowledged one student. Numerous comments on time constraints (cited by 77.7% of respondents as an obstacle in achieving their goals) suggest that time management workshops would also be highly beneficial.

Computer-related training is another area of need. Older students don't always know what skill level they need to succeed, and they rely on the college to set the bar. "When I first began, I had many difficulties keeping up because my computer skills were not up to speed. If I had been tested and then [taken] some basic courses, possibly as a requirement, I could [have used] the tools available to me on the computer and on the PCC website," noted one. Another called the lack of basic computer skills "very detrimental," and suggested that "most people in my age group never received basic computer skills or knowledge of how to navigate…the internet." "Make sure we know we must be computer literate," urged a third.

The Educational Experience: Classrooms and Coursework

Course Availability, Format, and Scheduling

The time constraints experienced by older students surface again as students search for classes offered at the times and in the formats they need. The majority of older students has taken both day and evening classes, and half have enrolled in weekend or online classes. Although they have taken weekday classes more often than any other type (45.6% M-F daytime v. 37.1% evenings v. 12.0% online), this is due to it often being their only option. Only half of the students were satisfied that they were able to find classes they needed at the times they were able to take them, and fewer than two-thirds in the format they wanted. Repeatedly, students asked for more evening, weekend, and online classes, particularly for required core courses. In some cases, "required prerequisite classes [are] offered only once a year." Often, there are "not enough evening or online classes to satisfy [the] degree [requirements]," nor does the college "offer a complete degree program online." Another difficulty expressed by respondents was that classes are not always offered at a convenient campus; some had to attend classes at more than one campus (13% take classes at multiple campuses), even on the same day.

Course Requirements

When students do find the classes they need, they may be dismayed by the time and energy demands of keeping up with the coursework itself. Whether extending an already long day to take an evening class or finding time to do homework, older students who work, many of whom have family responsibilities as well, are under particular pressure. They have "no time between class sessions to do the homework," thus, "little time to study until the weekend." They find that "many teachers assign things as if you have nothing going on besides school." Representative of

others, one student wrote about time constraints, a fierce desire to succeed, and an alternative timeframe for the coursework:

> Many fellow students and [I] have multiple obligations. I have had two professors who greatly underestimate the time required to succeed in their class. I spent 25 hours studying for the last test I took...I'd rather take 2 quarters than study like this for 10 weeks. So far I have straight A's.

The need for less work and/or more time was voiced frequently. In some cases, rather than responsibilities outside school, age was the reason students requested a more manageable pace. "In some math classes, I feel like I need more time to absorb the material than a semester," one respondent observed. Another felt that:

> Teachers should allow us to correct any mistakes and turn [work] in [again] for full credit. Many of us in our early 50s agree that this would benefit us a great deal. Also, allow us to take our time with tests. As smart as I think I am, we older students need more time to process information and it takes longer to recall information when pushed in a time crunch.

A prevalent theme underlying a substantial number of comments, such as those above, was older students' commitment to meaningful learning. Whether trying to maintain a high grade point average or expressing a need for course content to be presented at a more digestible pace, time and again these students indicated that they are in college to learn, and to learn well. They want time enough to understand the course material, but don't want to spend unnecessary time with coursework that is irrelevant or redundant. If the tone of their remarks could be summed up, it might sound like this student:

> We aren't ready for rocking chairs; we are changing careers. Often we are busier than younger people and we need more flexibility in class times. We may not need what is commonly referred to as 'breadth classes.' We have had life experiences and we often have other degrees. We need classes that focus on what we need to know, not upon philosophy or years of historical information.

Challenges of the Multigenerational Classroom

To differing degrees, older students have concerns about their interactions with younger students, and, to a larger extent, with their instructors. A substantial majority (75.73%) reported positive interactions between younger and older students. This may be linked to the opportunities that the classroom presents to work with other students in small groups, as reported by two-thirds of the survey respondents. But not all older students were enamored of their younger classmates. They felt that they had very little in common with younger students, and could not relate to them. Also, some pointed out that younger students often disrespected or simply ignored older students. Being in classes with younger students made some of the older respondents feel "somewhat alienated" from the class.

The same sense of disrespect and alienation permeated comments about instructor interaction with older students. Fewer than 60% of respondents felt that instructors showed an understanding of their needs as an older learner. Some teachers give the impression that they "would rather not have an older student their class." Older students expressed reluctance about approaching their instructors; especially when the instructor "refuses to give help" or is "not inviting." Others were concerned that "teachers [talk] down to students…," "teachers are not interested in their students succeeding," and "adults are not getting respect like they should." As

one student expressed it, "I find that some instructors assume a model of an 18-year-old freshman—I find it patronizing and annoying."

Jobs

As previously stated, the academic goals for a substantial majority of the respondents centered on work or career. Yet, surprisingly, roughly half of the respondents marked "not applicable" when asked whether they found support at the college in preparing for or finding employment. This high percentage is difficult to interpret. Either these students are not yet ready to prepare for or look for employment, or they are not looking for employment, or they simply don't expect that the college will help them. Another striking percentage, given older students' goals, is that fewer than a quarter of those surveyed were satisfied with the employment support they did find at the college.

The comments confirmed that many students did not know that the college had job placement or career readiness services, or found them unhelpful. Students were "not sure where to find support in preparing for or finding employment." They didn't know "anything like support for employment was available," perhaps because they had "not received any sort of information from the school pertaining to helping adults with job placement of any kind." Others believed the college was unwilling or unable to help students: "There are too few jobs for too many students. [The job placement office] took little interest in helping me secure employment." Students asked for "more resources for jobs and programs that might be useful [for] transitioning employment," and wanted to learn about "the practicalities of looking for and finding a job in [their] field."

Age discrimination was raised as a concern, in both the college and work environments. Citing that "older students are not looked at seriously on this campus in the employment area," students felt that the "job office is not oriented to older job seekers." Several were concerned

about the difficulties they expect to find in the job market, and called for "more options of what kind of careers [older students] can get when [they] get out of school." As one respondent put it:

> Finding employment will be the biggest problem after I graduate…because of my age. Employers tend to hire and retain younger workers. There is a lot of discrimination against women my age in the workforce. [It] would be helpful to have more programs…that would help me find lucrative employment.

Said another, "It is getting hard for older people to get a job out there. I guess experience doesn't count anymore."

Another respondent, who was "not someone who needed their hand held every step of the way," offered this perspective on the college's role in finding employment:

> I think the college would do well to regularly schedule degree-seeking students for periodic academic advising/employment preparation review sessions. There seems to be a general lack of follow-up on the part of the college in regard to career guidance and employment placement. Part of my perception is assuredly my own fault; I simply haven't sought out such guidance. But, that's exactly my point: the college should be proactive in approaching its students about these issues.

Environment

The majority of students felt welcomed on campus, experienced positive classroom interactions between younger and older students, were able to read and understand the assigned reading in their classes, and had access to computers when needed. Most, too, were satisfied with college services and facilities such as registration, the library, and the bookstore. Many took the opportunity to praise specific departments, staff, and faculty with whom they had had exceptional interactions.

Yet some areas that were less than satisfying to older students kept cropping up in their comments. Several expressed a need for desks that fit an older person's body, rather than "the junior high school desks" that felt like "mini torture devices." Numerous requests were made for healthier food choices, better signage and "You Are Here" maps on campus, and parking closer to classroom buildings. Students believed that bookstore and cafeteria prices were too high, weekend hours for campus services were too short, and student support groups for older students too few.

Finally, students repeatedly conveyed dissatisfaction with the lack of customer service they frequently encountered when dealing with faculty, staff, and services throughout the college. Instead of information, staff conveyed impatience, and, rather than respect, students were met with rudeness. The pervasiveness of such comments reflects both older learners' higher expectations as consumers of education, and the need for the college to examine its approach to students as customers.

Recommendations

The recommendations for community college practice and policy emerging from this study suggest the need to move beyond stereotypes about "the older learner." Labels like the "older student" and the "non-traditional student" are in fact often used interchangeably to refer to a staggeringly large age range from 25 to 65 and older. Perhaps it is time to consider the notion of the non-traditional student as outmoded as, according to the National Center for Education Statistics, 3 of every 4 undergraduate students in the U.S. fit the "non-traditional" category in some respect.

