



# A Business Case for Workers Age 50+: *A Look at the Value of Experience*

2015



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A report prepared for AARP by Aon Hewitt

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**A Look at the Value of Experience**  
**2015**

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## Table of Contents

Foreword.....	vii
Executive Summary.....	1
Introduction.....	5
Chapter 1: Labor Force Supply and Demand.....	9
Chapter 2: Workers Age 50+ Bring Value to Business.....	15
Chapter 3: Experienced Talent Costs Less than You Think.....	28
Chapter 4: Workers Age 50+: What Are They Looking For?.....	52
Chapter 5: Employer Strategies to Attract, Retain, and Engage Workers Age 50+.....	62
Appendix.....	85
Endnotes.....	88

## List of Exhibits

Exhibit I-1: Ten Year Labor Force Projections.....	10
Exhibit I-2: Recent Trends in Average Retirement Age.....	10
Exhibit I-3: Remaining Life Expectancies, Males and Females, 2005 vs. 2014.....	11
Exhibit I-4: Percentage of Employers Having Difficulty Filling Jobs.....	12
Exhibit I-5: Top 10 Jobs U.S. Employers Are Having Difficulty Filling.....	13
Exhibit II-1: Understanding Engagement: The Notions of Say, Stay, and Strive.....	15
Exhibit II-2a: Average Workforce Engagement Levels by Age Group.....	17
Exhibit II-2b: Average Workforce Motivation Levels by Age Group.....	17
Exhibit II-3: Job Growth and Satisfaction Among Workers 45-74.....	18
Exhibit II-4: Employee Reported Intention to Stay.....	20
Exhibit II-5a: How Avoiding Turnover Creates Value.....	22
Exhibit II-5b: Value Created by Avoiding Turnover of a Single Employee by Industry.....	22
Exhibit II-6: Organizations' Limited Use of Longer-Term Workforce Planning.....	26
Exhibit III-1: Key Drivers of Labor Cost.....	29
Exhibit III-2: Allocation of Reward Costs in Large U.S. Companies Remains Largely Unchanged.....	30
Exhibit III-3: Cash Compensation by Age and Industry Across Large Employers.....	31
Exhibit III-4: Cash Compensation by Years of Service and Industry Across Large Employers.....	32
Exhibit III-5: Percent of Large Organizations with Performance-Based Pay.....	33

Exhibit III-6: Breakdown of Employee Benefits Costs Paid by Large Employers: 2006 vs. 2013.....	34
Exhibit III-7: Costs of Average Employer-Provided Benefits for Large Employers: 2006 vs 2013.....	35
Exhibit III-8: Average Annual Health Care Claims Cost Increases for Large Employers by Age of Employee.....	37
Exhibit III-9: Average Cost of Health Care Claims Paid by Large Employers, Per Employee by Age of Covered Employee.....	38
Exhibit III-10: Percentage of Large Employers Offering Retirement Programs by Type...	40
Exhibit III-11: Current Percentage of Large Employers Offering Retirement Programs to Salaried New Hires.....	41
Exhibit III-12: Typical Vacation Benefits in Large Companies.....	41
Exhibit III-13: Compensation and Benefits Assumptions.....	45
Exhibit III-14: Value and Average Cost Scenarios-Energy (Engineer).....	47
Exhibit III-15: Value and Average Cost Scenarios-Financial Services (Sales Manager)...	48
Exhibit III-16: Value and Average Cost Scenarios-Health Care (Registered Nurse).....	49
Exhibit III-17: Value and Average Cost Scenarios-Retail (Store Manager).....	50
Exhibit IV-1: Expected Retirement Age for Workers Age 45+ is on the Rise.....	52
Exhibit IV-2a: Reasons for Working or Looking for Work: 2012 vs. 2002.....	54
Exhibit IV-2b: Reasons for Working or Looking Work: Ages 45-59 vs. Ages 60-74.....	54
Exhibit IV-3: Which of the following, if any, best represents what you plan to do during your retirement?.....	55
Exhibit IV-4a: Reasons to Work in Retirement: 2012 vs. 2002.....	57
Exhibit IV-4b: Reasons to Work in Retirement: Ages 45-59 vs. Ages 60-74.....	57
Exhibit IV-5: Job Essentials for Workers Age 45-74.....	59
Exhibit V-1: Steps Taken to Recruit and/or Retain Older Workers.....	63

Exhibit V-2: 2013 WorldatWork Survey on Workplace Flexibility: Prevalence of Flexibility Programs.....	66
Exhibit V-3: WellStar Engagement Levels by Age.....	75
Exhibit V-4: S&T New Hires in 2013 by Age.....	77
Exhibit V-5a: NIH Workforce by Age (as of October 1, 2014).....	78
Exhibit V-5b: NIH Hires by Age (FY12-FY14).....	78
Exhibit V-5c: NIH Years of Service (Age 50+ Employees) Data as October 1, 2014.....	79

## Foreword

In 2005, AARP and Towers Perrin released a landmark report on *The Business Case for Workers Age 50+: Planning for Tomorrow's Talent Needs in Today's Competitive Environment*. That study documented for the first time why attracting and retaining experienced workers 50+ is critical for businesses seeking an advantage in the labor market.

This current study, *A Business Case for Workers Age 50+: A Look at the Value of Experience 2015*, commissioned by AARP and conducted by Aon Hewitt, demonstrates that 10 years later, the business case for workers age 50+ has grown stronger and that recruiting and retaining workers age 50+ is critical to the success of high performing businesses.

It's no secret that as our population ages, the workforce is aging right along with it. U.S. employees 65+ now outnumber teenagers in the workforce for the first time since 1948. In 2002, workers 50+ made up 24.6 percent of the workforce. By 2012, they were 32.3 percent. And by 2022, they are projected to be 35.4 percent of the total workforce. During the past decade alone, the number of workers ages 40 to 49 decreased by 6 percent, while the number of workers ages 50 to 59 and 60 to 69 grew by 28 percent and 72 percent, respectively. This trend isn't likely to change anytime soon. As the data in this report indicate, in 2014, over one in three workers age 45+ expects to retire at age 66 or older, compared to just over one in five 10 years ago. Moreover, 72 percent of workers ages 45 to 74 envision working in retirement either out of choice or necessity.

This is good news for employers. While the 50+ workforce is growing, many employers report having trouble recruiting and retaining qualified workers. Even though this was not the case during the recession years, the Manpower Group 2014 Talent Shortage Survey found that 40 percent of U.S. employers reported difficulty in filling jobs.

Fortunately, many of today's workers want to work and want viable work options later in life. So, in light of the declining proportion of younger workers and the projected shortages of talent in many areas, many employers are turning to experienced, 50+ workers in order to gain and maintain a competitive edge.

HR managers who once may have assumed that older workers could be replaced by those fresh out of school are having to rethink those assumptions. Instead, they are looking for innovative ways to encourage workers 50+ to remain on the job beyond their traditional retirement age. They are learning that although 50+ workers are motivated by current and future financial needs (e.g., pay and benefits), psychological and social fulfillment also play a significant role in decisions to keep working. As such, 50+ workers highly value non-financial offerings by employers, such as flexible work schedules, telecommuting options, training and education opportunities, phased retirement programs, and bridge jobs that allow them to transition into some other kind of work.

Many employers have already begun implementing innovative practices to attract and retain workers 50+. Others, however, are slow to adapt to the changing workforce, largely because of negative stereotypes and outdated notions about the value of older workers. For example, one misconception is that workers 50+ cost significantly more than younger workers because of older workers' experience and additional benefit costs. While costs still tend to increase with age (particularly health care costs), the impact on the employer is minimal. In fact, recent trends in compensation and benefits have diminished the relationship between age and labor costs to the point that age is no longer a significant factor in the costs of hiring and retaining workers.

Leading employers across all industries value the expertise and experience of workers 50+ and believe that recruiting, retaining and engaging them will improve their business results. Just as today's 50+ population is redefining aging and eroding negative stereotypes, today's 50+ workforce is adding value by exhibiting traits that are highly sought after in today's economy, including experience, maturity and professionalism, a strong work ethic, loyalty, reliability, knowledge and understanding, and the ability to serve as mentors. Moreover, because workers 50+ are less likely than younger workers to leave their jobs unexpectedly, they create value by allowing dollars and time that might otherwise be spent on workforce churn to be more effectively invested in productive measures that impact the bottom line.

In today's business environment, the most important capital a company possesses is its human capital. Employers who are prepared to meet the workplace needs of their people can stay ahead of the curve. Companies that invest in their human capital realize a return on investment through an increase in their market value. At AARP, we are committed to helping organizations realize that age adds value. We believe that anyone 50+ who wants or needs to work should be able to work. It's not only essential to achieving financial security but also benefits our economy and our society.

*A Business Case for Workers Age 50+: A Look at the Value of Experience 2015* debunks many of the widely held misperceptions about the costs of 50+ workers and demonstrates that employers should view workers 50+ as an essential part of the plan to meet their workforce needs. It also highlights the need for employers to consider costs with a broader lens and demonstrates that recruiting and retaining workers 50+ is a sound business strategy. Finally, it shows how to develop and implement an effective strategy for retaining and recruiting workers 50+. By understanding how the changing demographics of the workforce impact business and by viewing workers 50+ as a solution to meeting workforce needs, companies can compete and win in the evolving global marketplace.

Sincerely,



Jo Ann Jenkins, CEO AARP

## Executive Summary

In an era of changing workforce demographics, economic pressures, and mounting talent needs, employers may struggle with finding and keeping the talent that they need and wonder whether the growing pool of older workers will be a positive or a negative for their organization.

In order to help employers examine these issues, AARP commissioned Aon Hewitt to develop this study as an update to a 2005 report on the business case for workers age 50+, also commissioned by AARP.<sup>1</sup> Using the most current data available, the study quantifies the cost and examines the value of the age 50+ workforce and evaluates the business case for the recruitment, retention, and engagement of these workers. While economic and demographic circumstances have changed since 2005, the findings reveal that the business case for workers age 50+ has strengthened and confirms that recruiting and retaining this cohort is a critical component of a high performance business.

### A Framework for Employer Evaluation

As employers create and refine their talent strategies for today and into the future, it is important for their leaders to understand:

1. The business impact of changing labor force demographics
2. The value of workers age 50+ to the organization
3. The economics of retaining and hiring workers age 50+
4. What age 50+ workers seek in an employer
5. How leading employers are addressing these issues

This report focuses on this framework to allow employers to evaluate the impact of recruiting and retaining workers age 50+.

### Key Findings and Implications

#### Workforce demographics and talent needs underscore the importance of workers age 50+

The age 50+ workforce segment is growing in size at a time when 40% of U.S. employers report difficulty filling jobs.<sup>2</sup> In a recent survey by the Society for Human Resource Management (SHRM), nearly four in 10 HR professionals predicted that the loss of talent resulting from retirements or departures of workers age 55+ would be either a problem or a crisis for their organization over the next 11-20 years.<sup>3</sup> Retaining valuable workers who are close to retirement represents one method for mitigating further shortfalls.

**Key implications for employers:** *A focus on the attraction and retention of workers age 50+ will play a significant role in addressing talent shortfalls in the coming years.*

### 50+ talent is a key ingredient in a high-performing workforce

The 50+ segment of the workforce continues to be the most engaged age cohort across all generations. Sixty-five percent of employees age 55+ are considered engaged based on survey data, while younger employee engagement averages 58% to 60%.<sup>4</sup> The level of employee engagement has implications for both retention and business results. It takes only a 5% increase in engagement to achieve 3% incremental revenue growth.<sup>5</sup> This means a Fortune 1000 company with \$5 billion in revenue could achieve a \$150 million revenue increase with a 5% increase in employee engagement.

A SHRM survey of HR professionals cites many advantages of older workers, including greater professionalism, a stronger work ethic, greater reliability and lower turnover, in addition to their commitment/engagement.<sup>6</sup>

Studies also identify older workers as productive and essential to U.S. employers. As an example, a recent study reviewing the number and severity of production errors on an assembly line over four years found no decline in productivity as individual workers aged.<sup>7</sup> Instead, employee productivity increased until age 65 simply due to a minimal number of severe errors made on the assembly line. While the physical capabilities were a strong point of younger workers, older workers' strengths were their experience, knowledge, and quick decision-making skills.

**Key implications for employers:** *An engaged older workforce can influence and enhance organizational productivity and generate improved business outcomes.*

### Experienced talent costs less than you think

Contrary to common perception, workers age 50+ do not cost significantly more than younger workers. Shifting trends in reward and benefit programs mean that adding more age 50+ talent to a workforce results in only minimal increases in hard dollar total labor costs. These trends include a broad move by large employers to performance-based vs. tenure-based compensation, the decline in traditional defined benefit pension plans, and the fact that health care costs have increased more slowly for older workers than for younger workers over the past decade.

A key objective of this study was to examine the incremental labor force costs associated with hiring or retaining more workers age 50+ and comparing these costs to the value considerations. To simplify the analysis, we focused on costs associated with four separate positions in the energy, financial services, health care, and retail industries.

The first step in the cost analysis involved quantifying age- and service-related costs. The second step involved quantifying the incremental costs associated with two different strategies to fill vacant jobs: (1) a focused effort to retain more workers age 50+, and (2) a focused effort to hire more workers age 50+.

For both recruitment and retention approaches, the following table shows the estimated impact on total employee compensation. The impact of doubling the percentage of older workers in an individual employer’s population is shown to have only a minimal impact on the total compensation spend. Further, these minimal incremental costs may be more than offset by the value that age 50+ workers bring to the table in the form of higher engagement, more predictable turnover, and other key value differentiators.

### Incremental Costs of Retaining and Recruiting More 50+ Workers

Estimated change in average total compensation costs as a result of:	Engineer (Energy)	Sales Manager (Financial Services)	Nurse (Health Care)	Store Manager (Retail)
Doubling the retention of workers age 55 with 20 years of service (from 20% to 40% of the company’s workforce)	2%	1%	1%	2%
Doubling the percentage of new hires age 55 (from 20% of new hires to 40% of new hires)	1%	<1%	<1%	1%

Source: Saratoga Institute, Bureau of Labor Statistics, and Aon Hewitt analysis. See Chapters 2 and 3 for more detail.

**Key implications for employers:** *Reward program trends have weakened the relationship between age and labor costs in such a way that the costs of hiring and retaining workers can be virtually age neutral.*

### Workers age 50+ expect to be in the workforce for some time and value both financial and non-financial offerings

One in three workers age 45+ expects to retire at age 66 or older, compared to just over one in five 10 years ago.

Although current and future financial needs are a top reason that employees stay in the workforce past age 50, psychological and social fulfillment also play a role. Workers age 50 and older specifically state that they are driven by career aspiration and career opportunities.<sup>8</sup> They also value such non-financial offerings as flexible work arrangements.<sup>9</sup>

**Key implications for employers:** *Employers that are able to present rewards and flexibility that meet the needs of 50+ workers increase their ability to both recruit and retain this valuable segment of the workforce.*

## Leading employers focus on the recruitment, retention, and engagement of employees age 50+

Interviews conducted for this report with a select group of leading employers revealed three key strategies that these organizations use to recruit and retain age 50+ workers: creating flexible workplaces, focusing on options for transition to retirement, and fostering generational diversity and inclusion.

**Key implications for employers:** *Many large employers are finding that strategies aimed at retaining age 50+ employees are effective and worthwhile for their entire workforce.*

## Conclusion

Each chapter of this report presents compelling findings that support the business case for attracting, engaging, and retaining age 50+ workers as a critical component of a multi-generational workforce. In summary:

- The rapid growth of the older workforce relative to younger workers will impact talent supply; workers age 50+ can help employers address current and future talent shortages.
- Workers age 50+ add value to organizations due to their high levels of engagement, stability, productivity, and experience.
- The market evolution in compensation and reward design over the past decade has created a more age-neutral distribution of labor costs, meaning that the incremental costs associated with retaining and recruiting more 50+ workers are minimal to nonexistent and may be far outweighed by the value that these workers add.
- Workers age 50+ want to be in the workforce and anticipate a longer working career, making it critical for employers to understand the preferences of this group.
- Best practices to recruit, retain, and engage workers age 50+ can be replicated by employers of all sizes and across all industries.

## Introduction

### The Business Case for Workers Age 50+

The current business and talent environment is changing rapidly. With multiple generations in the workforce, organizations need a fact-based approach to assess the value and cost of their workforce strategies.

This study focuses on the business case for workers age 50+, also referred to throughout this report as older workers and 50+ workers. It examines the financial and programmatic implications of today's multi-generational U.S. workforce, including the value of older workers as part of an overall talent management strategy. Specifically, this material presents a quantitative and qualitative business case for employers' continued focus and investment in the attraction, engagement and retention of workers age 50+ as an integral component of their workforce.

The first AARP-sponsored study on this topic was published in 2005. Because the economic and demographic environments have changed significantly during the past 10 years, AARP engaged Aon Hewitt to produce this new report and determine the strength of the business case today. The report findings are clear: **the business case for workers age 50+ remains strong, and is even more compelling than in the past.**

**The findings counter misperceptions that older workers are significantly more costly and establish that companies will benefit from the recruitment, engagement and retention of older workers.** Although the value and cost of an individual will vary based on factors other than age, the report demonstrates that leveraging this segment of the workforce is a solution to competing and excelling in a changing global environment.

### Report Overview

**Chapter 1** assesses the impact of demographics on labor force changes, with a review of which factors are presently influencing the talent supply. These include age profiles, life expectancy and the size of each generation in today's population. As people are retiring later and living longer, employers have new opportunities to leverage the skills and experience of older workers.

**Chapter 2** examines the value workers age 50+ bring to their employers, including higher levels of engagement, increased workforce stability and lower rates of turnover. As these factors all contribute to increased productivity and business performance, employers have concrete measures to determine the incremental value of their older workers. Chapter 2 also highlights compelling research on sustained productivity with age.

**Chapter 3** outlines the economics of retaining and hiring workers age 50+ through an analysis of labor costs by age, tenure and other factors. A detailed review of compensation and benefits,

including health care and retirement programs, illustrates cost differentials by program design. Several examples help define the actual cost of both hiring and losing employees.

**Chapter 4** reviews what workers age 50+ seek in an employer. The chapter addresses the motivations of older workers for remaining in the workforce and the drivers of attraction and engagement for this segment of employees. The data provide employers with the information to help them offer the right programs to attract, engage and retain workers age 50+.

**Chapter 5** describes how leading employers are effectively managing their multi-generational workforces, including specific examples of practices and policies. All employers can learn from these examples and implement practices of their own that are appropriate for their culture, industry and size.

### The Audience for This Business Case

This report was prepared primarily for business leaders, including CEOs, human resources executives, and talent management executives of large Fortune 1000 U.S. companies, employing 500 or more employees, as well as privately owned companies of a similar size, such as large non-profit organizations and large U.S. subsidiaries of companies headquartered outside of the U.S.

Although the primary audience is large employers, many mid-sized and smaller employers—whether public or private— should also find the report relevant to their needs as they often face the same pressures, obstacles and opportunities as large employers.

### Why Focus on Larger Employers?

Large employers are leaders in the development of best practices in talent management because they tend to have more resources to devote to developing and implementing new HR policies and practices. Many smaller employers seek to emulate the HR programs established by large employers. Although the number of large organizations with more than 500 employees is fairly small, these organizations employ over half (52%) of all U.S. workers and, therefore, have a significant influence on the U.S. workforce.<sup>10</sup>

### Industry Focus

While virtually all sectors of the economy stand to be affected by demographic shifts in the workforce, each industry faces its own set of challenges. To highlight some of the differences between industries and to help quantify the business case for workers age 50+ with respect to specific jobs, examples focus on four major industries: energy, financial services, health care and retail.

These industries were chosen for their diverse set of business environments and workforce challenges, including their size and importance to the economy, number of current and anticipated jobs, and the share of workers who will be retirement-eligible within the next few years. Health care is one of the fastest growing industries and is experiencing shortages of

talent. The energy industry typically has a long-service workforce and is facing the need to build on existing infrastructure while implementing new technology solutions. Retail represents a large proportion of the U.S. workforce, with a significant percentage of part-time workers and above-average rates of turnover. The financial services sector represents a significant percentage of gross domestic product, with business challenges that include slower growth and fragmentation that requires a wide range of talent needs, from investment bankers to tellers and call center employees.

Among these industries, energy and health care tend to have the largest percentages of employees at or near the age of traditional retirement eligibility today (typically between ages 55 and 65). Financial services and retail have somewhat younger workforce profiles. However, the overall demographic profile for a given industry (or company) does not solely determine the workforce issues that the industry may face with regard to specific jobs or skills.

Despite the use of industry examples, the concepts discussed in this report apply to organizations across a multitude of sectors. Employers in other industries can use the examples of applying the business case as models for their own analysis. They may need to modify the model; however, the approach described in this report should be a useful starting point for any organization interested in exploring the business case for older workers.

Ultimately, the business case for investments to help attract, engage and retain workers age 50+ will vary between organizations and even positions, depending on such key factors as the demographic profile of the organization's current and available workforce, projected business growth, rewards considerations (e.g., current and future programs sponsored by employers and the impact on associated labor costs) and geographic differences.

## Data Approach and References

This report leveraged a variety of data sources to conduct analysis on the financial and programmatic implications of older workers. Except where otherwise noted, the research and analyses are concentrated on evaluating available data from large organizations of 500 or more employees. These analyses rely primarily on data from Aon Hewitt databases that include thousands of employers and millions of U.S. workers. The employers in these databases are primarily Fortune 1000 companies headquartered in the U.S. and similarly sized organizations not included in the Fortune listing, such as large privately owned companies, nonprofit organizations and large subsidiaries of companies headquartered outside the U.S.