Adult learners in higher education share characteristics and patterns of educational participation that distinguish them from their "traditional"–18- to 24-year-old–classmates. They are considered financially independent for the purposes of eligibility for financial aid; they tend to attend college part time; they have often delayed enrollment in higher education after high school graduation or they have participated in higher education sporadically; they probably work full-time (35+ hours per week); they have responsibility for dependents other than a spouse; they might be a single parent; and sometimes they lack a high school diploma.[6]

In this light, it would seem useful to consider the emerging boomer student population that was the subject of this study as a cohort of adult learners characterized by demographic diversity and a set of shared expectations and motivations that are informed by the historical period in which they have traversed the life course. We don't know yet what distinguishes this particular cohort from all adult learners, nor do we know what distinguishes older learners going to college to retrain and re-career from their counterparts engaged in life enrichment and lifelong learning programs.

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[6] National Council for Education Statistics, "Nontraditional undergraduates," Report no. NCES 2002-012, Washington DC: NCES, 2002.

In any case, the following recommendations, based on students' extensive observations and reflections in the survey, closely parallel and build upon the guidelines and policies promoted by the Council for Adult and Experiential Learning (CAEL), the American Association of Community Colleges (AACC) and its affiliate National Council for Workforce Education (NCWE), Jobs for the Future (JFF), and the Center for Community College Policy.

1. **Outreach and market to older students based on the product offered, not the demographic.** The surveyed students objected to being considered "old," or stereotyped because of their age. They were not looking for separate "senior" programs, but rather expected that the regular college services and programs should accord them the respect they deserve and meet their needs as they would any other student. The repeated demand for employment preparation and job placement services reflects the profile that four of five respondents were in school not only for personal enrichment, but for retraining and re-careering. Community colleges should play a central role in supporting those goals, and let the community know they are prepared to serve them.
2. **Ease the entry into college and honor experience.** Older students indicate they need an accessible and responsive point of entry to a system that can feel overwhelming and confusing to those who may have left the educational system decades earlier. Wrap-around advising and counseling services facilitated by a mentor or coach would help students navigate through the bureaucracy to obtain the courses and services they need to fulfill their goals. Such a program would ideally include peer mentors and coaches, who might be retirees or older students nearing the end of their studies. Community colleges have developed several model programs to address the education and training needs of adult learners, although such programs tend to be concentrated in the workforce development

divisions or designated only for particular groups. One-Stop Career Centers and programs like the Federal TRIO Program[7] and Breaking Through,[8] which provide integrated institutional structures and services, accelerated learning, career pathways, career guidance, job search and placement support, and skill development for high wage jobs, are the kinds of programs many older students indicate they need. Most important to these students would be the opportunity for assessment of their work and life experience through "Prior Learning Assessment" programs,[9] or for recognition of a "Readiness for Work/Readiness for College" Certificate.[10] The study revealed that programs and services that have proven so effective for dislocated and low-skill workers, low-income single-parent workers, first-generation college students and other groups could well serve the general population of older students who enter college with many of the same needs and goals.

3. **Prepare students for success.** Completing a Prior Learning Assessment process could also serve to identify gaps in areas like study skills, time management, technical or college-level reading and writing, math, and computer skills. Older students indicate they would like to fill those gaps through intensive workshops, "refresher" courses, tutoring, and other alternatives that fit adult lives, learning styles, and preference for learning that is practical, contextualized, relevant, and hands on. Many students also require supportive services to handle life-family-school crises in order to focus their energies on coursework.

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[7] Federal TRIO Programs are educational opportunity outreach programs designed to motivate and support students from disadvantaged backgrounds. See http://www.ed.gov/about/offices/list/ope/trio/index.html.

[8] Jobs for the Future and the National Council for Workforce Education, *Breaking Through: Helping Low-Skilled Adults Enter and Succeed in College and Careers* (November 2004) http://www.breakingthroughcc.org/.

[9] Council for Adult and Experiential Learning (CAEL), *Prior Learning Assessment*. http://www.cael.org

[10] See Jobs for the Future (http://www.jff.org) and WorkKeys (http://www.act.org) for information on Work Readiness Certificates and Readiness for Work/Readiness for College correlations.

Typical issues the surveyed students indicated were potential obstacles to their success included finances, child and elder care, dental and healthcare access, and mental and behavioral health issues. Finally, students need access to high-speed internet and access to an adequate computer to support their coursework, whether in-class, hybrid or online.

4. **Provide a flexible, responsive educational environment that respects the complexities of adult life.** Juggling work, home, family, and school obligations, older students are extremely motivated to complete their studies in a relatively short timeframe and through alternative modalities, such as distance learning, to enable them to translate their education quickly into meaningful employment. Colleges can do much to support the older student, by increasing flexibility in class scheduling and content, providing credit for prior work-based learning, and adapting counseling and advising services to assist older students to successfully reach their goals. Facilities that accommodate aging bodies, food choices that encourage a healthy diet, and a spirit of welcoming customer service, would help older students feel more comfortable and at home in the college environment. Most importantly, older students must also have access to sufficient financial aid and retraining dollars.
5. **Consider age a diversity issue and embrace the multigenerational college.** College faculty and staff must be prepared to relate to a student profile that is becoming more complex and varied, representing not simply a range of chronological ages, but life-course stages, varied material and economic conditions, adult-life complexities, and distinct and shared cohort experiences.

   Age must become an integral aspect of the community college commitment to honor diversity and promote values and practices that discourage intolerance and discrimination.

Like students from any background, older students need to feel welcome, valued for their knowledge and experience, and respected for what they bring to the college environment.

The challenge is to promote and incorporate age consciousness and intergenerational cooperation throughout every aspect of college activity, including student life, the curriculum, teaching, programs, staffing, personnel training practices, community services, and events.

Training in instructional strategies to promote intergenerational cooperation and to create meaningful learning experiences for all students, young and old, could be integrated into new faculty institutes and in-service workshops. Community colleges can also share and assess best practices among themselves to promote positive learning and interaction in age-diverse classrooms.

6. **Help students manage their careers by providing adequate job preparation, internships and job placement services.** Throughout the survey, students repeatedly referred to the need for more effective job preparation workshops, coaching, peer mentoring, and workplace shadow mentoring. Extending the career pathways concept beyond workforce development programs to professional technical programs would enable older students to achieve milestones, more easily move between college and work, and receive workplace training to advance their career goals.

   Internships are critical, particularly for students changing careers or re-entering the workforce after a prolonged absence. Such opportunities need to be intentional, and preferably supported by some kind financial aid or stipend through a business-college-government partnership similar to the federal work-study program. Professional technical

program advisory committees could be engaged as more effective partners in creating such opportunities that would provide clear pathways into "real jobs."

Colleges should also expand their career re-entry programs, particularly in the critical fields of health, education, and social services.

7. **Follow-up with students at least one year following graduation.** Following the model of government employment training programs, which for years have been mandated to track the success of workers they have placed, colleges need to track their graduates, both for college transfer students and for graduates of professional technical programs as they enter their career path. Not only would this provide colleges a more realistic picture of their effectiveness, but the follow-up would provide the opportunity to help students whose job search or career path has stalled or gotten off track. Such follow-up systems, which could be done through program or discipline e-groups, would also enable colleges to create alumni networks to keep graduates connected with the college and available as mentors for new students and as ambassadors for the college and its programs.
8. **Facilitate lifelong learning that meets both personal and career goals.** Colleges need to remember that lifelong learning is also "livelihood learning." Many careers and professions require on-going CEU credits to maintain certification or licenses, but success in any field requires continuing education and lifelong learning. Community colleges can do a better job of developing, highlighting and marketing continuing education and professional development courses that can keep older workers current in their field and fill in skill gaps as they arise on the job. Doing so requires coordination among college transfer, professional technical, continuing education, and workforce development divisions of the college.

9. **Build strong business-college-community partnerships.** Colleges need to strengthen and maintain on-going and effective partnerships with business and community partners – to know what employers need and want, to inform course and program development, to create meaningful and effective internships for students, and to facilitate students moving into successful career pathways. Business as usual will just not work. Older students are the "canaries in the mineshaft" that are returning to college for needed skill upgrades, preparation for jobs, and re-careering. They are telling us what works and what doesn't work for them – they know what they are facing "out there," and they realize that their previous education did not prepare them well. We need to listen. Accommodating older students does not require creating new and special programs, but it does require revamping what we do to support students throughout their educational experience and as they enter the workforce.
10. **Advice to Community Colleges – Ask Your Students!** The response to the Survey for Students 40 and Older was enormously successful. Some 36% of credit students responded to the survey and they had a lot to say. In over 100 pages of responses to open-ended questions, students shared their observations, complaints, and reflections on significant obstacles to achieving their goals, their satisfaction or dissatisfaction with a range of college services, how well PCC met or did not meet their expectations, and their specific suggestions about services for older students.

    PCC learned a lot about these students, and their responses suggest a process for our college to effect institutional change to better serve these students and help them to meet their academic and career goals. We are now taking steps to begin that process in earnest.

We urge other community colleges around the country to conduct similar surveys. We are happy to share our experience and suggestions on how such a survey could be improved. Without hearing from students, you may continue to operate on outdated assumptions about "the older learner" or the "non-traditional student" that do not fit the current reality.

Finding out what older students think, what they need, what they feel, and what they aspire to could well start a fundamental process of transforming your institution.

Seize the opportunity!

Appendix A: The Survey

Wisdom Keepers, the student resource initiative of the Gerontology Program, initiated the idea of conducting a survey to learn about older students attending PCC, including their reasons for being in college, their needs and goals, and the quality of their educational experience.

Together with the Older Learner subcommittee of the Taskforce on Aging, Wisdom Keepers conducted a review of the literature on older learners, drafted the survey instrument, and tested it on several older students. The PCC Office of Institutional Effectiveness refined the instrument and pre-tested it before the link to the survey was emailed to all 10, 451 students, registered in both credit and non-credit courses during the spring 2006 term.

All registered PCC students receive a PCC email address through MyPCC, an online community for students, faculty and staff of Portland Community College. The secure site allows students to check email, register for courses, communicate with other students and faculty, and take care of all aspects of college business.

Credit students are much more likely to log in to MyPCC regularly, as increasing numbers of faculty use the system to post course materials, conduct online discussions, and communicate with students throughout the term. In contrast, non-credit students may only log in to MyPCC to register for courses that meet only once or for a brief segment of a typical term, and most likely do not use MyPCC course tools.

Attempts were made to reach non-credit students in other ways. When the survey was emailed the first time during the seventh week of the term, Wisdom Keepers posted flyers on every campus and center of the college and forwarded bookmarks to advisors and several faculty members teaching non-credit courses. Three reminder emails were sent through the end of the

spring term. Despite these added efforts, non-credit students are markedly under-represented in the final survey results, with a return rate of less than 1%. For all practical purposes, the survey represents credit students, including a small percentage of students registered for both credit and non-credit courses. *Nine of 10 survey respondents were credit students, with an impressive 36 percent response rate.*

The link to the survey was sent in an email message, urging students to take a few minutes to complete the survey, and explaining that its purpose was "to learn how PCC can help students 40 and older achieve their academic and career goals," and assuring that their "input will help us develop programs and services that better serve older students."

Several respondents thanked the surveyors for being interested in hearing from older students. While a few students expressed skepticism that their recommendations would be taken seriously, close to 500 respondents provided their contact information for follow-up and offered their help in implementing the recommendations.

There was some debate about what to call the survey and what age groups to include. In the end, we decided to include all students 40 and older. The Office of Institutional Effectiveness uses the categories 40-49 and 50+. We assumed that students 40 and older would share characteristics, such as being out of the education system for a long period and being engaged in or looking for employment projected to last well into their 50s, 60s and beyond. We settled on the title, "Survey of Students Aged 40 and Older," as being the most descriptive and least offensive of the alternatives. Despite these considerations, we received a few comments from students offended to be identified as "older."

One in six students enrolled in credit courses is 40 and older, while 30 percent of the total unduplicated "headcount," including credit and non-credit students, is 40 and older. The following table provides a detailed picture of total registered students by category of enrollment.

Table 1: PCC Credit and Non-Credit Students Spring Term 2006

PCC Spring 2006 Term Students 40+		**Responses to the Survey**	
Total Number Enrolled: 11,321*		**Total Survey Responses:**	**1,309**
Survey Emails Sent to: 10,451		**Total Return Rate:**	**12.5%**
Credit Students		**Credit Students Responding**	**1,244**
- **Total Headcount = 3,466**		**Credit Student Response Rate**	**36%**
- 40-49 years	2,190		
- 50+	1,276	**% of Total Respondents**	**90.5%**
% of Total Enrollees	**16.1%**	- Credit Only Respondents	85.4%
Av. Age of Enrollees	29 years	- Credit + Non-Credit	5.1%
ABE/GED		**Non-Credit Only Respondents**	**65**
- **Total Headcount = 189**			
- 40-49 years	125	**% of Total Respondents**	**9.5%**
- 50+	64		
% of Total Enrollees	**15.7%**	**Non-Credit Response Rate**	**0.93%**
Av. Age of Enrollees	27 years		
ESL			
- **Total Headcount = 607**			
- 40-49 years	373		
- 50+	234		
% of Total Enrollees	**28.9%**		
Av. Age of Enrollees	35 years		
Community Education (CED)			
- **Total Headcount = 4,442**			
- 40-49 years	1,589		
- 50+	2,833		
% of Total Enrollees	**53.1%**		
Av. Age of Enrollees	42 years		
Continuing Education (CEU)			
- **Total Headcount = 1,947**			
- 40-49 years	892		
- 50+	1,055		
% of Total Enrollees	**6.1%**		
Av. Age of Enrollees	42 years		
Workforce Development			
- **Total Headcount = 690**			
- 40-49 years	374		
- 50+	316		
% of Total Enrollees	**43.9%**		
Av. Age of Enrollees	38 years		

*870 students were not included in the survey population, because they did not have PCC-issued email addresses. The assumption is that these were all non-credit students. The return rate is based on the number actually emailed the survey.

Table 2: Selected Characteristics of Survey Respondents

SELECTED CHARACTERISTICS OF SURVEY RESPONDENTS (%)							
Gender	Male	70.1					
	Female	29.9					
Age	40-44		34.8				
	45-49		28.0				
	50-54		19.2				
	55-59		12.2				
	60+		5.8				
Education	High School			8.7			
	Some College			42.9			
	Associate Degree			15.3			
	Bachelors or Higher			30.6			
	Other			2.5			
Classification	Credit				85.4		
	Non-credit				9.5		
	Both				5.1		
Status[1]	Full-time[2]					27.6	
	Part-time[2]					72.4	

Does Age Boom Mean Worker Gloom?

How Will Older Workers Help Fill Oregon's Workforce Demand?

A fact-finding report prepared for the Oregon Age Boom Conference

by

CENTER FOR AGING & COMMUNITY

February 28, 2007

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Oregon Gray Matters

Overview

Oregon Gray Matters profiles an older Oregonian population that is active, well-educated, and planning to work well beyond the traditional retirement age. The report concludes that – given the right conditions and incentives to both older employees and their employers – Oregon can count on its older workers to meet most of its projected workforce needs within the next decade.

The idea for *Oregon Gray Matters* stemmed from *Indiana Gray Matters*, a project undertaken by the University of Indianapolis Center for Aging & Community with its partners to determine the impact of that state's aging workforce on its employers and workers.

With Oregon facing similar graying demographics, the PCC Taskforce on Aging looked to *Indiana Gray Matters* as a model to produce a similar report identifying challenges and opportunities related to Oregon's aging workforce and having direct application for planning among employers, older workers, academic institutions and other workforce entities.

Oregon Gray Matters: How Will Older Workers Help Fill Oregon's Workforce Demand?" is the result of a broad-based partnership. The Oregon Department of Community Colleges and Workforce Development provided major funding for the report, together with significant contributions from Worksystems, Inc. and PCC's Center for Business and Industry. The University of Indianapolis Center for Aging & Community team prepared the report, and the Oregon Employment Department provided information related to Oregon demographics and older workers. AARP will publish 2000 copies of the final report to make it available to the Oregon governmental, business, and educational institutions who will be crafting policies and programs enabling the state to capitalize on the potential of its aging workforce.