In addition to analyzing data on large employers from Aon Hewitt databases, researchers involved in this study also conducted interviews with 18 large employers to obtain anecdotal accounts, scenarios and case studies regarding how they approach older workers.

Although many of the analyses and examples in the report focus on large employers in four industries, researchers also conducted a literature review to draw on information from a broader cross-section of U.S. workers and employers. The literature review examined findings from

*AARP Staying Ahead of the Curve* reports through the years, Aon Hewitt studies and research, Current Population Survey (CPS) and Bureau of Labor Statistics data, and research and studies from various well-respected institutions and journals, including Gallup, the Center for Retirement Research at Boston College, the Society for Human Resource Management, and the *Harvard Business Review*, among many others. All of these sources provided critical data in evaluating the business case.

## Chapter 1

### *Labor Force Supply and Demand*

The age 50+ workforce is growing in both size and importance. This chapter explores the impact of changing demographics on the labor force, and the opportunities it creates to leverage the skills and experience of older workers. Specifically, this chapter addresses:

- 1. The aging of the U.S. population and its impact on the supply of talent.**
- 2. Whether employers are finding the talent they need for current and future staffing requirements.**

#### **The Changing Talent Supply**

The number of Americans age 50+ who are working or looking for work (“labor force participants”) has grown significantly over the past decade, and is expected to continue to increase.

Exhibit 1-1 reflects the shift in the age of the workforce, which has coincided with the last of the baby boomers turning age 50 in 2014. The shift reflects the overall aging of the U.S. population, and the increases in the share of age 50+ adults who are remaining in the labor force. The number of labor force participants ages 40 to 49 decreased by 6% from 2002 to 2012, while those ages 50 to 59 and 60 to 69 grew by 28% and 72%, respectively.<sup>11</sup> In fact, 35% of U.S. labor force participants will be age 50+ in 2022. This compares to 25% in 2002. From 2002 to 2022, the number of workers under age 50 is projected to decrease by 3%, while the number of workers age 50+ is expected to increase by 62%.

These data suggest that the number of workers age 50+ in the labor force may eventually approach the number of younger workers. For example, in 2002, there were just four workers age 50+ for every 10 workers ages 25 to 49. It is predicted that, in 2022, there will be nearly seven age 50+ workers for every 10 workers ages 25 to 49.<sup>12</sup>

**Exhibit I-1**

**Ten Year Actual Change and Projected Ten Year Forecast of Labor Force Participants**

Labor Force Projections			
Age	Growth 2002-2012 (Actual)	Growth 2012-2022 (Projected)	Total Labor Force in 2012 (mill)
16-39	-3%	4%	70.4
40-49	-6%	-6%	34.5
50-59	28%	-2%	32.5
60-69	72%	40%	14.2
70+	65%	89%	3.3

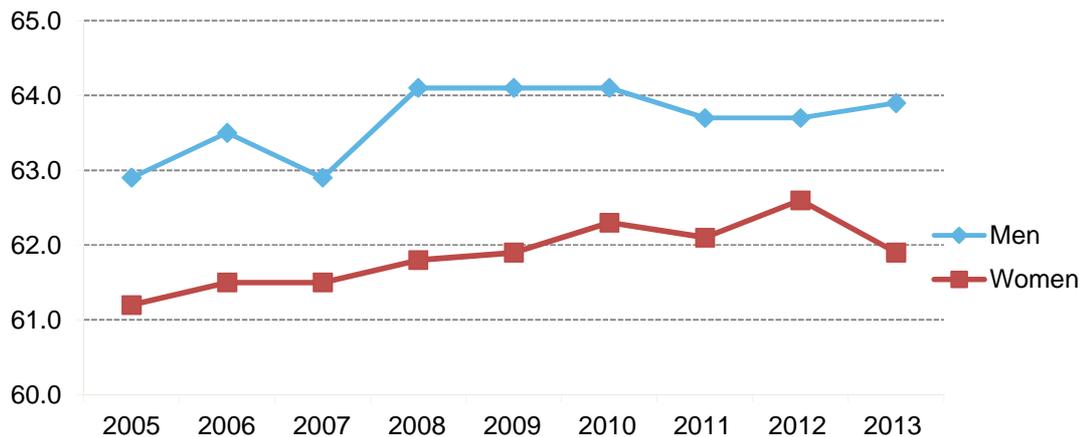
Source: Aon Hewitt analysis of Bureau of Labor Statistics (BLS) data, and Mitra Toosi, Monthly Labor Review, December 2013.

**People Are Retiring Later and Living Longer**

Retirement ages have increased over the past decade, which will support the continued availability of the 50+ workforce. According to a 2015 analysis by the Center for Retirement Research at Boston College, the average retirement ages among both men and women increased from 2005 to 2013 despite occasional downturns. This includes an increase of one year for men (from age 62.9 to 63.9) and approximately half a year for women (from age 61.2 to 61.9).<sup>13</sup> (See Exhibit I-2.)

**Exhibit I-2**

**Recent Trends in Average Retirement Age**



Source: Alicia H. Munnell. 2015 "The Average Retirement Age - An Update," Issue in Brief 15-4. Chestnut Hill, MA: Center for Retirement Research at Boston College. ("Average retirement age" is defined as the age at which the labor force participation rate drops below 50%. Chart displays only part of the time period covered in the source.)

The continued increase in average retirement age over the past decade is likely a reflection of various dynamics, both financial and non-financial. Potential financial drivers include increases in the Social Security full retirement age for individuals born after 1937<sup>14</sup> and changes in employer-provided retirement benefits. (See Chapter 3 for a detailed discussion of these changes.) Financial setbacks resulting from the recession represent another possible reason.

Another factor that may be influencing the continued increase in the average retirement age is improved longevity. Life expectancy projections by the Society of Actuaries show that both men and women retiring at age 65 in 2014 now need to plan for an additional three years of retirement on average, compared to 2005.<sup>15</sup> (See Exhibit I-3.) By staying employed longer, workers age 50+ can save more and minimize the length of time over which they will need to draw on their retirement assets.

**Exhibit I-3**  
**Remaining Life Expectancies, Males and Females, 2005 vs. 2014**

Remaining Life Expectancies (in Years)			
Males	2005	2014	Increase
Age 55	29	32	9%
Age 65	19	22	15%
Age 75	11	14	22%
Females	2005	2014	Increase
Age 55	31	36	15%
Age 65	21	24	14%
Age 75	13	15	16%

Source: Aon Hewitt analysis based on Society of Actuaries Mortality Tables. 2005 life expectancy calculated using RP-2000 table projected fully generational using scale AA; 2014 calculated using RP-2014 table projected fully generational using scale MP-2014

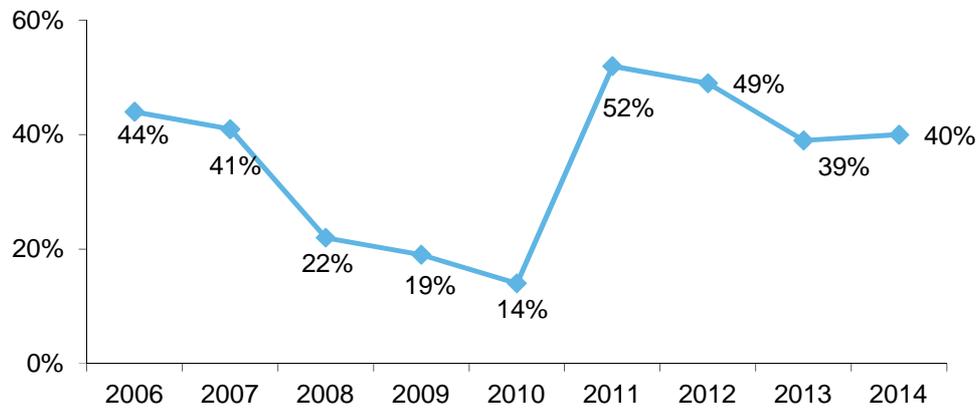
Regardless of the reasons why 50+ workers will remain in the labor force, they represent a significant talent pool that can support employers' long-term growth strategies, especially when it comes to filling talent gaps.

## Employers Are Still Having Difficulties Filling Jobs

Talent supply and filling key roles is an ongoing challenge for employers. Although talent shortfalls dropped during the Great Recession and for a time afterward, recent surveys of employers suggest that many are facing talent shortages.

The 2014 ManpowerGroup Talent Shortage Survey, which included more than 1,000 U.S. employers, found that 40% reported having difficulty filling jobs due to a lack of available talent. (See Exhibit I-4.)

**Exhibit I-4**  
**Percentage of Employers Having Difficulty Filling Jobs**



Source: ManpowerGroup 2014 Talent Shortage Survey of 1,013 U. S. employers. For the 2014 survey, 40% of U.S. employers on average reported having difficulty filling jobs due to a lack of available talent

U.S. employers cited the lack of necessary skills as a key driver of the difficulty filling jobs. Specifically, they report a talent gap due to:<sup>16</sup>

- Candidates lacking technical competencies/hard skills (47%);
- Candidates lacking workplace competencies/soft skills (39%); and
- A lack of available candidates (36%).

Given that a lack of technical competencies is the top challenge, it is not surprising that many of the most difficult-to-fill jobs require specialized skills. (See Exhibit 1-5.)

**Exhibit I-5**  
**Top 10 Jobs U.S. Employers Are Having Difficulty Filling**

1. Skilled trades
2. Restaurant and hotel staff
3. Sales representatives
4. Teachers
5. Drivers
6. Accounting and finance staff
7. Laborers
8. IT staff
9. Engineers
10. Nurses

Source: ManpowerGroup 2014 Talent Shortage Survey of 1,013 U.S. employers.

Other recent surveys also highlight employers' concerns related to skills shortages. For example, in a survey of CEOs conducted in 2014, PricewaterhouseCoopers (PwC) found that 78% of U.S. CEOs expressed concern about the availability of key skills, up from 70% in the prior year.<sup>17</sup> Certain industries, such as manufacturing, are especially affected by shortages. In fact, according to a 2014 study by Accenture, over 75 percent of manufacturing executives stated that they are facing a moderate to severe shortage of skilled resources.<sup>18</sup>

Data suggest that the loss of age 50+ workers to retirement may be one reason for the skill shortages. Certain industries, such as energy and health care, are experiencing more profound talent shortages than others.

For example, according to 2013 Current Population Survey data, 22% (or 447,000) of engineers in the U.S. are age 55+.<sup>19</sup> As these workers approach retirement age, there may not be enough new workforce entrants to replace their loss in key roles. Focused efforts to retain and recruit older workers can mitigate these gaps.

Similarly, the health care industry is facing projected shortages of nurses and physicians. According to projections released by Georgetown University in 2015, the U.S. faces a shortage of 193,000 nursing professionals by 2020.<sup>20</sup> Additionally, a 2015 report from The Association of American Medical Colleges estimates that, by 2025, the U.S. will experience a shortfall of anywhere from 46,100 to 90,400 physicians.<sup>21</sup> Here again, recruitment and retention efforts aimed at the 50+ workforce can help address this shortage.

## Conclusion

Workforce aging and talent needs underscore the importance of workers age 50+. The growth of this cohort, its potential role in filling talent shortfalls, and a shrinking younger workforce make it crucial for employers to analyze their talent management strategies. The following information from this chapter demonstrates this need:

- In 2002, age 50+ workers made up 25% of the workforce. This segment is projected to grow to 35% by 2022.
- Projections estimate the number of workers under age 50 will decrease by 3% over the same 20-year time period, while the number of workers age 50+ will increase by 62%.
- Numerous sources cite the ongoing existence of talent shortages, especially in skilled positions, creating an opportunity to tap into the growing segment of workers age 50+.

Organizations are well advised to consider holistic workforce strategies that ensure their recruiting function can successfully attract the age 50+ workforce. Chapter 5 provides a review of these strategies.

## Chapter 2

### *Workers Age 50+ Bring Value to Business*

A workforce that includes engaged age 50+ workers can influence and enhance organizational productivity and generate improved business outcomes. To demonstrate how capitalizing on the engagement of age 50+ workers can benefit an entire organization, this chapter explores the following:

1. **The link between engagement, motivation, and age**
2. **The impact of engagement on business outcomes**
3. **The impact of workforce stability and turnover on the value equation**
4. **The link between productivity and age**

### **Engagement Levels Are Highest in Oldest Age Segments**

Engagement, as defined by Aon Hewitt, is the emotional and intellectual involvement that motivates employees to do their best work and contribute to an organization's success. Aon Hewitt believes that an employee's level of engagement can be measured by the extent to which the employee exhibits all three facets of "say," "stay," and "strive" as defined by the Aon Hewitt model of employee engagement. (See Exhibit II-1)

#### **Exhibit II-1 Understanding Engagement: The Notions of Say, Stay, and Strive**

<b>SAY</b>	<ol style="list-style-type: none"><li>1. I would not hesitate to recommend the company to a friend seeking employment.</li><li>2. Given the opportunity, I tell others great things about working here.</li></ol>
<b>STAY</b>	<ol style="list-style-type: none"><li>1. It would take a lot to get me to leave the company.</li><li>2. I rarely think about leaving the company to work elsewhere.</li></ol>
<b>STRIVE</b>	<ol style="list-style-type: none"><li>1. The company motivates me to contribute more than is normally required to complete my work.</li><li>2. The company inspires me to do my best work every day.</li></ol>

Source: Aon Hewitt Engagement Database 2009-2013 covering 2 million employees in 276 organizations.

Engaged employees are inspired, proud of their employer, and emotionally connected to their work. They:

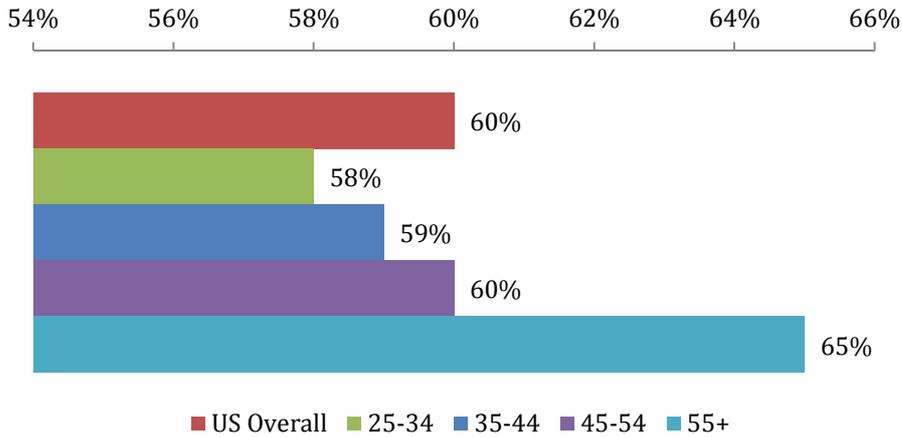
- **Say:** Consistently *speak positively* about the organization to coworkers, potential candidates, and customers
- **Stay:** Have an intense *desire to be part* of the organization
- **Strive:** Exert extra effort and engage in behaviors that *contribute to business success*

Organizations that offer the benefits and culture that workers value and that monitor employee engagement levels retain the most valuable and experienced talent. In addition to monitoring engagement itself, these organizations use the results to identify talent problems and make adjustments to policies and programs.

Engagement levels are important measurement tools for employers. Multiple studies, including those by Aon Hewitt and Gallup, show that higher employee engagement correlates with favorable movement in a range of financial, customer, and operational results.<sup>22</sup>

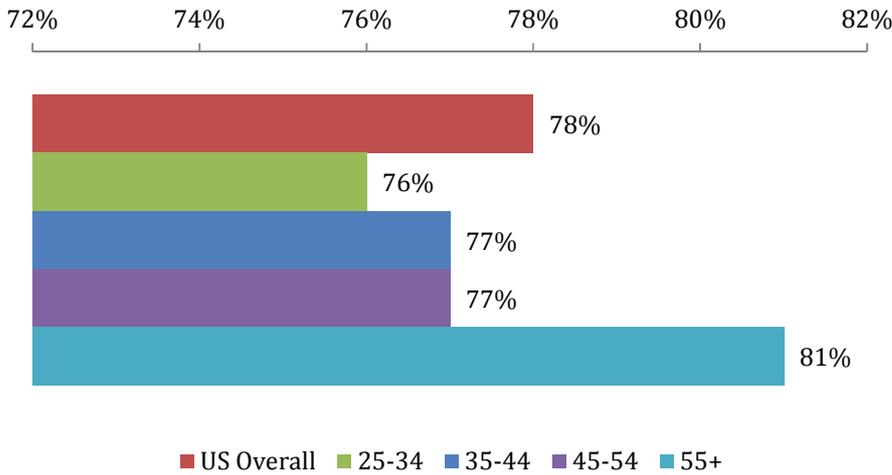
Aon Hewitt data show that the oldest age segments of the workforce are more likely to be engaged than younger workers. For example, 65% of employees ages 55+ in large companies are engaged, compared to less than 60% of employees under age 45.<sup>23</sup> (See Exhibit II-2a.) Although this gap may seem small, it represents a statistically significant difference in engagement that can have a noticeable impact on business outcomes.

**Exhibit II-2a**  
**Average Workforce Engagement Levels by Age Group**



Source: Aon Hewitt Engagement Database 2009-2013 covering 2M employees in 276 organizations.

**Exhibit II-2b**  
**Average Workforce Motivation Levels by Age Group**

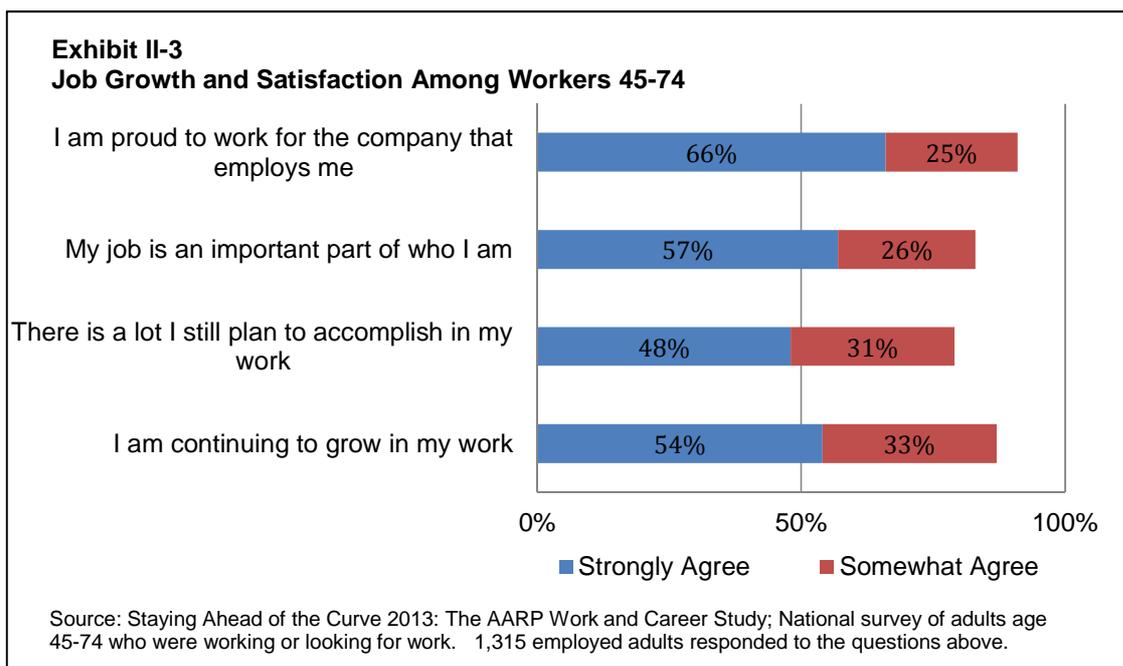


Source: Aon Hewitt Engagement Database 2009-2013 covering 2M employees in 276 organizations

In addition to being the most highly engaged age cohort in the labor force, workers age 55+ are also the most motivated. As Exhibit II-2b reflects, 81% of workers age 55+ are “motivated”—meaning they say that they exert extra effort and contribute more than is normally required in their job—compared to 76% of their age 25-34 peers.<sup>24</sup>

What’s driving these higher levels of engagement and motivation? Workers age 45 -74 generally feel that they are continuing to grow in their careers and derive personal satisfaction from their work. For example, AARP research shows that 83% feel their jobs are an important part of who they are.<sup>25</sup> (See Exhibit II-3.)

Furthermore, a Pew Research Center survey found that working for non-financial reasons, such as job enjoyment or the desire to be productive, also increases with age. Although financial motivations are certainly a factor in workers staying in the workforce longer today, 54% of workers ages 65+ said they currently work because they want to and not because they need the money. This is compared to only 20% of workers age 16-64 responding that they currently work for non-financial reasons.<sup>26</sup>



### Engagement Is Positively Correlated with Business Results

Organizations look for a return on their investment in their people—just like with any investment they make—and examine how it corresponds to their bottom line. The fact that employee engagement increases for the oldest age segments remains an important factor in the business case for employers, and links productivity to age.

Specifically, employers with the highest employee engagement results have been shown to outperform employers with average engagement results by 6% in sales growth, 4% in operating margin, and 6% in total shareholder return.<sup>27</sup> Even changes of 3% to 5% in employee engagement make a difference. For example, a 5% increase in engagement levels has been shown to increase revenue within organizations by 3%.<sup>28</sup>

To understand the actual financial impact of higher employee engagement, consider this example:

*A company with average engagement that has \$5 billion in sales, \$800 million in operating margin, and \$400 million in total shareholder return, may be able to achieve a \$300 million increase in sales, a \$32 million improvement in operating margin, and a \$24 million improvement in total shareholder return—if the company improves engagement to best-employer levels.*

Research by Gallup also identified a positive correlation between employee engagement and improved financial outcomes, regardless of the economic climate.<sup>29</sup> They found that business or work units that scored in the top quartile on employee engagement are 21% more productive, have 22% higher profitability, and experience 37% less absenteeism when compared to those in the bottom quartile.<sup>30</sup> This means a highly engaged workforce often creates sustained productivity and innovation that leads to stronger business results.