The report organizes the facts that serve to profile Oregon's aging workforce as it exists today and explores possible future scenarios. There are many factors, however, that it could not consider. For example, parts of coastal, central and southern Oregon presently have

an above-state average of older residents, yet in many counties, employers are scrambling to fill vacancies and there is general concern about an increasing labor shortage.

Evaluation of such prevailing *gray-town* economic scenarios is in order, as is the overall business climate for older workers. The just-published *AARP Oregon Poll of Employers in the State on Age 50+ Employees* can help start that discussion.

Oregon shows many signs of a state entering the "longevity revolution" – one in which active aging will have a profound impact in the workplace and in post-secondary education. Oregon is poised to capitalize on the tremendous potential of its aging workforce that could well be the salvation for the state's project workforce shortage within the next decade. Realizing that potential will depend on whether the state can bring together educational institutions, employers, business organizations, workforce agencies, state leaders and decision-makers to craft the policies, practices and partnerships that will encourage older residents to remain in the workforce.

We welcome the reader to join the challenge!

Portland Community College Taskforce on Aging

February 28, 2007

Outline

1. Purpose and Scope
2. Introduction – Oregon an Aging State, So Where Will Tomorrow's Workers Come From?
3. Profile of Oregon's Aging Workforce
4. Profile of the Current Education and Training of Oregon's Aging Population.
5. Projections of Future Workforce Participation by Older Workers
6. Summary of Oregon's Projected Workforce Needs
7. Key Findings

1. PURPOSE AND SCOPE

The purpose of this report is to provide a statistical backdrop for the Age Boom Conference convened by Portland Community College on February 28, 2007 in Portland Oregon. While this report has a logical sequence, it is not an integrated "paper" on the topic; rather it provides a profile of the aging worker (defined as age 55 years and older), his/her education and work experience, the demand for future workers and outlook for older worker supply to fill demand, all as background to the conference discourse.

The scope of this profile includes:

- Description of the characteristics of Oregon's aging workforce with particular focus on different types of work (employee, consultant, entrepreneur) and modes of employment (full-time, part-time, seasonal)
- Description of the education and training participation of Oregon's aging population, potentially leading to upgrades of knowledge and skills
- Forecasts of likely growth in the aging workforce using two scenarios:
    - Continuation of past trends
    - Acceleration due to increased employment activity (including entrepreneurial activity) and accelerating labor force participation
- Summaries of workforce projections by age, education, and occupation
- Estimates of the degree to which future workforce needs could be met by aging workers under the two scenarios

2. INTRODUCTION

Like many others in the U.S., Oregon is an aging state. Prudent workforce planners are asking, "Where will tomorrow's workers come from and are current older workers in a position to help fill future workforce demand?"

According to a U.S. Census Bureau report, "A Profile of Older Workers in Oregon," 1,027,592 people ages 14 years and older were employed in Oregon in 2002 (This report refers to private employment covered by unemployment insurance only. An estimate of all Oregon employment by the Bureau of Economic Analysis 2005 is 2, 224,838.) Of those, 30,168 were 65 and older and 113,053 were 55-64 years old, totaling 13.9% of the Oregon workforce were over age 55. An average 2002 monthly earnings of those 55 – 64 was $3,350 and those 65 years and older was $1,861, compared with all-age average of $2,890. This Census report found the workforce 45 years and older had increased significantly between 1991 and 2002 while the proportion of those 65 + who continue working was increasing, but only slightly. Industries with more than 1 in 5 workers who were 55 and older included private household services, local and urban transit, oil and gas extraction, and membership organization. Those industries most likely to employ the over 65 were food and beverage establishments, business services, and health services. Of industries employing more than 500 workers 65 years and older, the highest paying was lumber and wood products.

But employment and compensation numbers don't tell the whole story of how an aging workforce can and will impact a state. In 2005, the University of Indianapolis Center for Aging & Community (CAC), began an innovative multi-year research project titled "Gray Matters: Opportunities and Challenges for Indiana's Aging Workforce." In the first publication of data from Phase I of the study (February 2006), all 50 states were compared on the degree to which they were both aging and aging actively. Oregon scored in the average range in the degree to which it is aging as a population, relative to the other 49 states.

In the CAC report, "active aging" was determined by metrics measuring the degree to which people 55+ are involved in employment, volunteerism and the pursuit of new knowledge

and learning. Oregon scored above average on active aging. Other states also scoring high were Alaska, California, Colorado and Utah. Oregon's score fits with both an in-state and out-of-state image of Oregonians as making the best out of life and enjoying the outdoors. It also suggests a promising flow of near-retirees staying on for extended duty. The imperative questions remain, however, how many older workers will stay, for how long, and under what work patterns/conditions?

Some countries, including Singapore, Canada, Australia, New Zealand and several Nordic countries, are already taking the "longevity revolution" seriously. According to the Organization for Economic Co-operation and Development (OECD), there will be one person in retirement for every one worker in European countries by 2050. The rapidly aging populations will put pensions at risk and increase the tax pressures on the working population. To address these issues, the OECD held a High-Level Policy Forum in October 2005 and has since been working on reviews of their 21 member countries. Generally, the OECD recommends that work be undertaken to dispel the myth that retirement be regarded as a way to make room for younger workers. Instead, policies should enhance the employability of older workers. In Sweden, current policies provide flexibility to combine work and pensions after age 61 and also flexible work schedules that help retain older workers. To enhance the skills of older workers, Canada promotes workplace training and has a Lifelong Learning Plan that enables older workers to use their retirement money to finance full-time education and training.

To maintain their above average rates of employment and economic growth, Australia is working to reverse the decline in labor force participation rates of older men and to reinforce rising rates of employment for older women by strengthening work incentives such as workplace flexibility and lifelong learning strategies. Norway has the second highest employment ratio for the population 50-64 in the OECD (74.1%); about one-third of its 64-74 population is still employed. They maintain these numbers of older adults with employment incentives of additional vacation time and education/training opportunities. (High-Level Policy Forum Ageing and Employment Policies, October 2005, Brussels, Belgium)

In recent years, many studies project future U.S. worker and skills gaps as the nation's economy continues to grow, creating not only more jobs, but also more jobs requiring advanced knowledge and skills. How will Oregon fill this demand? Immigration? Higher productivity of incumbent workers? New Smarts and skills of young entry-level workers? Aging workers who stay in the workforce? Scholars differ as to the degree to which each of these factors will contribute to balancing demand with supply.

Smart states will be those that plan ahead. Will and can Oregon's increasing numbers of active seniors stay in, or return to, the workforce? Few U.S. states are giving serious thought to this issue. Given Oregon's reputation as a policy innovator state, it is not surprising that Oregon should be one of the early states to get ahead of the aging workforce curve as many Boomers decide to continue their work life beyond 65 for personal and/or financial reasons.

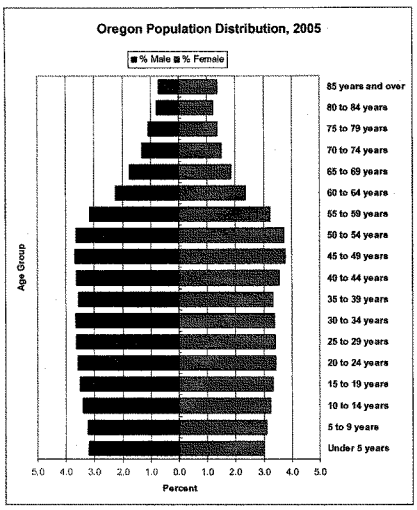
3. PROFILE OF OREGON'S AGING WORKFORCE

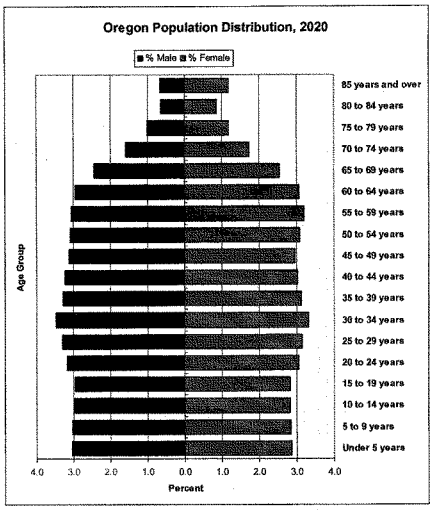
This section provides the most current data on characteristics of workforce participation of Oregon's older population. The threshold criterion for "older" workers in these profiles is 55 years of age. Characteristics include:

- Age distribution in state/region
- Labor force participation rate
- Type of worker (salaried, non-salaried, business owner)
- Type of job (part-time, full-time, seasonal)
- Occupation
- Industry

Basic data on aging demographics has been provided by the Oregon Employment Department. The U.S. Census Bureau's Current Population Survey (CPS) provides some workforce data, such as participation rates, by age. Due to its small sample size, the moving averages of three years (e.g. 2004-2006 for the most recent data) are used with CPS data in this report.

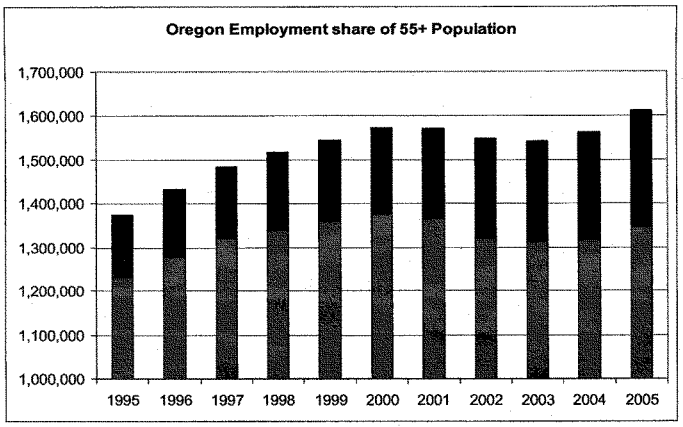
Age Distribution





- In 2005, the 55+ population in Oregon constituted approximately 24% percent of the population (2005). In 2020, this share is expected to rise to 26.2%.
- Changing shapes of population pyramids show:
  - Higher percentages for 65 and older in 2020, especially women
  - Less "bulge" (5 year cohorts over 3%) for age cohorts 20 – 49 - - an evening out of available workers by age
  - Good supply of potential adult workers (cohorts over 2%) up to age 69 in 2020, i.e. an extension of "working age population"

Employment by age



Source: U.S. Census Bureau, Local Employment Dynamics

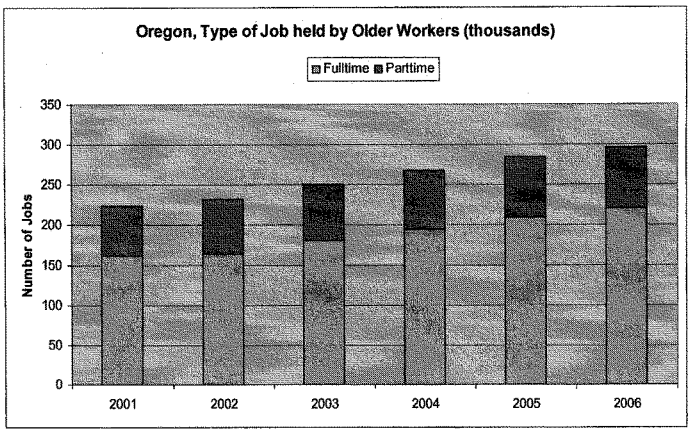
- The share of the employed 55 years and older has increased by 55% over the last 10 years (private covered employment).

Labor Force Participation and Mode

Labor Force Participation Rates of the Older Population						
	2001	2002	2003	2004	2005	2006
55-64	61.5%	61.6%	62.1%	63.1%	63.9%	64.4%
65-74	15.4%	17.4%	18.2%	20.1%	20.5%	20.4%
75+	6.5%	4.8%	3.6%	4.3%	6.3%	7.4%
55+	35.8%	36.8%	39.4%	42.6%	45.4%	47.0%
TOTAL	68.1%	67.5%	67.1%	66.1%	65.3%	-

Source: U.S. Census Bureau, Current Population Survey; Bureau of Labor Statistics
Note: 3-year moving average

- From 2001 – 2005 overall labor force participation rates have been falling in Oregon, while the share of the 55+ population that participates in the labor force has increased by over 30%.



Mode of Employment						
	2001	2002	2003	2004	2005	2006
Population 16 years and older						
Full-time	78.6%	78.6%	78.1%	78.2%	78.2%	78.6%
Part-time	21.4%	21.4%	21.9%	21.8%	21.8%	21.4%
Older Workers (55+)						
Full-time	72.0%	70.5%	72.3%	73.2%	73.8%	75.1%
Part-time	28.0%	29.5%	27.7%	26.8%	26.2%	24.9%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: U.S. Census Bureau, Current Population Survey
Note: 3-year moving average

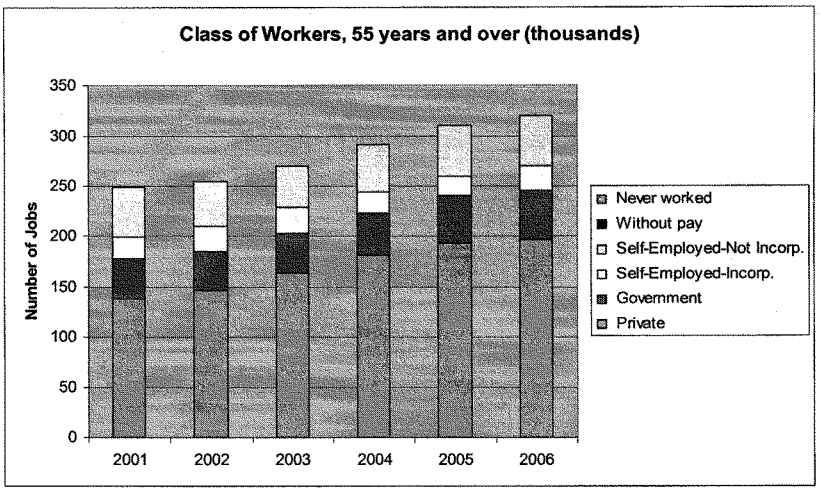
- Over the last eight years, older workers in Oregon have increasingly been employed full-time -- in 2006 at 75% -- though still at a lower share than the total working age population.

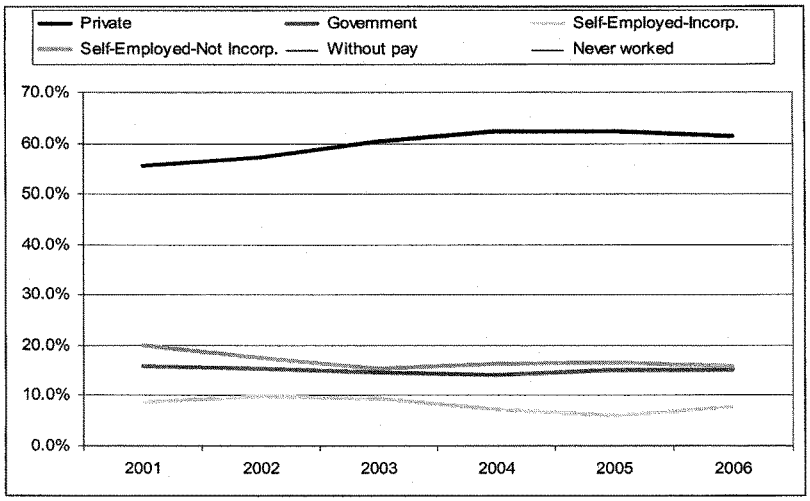
Class of Worker

Class of Worker						
	2001	2002	2003	2004	2005	2006
Population 16 years and older						
Private	73.8%	73.6%	73.8%	74.3%	73.8%	72.8%
Government	11.8%	12.7%	13.5%	13.2%	13.0%	12.6%
Self-Employed-Incorporated	4.1%	4.2%	4.2%	3.5%	3.7%	4.3%
Self-Employed-Not Incorporated	10.1%	9.1%	8.2%	8.4%	8.9%	9.6%
Without pay	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%
Never worked	0.2%	0.3%	0.3%	0.5%	0.6%	0.6%
	100%	100%	100%	100%	100%	100%
Older Workers (55+)						
Private	55.5%	57.3%	60.4%	62.3%	62.2%	61.3%
Government	16.0%	15.3%	14.6%	14.1%	15.1%	15.1%
Self-Employed-Incorporated	8.6%	9.8%	9.5%	7.2%	6.0%	7.8%
Self-Employed-Not Incorporated	20.0%	17.5%	15.5%	16.4%	16.6%	15.8%
Without pay	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Never worked	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	100%	100%	100%	100%	100%	100%

Source: U.S. Census Bureau, Current Population Survey
Note: 3-year moving average

- The majority of the working age population is employed in the private sector.
- This share reduces significantly with increasing age, with older workers only working about 57% in the private sector, and more so as unincorporated self-employed.
- However, since 2000, the share of older workers in the private sector has been mostly increasing.