### The Value of Stability and Lower Turnover

Organizations with top-quartile engagement levels in the U.S. experience 50% lower turnover than those with average engagement levels. These same employers also receive twice as many job applications. This likely reflects the fact that engaged employees are more likely to speak highly of their employer and refer job seekers.<sup>31</sup> High engagement among existing employees not only helps attract candidates but also creates a desirable place to work. It makes it possible for employers to build engagement with employees from before they are hired through the end of their career.

#### *Predictable Turnover*

Highly engaged employees are 36% more likely to stay with their current employer. This means turnover for older workers tends to be more planned and predictable.<sup>32</sup>

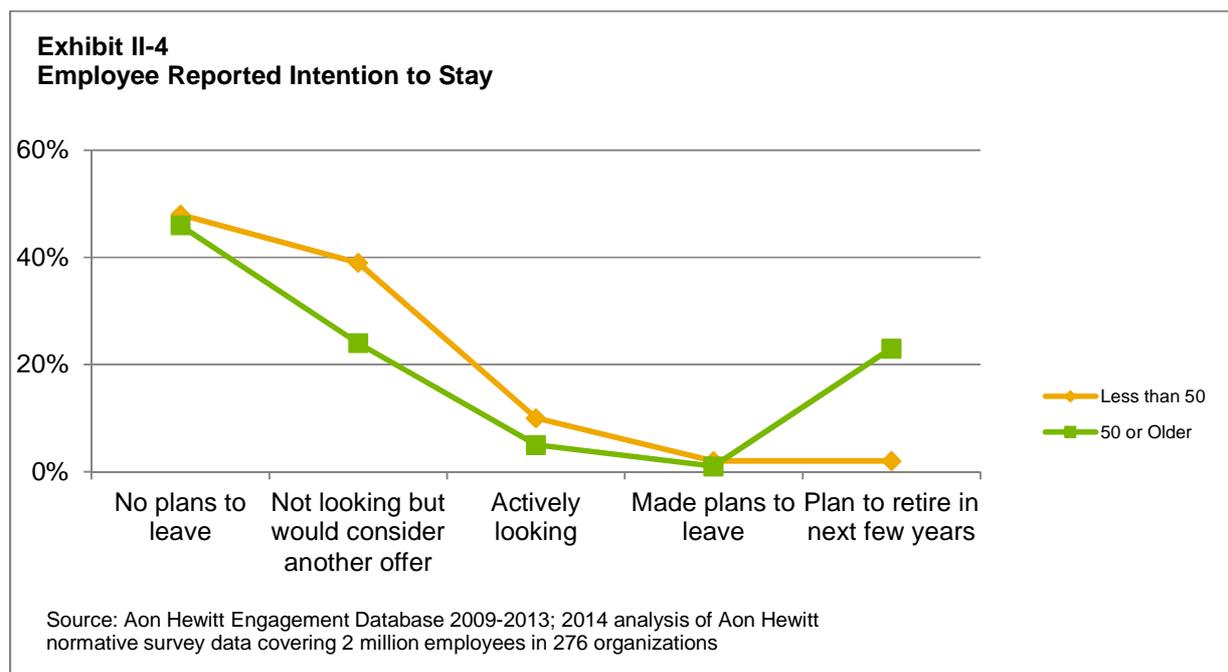
Turnover is often categorized in one of two ways—turnover for which employers are able to plan (“planned” turnover) or turnover for which employers are unable to plan (“unplanned” turnover). The primary “planned” turnover employers experience is when employees retire. In planned turnover, employees often give at least three to six months’ notice—and sometimes a year or more. This provides organizations with the time to plan for who will take on the role, transfer the knowledge, and hire and onboard the new person before the employee leaves. Effective

knowledge transfer and appropriate training maximize productivity and facilitate business continuity.

With “unplanned” turnover, the employee resigns typically with no more than two weeks notice. This creates a storm of activity to figure out how the work will be completed and who will take it on. It does not allow for proper overlap and onboarding of the successor.

The Aon Hewitt Engagement data illustrate that 50+ workers value stability and are less likely than younger workers to be in the market looking for other jobs. This presents less of a risk for employers in the form of unplanned turnover.

Nearly half of employees (49%) under age 50 may pose a risk of unplanned turnover to their employers: 39% say they would consider other jobs and another 10% are actively looking for a job. For workers age 50+, only 29% represent a risk of unplanned turnover, with 24% as passive job seekers who say they would consider other jobs and only 5% actively looking for new work. (See Exhibit II-4.) Overall, these data suggest that workers ages 50+ are 40% less likely than younger workers to engage in unplanned turnover (29% vs. 49%).



### *The Value of Minimizing Unplanned Turnover*

The cost of hiring a new employee can include advertising, employment agency or recruiting agency fees, referral bonuses offered to current employees, and travel and relocation packages, in addition to the cost of internal recruiting functions. The cost to onboard a new employee can include orientation, training, and reduced productivity during the first several weeks of employment.

Losing an employee can have an additional impact beyond hard dollar costs. Often, employee productivity drops within the last weeks or months on the job. Productivity loss also occurs during the time an employer is trying to fill the position. This reflects not only the direct loss in productivity stemming from the vacant position but also a decline in the productivity of others who relied on that individual for support in their roles. The remaining employees, who may not have the requisite experience to handle the additional tasks with proficiency, often take longer to do the work and ultimately deliver inferior results. While employers incur some of these costs for retirees, advance notice minimizes them. This allows for the use of optimal recruiting channels and better training.

It is difficult to accurately quantify the value of avoiding unplanned turnover, especially given the variability across industries, positions, and in individual performance. Nevertheless, many organizations will conclude that avoiding unwanted attrition creates value that exceeds the incremental cost of retaining an experienced, high-performing employee.

The analysis in Exhibits II-5a and 5b illustrates the value of avoiding the replacement of a single employee in the energy, financial services, health care, and retail industries. The most significant drivers of turnover costs are training and onboarding new employees as well as the inefficiencies from the vacant position.

Retaining older workers reduces the one-time costs of turnover that range from \$7,400-\$31,700 or more per employee. Planned turnover from retirements minimizes these costs because the employer can use the most efficient sourcing channels and better onboarding processes, and avoid the position vacancy. Therefore, planned turnover typically results in costs at the lower end of this range. This allows employers to invest in greater value-add activities and not in undesired workforce churn. In fact, unplanned turnover may cost 1.5 to 2 times more than planned turnover.<sup>33</sup>

**Exhibit II-5a**  
**How Avoiding Turnover Creates Value**

Source of Savings/Value	Description	Source of Data or Assumptions
<b>Avoided Hiring Expenses</b>	Advertising costs, agency costs, travel and interview costs, relocation costs, referral bonus costs, and recruiter compensation	Saratoga Institute benchmark data by industry. If industry-specific benchmark data was not available, this was estimated using Saratoga Institute's overall benchmark data.
<b>Avoided Costs of New Employee*</b>	Orientation costs and reduced productivity of new employee	Orientation costs estimated at two days of compensation. Reduced productivity of 40% assumed for first 12 weeks on job.
<b>Avoided Inefficiency of Departing Employee</b>	Inefficiencies while departing employee searches for a new job	Inefficiency estimated at 15% of compensation during time spent searching for new job. Time searching for new job from Saratoga Institute benchmark data.
<b>Avoided Inefficiency of Vacant Position</b>	Inefficiencies while position is vacant	Inefficiency estimated at 75% of compensation during time job is vacant. Time position left vacant from Saratoga Institute benchmark data.

\*The analysis assumes that ongoing training costs would be the same for workers across all age groups. As a result, no attempt was made to estimate training costs, other than the inclusion of new hire orientation expenses.

**Exhibit II-5b**  
**Value Created by Avoiding Turnover of a Single Employee by Industry**

Type of Savings/Value	Energy	Financial	Health Care	Retail
<b>Avoided Hiring Expenses</b>	\$1,900	\$3,200	\$900	\$500
<b>Avoided Cost of New Employee</b>	\$11,000	\$11,000	\$6,600	\$3,700
<b>Avoided Inefficiency of Departing Employee</b>	\$1,900	\$2,000	\$1,200	\$700
<b>Avoided Inefficiency of Vacant Position</b>	\$16,900	\$12,300	\$9,100	\$2,500
<b>Total Potential Value of Avoiding Turnover</b>	<b>\$31,700</b>	<b>\$28,500</b>	<b>\$17,800</b>	<b>\$7,400</b>

Sources: Compensation used is median salary from Bureau of Labor Statistics May 2012 Occupational Outlook Handbook – salary brought forward to 2013 assuming 3% increase from May 2012. Hiring dollars for energy and retail industries were estimated using Saratoga Institute's overall benchmark data.

## 50+ Workers Increasingly Embrace Technology

A common misperception about age 50+ workers is that they are unable to use or learn new technology. However, the number using computers and online technology is high and continues to grow. For example, a 2014 AARP survey found that 91% of workers ages 50+ have a computer, tablet, or smartphone and that the share of workers ages 50+ who use such devices has grown considerably over the past three years. For example, in 2014, 64% of workers ages 50+ had a smartphone and 41% had a tablet, compared to 29% and 11%, respectively in 2011.<sup>34</sup>

Additionally, workers age 50+ are increasingly using their devices to surf the Web and access social media. For example, in 2014, 85% of workers ages 50+ said that they surf the Web using their computer, tablet, or smartphone (up from 79% in 2011); while 66% access social networking sites such as Facebook, Twitter, or LinkedIn using their devices (up from 44% in 2011).<sup>35</sup>

Further, authors of an article, “Is Programming Knowledge Related to Age?” found a positive relationship between age and reputation as measured by scores assigned to computer programmers in an online forum. On average, computer programmers in their 50s who used an online programmers’ discussion forum had higher “reputation” scores than younger users. Based on peer feedback, each user’s reputation score reflected subject matter expertise, respect from peers, and familiarity with the site. Higher scores of older programmers support the idea that older employees can be just as knowledgeable, if not more so, than younger ones in technical areas such as computer programming.<sup>36</sup>

Moreover, interest by adults age 50+ in learning new skills and in growing their careers presents opportunities for greater exposure to—and willingness to try—new technology. For example, out of the 12,000 U.S. students who enrolled and completed a full lecture in a Massive Online Open Course (MOOC) offered by the University of Pennsylvania, 39% were over age 50.<sup>37</sup> In fact, according to an AARP survey, the majority of workers age 50+ are interested in training opportunities to stay abreast of technological advances and do *not* feel that they have trouble keeping up with the new technology needed for their job. Specifically, 79% of workers age 50+ indicated that they would be interested in taking training related to computers and information/communication technology. Just 19% of 50+ workers feel that they are having trouble keeping up with new technology required to do their jobs.<sup>38</sup> Additionally, a survey of lower-wage workers by The Associated Press-NORC Center for Public Affairs Research reveals that, of lower-wage workers over age 50 whose employers offer online training opportunities, over half (60%) have taken advantage of this online training.<sup>39</sup>

## Productivity Can Increase with Age

Research shows worker productivity can increase through experience and job tenure, meaning that workers over 50 are likely to be at least as productive, if not more so, than less experienced, younger workers. This holds true even in relatively physical jobs.

As an example, researchers in a recent study reviewed the number and severity of production errors on an assembly line over four years.<sup>40</sup> Despite the work requiring physical strength, dexterity, and agility (all of which generally biometrically deteriorate with age), there was no decline in productivity as individual workers aged. Instead, employee productivity increased until age 65 simply due to a minimal number of severe errors made on the assembly line. While the physical capabilities were a strong point of younger workers, older workers' strengths were their experience, knowledge, and quick decision-making skills.

In addition, a University of Michigan study on older workers' contributions to the economy and technological progress found that an aging workforce results in net gains in the efficiency of the total labor force. In other words, as the average age of the workforce increases, the overall workforce is more productive.<sup>41</sup>

An "Employer Attitudes Towards Older Workers Survey" by the Center for Retirement Research at Boston College supports the idea that older workers are generally perceived in the workplace as at least as productive, if not more productive, than younger workers. In the survey, 56% of respondents characterized white-collar older workers as more productive, while only 6% characterized them as less productive.<sup>42</sup> While the research found perceived added costs of older workers in the workplace, the vast majority of respondents stated that older workers are "as attractive" or "more attractive" than younger workers, acknowledging the value of older workers' contributions.

### 50+ Talent Is a Key Ingredient in a High-Performing Workforce

Value from employees can come in many forms, including innovation, business savvy, management skills, knowledge, and maturity. These are many of the ways in which older workers have a positive impact in the workplace.

A *Wall Street Journal* article, "There's No Age Requirement for Innovation," discussed the need for balance in a multi-generational workforce, as "we need both old and young working together" for innovation. The article pointed to younger workers as well-equipped to drive technologies, and older workers as bringing maturity, real-world knowledge, and business skills.<sup>43</sup>

Another value of workers age 50+ comes from their impact on the rest of the employee population. For example the high engagement, motivation, and experience of older workers can help cultivate a more positive and effective work environment, enhancing organizational productivity and business outcomes.<sup>44</sup>

Some analysts have expressed concern that the increase in workers age 50+ remaining in the workforce could usurp or jeopardize opportunities for younger workers. However, empirical evidence does not support this "lump of labor" theory. Instead, in analyzing data from the Current Population Survey from 1977 to 2011, the Center for Retirement Research at Boston College found that increased employment of older workers is associated with gains for younger

workers, including increased employment, declining unemployment, and increased wages.<sup>45</sup> Previous studies, including one by the National Bureau of Economic Research, have been unable to find clear evidence that increased employment of older workers leads to less employment of younger workers.<sup>46</sup>

### *Employers Recognize the Value of Workers 50+ and the Risks of Lost Knowledge*

According to a 2014 SHRM survey, the majority of HR professionals indicated that the main advantages of older workers include:<sup>47</sup>

- More work experience (77%)
- Greater maturity/professionalism (71%)
- Stronger work ethic (70%)
- Ability to serve as mentors (63%)
- Greater reliability (59%)
- Greater loyalty (52%)
- Lower turnover (52%)
- Tacit knowledge that is not easily recorded or disseminated (51%)
- Commitment/engagement (51%)

Furthermore, in a 2014 Transamerica survey of more than 700 employers, respondents overwhelmingly refer to older workers as valuable resources, citing their knowledge and experience. The employers most commonly note the following perceptions of older workers:<sup>48</sup>

- Valuable resource for training and mentoring (87%)
- Important source of institutional knowledge (86%)
- More knowledge, wisdom, and life experience (82%)
- More responsible, reliable, and dependable (69%)
- More adept at problem solving (59%)

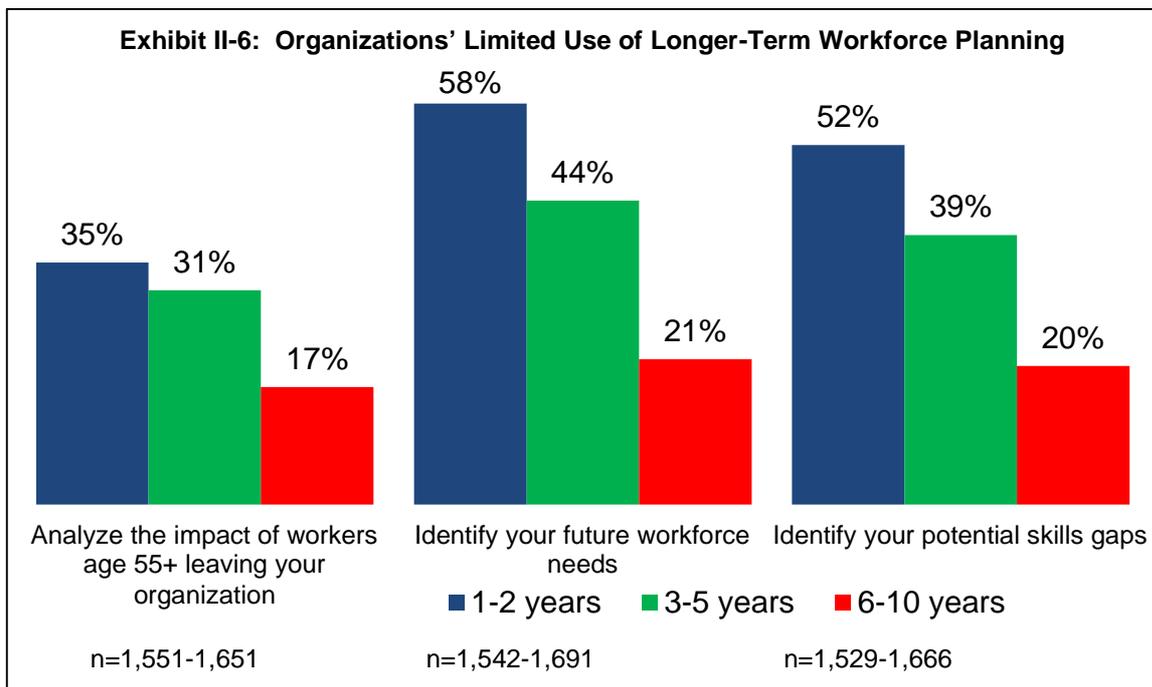
A mere 4% of employers surveyed consider workers age 50+ to be “less productive” than younger workers.<sup>49</sup> Although 57% of the employers surveyed believe that health care costs are higher for workers in this age group, the large share of employers associating these positive attributes with older workers suggests that their value is nevertheless widely acknowledged.

In fact, 88% of the employers surveyed by Transamerica are supportive of employees working past age 65 and delaying retirement.<sup>50</sup> And a 2010 AARP survey of over 1,000 HR directors at companies with at least 20 employees found that nearly two-thirds are concerned about losing knowledge and critical experience as older workers retire. This includes 24% who are very concerned and 39% who are somewhat concerned.<sup>51</sup>

Furthermore, the 2014 SHRM survey of HR professionals suggests that the majority recognize the risks to their business over the long term of not having a plan to manage an older workforce, including lost knowledge and potential loss of productivity as older workers retire, which could

affect the bottom line. However, HR professionals are somewhat less likely to view the departure of older workers as a short-term risk. For example, 39% of HR professionals think that the potential loss of talent resulting from the retirement or departure of older workers over the next 11-20 years represents either a “crisis” or a “problem” for their organization and another 34% describe it as a “potential problem.” In contrast, over the next 3-5 years, just over a quarter (27%) of HR professionals expect that the departure of older workers will be a “crisis” or a “problem” while another 38% describe it as a “potential problem.” Just 28% describe loss of talent as “not a problem” for their organization in the next 11-20 years, while 35% describe it as “not a problem” in the next 3-5 years.

Even though the majority of HR professionals acknowledge that older worker departures pose organizational risks over the long term, few have analyzed the impact of older workers leaving. For example, only 31% have analyzed the impact of older worker departures over the next 3-5 years and just 17% have examined this over the next 6-10 years. Although more general workforce planning to identify “potential skills gaps” and “future workforce needs” is more common than efforts to analyze the impact of older worker departures, general planning beyond the next 1-2 years is still fairly uncommon. Only about one in five HR professionals indicated that their organization has conducted a strategic workforce planning assessment to identify their future workforce needs or potential skills gaps in the next 6-10 years. (See Exhibit II-6.)<sup>52</sup>



Percentages represent the percent of HR professionals who indicated their organization has conducted a strategic workforce planning assessment for each of the above purposes.

Source: Society for Human Resource Management. *The Aging Workforce -- State of Older Workers in U.S. Organizations*. (Reflects results from SHRM’s 2014 Older Workers Survey, which included responses of more than 1,900 randomly selected HR professionals from SHRM’s membership.)

Although many employers have not taken concrete steps to prepare for the aging of the workforce, some have made relatively small investments that have created work environments conducive to older workers, ultimately enhancing workforce productivity and business outcomes. (See Chapter 5 for more information.)

## Conclusion

The data and analysis presented in this chapter lead to the conclusion that workers age 50+ add value to organizations due to high levels of engagement, stability, productivity, and innovation. These key findings support this conclusion:

- Older worker engagement levels are higher than other cohorts.
- Engagement is positively correlated with improved business results.
- 50+ worker turnover tends to be planned and is more predictable, generating savings and value to employers.
- Unplanned turnover—more common among younger employees—is more costly than planned turnover.
- Research suggests that productivity does not decline with age and may even increase.

## Chapter 3

### *Experienced Talent Costs Less than You Think*

To evaluate the business case for workers age 50+, organizations must examine not only the economic value but also the associated costs of employing this cohort. To address whether costs are age-related and whether workers age 50+ are universally more expensive, this chapter outlines the drivers of labor cost and examines the impact of age.<sup>53</sup>

Specifically, this chapter focuses on:

- 1. How labor costs (compensation and benefits) vary by age, tenure or other factors and trends over time.**
- 2. How trends in health care affect the business case economics.**
- 3. The financial impact of hiring or retaining older workers.**

## A Review of Overall Labor Costs for a Multi-Generational Workforce

The key drivers of labor costs include both *annual* costs associated with rewards programs and *one-time* costs associated with employee turnover. (See Exhibit III-1.)

**Exhibit III-1: Key Drivers of Labor Cost**



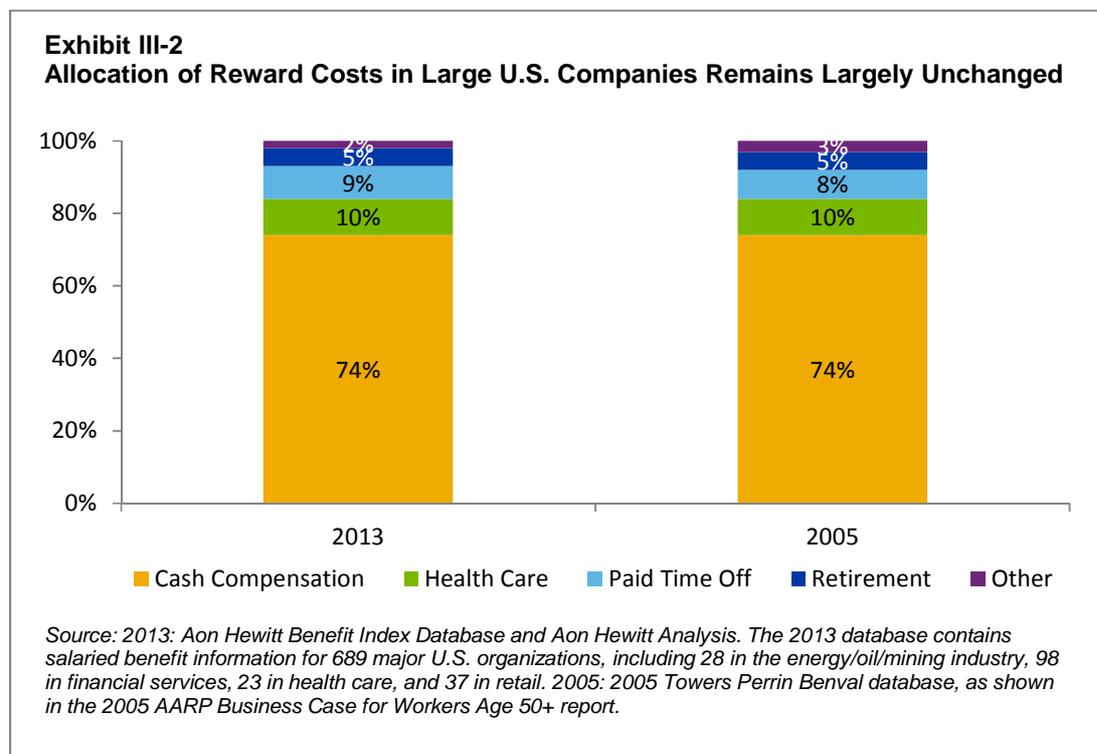
Annual rewards continue to be the biggest drivers of labor costs. Specifically, cash compensation, health care, retirement and paid time off benefits comprise 98% of total compensation costs in large U.S. companies.<sup>54</sup> This amount has remained consistent, increasing only slightly from 97% eight years ago.<sup>55</sup> Further, although increasing health care costs have made national headlines, the share of large employers' annual rewards costs allocated to employee benefits has remained fairly similar over time. (See Exhibit III-2.)

While the overall allocation of compensation costs has remained steady, compensation and reward design have evolved toward a more age-neutral distribution of costs.

- Cash compensation: 90% of large companies now use performance-based variable compensation rather than only tenure-based compensation, an increase from 78% in 2005.<sup>56</sup> This creates a linkage between individual performance and compensation rather than length of service and compensation.
- Retirement benefits: Only 22% of large companies currently offer a defined benefit pension plan, down from 68% in 2004.<sup>57</sup> Defined contribution plans such as 401(k)s, which have largely replaced defined benefit plans, provide employer contributions based on a percentage of salary and are rarely tied to age or tenure.<sup>58</sup>
- Health care coverage: Cost increases over roughly the same time period have risen more slowly for workers age 50+ than for younger workers. According to the most recent data available on large employers' health care costs, average annual medical claims costs increased at a rate of 4% to 7% for 50- to 64-year-olds from 2003 to 2011, less than the 7% to 8% cost increase for 25- to 49-year-olds.<sup>59</sup> The slower pace of health care cost increases for older workers and other changes in health care are diminishing some of the effects of workforce age on employer-paid health care costs.

These three trends have weakened the relationship between age and labor costs over the past decade. The result is that an experienced professional age 50+ won't necessarily cost more than a younger employee.

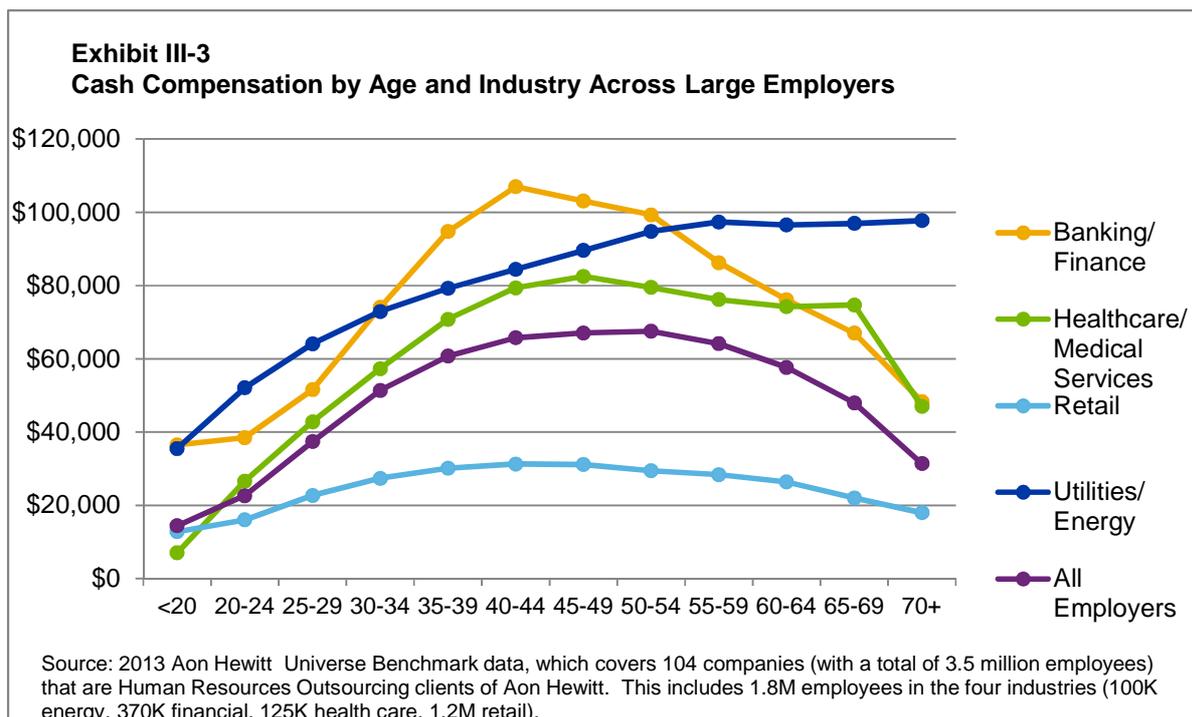
The remainder of this chapter explores each of these cost shifts in more detail and then presents an analysis of the costs associated with recruiting and retaining more workers age 50+.



### Cash Compensation Is Increasingly Age-Neutral

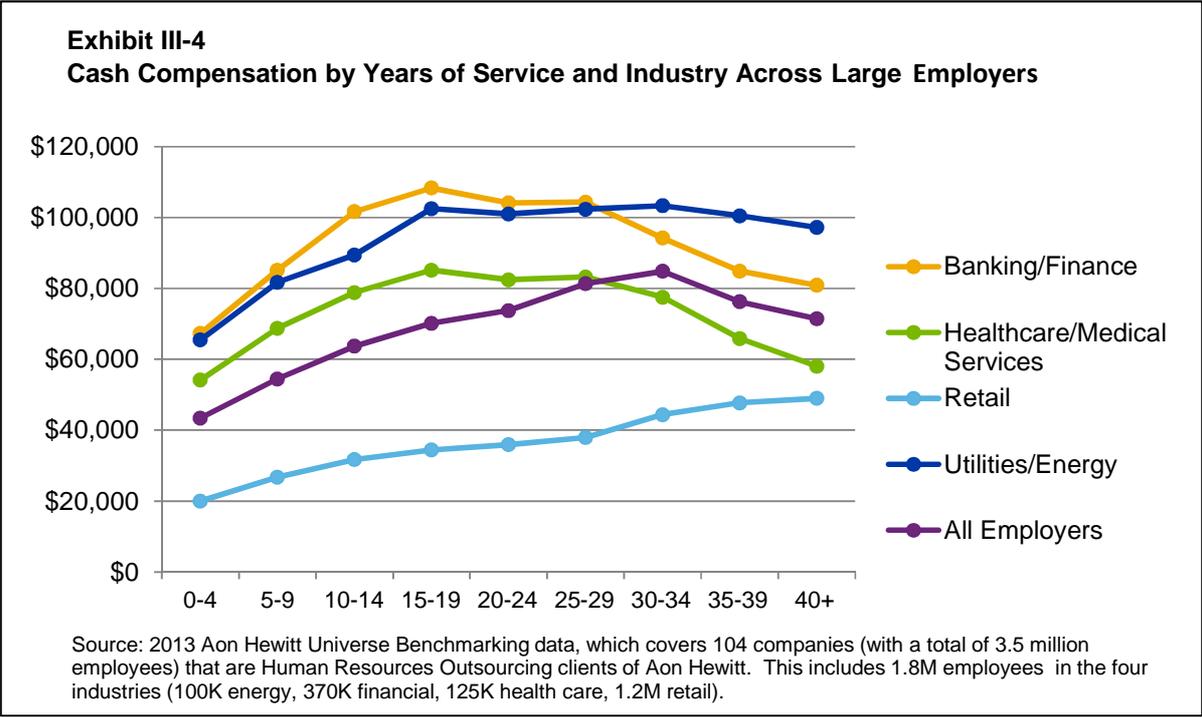
Cash compensation remains the single largest driver of total rewards cost, comprising 74% of the total rewards spend.<sup>60</sup> However, while the perception is that older workers automatically command higher levels of pay, data show that compensation is not directly correlated to age alone.

Cross-sectional data indicate that certain elements of cash compensation, primarily base pay, do generally increase with age until employees reach between 45 and 50 years old. For workers age 50 and older in the health care, retail, and financial services industries, overall cash compensation begins to flatten or trend downward rather than continue on an upward path. The energy industry bucks this trend, with a continued rise in cash compensation into retirement. (See Exhibit III-3.) This is likely due to the fact that the energy industry pays a premium for company-specific skills and knowledge when compared with other industries.



The downward trend in cash compensation for older workers in retail, health care, and financial services may be a reflection of changes in roles or schedules (such as shifts to part-time employment or roles with less responsibility, or transitioning into retirement) or the achievement of certain milestones (such as reaching maximums in salary ranges). A more thorough analysis, though, reveals that compensation and length of service are more closely correlated than are compensation and age. The more experience an individual has in a role, generally speaking, the greater the level of competency and proficiency and the higher the compensation.

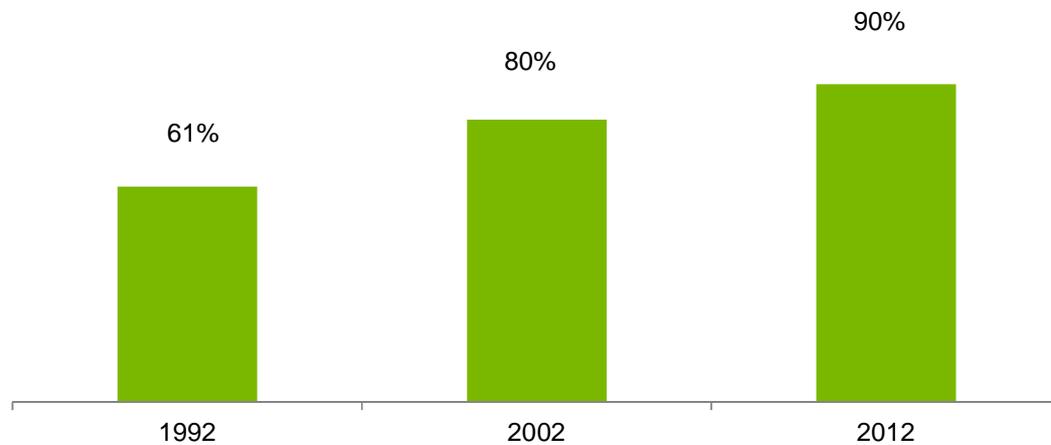
Among large employers overall, cash compensation generally increases with service until about 30 years of service. (See Exhibit III-4.) The financial and health care industries see gradual drop-offs in cash compensation starting after 15 to 19 years of service with steeper drop offs after 25 to 30 years of service.



*The Shift to Variable Compensation Continues to Level the Playing Field*

Over the past two decades, an increasing number of large employers have shifted to compensation structures that are based in part on performance. In 1992, 61% of large employers surveyed offered such performance-based, or variable, pay. A decade later, this increased to 80%. By 2012, nine out of 10 large employers maintained such performance-based compensation structures. (See Exhibit III-5.)

**Exhibit III-5  
Percent of Large Organizations with Performance-Based Pay**



Source: Aon Hewitt U.S. Salary Increase Survey 1992-2012. 36th annual survey focuses on overall changes in employee compensation for the calendar year 2012. Information was collected during June and July from 1,306 organizations. Participants included 788 service organizations, 508 manufacturing organizations, and 10 multi-industry organizations.

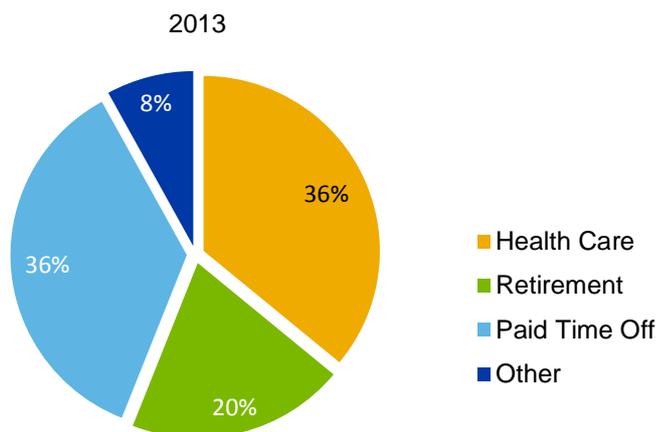
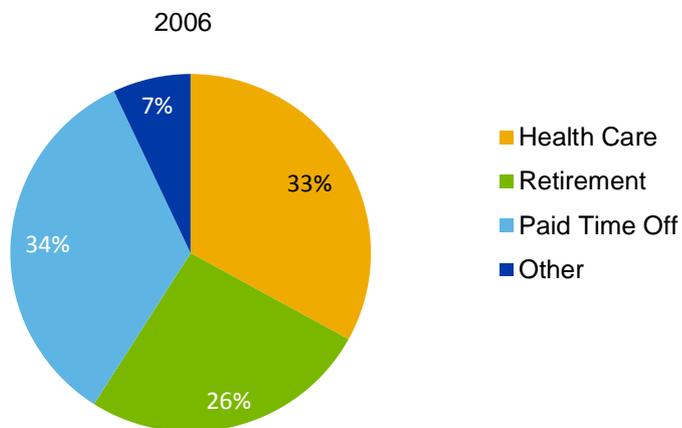
While variable pay programs differ by industry and role (e.g., a sales representative for a pharmaceutical company might receive variable pay as a percentage of individual sales, whereas a sales manager may receive variable pay as a percentage of the company's total sales), they are generally designed for a single purpose: to reward employees for actual performance against set goals and measures. These programs enable employers to differentiate pay and reward top performers regardless of age or tenure.

This trend toward variable pay tends to level the playing field for workers across all ages.

**Employee Benefit Costs Reflect Weaker Correlation with Age over Time**

As in the case of cash compensation, the annual cost of employee benefit programs also is becoming more age-neutral. To understand this dynamic, it is important to first review actual total costs for employee benefits. (See Exhibit III-6.)

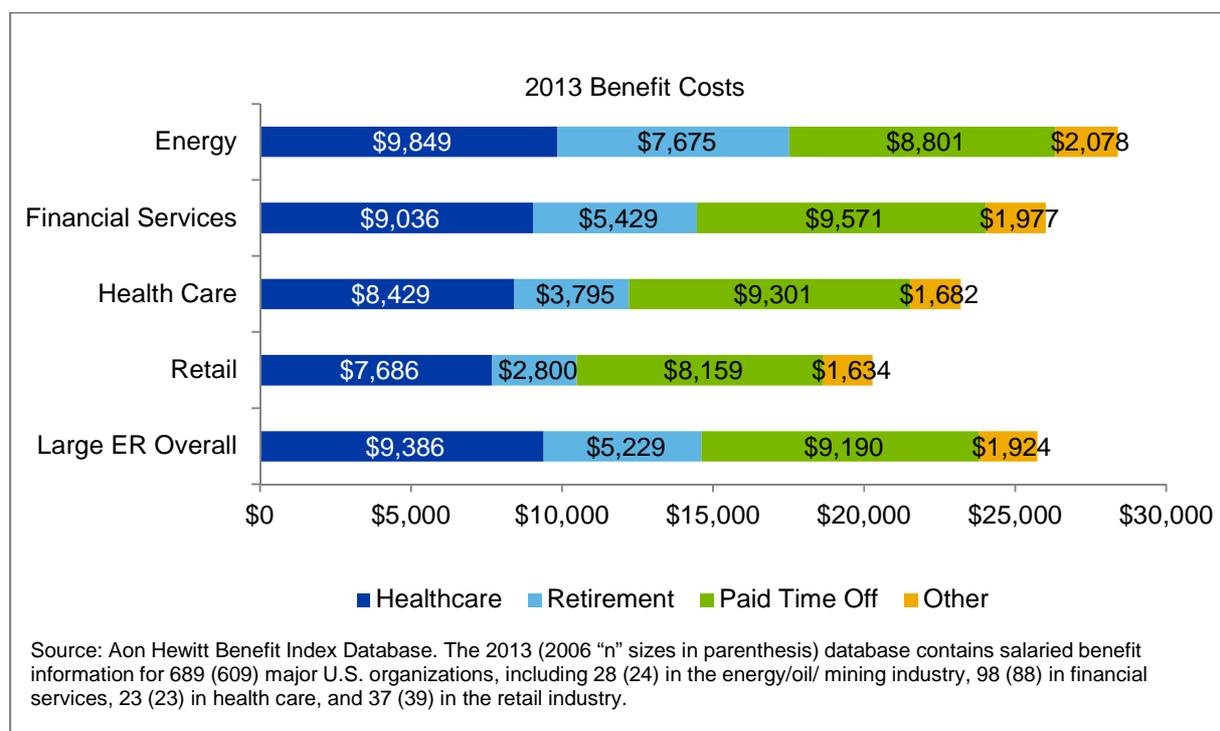
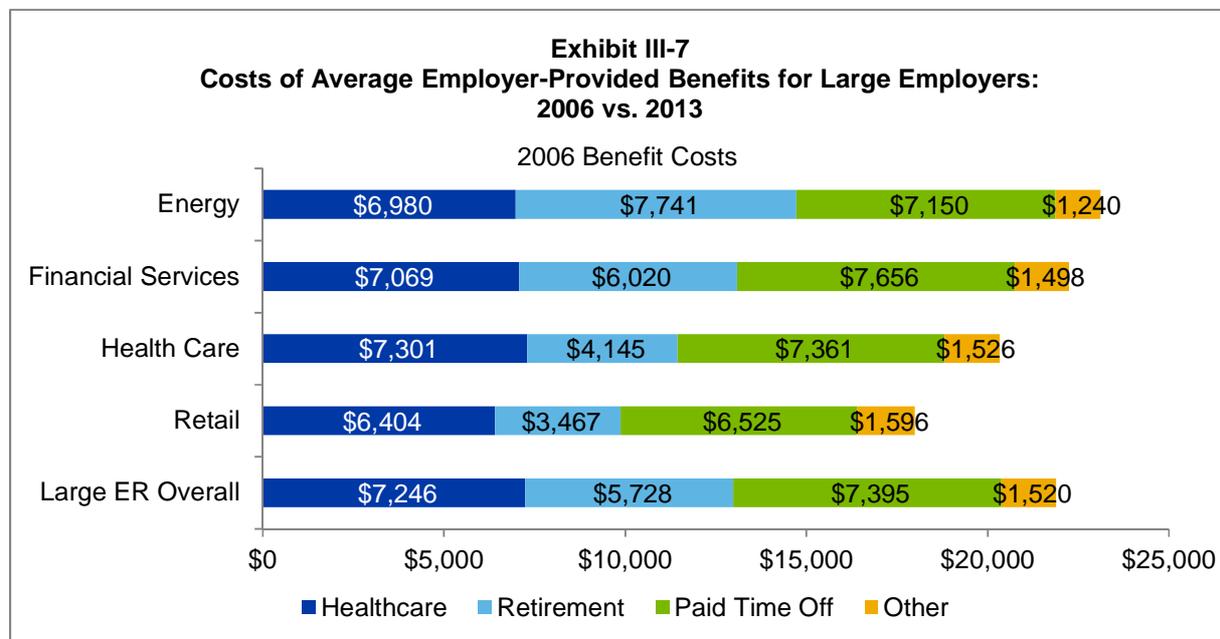
**Exhibit III-6  
Breakdown Of Employee Benefits Costs Paid by Large Employers:  
2006 vs. 2013**



Source: Aon Hewitt Benefit Index Database. The 2013 (2006 “n” sizes in parenthesis) database contains salaried benefit information for 689 (609) major U.S. organizations, including 28 (24) in the energy/oil/ mining industry, 98 (88) in financial services, 23 (23) in health care, and 37 (39) in the retail industry. Health care percent shown includes a small amount of retiree health based on the expected value of the benefits earned in a year.