- Graphical illustrations of the data shared in the Class of Worker table show labor force participation of the 55+ age group by both numbers of jobs and percentage of workforce.

Occupation

Oregon Occupational Distribution for those 55+, 2004-2006	
Management, business, and financial occupations	21.8%
Professional and related occupations	19.9%
Office and administrative support occupations	17.2%
Service occupations	11.4%
Sales and related occupations	11.0%
Production occupations	5.5%
Transportation and material moving occupations	5.2%
Installation, maintenance, and repair occupations	3.6%
Construction and extraction occupations	3.2%
Farming, fishing, and forestry occupations	1.3%
Total	100%

Source: U.S. Census Bureau, Current Population Survey
Note: 3-year average

- Nearly 60% of 55 and older Oregon workers are employed in management, business, and financial professions and related occupations; and office and administrative support occupations, i.e. white and pink collar jobs.

Age Distribution by Occupation, 2004-2006									
	<18	18-24	25-34	35-44	45-54	55-64	65-74	75+	Total
Management, business, and financial occupations	0.0%	2.0%	18.6%	26.3%	26.6%	**20.1%**	4.7%	1.7%	100%
Professional and related occupations	0.0%	6.1%	21.1%	24.3%	28.0%	**17.4%**	2.1%	1.0%	100%
Service occupations	6.8%	25.2%	25.7%	22.4%	12.9%	**5.7%**	1.1%	0.2%	100%
Sales and related occupations	1.7%	20.2%	21.5%	12.9%	29.9%	**11.6%**	1.3%	0.8%	100%
Office and administrative support occupations	1.0%	13.6%	17.0%	19.6%	28.1%	**19.0%**	1.7%	0.0%	100%
Farming, fishing, and forestry occupations	16.6%	18.6%	25.5%	9.2%	13.9%	**11.2%**	5.1%	0.0%	100%
Construction and extraction occupations	0.0%	14.0%	35.7%	29.0%	17.0%	**4.3%**	0.0%	0.0%	100%
Installation, maintenance, and repair occupations	1.6%	10.3%	17.0%	20.0%	28.8%	**18.6%**	2.8%	0.7%	100%
Production occupations	0.0%	14.1%	25.2%	22.9%	23.9%	**12.6%**	1.3%	0.0%	100%
Transportation and material moving occupations	5.6%	16.4%	11.3%	27.8%	22.0%	**13.8%**	3.1%	0.0%	100%

Source: U.S. Census Bureau, Current Population Survey Note: 3-year average

- The occupations with the highest share of workers 55 years and above are in the category of management, business, and financial occupations at 26.5% of all workers in those occupations.
- Other occupations with relatively high shares are installation, maintenance, and repair occupations; professional and related occupations; and office and administrative support occupations.

Industry

Distribution of Workers of older Workers, 2004-2006		
Major Industry Category	**55+**	**All Ages**
Agricultural	4.8%	2.8%
Forestry, logging, fishing, hunting, and trapping	1.6%	0.8%
Mining	0.0%	0.0%
Construction	5.7%	7.9%
Manufacturing	11.1%	13.1%
Wholesale trade	3.2%	3.5%
Retail trade	14.1%	13.2%
Transportation and warehousing	3.5%	3.5%
Utilities	0.6%	0.4%
Information	2.3%	2.0%
Finance and insurance	3.2%	4.0%
Real estate, rental, leasing	3.1%	2.6%
Professional and technical services	6.1%	5.5%
Management of companies and enterprises	0.7%	0.1%
Administrative and waste services	3.8%	4.4%
Educational services	10.3%	7.8%
Health care and social assistance	8.7%	10.1%
Arts, entertainment, and recreation	1.7%	2.2%
Accommodation and food services	3.8%	6.9%
Other services, except government	6.3%	4.2%
Private households	0.5%	0.8%
Public administration	5.2%	4.1%
	100%	100%
Source: U.S. Census Bureau, Current Population Survey *Note: 3-year average*		

- Older workers have a higher employment share compared to all ages in agriculture, retail, educational services and other services, especially repair and maintenance occupations

Older Workers as Percent of all Workers by Industry, 2004-2006	
Management of companies and enterprises	88.2%
Forestry, logging, fishing, hunting, and trapping	34.1%
Agricultural	29.4%
Other services, except government	24.0%
Educational services	22.4%
Utilities	22.3%
Public administration	21.7%
Professional and technical services	18.7%
Retail trade	18.2%
Transportation and warehousing	16.9%
Real estate, rental, leasing	16.8%
Information (includes Publishing)	16.7%
Wholesale trade	15.7%
Health care and social assistance	15.1%
Finance and insurance	14.6%
Arts, entertainment, and recreation	12.7%
Construction	12.2%
Private households	11.3%
Manufacturing	10.9%
Accommodation and food services	10.6%
Administrative and waste services	7.7%
Mining	0.0%
Source: U.S. Census Bureau, Current Population Survey *Note: 3-year average*	

- By far the highest concentration of older workers is found in management of companies and enterprises. In a distant second are the forestry, logging, fishing, trapping and hunting industries.
- Interestingly, within the Information industries, almost 50% of employees in the publishing industry in Oregon are 55 years or older.

4. PROFILE OF THE CURRENT EDUCATION AND TRAINING OF OREGON'S AGING POPULATION

Based on the latest data, this section provides a summary of Oregon's aging workforce by education/training. The main source of data besides the Current Population Survey is the National Center for Education Statistics IPEDS data system, which provides the age distribution of enrollments by type of degree as well as the number of older residents relative to the number of specific degree holders in that age group.

Educational Attainment

Educational Attainment by Age, 2006			
	Share of Education Level by Age		Share of 55+ in each Educational Level
	18-55	55+	
Less than High School	12.3%	12.4%	34.6%
High school graduate - high school diploma	26.9%	34.8%	36.7%
Some college, but no degree	26.3%	21.5%	30.6%
Associate degree - occupation/vocational	4.7%	4.7%	29.7%
Associate degree - academic program	4.5%	2.2%	15.9%
Bachelor's degree	18.1%	14.6%	28.4%
Master's degree	5.6%	6.2%	31.3%
Professional school degree	1.1%	1.9%	54.1%
Source: U.S. Census Bureau, Current Population Survey *Note: 3-year average*			

- 30% of the 55+ population in Oregon holds some type of college degree, compared to 34% of the population below 55 years old.
- The older workers hold the majority of professional school degrees.

Percent of 50+ Enrolled by Study Level		
	2004	2005
First professional	1.7% (of all first professional enrollment)	1.7%
Graduate	8.6%	9.1%
Undergraduate	3.8%	3.9%
ALL	4.3%	4.4%
Source: National Center for Education Statistics, IPEDS *Note: 3-year moving average*		

- The highest share of 50 years old and above can be found at the graduate level, 9% of enrollments. The graduate level also showed the strongest increase in enrollment of this age group over the last four years.

50+ Population Enrolled in College		
	2004	2005
Total Enrollment	184,153	197,051
Enrollment 50+	7,735	8,338
Residents	2,146,665	2,210,400
Share 50+	0.4%	0.4%
Source: National Center for Education Statistics, IPEDS *Note: 3-year moving average*		

- Of Oregon's student population in post-secondary education, 4.3% are 50+; that makes up 0.4% of the total Oregon population.