While the share of benefit costs attributable to health care coverage for employees and their covered family members has risen somewhat—from 33% in 2006 to 36% of total annual benefit cost currently—the cost of retirement benefits has noticeably declined from 26% to 20% of total benefit spend during that same period. (See Exhibit III-6.) Paid time off continues to represent more than a third of total benefit spend. (Note that shifts in the share of total benefit spend attributable to health benefits and retirement benefits are more evident in Exhibit III-6 than in Exhibit III-2. This is because Exhibit III-6 focuses only on benefits and excludes cash compensation.)

Although the distribution of total benefit costs has shifted over time, the total combined dollar value of health care, retirement, paid time off and other benefit programs has increased overall and varies considerably by industry. For example, in 2013, employer costs for these benefits ranged from an average of \$20,279 (in the retail industry) to \$28,403 (in the energy industry). These same costs in 2006 were \$17,992 and \$23,111, respectively. (See Exhibit III-7.)



Of the four industries focused on in this report, the energy sector generally has the richest employee benefit programs—and in particular, significantly higher-value retirement benefits. The value of employee benefit programs in the finance industry follows, with health care and retail lagging behind.

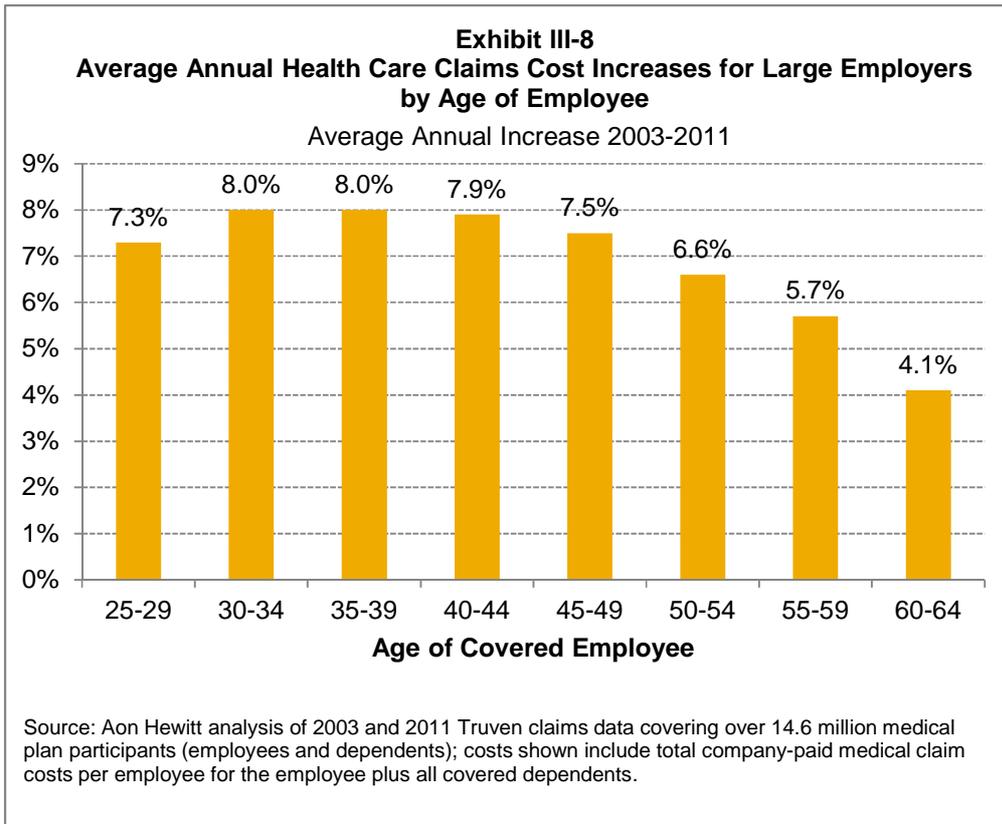
This review of benefit cost shifts since 2006 shows that health care costs, paid time off costs, and the costs of other benefits increased across all industries, while retirement benefits actually decreased. This decline in retirement benefit costs took place across large employers overall and within each of the four industries despite the considerable difference in the value of retirement benefits by industry. The reduction in retirement benefit costs partially offset the cost increases of the other key benefits.

### **Health Care Costs Increased Steadily, Though Workers Age 50+ Saw Slower Rates of Increase**

Health care costs for both employers and employees have increased steadily in the last decade across all age groups. While the Consumer Price Index, the most common measure of inflation, increased by 2.3% per year during this time period, total medical expenses per employee grew at a rate of 6.2% per year.<sup>61</sup> The employer-paid portion of health care coverage grew at an average of 5.3% per year, which would seem to indicate that employers are shifting more of the cost to employees, a hypothesis borne out by the fact that the annual increase in the employee-paid portion was even greater, at an average of 8.3%.<sup>62</sup>

Despite the rapid increase in employee-paid costs, employers continue to pay the majority of the total cost of health care.<sup>63</sup>

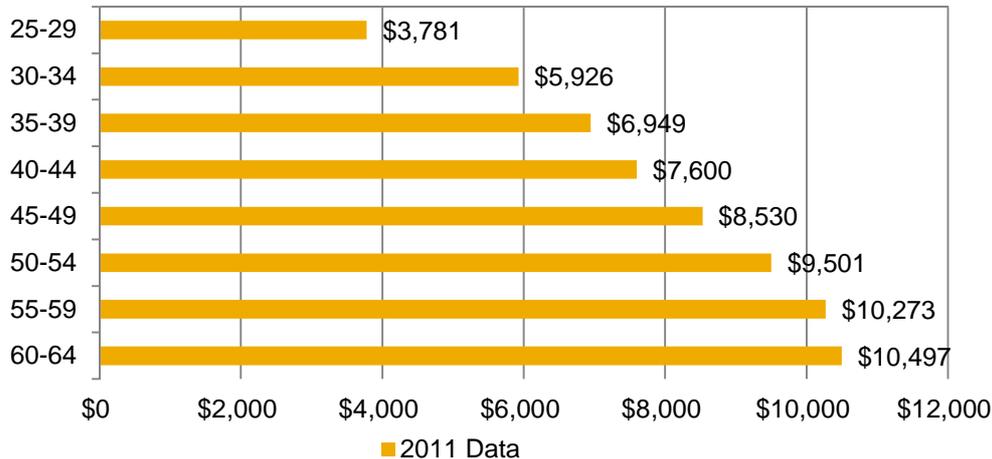
Although health care costs are increasing for all age groups, the latest data show that the rate of health care cost increases for workers age 50+ is slower than for their younger counterparts. (See Exhibit III-8.) While cost increases per year averaged 8% for employees ages 30-39, the annual increase dropped to 6.6% for workers ages 50-54. The increase was even smaller for employees ages 55-64. This is due to a fall in the prevalence of certain high cost diseases—in particular, cardiac conditions—among those ages 50-65. Better diagnostic care, drug solutions, and better general health are also contributing to the shrinkage in cost.<sup>64</sup>



This analysis demonstrates a weakening of the correlation between age and health care costs. Claims data from 2011 show that actual company-paid claims for employees age 50 to 65 were 1.1 to 1.8 times the dollar value of claims for workers in their 30s and 40s.<sup>65</sup> (See Exhibit III-9.) In contrast, in 2003, company-paid claims for employees age 50 to 65 were 1.2 to 2.4 times the dollar value of claims for workers in their 30s and 40s.<sup>66</sup> So while the absolute level of cost for workers age 50+ is higher than for younger workers, the difference in health care costs for older vs. younger employees is shrinking.

**Exhibit III-9  
Average Cost of Health Care Claims Paid by Large Employers,  
Per Employee by Age of Covered Employee**

Average Employer-Paid Claims Cost For 2011, By Age of Covered Employee



Source: Aon Hewitt analysis of September, 2011 Truven claims data covering over 14.6 million medical plan participants (employees and dependents); costs shown include total company-paid medical claim costs per employee for the employee plus all covered dependents

Although average health care costs differ by age, it is important to note that age is only one factor affecting an individual’s utilization of health care. The number of health risks, the use of preventive care services, and other behavioral factors can have a greater influence than age alone on health care cost.<sup>67</sup>

*The Affordable Care Act and Potential Implications*

Although the analysis of employer-paid health care costs presented up to this point suggests that these costs are moving in a direction that supports the business case for 50+ workers, employers may wonder how the Patient Protection and Affordable Care Act (ACA) will affect the relationship between age and employer health benefit costs.

The ACA, enacted in 2010, includes reforms in many areas of health care. It put policies in place to expand coverage and improve health care delivery and management throughout the entire health care system. It created both an individual responsibility to obtain health coverage and an employer responsibility to provide health insurance to employees within certain parameters. The law creates a framework for expanding coverage to nearly all Americans through expansion of public coverage for low-income adults previously ineligible for Medicaid, changes in rules for private health insurance markets to make them more accessible, and subsidies for those without access to employer-sponsored coverage that may otherwise have trouble affording insurance.

Because the ACA's requirements relating to employers are phasing in through 2018, it is still too early to know their full implications for employers in general, and for the business case for workers age 50+. However, many employers have or are considering making changes to their health benefits strategy in light of the new requirements and changing environment and some have begun to take action. The pace of change in employer-paid health coverage will depend, in part, on

- whether there are delays or modifications by policymakers to key provisions of the ACA (such as the employer responsibility requirement, and the excise tax on high cost health plans); and
- the success experienced by employers who adopt new health benefits strategies.

Employers should be aware of some emerging developments in health benefits.<sup>68</sup> These developments, which stem from ACA provisions and other factors, include:

- Reducing overall plan costs, including strategies to avoid the anticipated excise tax on high-cost plans through such tactics as:
  - Emphasizing wellness
  - Providing employees tools to help them compare treatment options, provider quality and provider costs
  - Increasing employee cost sharing (including higher deductibles, copays, and coinsurance)
- Offering health benefits through private health care exchanges to help mitigate employer risk related to health care inflation by moving away from a self-funded model to a fully insured model while providing greater choice to employees
- Changing strategies for calculating contributions to employee health care costs, such as moving to a defined contribution approach that can limit employer cost

To the extent that some of these emerging developments either further reduce employer-paid claims costs among 50+ workers relative to younger workers, or result in employers basing their contribution on something other than actual worker claims costs, these developments may have a positive impact on the business case to hire and retain workers age 50+. However, these developments are likely to shift more costs and risks to workers of all ages. (See Appendix for more information about the potential implications of the ACA on employer health care costs.)

### Retirement Benefit Spend Is on the Decline

Employer costs for retirement benefits are declining and becoming more age neutral because of two key trends in the retirement system:

1. A significant decline in the prevalence of defined benefit (DB) pension plans offered by employers.
2. An increase in the share of employers that offer defined contribution (DC) plans as the only retirement vehicle.

The cost of retirement benefits has decreased from 26% of total benefit costs to 20% today. (See Exhibits III-6 and III-7.)

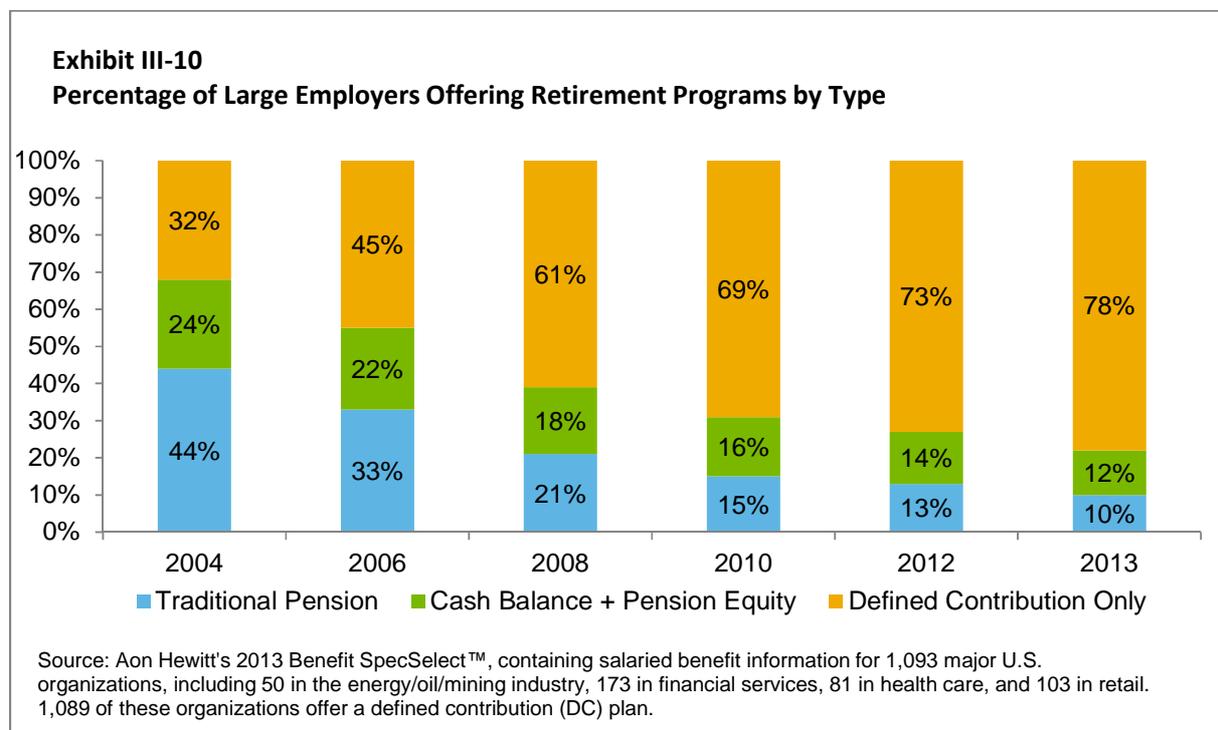


Exhibit III-10 illustrates the evolution of the types of retirement programs offered by large employers since 2004. The share of large employers offering DB pension plans has declined from 68% (44% with traditional plans and 24% with hybrid plans), to only 22% today (10% traditional plans and 12% cash balance or pension equity plans). Conversely, 78% of employers offer DC plans as their primary retirement vehicle today, compared to just 32% in 2004.

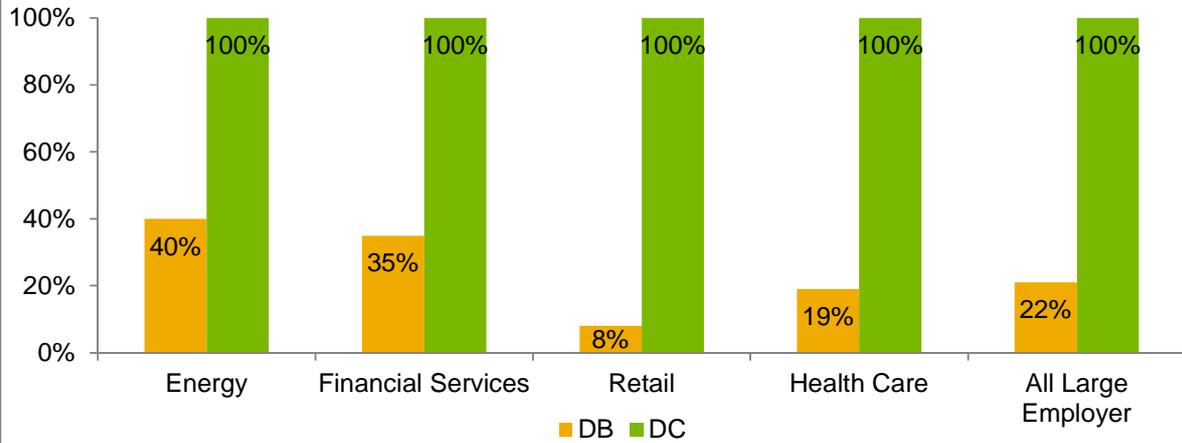
This dramatic and continuous shift over time has nearly eliminated the age-related costs of offering retirement plans, which were historically tied to the age and service calculations in DB plan formulas. Today's DC plans generally do not have age-based formulas or age-based employer contributions. In fact, 82% of large employers have no age-related contributions in their DC plans.<sup>69</sup> As with trends in health benefits, the trend toward DC retirement plans may have neutralized the difference between employer-paid retirement costs for older and younger employees, but at the expense of shifting more risk to employees and diminishing retirement security for workers of all ages.

As retirement plan design shifted, the levels of company spend decreased. Plan sponsors that provide a mix of DB and DC plans spend on average 7.5% to 10.5% of salary each year for an employees' retirement. This compares to just below 6.7% for plan sponsors with only DC plans.<sup>70</sup>

Of the four industries featured in this report, energy and financial services employers are the most likely to maintain open DB plans—where current and new employees are able to accrue benefits. In contrast, open DB plans are rare for retail organizations. (See Exhibit III-11.)

**Exhibit III-11**

**Current Percentage of Large Employers Offering Retirement Programs to Salaried New Hires**



Source: Aon Hewitt's 2013 Benefit SpecSelect™, containing salaried benefit information for 1,093 major U.S. organizations, including 50 in the energy/oil/mining industry, 173 in financial services, 81 in health care, and 103 in retail. 1,089 of these organizations offer a defined contribution (DC) plan.

**Paid Time Off Benefits Increase With Tenure, Not Age**

Paid Time Off (PTO) is a significant component of an employer's benefit spend (See Exhibit III-6). Whether a traditional service-based schedule or a new PTO approach (blending a mix of vacation, sick and personal days), time off benefits are typically based on length of service. For example, an employee starting off at a large employer may receive 11 days of vacation the first year. However, this amount may double by the time he or she reaches 30 years with the company. (See Exhibit III-12.)

**Exhibit III-12**

**Typical Vacation Benefits in Large Companies**

Vacation Days	Energy	Financial	Healthcare	Retail	Overall
At hire	11.5	13.5	17.9	10.4	11.8
At 10 years	19.2	19	25	18.6	18.6
At 30 years	27	24.1	29	22.5	24.5

Source: Aon Hewitt's Benefit SpecSelect™. The 2013 Benefit SpecSelect contains salaried benefit information for 1,093 major U.S. organizations, including 50 in the energy/oil/mining industry, 173 in financial services, 81 in health care, and 103 in the retail industry.

In most cases, employer costs for paid time off will be the same for any new hire, regardless of age. PTO costs may be more of a factor in the decision regarding whether to retain existing workers. However, even in that decision, costs will vary by length of service rather than age.

## Evaluating Age-Related Labor Cost Differences for Specific Jobs

The following scenarios show hypothetical costs related to retaining and hiring a varying mix of older and younger employees. Each scenario covers the key elements of total rewards costs presented earlier in this chapter: cash compensation, health benefits, retirement benefits, and paid time off benefits. Four positions, one in each of the four industries, demonstrate the calculations for specific jobs: an engineer in the energy industry, a sales manager in the financial services industry, a registered nurse in the health care industry, and a store manager in the retail industry. These positions represent key roles in their respective industries, with large numbers of employees in those positions. These are business-critical jobs for which retention or recruitment of talent raises particular concerns (such as high turnover, importance to maintaining customer relationships, difficulty of recruiting, or significant training requirements). Even though the examples focus on only four positions, the same analysis is applicable to other positions in each industry.

While employers do not typically analyze cost scenarios based on age, these scenarios specifically address the stereotypical notion that workers age 50+ present a significantly higher cost that may not be commensurate with their value. The findings in this analysis, as in the prior 2005 report, not only refute this misperception, but confirm that employers could significantly increase their efforts to retain workers age 50+ or hire workers age 50+ without materially affecting their total labor cost.

The business cases for retention and recruiting are not the same. Some cost increases are driven by tenure, and are therefore more relevant to the case for retention than for recruiting. Others, such as costs driven by benefit plan design or one-time costs, are equally relevant to both the business case for retention *and* recruitment. Because of this, the following analysis reflects an assessment of two hypothetical business case scenarios—one for **retaining** workers age 50+ and the other for **hiring** new workers age 50+.

### Evaluating the Cost of Retaining Workers Age 50+

This first set of scenarios assumes a large, mature organization with a stable business model and ongoing need for a consistent workforce from a headcount and talent mix perspective. The organization has a group of incumbent employees age 55 with 20 years of service. These employees could potentially retire, leaving jobs that would need to be filled. This analysis focuses on the economics of two alternative approaches for filling the vacant jobs:

- Allow retirement trends to evolve with limited efforts to retain incumbents, so that the employer succeeds in **retaining 20%** of the experienced incumbent staff and fills the resulting vacancies from the broad labor pool; or alternatively,
- Mount a focused effort to **double retention to 40%** of the experienced workers, reducing the need to hire from outside labor sources and increasing knowledge retention and mentoring capabilities.

The analysis examined average per-employee rewards costs for the mix of all employees filling the jobs in question—retained incumbent employees and new hires. The results show how average per-employee rewards costs can change as a result of this effort to **retain** more workers age 50+. (These examples use workers age 55 as a representative age for workers age 50+.)

The results show that the incremental costs resulting from retaining more 50+ workers are not only minimal, but are also lower than in 2005. For example, in the energy industry, the incremental cost of this retention strategy amounts to just 2% of total rewards compensation today compared to 3% in the prior report.

The incremental per-employee costs in the retention scenarios are modest across all four industries, and range from 1% to 2% as a percentage of total rewards compensation. This has decreased from the 1% to 3% in the prior report because the retirement costs in the retention scenarios primarily include the costs of DC plans rather than DB plans, due to the increasing prevalence of DC plans as the main retirement vehicle offered by large employers. Of the four industries highlighted, the energy industry has the largest percent of companies (40% of large energy companies) that still offer DB plans to new hires (another 8% still offer them to only a closed, grandfathered group of employees).