5. PROJECTIONS OF OREGON'S FUTURE WORKFORCE PARTICIPATION BY OLDER WORKERS

Given the broad trends in Oregon's aging workforce covered in Sections 3 and 4, this section forecasts likely growth in the aging workforce using two scenarios:

A. Continuation of past trends that indicate increasing labor force participation rates
B. Improvement due to pro-longed work life and increased workforce participation, including possible entrepreneurial activity (increased labor force participation as well as an increased share of the labor force that is working)

Introductory Note About Methodology

To forecast the future workforce for an age group, one must do the following:

- Estimate the proportion of that age group that will be active in the labor market (those that either hold or seek a job) - - called labor force participation. For older workers, this depends on the number of individuals who choose to extend their work life and on how they intend to do that (full-time, part-time, seasonal, etc.).
- Estimate the labor force participation rates relevant to various levels of educational attainment. We know that in the labor force as a whole, those with higher levels of education tend to participate in the labor force more than those less skilled.
- Estimate, on average, the percent of those in the labor force, by age and educational attainment, who are employed either full-time or part-time in all industries/sectors, regardless of class of worker such as self-employed. (The Census Report cited in Section 2 only used private employment covered by unemployment insurance.) This varies with the economy. Sometimes, more will be unemployed than others. For this report we are using multi-year averages.
- Estimate changes in educational and skill level due to additional education and training.

Not all estimates are directly available for Oregon and, in some cases, limitations of past data make plausible mathematical forecasting questionable. Some estimates are available for the

U.S. and not for Oregon. The calculations for the tables below include a number of parameter adjustments and assumptions. **The tables are intended to provide an initial sense of magnitude about those older workers potentially available for work in 2014, the year through which** Oregon's occupational projections are available from the Oregon Employment Department. (see section 6).

1. **How Many 50+ Will There be in 2014? By Education Level?**

- Based on state demographic projections, Oregon's older population is expected to grow an estimated 24.7% between 2006 and 2014 compared with overall population growth of 7.2%. This means an additional 220,594 potential workers.

Older Population by Educational Attainment, 2006-2014				
	2006	2014 (est.)	Growth	Growth Rate
Less than High School	110,151	90,809	-19,342	-17.6%
High school graduate - high school diploma	310,564	372,109	61,545	19.8%
Some college, but no degree	191,814	239,269	47,455	24.7%
Associate degree	61,885	93,952	32,067	51.8%
Bachelor's degree	130,525	177,958	47,433	36.3%
Master's degree	55,459	88,979	33,520	60.4%
Professional school degree	16,863	30,901	14,039	83.3%
Doctorate	14,384	18,530	4,147	28.8%
Total 55+	**891,644**	**1,112,238**	**220,594**	24.7%
Source: U.S. Census Bureau; Population Research Center, Portland State University; Authors' Calculations				

- The highest growth rate of the older population is expected among those with professional school degrees as well as those with associate's and master's degrees. The highest total growth is estimated to be older residents with high school diplomas as well as those with some college or a bachelor's degree.
- By 2014, there will be an additional 99,000 in the older population with education at bachelor's or above and 78,000 with some college or 2-year college credentials.

Data and research on how many of these additional older residents will participate in the work force is quite incomplete. Estimates under two scenarios are provided below.

2. How Many Older Workers Will There Be?

Scenario 1: *Continuation of Past Trends (i)*

Assume current trend of increasing labor force participation, with the percentage employed of that labor force remaining constant. Also assume increasing educational attainment as indicated in the table above, (especially for associate's, bachelor's and master's degrees):

Projected Older Workforce by Educational Attainment, 2006-2014			
	2006	2014	Change
Less than High School	44,510	39,785	-4,725
High school graduate -high school diploma	139,750	181,548	41,797
Some college, but no degree	85,134	115,140	30,006
Associate degree	27,467	45,211	17,745
Bachelor's degree	57,062	84,351	27,289
Master's degree	24,245	42,175	17,930
Professional school degree	7,372	14,647	7,275
Doctorate	6,288	8,783	2,495
TOTAL 55+ workers	393,553	532,264	138,712
TOTAL Workforce	2,236,310	2,383,802	147,491

Note: The above 2006 estimate for the total workforce compares closely with the Bureau of Economic Analysis estimate for 2005 at 2,224,838. Estimates are based on conservative growth assumptions from the Current Population Survey. It should be noted that the total growth in the workforce estimated by the Oregon Employment Department between 2004 and 2014 is sulstantially higher at 15%.

- Overall growth of older workers is estimated at 35% over 8 years compared with total workforce growth of 6.6%.
- The net change in total workforce will be almost completely met by the net change in the older workforce.
- The strongest growth in employment is expected in those older workers with some college experience and with a bachelor's degree.
- Those older workers with a college degree are expected to grow an estimated 59% between 2006 and 2014.

Scenario 2: *Acceleration of Labor Force Participation and Employment Activity (ii)*
Assume the above plus that the percent of the labor force employed will not remain constant but will experience growth over the next eight years and that the labor force participation rate of the older population will accelerate to move much closer to the participation rate of the overall population by 2014 (which is estimated to slightly decline in line with national trends). The labor force participation rate benchmark for this scenario for the older workers is set to 60% by 2014.

Projected Older Workforce by Educational Attainment, 2006-2014			
	2006	2014	Change
Less than High School	44,510	48,623	**4,113**
High school graduate –high school diploma	139,750	221,877	**82,126**
Some college, but no degree	85,134	140,718	**55,584**
Associate degree	27,467	55,255	**27,788**
Bachelor's degree	57,062	103,089	**46,027**
Master's degree	24,245	51,544	**27,299**
Professional school degree	7,372	17,901	**10,529**
Doctorate	6,288	10,734	**4,446**
TOTAL 55 + workers	393,553	650,502	**256,950**
TOTAL Workforce	2,236,003	2,474,386	**238,384**

Note: The growth rate of the overall workforce is still below the OED growth projections.

- Under this scenario, the net gain in 55+ workers would exceed the net gain in the total workforce.
- Total growth is estimated at 65% in 8 years, compared with total workforce growth of 10.7%.
- With an overall acceleration of the labor force participation and employment activity of the older workers, college degree holders are now expected to grow an estimated 95%.

NOTES

(i) Official demographic projections were combined with estimated educational attainment shares (based on trends since 1992 from the Current Population Survey), i.e., what is the

typical share of bachelor's degree holders in the 55+ population? Trends in these educational attainment shares were verified against trends the typical level of enrollment of the 55+ population based on IPEDS data from the National Center for Education Statistics, e.g. the focus on graduate degrees and a general growth in college enrollment is reflected in our educational attainment projections.

(ii) Current levels of labor force participation of the older population in Oregon are compared to the average U.S. level for this age group in 2005 and 2006. The average ratio from those two years of the Oregon to the U.S. rate is then applied to the U.S. labor force projections to 2014 for the 55+ population to obtain Oregon labor force projections of the older population. The numbers are then adjusted by the typical percent of the older labor force that is employed (2004-2006 average) to obtain employment estimates for the next eight years (employment is referring to number of jobs, i.e. full-time or part-time). The estimates are prepared for each major educational attainment group separately, based on Current Population Survey (CPS) data. The percent employed of the older labor force for each educational group is estimated and projected out. (The totals are comparable to projections based on Local Employment Dynamics, U.S. Census Bureau, once the Census data is adjusted to reflect all types of workers based on the CPS Class of Worker Table).

6. SUMMARY OF OREGON'S PROJECTED WORKFORCE NEEDS

In Section 5, we estimated an additional 139,000 to 257,000 older workers will be added to Oregon's workforce between 2006 and 2014. This section matches up this supply with projections of occupational openings for 2006-2014, obtained for the 2004-2014 period by educational requirement from the Oregon Employment Department. Job openings refer to the number of new job positions, including self-employment, not the number of individuals actually employed. Educational requirement refers to the minimum education/training required to perform a job satisfactorily. The categories from the Bureau of Labor Statistics somewhat parallel the categories of educational attainment from the U.S. Census Bureau used earlier in this report. Results are split into growth due to new jobs and growth due to replacements. New jobs plus replacement jobs are called openings. In addition, estimates are made of turnover jobs.