Currently, in the retention scenarios for three of the four industries, the incremental costs of retaining more 50+ employees stem from the higher PTO costs associated with the faster accrual rates enjoyed by longer-service employees (many of whom are older workers) and higher health care costs for older workers. In the energy industry scenario, the age-related costs of DB plans are also a factor. Yet, across all four industries, the combined result is a modest 1% to 2% cost differential for retaining these older employees. This cost differential appears modest and manageable when weighed against the potentially significant one-time costs associated with replacing workers. (See Exhibit II-5b.)

Even in cases where the cost differential might nominally favor hiring new employees, employers need to keep in mind the business advantages that experienced employees offer, such as enhanced engagement, higher productivity, and affinity with older or long-term customers. These business advantages are often difficult to quantify in dollars but are relevant to a company's performance.

One additional advantage that should not be overlooked is the "known quantity" premium. A worker whose skills and performance are known within the company may be worth far more than a slightly lower cost replacement with no track record who poses a higher risk of poor performance or early departure.

### Hiring New Workers Age 50+

The second set of scenarios focuses on growing companies that need to fill a significant number of jobs each year. This can be due to a combination of organizational growth plus voluntary attrition or retirement that creates vacant positions each year. The analysis evaluates the potential ways these companies could respond to the staffing need:

- From the current applicant pool, hire a set of workers consistent with the applicant demographics, **80% of whom are age 40 and 20% of whom are age 55**; or alternatively,
- Through targeted recruiting of the 50+ employee segment, fill the open slots by **doubling the percentage of hires age 55 to 40%**, with the age 40 hires making up 60%.

In reality, employers would be looking across many different ages, but these were chosen as representative examples.

Average per-employee costs for the mix of all new hires that fill the jobs were analyzed. In this second set of scenarios, the results show how average per-employee costs can change as a result of hiring more workers age 50+. The results show that the average per-employee costs as a result of targeted hiring of older employees are modest, and, like the retention scenarios, have actually decreased since 2005. For example, in the health care industry, the targeted recruitment strategy increased per-employee costs by less than 1% of total rewards compensation, slightly lower than the per-employee cost of 1% in the original business case report.

The per-employee costs in the hiring scenarios are modest across all four industries, at 1% or less of average total rewards compensation. This has decreased from up to 2% in the first business case study for similar reasons as the retention scenario. That is, retirement benefit costs in the hiring scenarios for three of the four industries (all except energy) are based exclusively on DC plans.

In the increased hiring scenario, the results now show health care costs as the *only cost differentiator* between older and younger employees in three of the four industries. If the mix of new hires shifts and doubles the percentage of new 50+ workers as described in this hiring scenario, the organization would experience only a minimal impact—1% or less of the average cost per new employee. This conclusion holds even given that the average health care claims cost can typically be higher for the older group.

The overall cost differential will vary by company. For example, the cost differential could be greater in the limited number of companies that continue to offer DB pension plans, such as final average pay or age-weighted cash balance plans, and in companies that subsidize more of the cost of employees' health care. It could be smaller in companies that provide less of a subsidy for health care. The cost differential also may be greater for lower-paid positions where the cost of health care benefits as a percent of total compensation is more significant.

Development of the Retention and Hiring Scenarios

These cost comparisons focus on the key components of annual rewards costs presented in this chapter, which together represent 98% of total compensation costs in the typical large company:<sup>71</sup>

- Cash compensation;
- Retirement programs, including DC savings plans [e.g., 401(k) or 403(b) plans] for three of the industries and a combination of DB and DC in the energy industry;
- Health benefits for active employees; and
- Paid time off (vacation, holidays, and personal days).

See Exhibit III-13 for the cost assumptions for each of these components.

**Exhibit III-13: Compensation and Benefits Assumptions**

Industry	Energy	Financial Services	Health Care	Retail
<b>Position</b>	Engineer	Sales Manager	Registered Nurse	Store Manager
<b>Median Cash Compensation</b>	\$112,900	\$113,000	\$67,400	\$37,900
<b>Employer Health Care Subsidy (percent of premium)</b>	82%	77%	79%	68%
<b>Retirement</b>	Cash balance defined benefit, Plus 50% company match on first 6% of pay employee contributes	2% noncontributory benefit, Plus 100% company match on first 5% of pay employee contributes	1% noncontributory benefit, Plus 50% company match on first 6% of pay employee contributes	50% company match on first 6% of pay employee contributes
<b>Paid Time Off</b>	New Hire: 10 days >20 Years: 25 days	New Hire: 15 days >20 Years: 20 days	New Hire: 17 days >20 Years: 30 days	New Hire: 10 days >20 Years: 20 days

*Notes: In Exhibit III-13, noncontributory retirement contributions represent automatic contributions made by the employer not dependent on employee contributions. For example, the employee in the financial services industry would automatically get a company contribution equal to 2% of pay deposited to his/her 401(k) account, plus, the employer would match 100% of any contributions made by the employee up to the first 5% of pay. In the energy industry example, the cash balance defined benefit provides new hires a 4% allocation when age + service is less than 50, 6% when age + service is between 50 and 70, and 8% when age + service is 70+. This cash balance benefit is in addition to the 50% company match on the first 6% of pay contributed by the employee into the defined contribution plan.*

Exhibits III-14 to III-17 summarize the key cost drivers for each scenario. For each of the four positions identified, the exhibits show typical, average annual cash compensation and the costs of the benefits offered. These exhibits also show how the average cost per employee changes as a result of retaining workers age 50+ (Scenario 1) and recruiting new workers age 50+ (Scenario 2).

As mentioned previously, the retirement costs depicted in these scenarios are based on DC rather than DB plans in three of the four industry scenarios. Since DB plans are still prevalent among larger energy companies, the example reflects a typical DB plan formula in this industry.

In each of the scenarios, cash compensation levels for employees do not vary by age. The assumption is that all employees would be equally qualified, regardless of age, and would be paid the median market rate for their positions. This is supported by the continued focus of employers on paying for performance and role, rather than age or tenure, as described earlier in this chapter.

In the hypothetical analyses in the exhibits, all new hires for the jobs in question were assumed to be age 40 or age 55, and all retained incumbent workers used to fill those jobs were assumed to be age 55.

**Bottom line: Additional hard dollar costs of workers age 50+ are minimal and incremental cost is declining.**

The analysis reveals limited additional costs for leveraging significantly more age 50+ talent. However, it is important to weigh these limited differences in cost against the value of workers age 50+. Many employers will find that the value they bring in the form of added experience, knowledge, skills, and engagement will offset the slightly higher costs. Through their informal and formal roles as leaders, managers, role models, and mentors, these older workers also contribute to the higher productivity of other workers.

To help inform staffing and recruiting strategies, organizations need to have a command of productivity, total labor costs and talent supply consistent with the foregoing analysis. This information continues to be critical in the design of strategies to recruit and retain talent.

Most employers will conclude that the added cost of experienced talent is minimal when evaluated on the basis of total labor cost for a pool of workers, and should always be considered in the context of the value these workers offer.

### Exhibit III-14 – Value and Average Cost Scenarios – Energy (Engineer)

#### Value Considerations\*

- Age 55+ workers are the most highly engaged.
- More predictable turnover patterns for older workers create value by reducing one-time turnover costs (turnover costs can be \$31,700 or higher per employee; see Exhibit II-5b).
- High number of engineers in retirement zone requires emphasis on retaining and hiring.
- Complex job places importance on experience and knowledge retention.

#### Scenario 1 – Retaining older employees

Mix A: 20% retention of employees age 55 with 20 years of service, 80% new hires age 40

Mix B: 40% retention of employees age 55 with 20 years of service, 60% new hires age 40

#### Scenario 2 – Hire older employees

Mix C: 20% new hires age 55, 80% new hires age 40

Mix D: 40% new hires age 55, 60% new hires age 40

	Scenario 1**		Scenario 2**	
	Mix A	Mix B	Mix C	Mix D
Cash	\$ 112,900	\$ 112,900	\$ 112,900	\$ 112,900
Average company-paid health care claims (assumes the employer is self-insured)	6,400	6,800	6,400	6,800
Paid Time Off	5,600	6,900	4,300	4,300
Retirement	8,800	9,700	8,400	8,800
Total average annual cost per employee	\$133,700	\$136,300	\$132,000	\$132,800
<b>Dollar difference per average employee</b>		<b>\$2,600</b>		<b>\$800</b>
<b>Percent difference per average employee</b>		<b>2%</b>		<b>1%</b>

\* Chapter 2 provides more detail on the value considerations.

\*\*Costs presented in the scenarios are based on the assumptions described in Exhibit III-13.

Source: Aon Hewitt's Benefit SpecSelect™. The 2013 Benefit SpecSelect contains salaried benefit information for 1,093 major U.S. organizations, including 50 in the energy/oil/mining industry. Median salary from 2012 Bureau of Labor Statistics May 2012 Occupational Outlook Handbook – salary brought forward to 2013 assuming 3% increase from May 2012.

### Exhibit III-15 – Value and Average Cost Scenarios – Financial Services (Sales Manager)

#### Value Considerations\*

- Age 55+ workers are the most highly engaged.
- More predictable turnover patterns for older workers create value by reducing one-time turnover costs (turnover costs can be \$28,500 or higher per employee; see Exhibit II-5b).
- Effectiveness of older workers in serving an older customer base.
- Complex job places importance on experience and knowledge retention.

#### Scenario 1 – Retaining older employees

Mix A: 20% retention of employees age 55 with 20 years of service, 80% age 40 new hires

Mix B: 40% retention of employees age 55 with 20 years of service, 60% age 40 new hires

#### Scenario 2 – Hire older employees

Mix C: 20% age 55 new hires, 80% age 40 new hires

Mix D: 40% age 55 new hires, 60% age 40 new hires

	Scenario 1**		Scenario 2**	
	Mix A	Mix B	Mix C	Mix D
Cash	\$ 113,000	\$ 113,000	\$ 113,000	\$ 113,000
Average company-paid health care claims (assumes the employer is self-insured)	6,000	6,400	6,000	6,400
Paid Time Off	7,000	7,400	6,500	6,500
Retirement	7,900	7,900	7,900	7,900
Total average annual cost per employee	\$ 133,900	\$ 134,700	\$ 133,400	\$ 133,800
<b>Dollar difference per average employee</b>		<b>\$800</b>		<b>\$400</b>
<b>Percent difference per average employee</b>		<b>1%</b>		<b>&lt;1%</b>

\*Chapter 2 provides more detail on the value considerations.

\*\*Costs presented in the scenarios are based on the assumptions described in Exhibit III-13.

Source: Aon Hewitt's Benefit SpecSelect™. The 2013 Benefit SpecSelect contains salaried benefit information for 1,093 major U.S. organizations, including 173 in financial services. Median salary from 2012 Bureau of Labor Statistics May 2012 Occupational Outlook Handbook – salary brought forward to 2013 assuming 3% increase from May 2012.

## Exhibit III-16 – Value and Average Cost Scenarios – Health Care (Registered Nurse)

### Value Considerations\*

- Age 55+ workers are most highly engaged.
- More predictable turnover patterns for older workers create value by reducing one-time turnover costs (turnover costs can be \$17,800 or higher per employee; see Exhibit II-5b).
- Shortages in health care positions.
- Effectiveness of older workers in serving older patients.
- Complex and high stress job places importance on experience and mentoring/ knowledge transfer to younger workers.

### Scenario 1 – Retaining older employees

Mix A: 20% retention of employees age 55 with 20 years of service, 80% new hires age 40

Mix B: 40% retention of employees age 55 with 20 years of service, 60% new hires age 40

### Scenario 2 – Hire older employees

Mix C: 20% new hires age 55, 80% new hires age 40

Mix D: 40% new hires age 55, 60% new hires age 40

	Scenario 1**		Scenario 2**	
	Mix A	Mix B	Mix C	Mix D
Cash	\$ 67,400	\$ 67,400	\$ 67,400	\$ 67,400
Average company-paid health care claims (assumes the employer is self-insured)	6,200	6,600	6,200	6,600
Paid Time Off	5,100	5,800	4,400	4,400
Retirement	3,400	3,400	3,400	3,400
Total average annual cost per employee	\$ 82,100	\$ 83,200	\$ 81,400	\$ 81,800
<b>Dollar difference per average employee</b>		<b>\$1,100</b>		<b>\$400</b>
<b>Percent difference per average employee</b>		<b>1%</b>		<b>&lt;1%</b>

\*Chapter 2 provides more details on the value considerations.

\*\*Costs presented in the scenarios are based on the assumptions described in Exhibit III-13.

Source: Aon Hewitt's Benefit SpecSelect™. The 2013 Benefit SpecSelect contains salaried benefit information for 1,093 major U.S. organizations, including 81 in health care. Median salary from 2012 Bureau of Labor Statistics May 2012 Occupational Outlook Handbook – salary brought forward to 2013 assuming 3% increase from May 2012.

### Exhibit III-17 – Value and Average Cost Scenarios – Retail (Store Manager)

#### Value Considerations\*

- Age 55+ workers are the most highly engaged.
- More predictable turnover patterns for older workers create value by reducing one time turnover costs (turnover costs can be \$7,400 or higher per employee; see Exhibit II-5b).
- Effectiveness of older workers in serving an older customer base.

#### Scenario 1 – Retaining older employees

Mix A: 20% retention of employees age 55 with 20 years of service, 80% new hires age 40

Mix B: 40% retention of employees age 55 with 20 years of service, 60% new hires age 40

#### Scenario 2 – Hire older employees

Mix C: 20% new hires age 55, 80% new hires age 40

Mix D: 40% new hires age 55, 60% new hires age 40

	Scenario 1**		Scenario 2**	
	Mix A	Mix B	Mix C	Mix D
Cash	\$ 37,900	\$ 37,900	\$ 37,900	\$ 37,900
Average company-paid health care claims (assumes the employer is self-insured)	5,300	5,700	5,300	5,700
Paid Time Off	1,700	2,000	1,500	1,500
Retirement	1,100	1,100	1,100	1,100
Total average annual cost per employee	\$ 46,000	\$ 46,700	\$ 45,800	\$ 46,200
<b>Dollar difference per average employee</b>		<b>\$700</b>		<b>\$400</b>
<b>Percent difference per average employee</b>		<b>2%</b>		<b>1%</b>

\*Chapter 2 provides more detail on the value considerations.

\*\*Costs presented in the scenarios are based on the assumptions described in Exhibit III-13.

Source: Aon Hewitt's Benefit SpecSelect™. The 2013 Benefit SpecSelect contains salaried benefit information for 1,093 major U.S. organizations, including 103 in the retail industry. Median salary from 2012 Bureau of Labor Statistics May 2012 Occupational Outlook Handbook – salary brought forward to 2013 assuming 3% increase from May 2012.

## Conclusion

The data presented in this chapter demonstrate that changes in compensation and benefits over the past decade have created a more age-neutral distribution of labor costs, and that employer responses to health care reform could potentially add to this shift.

The changes have resulted from:

- An increasing reliance on performance-based variable compensation
- A decline in DB retirement plans
- Slowed growth in employer health care costs for older workers

**Because age-related costs are limited, employers could retain or hire significantly more 50+ workers with a minimal impact on total labor cost.**

**Comparing these small incremental costs to the value of higher engagement, knowledge and skills accumulated over a career, and the attrition costs saved through lower unplanned turnover will often yield a “net positive” business case for having a focused strategy to retain and hire more workers age 50+.**

## Chapter 4

### Workers Age 50+: What Are They Looking For?

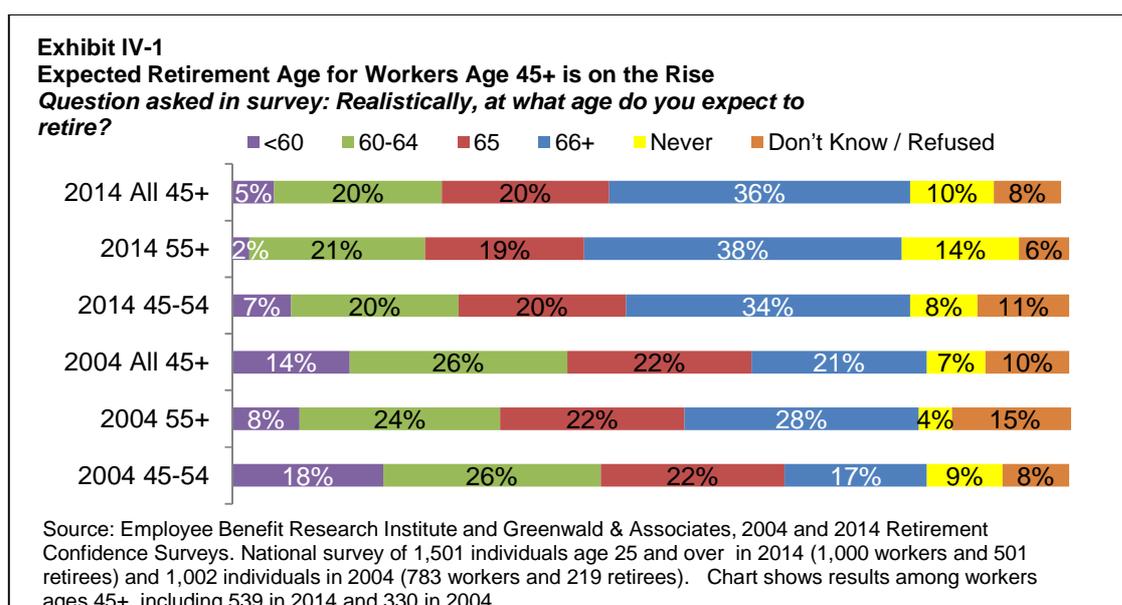
There is no shortage of data illustrating that workers age 50+ expect to stay in the workforce longer than prior generations, are drawn to specific employer attributes, and are the most engaged cohort in the workforce. Employers with a clear line of sight into what keeps older workers engaged at their jobs can develop mutually beneficial relationships.

To provide a comprehensive view of the mindset of workers age 50+, this chapter addresses:

1. How long they expect to work.
2. The reasons they work.
3. The drivers of attraction, retention, and engagement.

#### Older Workers Expect to Continue to Work

When older workers are asked when they will retire, their responses reveal expectations of remaining in the workforce longer than in the past. The Employee Benefit Research Institute's (EBRI) Retirement Confidence Survey found that the share of workers age 45+ who expect to retire before age 60 declined from 14% in 2004 to just 5% in 2014.<sup>72</sup> At the same time, the share expecting to retire at age 66 or older grew considerably, from 21% in 2004 to 36% in 2014. (See Exhibit IV-1.)



The increase in expected retirement age over the past decade is most likely a reaction to the various dynamics mentioned in Chapter 1, including the aging of the population and changes in employer benefits, and reflects an overall decline in retirement confidence since the Great Recession. For example, in 2014, just over half (57%) of workers age 50+ expressed confidence that they will have enough money to live comfortably in retirement, a clear drop from the 66% who expressed such confidence in 2004.<sup>73</sup>

It is important to keep in mind that some workers will retire earlier than planned. Reasons vary for leaving the workforce early. For example, according to the EBRI 2014 Retirement Confidence Survey, 49% of retirees said they retired earlier than planned, with the most common reason being illness or disability. Other reasons included being able to afford to retire earlier; company changes, such as downsizing or closure; wanting to do something else; and caregiving responsibilities.<sup>74</sup> So, although some older workers may leave the workforce earlier than expected, data show that more and more older workers expect to continue to work—and employers can benefit by employing them.

Even though many older workers expect to keep working for some time, not all of them expect to stay at their current job. According to a 2012 AARP/SHRM survey, about 20% of employed workers ages 50+ expect to change jobs before they stop working completely. This includes 9% who plan to change jobs but remain in the same field, 6% who plan to find a job in a different field, and another 6% who plan to start their own business. (This does not include those who may find themselves looking for a new job if they unexpectedly lose theirs in the future.) However, 77% of employed workers age 50+ do plan to remain in their current job until they stop working completely.<sup>75</sup>

### Why Workers Age 50+ Work

Today's changing business and economic environment brings current and future financial needs of older workers to the forefront of reasons why they are working. This is evident in the findings of AARP's *Staying Ahead of the Curve 2013* survey, which revealed that 82% of workers ages 45 to 74 identify "need the money" as a major factor in their decision to work or look for work, up from 76% a decade prior.<sup>76</sup> (See Exhibits IV-2a and IV-2b.)

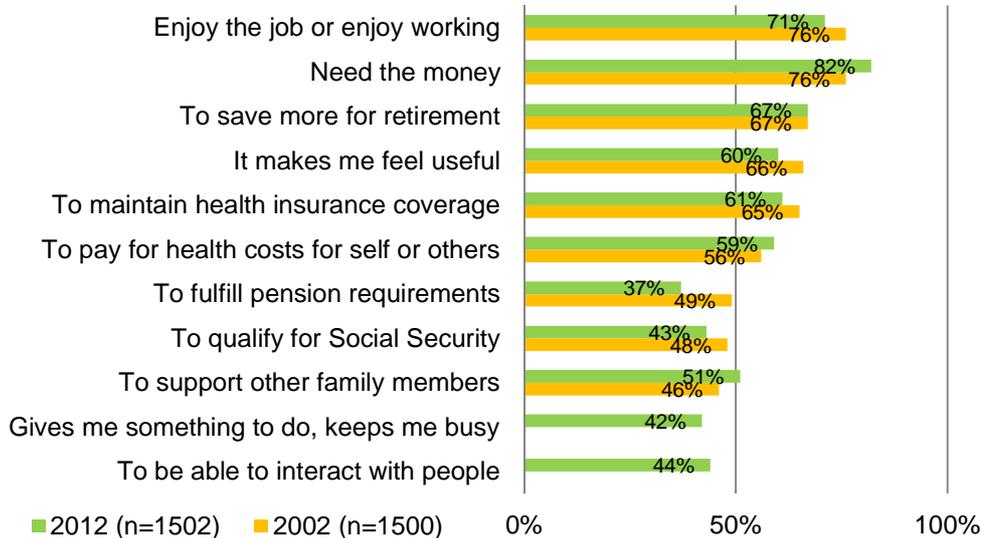
Several non-financial factors also influence the decision to work. For example, the majority of older workers also state that they enjoy their jobs and their jobs make them feel useful. These psychological drivers can be just as significant as financial needs in decisions related to whether and where to work. Employment offers older workers opportunities to make a meaningful contribution, interact with people, and stay productive. In fact, enjoying working was a primary factor in the decision to work among workers ages 45-59 as well as workers ages 60-74 in 2012, although somewhat less important than it was in 2002. (See Exhibits IV-2a and IV-2b.)

According to the 2012 AARP/SHRM survey, the tendency to work (or look for work) primarily for non-financial reasons increases with age. Forty-one percent of workers ages 70+ cite non-financial reasons as the primary reason that they are working or looking for work. This compares with 23% of workers ages 60-69 and 14% of workers ages 50-59.<sup>77</sup>

**Exhibit IV-2a**

**Reasons for Working or Looking for Work: 2012 vs. 2002**

*Which of the Following is a Major Factor in Your Decision to Work or Look for Work?*

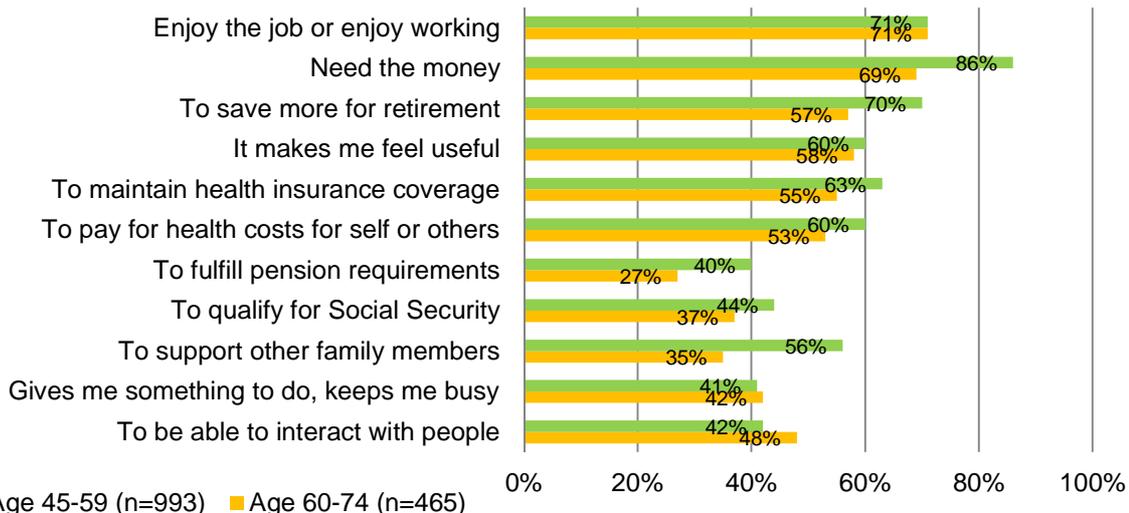


Source: Staying Ahead of the Curve 2013: The AARP Work and Career Study. National survey of 1502 adults age 45-74 who were working or looking for work. Fielded in Nov-Dec 2012. Note: The 2002 survey was fielded in May-June 2002. "Gives me something to do, keeps me busy" and "To be able to interact with people" were not included as options in 2002.

**Exhibit IV-2b**

**Reasons for Working or Looking for Work: Ages 45-59 vs. Ages 60-74**

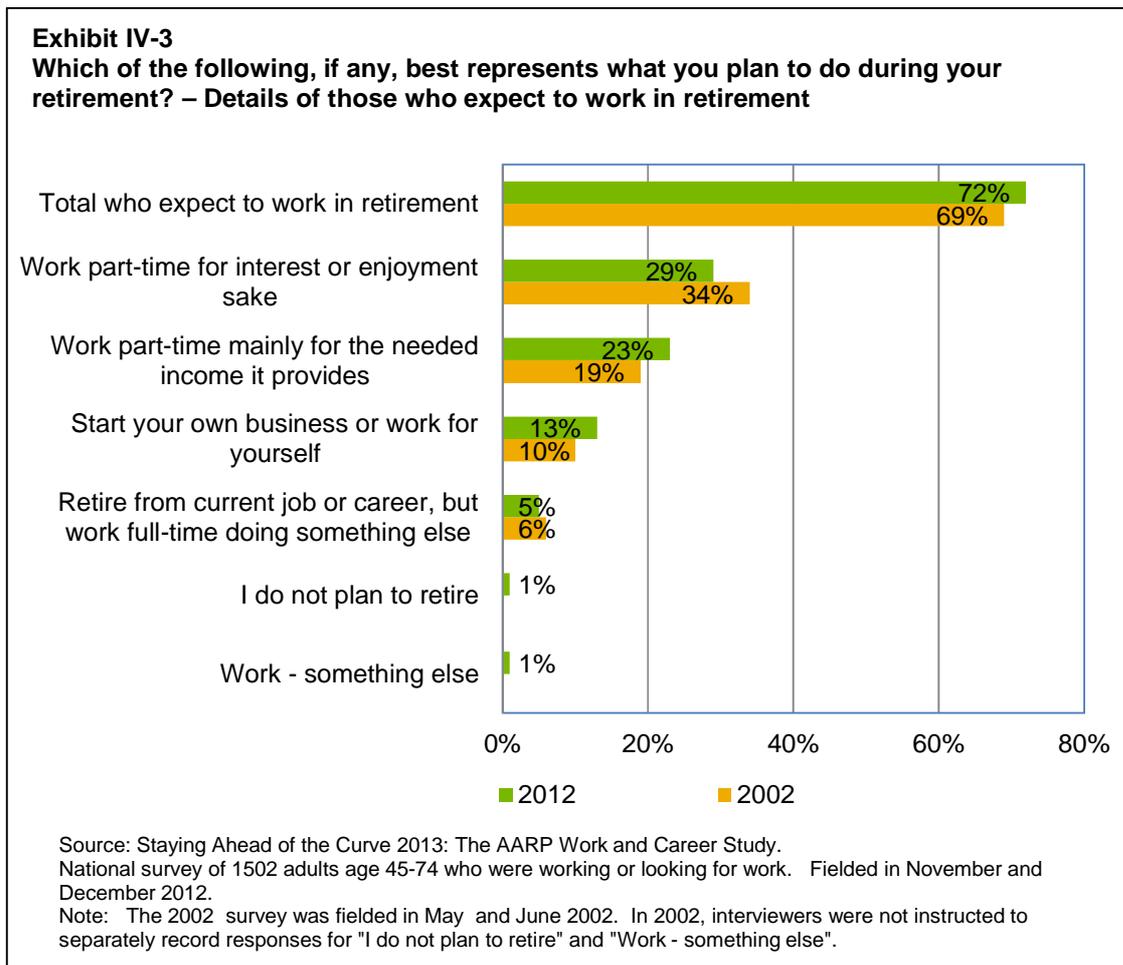
*Which of the Following is a Major Factor in Your Decision to Work or Look for Work?*



Source: Staying Ahead of the Curve 2013: The AARP Work and Career Study. National survey of 1502 adults age 45-74 who were working or looking for work. Fielded in November and December 2012.

### Working in “Retirement”

The definition of retirement is evolving. For most employees, retirement does not mean a full exit from the workforce. For example, AARP's *Staying Ahead of the Curve 2013* survey found that 72% of workers age 45 to 74 viewed work as part of their retirement plans.<sup>78</sup> (See Exhibit IV-3.)



### **Understanding the Retirement Savings Gap**

One factor that will impact the supply of age 50+ workers is the retirement savings gap. Aon Hewitt's 2012 *Real Deal Study on Retirement Income Adequacy* studied 78 large companies, including 2.2 million covered employees, representing a segment of Aon Hewitt's defined contribution outsourcing clients. The companies are also a representative cross-section of the Fortune 500.

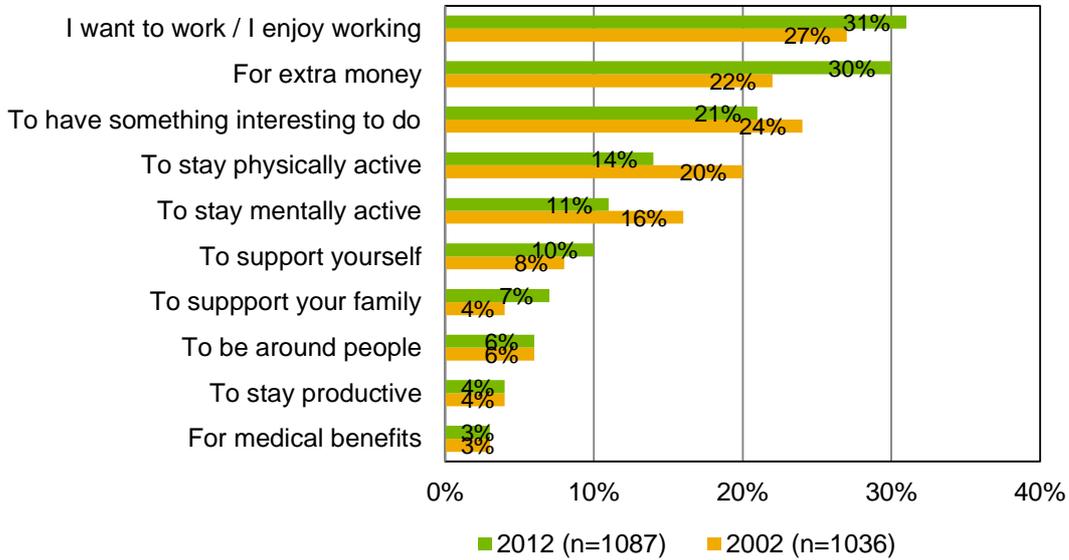
Among the findings was that projected retirement needs for full-career contributors (those who have the potential to work at least 30 years at a company) could equal *15.9 times pay* at retirement, with 11 times pay coming from either company plans or private sources.

Across industries, based on savings to date, the projected shortfall for the average worker was 2.2 times pay—specifically ranging from 1.1 times pay in the energy industry to 5.8 times pay in the retail industry. However, retiring at age 67 rather than 65 could completely eliminate the gap for many workers.

This shortfall is meaningful because it increases the likelihood that employees are likely to work longer prior to retirement, or return to work after retiring, to close the gap—creating a supply of experienced talent.

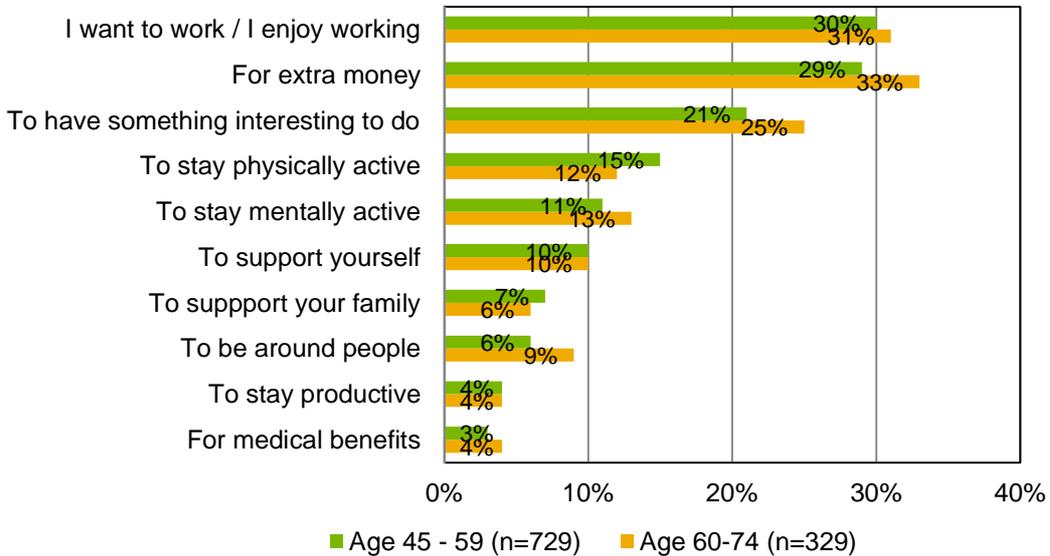
Financial need as well as psychological and social fulfillment all play a role in decisions to work in retirement. As shown in Exhibits IV-4a and IV-4b, older workers who expect to work in retirement mention the need for extra money, the fact that they enjoy working, and the desire “to have something interesting to do.” The share mentioning the need for extra money (30%) has increased significantly since 2002 (22%).<sup>79</sup>

**Exhibit IV-4a**  
**Reasons to Work in Retirement: 2012 vs. 2002**  
**Why Do You Plan to Work During Your Retirement?**



Source: Staying Ahead of the Curve 2013: The AARP Work and Career Study. National survey of 1502 adults age 45-74 who were working or looking for work. Fielded in Nov. and Dec. 2012. Note: The 2002 survey was fielded in May-June 2002. Base for Chart: Respondents who plan to work in retirement. (Open-ended question)

**Exhibit IV-4b**  
**Reasons to Work in Retirement: Ages 45-59 vs. Ages 60-74**  
**Why Do You Plan to Work During Your Retirement?**



Source: Staying Ahead of the Curve 2013: The AARP Work and Career Study. National survey of 1502 adults age 45-74 who were working or looking for work. Fielded in Nov. and Dec. 2012. Base for Chart: Respondents who plan to work in retirement. (Open-ended question)

## Attraction, Retention, and Engagement of Workers Age 50+

With research showing older workers expecting to continue to work for many reasons, employers have an opportunity to benefit by attracting, retaining, and engaging this skilled and experienced segment of workforce talent.

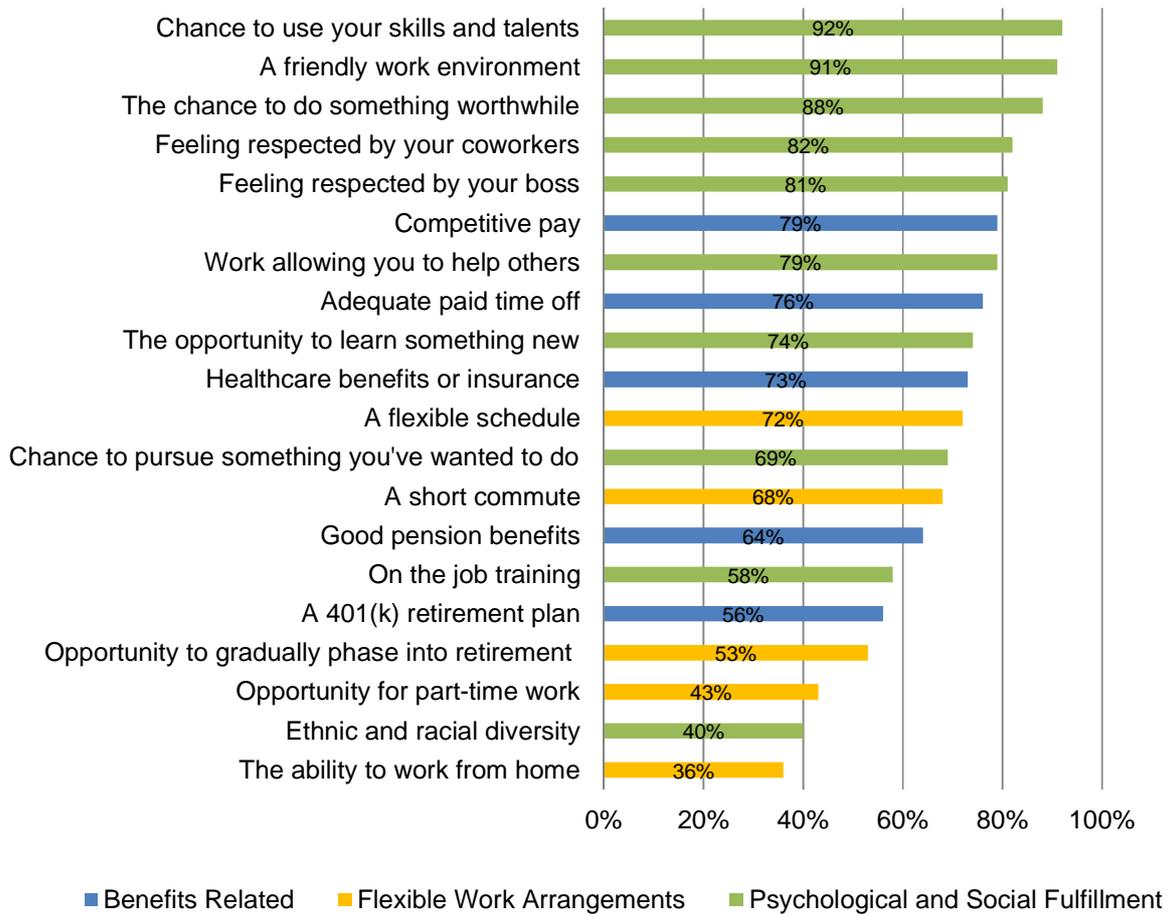
A 2012 AARP/SHRM survey of workers age 50+ suggested older workers place significance on having competitive benefits and flexible work arrangements.<sup>80</sup> When workers age 50+ consider staying at a job or accepting a job offer, health insurance, retirement savings plans, and paid time off benefits play an important role in their decisions. For example, approximately 8 in 10 workers age 50+ consider the availability of benefits such as health insurance (82%); a pension, 401(k), or other retirement plan (77%); and paid time off (80%) to be “very” or “somewhat” important considerations in the decision to stay at their job (or the decision to accept a job). Along with these traditional employer benefits, more than half agree that flexible work arrangements, such as flex time, a compressed work schedule, and a formal phased retirement program, are all at least somewhat important.<sup>81</sup>

Psychological and social fulfillment are also important. For example, when workers age 45 to 74 in AARP’s *Staying Ahead of the Curve 2013* survey were asked about the essential parts of their ideal job, they selected the following job features most often:<sup>82</sup>

- The chance to use their skills and talents (92%)
- A friendly work environment (91%)
- The chance to do something worthwhile (88%) (See Exhibit IV-5.)

In fact, 50+ workers’ appreciation of opportunities for learning and the impact of new skills was one of the findings in a 2014 survey by *USA Today* and AARP’s *Life Reimagined*. Nearly half (47%) of workers age 50-59 indicated that they anticipate new work-related opportunities as a result of skills that they have developed. Furthermore, among the 30% of workers age 50-59 who expect to make a career change in the next 5 years, 70% attribute their anticipated career change at least in part to a desire “to learn more.”<sup>83</sup>

**Exhibit IV-5**  
**Job Essentials for Workers Age 45-74**  
*Which of the Following Are Essential Parts of Your Ideal Job?*



Source: Staying Ahead of the Curve 2013: The AARP Work and Career Study. National survey of 1502 adults age 45-74 who were working or looking for work. Fielded in Nov-Dec 2012.

Although the oldest age segments of the workforce already have the highest engagement when compared to both the U.S. workforce overall and younger age segments (described in Chapter 2), it is important for employers to understand what they can do to help maintain these high engagement levels. Aon Hewitt’s research shows that career opportunities and opportunities for innovation are the key drivers of engagement among workers age 50+, followed by organization reputation, career aspirations, and helpful and clear performance management practices. Note that, while pay and benefits are drivers of attraction, they are not typically drivers of engagement. (See the box that follows.)

<b>Top 5 Engagement Drivers for Workers Age 50+</b>	
1. Career Opportunities	Employees believe future career opportunities look good at the company, are aware of opportunities available to them, and understand how to grow their careers.
2. Opportunities for Innovation	Employees are encouraged to bring new ideas forward that improve products, solutions, or processes.
3. Organization Reputation	The employer has an excellent reputation in the community and adds value to society. Employees are proud to be part of the company.
4. Career Aspirations	Employees can achieve personal long-term career aspirations at the organization. Employees can envision working at the same company for at least 1 year.
5. Performance Management	The performance management process provides an understanding of skills and behaviors expected for success. Managers provide feedback to help improve employee performance.

Note: For the energy and health care industries, work process is also an engagement driver. Recognition and senior leadership are engagement drivers in the financial services industry.

Source: Aon Hewitt Engagement Database, 2009-2013. 2014 analysis of Aon Hewitt normative survey data covering 2 million employees in 276 organizations.

According to the Aon Hewitt Engagement Database, these top five drivers of engagement for workers age 50+ generally mirror the top drivers for younger workers—meaning employers who already focus on talent planning that engages younger workers likely have an existing foundation to leverage for engaging workers age 50+.

## Conclusion

The experience, skills, and talents of workers age 50+ make them a valuable resource to employers faced with current and future skills shortages. This segment of the labor force is engaged and motivated to stay loyal to their employers, and will continue contributing to their organizations' success when presented with rewards and flexibility that meets their needs.

The data demonstrate that workers age 50+ want to be in the workforce and anticipate a longer working career, making it critical for employers to understand the preferences of this group. Designing programs that appeal to a multi-generational workforce can increase an employer's ability to both attract and retain these committed and loyal experienced older workers.

Employers should keep in mind the following when designing programs to appeal to workers age 50+:

- The decision to stay employed is influenced by a mix of financial and non-financial factors.
- For many, "retirement" is being redefined to include some form of work.
- Flexibility, along with competitive pay and benefit packages, are important factors in attracting and retaining workers age 50+.
- Training and development opportunities may also be of interest to 50+ workers since many are interested in opportunities to learn new things and grow their careers.
- The drivers of engagement for workers age 50+ mirror those of all workers.