A Note about Turnover

Official job openings projections do not include individuals who change employers but remain in the same occupation. The job openings due to this type of labor market activity have been estimated independently and added to the projected openings to give "total hires."[i]

Projected Openings and Total Hires 2006-2014 by Minimum Education Required for the Job

Education/Training Requirement	Employment Growth Rate	Openings due to Growth	Openings due to Replacements	Total Openings	Turnover	Total Hires 2006-2014
No college degree	10.3%	134,736	248,781	383,517	1,474,688	1,858,205
Associate's degree	11.7%	19,290	27,472	46,762	149,721	196,483
Bachelor's degree	11.5%	30,677	45,252	75,929	255,155	331,084
Master's degree	14.1%	4,950	8,242	13,192	41,006	54,198
Professional school degree	20.5%	2,569	2,286	4,855	15,436	20,291
Doctorate	10.2%	144	216	360	1,280	1,640
TOTAL	**10.9%**	**195,924**	**334,815**	**530,739**	**1,937,286**	**2,468,025**

Source: Oregon Employment Department; Bureau of Labor Statistics;

Information on how many growth jobs, replacement jobs or turnover jobs can be filled by older workers is scant. The following two tables portray a perfect world in which projected older workers would match job requirements regardless of age or circumstance. This does not take into account that older workers may not prefer to work full-time in some of these openings or may require more flexible work arrangements than might be offered by employers. However, historically, the 55+ population in Oregon has tended to have a much higher labor force participation rate than its U.S. counterparts. This indicates labor utilization of older workers already moving in a positive direction. The "perfect match" tables below are most useful in identifying those educational attainment categories best able to address future Oregon workforce needs as worksite structure and practices change.

Scenario 1 – Possible Contribution of Older Workforce, 2006-2014, Assuming Perfect Match

	Total Estimated Hires, 2006 - 2014	Total Openings, 2006-2014	Projected Change in Older Workforce – Scenario 1	Contribution of new 55+ workers to Job Openings	Contribution of new 55+ workers to Total Hires
No college degree	1,858,205	383,517	67,078	17.5%	3.6%
Associate's degree	196,483	46,762	17,745	37.9%	9.0%
Bachelor's degree	331,084	75,929	27,289	35.9%	8.2%
Master's degree	54,198	13,192	17,930	135.9%	33.1%
Professional school degree	20,291	4,855	7,275	149.8%	35.9%
Doctorate	1,640	360	2,495	693.1%	152.1%
TOTAL	**2,468,025**	**530,739**	**138,712**	**26.1%**	**5.6%**

Source: U.S. Census Bureau, Current Population Survey, Bureau of Labor Statistics; Oregon Employment Department

Under Scenario 1, continuing the past workforce trends of the older population, the active 55+ population could contribute as much as 5.6% to the new hires projected to occur between 2006 and 2014. Their contribution would be biggest for those occupations requiring a doctorate degree where there is expected to be a surplus in older workers with the educational attainment required. Master's and professional school degree holders could fill over 30% of the new hires over the next eight years. Fewer contributions are expected for non-degree workers as well as associate's and bachelor's degree holders. When only job

openings without basic turnover are taken into account, the older workforce could contribute as much as 26.1%.

Scenario 2 – Possible Contribution of Older Workforce, 2006-2014, Assuming Perfect Match					
	Total Estimated Hires, 2006 - 2014	Total Openings, 2006-2014	Projected Change in Older Workforce – Scenario 2	Contribution of new 55+ workers to Job Openings	Contribution of new 55+ workers to Total Hires
No college degree	1,858,205	383,517	141,823	7.6%	37.0%
Associate's degree	196,483	46,762	27,788	14.1%	59.4%
Bachelor's degree	331,084	75,929	46,027	13.9%	60.6%
Master's degree	54,198	13,192	27,299	50.4%	206.9%
Professional school degree	20,291	4,855	10,529	51.9%	216.9%
Doctorate	1,640	360	4,446	271.1%	1235.0%
TOTAL	**2,468,025**	**530,739**	**256,950**	10.4%	48.4%
Source: U.S. Census Bureau, Current Population Survey, Bureau of Labor Statistics; Oregon Employment Department					

Under Scenario 2, the contribution of older workers rises to 6.4%, with the biggest improvements for non-degree holders and doctorates, as well as bachelor's degree holders.

NOTE: The *Oregon Employment Retention Report* from January 2007 points to the fact that the retention rate of older workers is about 7% lower than for all workers. This is primarily due to the low retention of the 65+ workforce. The 55-64-year old workers have a higher retention rate than those under 35 and might therefore be considered the prime older contributing group, which constitutes the majority of the increase in the older educated workforce in all cases. Nevertheless, the above 'best-case scenario' estimates should be qualified by the following considerations:

A. Assuming employers are willing to accept older workers due to their shorter expected work life, the retention rates are expected to still be lower than for somebody just 10 years younger. The age group 35-55 will therefore be preferred as long as somebody is available and might discourage general labor force participation of the older population.

B. The projected workforce and hires are referring to jobs, counting full- and part-time employment equally (i.e., they are not full-time equivalents). However, the typical ratio of full- to part-time of active older workers will be different from the demands for the projected job positions. Section 1 indicates that currently older workers' full-time participation is about 5% lower then for the overall population. This will again differ by educational attainment.

C. Research on active aging indicates that older workers discriminate about the type of work and work environment they will undertake. This is primarily because they have some source of income and are looking for situations that fit with other goals in later life. The challenge of employers is increasingly to create work environments that are attractive to older workers, such as opportunities to work in teams with other older workers, flexible work hours, opportunities to take long vacations, flexibility regarding sick leave, etc.

It is important to stress that due to fast moving conditions in the labor market and the changing lifestyles of older workers as they live longer, become more active and need added income, these estimates can change noticeably from year to year, and especially over five year periods. To keep up with trends in older worker labor force participation and employment, their continuing education/training and with the frequent release of more applicable data, recalculations of the above with increasing sophistication are advisable every year.

7. KEY FINDINGS

The bottom line to take from this exploratory inquiry is that Oregon is not running out of workers because a promising supply of qualified older workers could help satisfy demand, particularly for jobs requiring bachelor's, master's and professional credentials. But this does not imply things will just a happen; there are a range of business, civic, education, and government actions and partnerships necessary before Oregon can be fully embrace the "longevity revolution" set to affect the U.S. labor market over the remainder of the century.

- Oregon shows many signs of a state entering the "longevity revolution" - - one in which "active aging" will have greater impact in the workplace and in post-secondary education. While such issues as ailing health, community support services and pensions will remain important, "active aging" is on the rise with the expanding involvement of gray America in work, volunteerism, learning and service.

- Oregon is experiencing:
    - Longer life spans
    - Increasing numbers and proportion of population in the 55–75 age category as potential labor force
    - An increasing share of older workers in the workforce
    - Share of full-time workers 55+ at 3.5%, below the state average for the total workforce population, but increasing 3.1 percentage points over the past five years.

- The employment of older Oregon workers differs markedly from the larger workforce:
    - More work in the government and the third sector -- in non-profits, education, healthcare
    - A much higher percentage of older workers self-employed, both incorporated and unincorporated. They are part of the state's

"entrepreneurial cohort," which some incorrectly ascribe to the 25–34 year old "creative class."

- They are highly concentrated in knowledge and information occupations (managerial, professional, administrative) -- occupations that are growing as Oregon and the U.S. moves rapidly towards an "innovation economy."

- Compared with the Oregon workforce as a whole, older workers are found in higher concentrations in the following industries:
  - Agriculture
  - Forestry, Logging, Fisheries etc.
  - Retail
  - Professional and Technical services
  - "Other Services," especially Repair and Maintenance Government

- By far, the highest concentration of older workers is in Management of Companies and Enterprises.

- Educational attainment rates and college enrollment rates are distinctive.
  - [redacted]Older Oregon workers have, on average, a lower educational attainment level than do their younger counterparts [redacted]
  - Their educational attainment is distributed bi-modally, with higher concentrations among those with less than high school, high school or some college, and among those with those with bachelor's, master's and professional degrees.
  - Only 4.3% of those enrolled in college are 50 years or above, but they account for 9% of college enrollments in graduate studies.

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[i] The turnover rates are provided by the U.S. Census Bureau Local Employment Dynamics Quarterly Workforce Indicators adjusted for the median years of tenure provided by the Bureau of Labor Statistics through the Current Population Survey [grouped into median tenure for college-occupations and non-college occupations. The adjusted turnover rate is then applied to the projected job openings due to growth as well as current employment (each year updated for job growth) and added to the total number of openings for the

state. [Even though the LED turnover rate takes net replacements due to reasons covered under the OES projections into account as well (such as retirement), it is assumed that the rate (which is a net measure) is the same across all types of turnover events].