## Chapter 5

### *Employer Strategies to Attract, Retain and Engage Workers Age 50+*

This report provides considerable quantitative analysis to illustrate that workers age 50+ are an integral part of the workforce. Furthermore, it demonstrates that these workers add value with minimal, if any, added costs.

This chapter focuses on workplace policies and practices that appeal to older workers. Specifically, it:

- 1. Identifies programs and policies that employers have found effective in managing a generationally diverse workforce.**
- 2. Provides examples of companies that successfully manage generational diversity.**

Information for this chapter is drawn from two primary sources. First, data on employer strategies come from a 2014 Society for Human Resources Management (SHRM) survey of more than 1,900 HR professionals from SHRM's membership. Second, Aon Hewitt conducted a series of interviews with HR leaders from 18 organizations in the spring of 2014. These organizations are seen as leaders in developing holistic workforce strategies for workers age 50+. Many were selected based on their identification by AARP as a 2013 Best Employer for Workers Over 50 and/or Life Reimagined for Work Pledge signer (see box below). The organizations also include a selection of Aon Hewitt clients concentrated in (but not limited to) the four industries featured in this report. In addition to these two primary sources, other examples of noteworthy employer practices were identified through a review of business publications.

### Employer Strategies

#### **Findings from the 2014 SHRM Older Workers Survey**

SHRM's 2014 survey of HR professionals on the aging workforce suggests that many are still in the early stages of evaluating their workforce strategies. Nineteen percent of HR professionals indicated that their organizations are "just becoming aware of this potential change" and another 36% are "beginning to examine internal policies and management practices" to address this change. Only 6% of respondents indicated that their organizations have actually implemented policies and management practices, while another 7% have proposed policy and management practice changes or agreed on a plan to make changes. Yet as noted in Chapter 2, many HR professionals see the potential loss of talent as a result of older worker retirements as a crisis, a problem, or a potential problem for their organization over the next 11-20 years.<sup>84</sup>

When asked what steps their organizations have taken to recruit and/or retain older workers, HR professionals most commonly noted strategies such as offering reduced hours, hiring retirees as consultants or temporary workers, implementing flexible scheduling, and/or offering phased or gradual retirement. (See Exhibit V-1.)

**Exhibit V-1: Steps Taken to Recruit and/or Retain Older Workers**

Strategy	Percent of HR Professionals Whose Organization Implemented Each Strategy to Recruit/Retain Older Workers
Offered reduced hours or part-time positions to older workers	48%
Hired retired employees as consultants or temporary workers	40%
Started flexible scheduling (e.g., telework, alternative work schedules)	37%
Created positions/redesigned positions that allow bridge employment <sup>1</sup>	30%
Offered phased/gradual retirement	30%

<sup>1</sup> Opportunities that allow near-retirees to ease into retirement while allowing the organization to retain good employees.

Source: Society for Human Resource Management. *The Aging Workforce – Recruitment and Retention*. (Reflects results from SHRM’s 2014 Older Workers Survey, which included responses of more than 1,900 randomly selected HR professionals from SHRM’s membership.)

### **Life Reimagined for Work**

AARP's Life Reimagined for Work Pledge program is a national initiative to help employers solve their current and future staffing challenges and direct job seekers to employers that value and are hiring experienced workers. Employers who sign the Pledge agree that they:

- Recognize the value of experienced workers;
- Believe in equal opportunities, regardless of age; and
- Have immediate hiring needs.

Over 275 employers have signed the Pledge demonstrating their commitment to recruit across diverse age groups and consider all job applicants on an equal basis including AlliedBarton, AT&T, Charles Schwab, CVS Caremark, General Mills, Google, Kimberly Clark, Manpower, National Institutes of Health (NIH), New York Life, Scripps Health, S&T Bancorp, Toys "R" Us, Walgreens, and WellStar Health Systems.

For more information, visit [www.lifereimagined.org/work](http://www.lifereimagined.org/work) or email [lbos@aarp.org](mailto:lbos@aarp.org).

### **Aon Hewitt Interviews**

Aon Hewitt's employer interviews focused on organizations that are "ahead of the curve" in evaluating the issues and developing a holistic workforce strategy for workers age 50+. The findings from these interviews reveal that many large employers value the expertise and maturity of older workers, and believe that attracting, retaining, and engaging the age 50+ segment of the workforce will lead to improved business results.

The three key efforts on which the majority of these 18 employers focus are:

- Creating flexible workplaces;
- Managing transitions to retirement; and
- Fostering generational diversity and inclusion.

### **Creating Flexible Workplaces**

Flexible workplaces and job structures, broadly speaking, are about working differently—when, where, and how work gets done. This can include measuring results rather than hours spent in the office; providing alternative work arrangements like flex time, part-time, and telecommuting; and designing flexible workspaces with the assistance of technology. It can also include temporary assignments or contract arrangements.

While workplace flexibility is appealing to older workers, employees across age cohorts and life circumstances benefit from these programs as they help employees balance work and life demands. **Employers that offer flexible workplace practices are better positioned to attract and retain desired talent. Data show that employees with access to these arrangements are more satisfied, committed, and engaged with their jobs.**<sup>85</sup>

For example, findings from *Corporate Voices for Working Families* indicate that companies that offer flexible work arrangements improve retention and recruitment; foster greater employee satisfaction, commitment, and engagement; and experience increased productivity and revenue generation. These employers also experience positive impacts on cycle time and client service.<sup>86</sup>

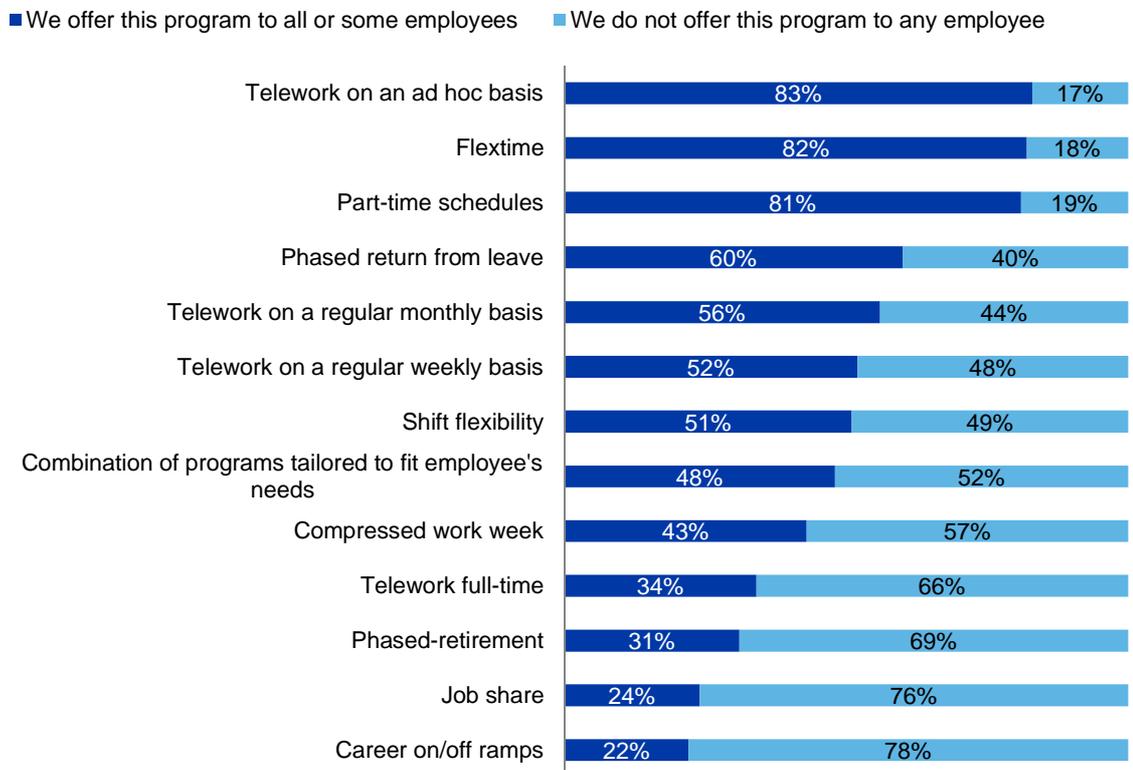
Consider these examples:

- **National Institutes of Health (NIH)**, a multi-year AARP Best Employer winner and a Life Reimagined for Work Pledge signer, is part of the U.S. Department of Health and Human Services. Headquartered in Bethesda, Maryland, NIH has 19,000 employees across 27 Institutes and Centers. Its suite of flexible work programs has proven to be one of the most popular recruiting and retention tools for the organization. As of 2014, more than 10,000 of its employees telecommute.
- **SAP North America** is a software services company that employs 13,000 employees and has its U.S. headquarters in Newtown Square, Pennsylvania. It also offers flexible work arrangements, such as adjustable work hours, sabbaticals and telecommuting that appeal to all workers. As a result, SAP has experienced high retention rates over the last several years and is also regarded as a great place to work, with recognition by Philly.com, *The Atlanta-Journal Constitution*, and the Bay Area News Group as one of the Top Workplaces 2014 in these respective cities. SAP North America also earned recognition as one of the Top 100 Companies for Remote Jobs in 2014 by Flexjobs.com.<sup>87</sup>

A WorldatWork report shows the prevalence of different types of flexible work arrangements across all industries. (See Exhibit V-2.) Data include responses from 566 employers, including public, private, and non-profit organizations. Employer sizes ranged from fewer than 100 employees to more than 100,000.<sup>88</sup>

## Exhibit V-2

### 2013 WorldatWork Survey on Workplace Flexibility: Prevalence of Flexibility Programs



Source: October 2013 WorldatWork report

## Managing Transitions to Retirement

Perhaps the newest form of workplace flexibility involves managing the transition to retirement. This represents a broad range of employment arrangements that allow an employee who is approaching traditional retirement age to continue working with a reduced workload, and gradually transition from active employment to retirement. These arrangements can also allow recently retired employees to transition back from retirement into a different temporary, project-oriented role. These arrangements may entail a gradual reduction in hours of work before retirement or part-time work after retirement.

### Employees Seek Flexibility

- **79%** of employees today are seeking greater flexibility in their jobs
- **87%** of full-time professionals are looking for flexibility in a new job
- **85%** of employees under age 30 expect flexibility
- **47%** of Boomers would delay retirement if they could flex hours
- **62%** of employees feel they are most productive working remotely
- **87%** of mobile workers feel positive about working collaboratively in their organizations

Source: FlexPaths research studies 2009, 2011; Knoll Workforce Research (2005), "Time as a new currency: flexible and mobile work strategies to manage people and profits"

Examples of employers using a “Retire and Rehire” approach come from Beth Israel Deaconess Medical Center, S&T Bancorp, and Michelin North America.

- **Beth Israel Deaconess Medical Center**, in Boston, Massachusetts, a major teaching hospital of Harvard Medical School, accepts many full-time, part-time, and per diem retirees back to work after a six-month termination of employment. In an industry where years of experience in various clinical disciplines has a direct impact on patient outcomes, experienced older workers are an invaluable asset for quality of care and informal mentoring.
- **S&T Bancorp, Inc.**, which has grown from a single location to a \$5 billion financial holding company headquartered in Indiana, Pennsylvania, with roughly 1,000 employees, has seen a consistent trend of retirees asking to come back to work with reduced hours. The company, a multi-year AARP Best Employer winner and a Life Reimagined for Work Pledge signer, realizes so many benefits from this opportunity to leverage older workers as mentors to younger staff, facilitating necessary knowledge transfer and providing valuable institutional knowledge, that S&T created an ongoing contract with a local temp agency to manage the applications and inflow of former employees.
- **Michelin North America**, a multi-year AARP Best Employer winner, is a company that manufactures and sells tires for airplanes, automobiles, farm equipment, and other vehicles. With more than 22,000 employees, the company relies on its mature workforce for knowledge sharing, mentoring and experience. Michelin also has a program in place for retirees, who after a period of time, can return to work with reduced hours. That program is called the Returning Retiree Employee (RRE) program.

### **Managing Productivity by Accommodating Older Workers**

Spurred to take action based on demographic forecasts of their aging workforce, BMW, a past AARP International Best Employer winner, tested productivity and performance of assembly lines staffed by an older and a younger group of workers. It found that, with minor adjustments in ergonomics, the productivity of the assembly line staffed by the older group of workers rose to a level that equaled the productivity of the lines staffed by the younger group. Absenteeism also dropped below the plant average.

To conduct the experiment, and with an investment of approximately \$50,000, BMW made 70 small ergonomic design and equipment changes at a BMW assembly line plant to help older workers. These changes included new wooden floors, special barbershop-type chairs so employees could sit while working, installation of magnifying glasses to reduce eyestrain and mistakes, and physiotherapist-designed daily stretching exercises to do while on the job.

Based on the success of the testing, BMW implemented similar projects and equipment changes at plants around the globe to help their current older workers—and maintain or improve productivity results.

Source: *Harvard Business Review*, March 2010, “How BMW is Defusing the Demographic Time Bomb.” (Although BMW’s recognition as a past AARP International Best Employer was not mentioned in the article, this information has been added here as another example of BMW’s demonstrated efforts in the area of older workers.)

### **Fostering Generational Diversity and Inclusion**

To understand the importance of generational diversity and inclusion in the workplace, it’s essential to first understand the definition of these terms. In a *Profiles in Diversity Journal* article published in March 2011, T. Hudson Jordan, the Director of Global Diversity & Talent Strategies at Pitney Bowes, Inc., a past AARP Best Employer winner, wrote:

*“Diversity means all the ways we differ. Some of these differences we are born with and cannot change. Anything that makes us unique is part of this definition of diversity. Inclusion involves bringing together and harnessing these diverse forces and resources, in a way that is beneficial. Inclusion puts the concept and practice of diversity into action by creating an environment of involvement, respect, and connection—where the richness of ideas, backgrounds, and perspectives are harnessed to create business value. Organizations need both diversity and inclusion to be successful.”*

A workplace with Millennials, Generation Xers, Baby Boomers, and the Silent Generation offers a unique opportunity for varied perspectives and approaches to day-to-day work. A *Forbes* global survey of executives at 321 large corporations found that 72% of those polled reported that they have diversity and inclusion programs focused on age.<sup>89</sup> According to a MetLife study of employee benefit trends, 61% of employers said they make an effort to “understand and meet employees’ different generational needs” when making decisions about benefits, programs, and services.<sup>90</sup>

Consider the benefits realized by these employers:

- **Scripps Health**, a private, nonprofit health delivery system in San Diego, California, a multi-year AARP Best Employer winner and a Life Reimagined for Work Pledge signer, offers employees generation-specific, targeted educational programs. These include sessions for employees who are expectant parents and sessions for managing the challenges unique to “sandwich generation” employees who are juggling the needs of both children and aging parents.
- **GlaxoSmithKline**, a global health care company and past AARP Best Employer winner, supports intergenerational understanding and cooperation through formal networking, mentoring programs, and cross-training opportunities. These programs give late-stage talent workers an opportunity to feel connected to their younger peers, who in turn benefit from the late-stage talent workers’ knowledge and experiences.
- **DTE Energy**, a diversified energy company, has a formal network for Boomers in the workplace, giving them a sanctioned environment to discuss issues related to wellness, eldercare and other topics relevant to older workers. Younger workers are welcome to join the network as well. In addition, the company funds outside speakers to provide the network with additional counsel and advice on the issues most relevant to their generation.

These efforts in the area of generational diversity and inclusion create a welcoming environment for workers age 50+, which in turn supports greater engagement and commitment of this segment of the workforce.

#### **Making a Statement**

In a May 15, 2014, *New York Times* article, Steven Greenhouse explains that leading employers aren’t subtly pushing out older workers, but rather “go the extra mile to assure experienced employees that they are valued and that management is eager for them to stay.” He goes on to describe how some employers “promote innovative programs to show that they appreciate their older employees and don’t want to lose their experience, their rapport with customers or their ability to mentor younger workers.”

The article cites several examples of such innovative programs, including CVS Caremark and The Home Depot:

**CVS Caremark**, a Life Reimagined for Work Pledge signer, offers a “snowbird” program in which several hundred pharmacists and other employees from northern states are transferred each winter to pharmacies in Florida and other warmer states. This program not only appeals to older workers, but helps CVS keep up with the surge in the southern business that it experiences during the colder months and creates training and mentorship for newer employees.

**The Home Depot**, known for hiring thousands of older workers, considers their experience to be a big advantage. Specifically, the company values older workers’ flexibility and knowledge. Their flexibility makes it easier for managers to fill weekly store schedules. Many of The Home Depot’s older workers are so knowledgeable that the company has designated thousands of them “associate coaches” to train and mentor younger workers.

Source: Steven Greenhouse. “The Age Premium: Retaining Older Workers,” May 14, 2014. *The New York Times*. (Although the article did not mention that CVS is a Life Reimagined for Work Pledge signer, this information has been inserted here as another example of CVS’s demonstrated efforts to appeal to older workers.)

## Examples of Successful Employer Strategies That Leverage Age 50+ Talent

The remainder of this chapter highlights organizations that utilize robust strategies to leverage the age 50+ workforce. Many of these employers are Life Reimagined for Work Pledge signers or AARP Best Employers for Workers Over 50. Except where otherwise noted, these examples come from interviews the Aon Hewitt research team conducted with senior human resource professionals in the companies profiled.

For additional examples, see best practices of the winners of the AARP Best Employers for Workers Over 50 award, published on the AARP Employer Resource Center, [www.aarp.org/employers](http://www.aarp.org/employers). The AARP Best Employers program, which ran from 2001-2013, recognized leading employers that have outstanding practices and programs to attract, retain, and engage older workers.

## AlliedBarton Focuses on Age 50+ Hiring to Deliver Stability and Mentoring Opportunities

AlliedBarton Security Services, a Life Reimagined for Work Pledge signer, is the largest American-owned security officer services company. Established in 1957 and headquartered in Conshohocken, Pennsylvania, AlliedBarton has more than 55,000 employees across the United States and provides services to 200 Fortune 500 companies as well as other smaller organizations.

As part of its efforts to attract and retain employees, AlliedBarton offers a full range of benefits, including health care benefits, wellness programs, and an Employee Assistance Program. In addition, the company reports that it is proud to be the only security company that offers a 401(k) plan with company contributions.

### Tenure Brings Stability

For AlliedBarton, workers age 50 and older are a truly valued resource. The company analyzes its workforce demographics and retention statistics extensively and has found that workers in older age segments have longer tenure, and therefore add an element of stability to the organization. AlliedBarton's other largest hiring cohort, military recruits, tends to stay only around five years.

### Targeted Recruiting

The company's focus on workers age 50 and older is most pronounced in its recruiting practices. Jerold Ramos, director of strategic recruiting for AlliedBarton, cites its collaboration with AARP to hold job fairs and find candidates, along with the company's participation in the Department of Labor's "Older Workers Week" to attract more senior talent. In 2013, its recruiting department published the *Top Ten Reasons to Hire Experienced Workers*—a testament to its hiring philosophy and practices. Senior HR leaders use the publication during conference presentations and public speaking events, as well as internally to educate recruiters on the value of hiring experienced workers.

While the company encourages hiring managers to look at the advantages of older workers, it is important to note that they do not encourage those hiring managers to avoid hiring younger workers.

### A Culture of Mentoring

AlliedBarton has both formal and informal mentorship policies and programs. Formal programs are used for the company's security operator roles, while the rest of the company fosters an open environment of what they call "organic mentoring," where experienced workers partner with and train younger workers as part of the onboarding process. For example, the company's Security Academy In Leadership (SAIL) pairs mentors who provide their expertise to less experienced individuals to help them advance their careers, enhance their education and build their networks.



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### Top Ten Reasons to Hire Experienced Workers

10. **Punctuality** – Often early risers, experienced workers are typically on time or early.
9. **Unofficial Mentors** – Many of these workers have experience that can come in handy when working alongside other employees.
8. **Motivators** – Experienced workers often share their desire for continued success with younger workers, which can be a great motivator.
7. **Confidence** – Experienced workers are willing to step up to meet a goal, volunteer to help when needed and are not afraid to share their ideas.
6. **Communicators** – These individuals are able to navigate workplace politics and can communicate their needs effectively.
5. **Cost Savings** – Many experienced workers are retirees and may already have insurance and other benefits.
4. **Good Listeners** – The experienced worker has excellent listening skills. They can pick up tasks and efficiently complete them, often without much direction.
3. **Loyal** – Experienced workers grew up in an economy where company loyalty was an important and a highly sought after trait. They will most likely share the same loyalty now.
2. **Trainable** – These individuals are trainable and have knowledge from past experience that can be brought to the table and shared with co-workers.
1. **Maturity** – With time comes experience that leads to increased productivity. Experienced workers also display maturity in times of stress and can help to calm the inexperienced worker.



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## WellStar Health System “Encourages People to Stay”

WellStar Health System, a multi-year AARP Best Employer winner and a Life Reimagined for Work Pledge signer, is a not-for-profit integrated health care delivery system that includes hospitals, urgent care facilities, physician offices, home health, hospice, and health parks. It is headquartered in Marietta, Georgia, and employs nearly 14,000 people.

Nine years ago, WellStar embarked on a board-approved strategy to become an “employer of choice,” recognizing that a highly trusting, highly engaging environment that values longer-service employees was required to attract and retain critical talent. WellStar has used these tactics to recruit and retain talent. Health care is a very competitive field, particularly with shortages in critical areas such as specialty nurses, physicians and IT professionals skilled with health care technology.

### Rewards and Recognition

Along with comprehensive health care coverage, WellStar offers both a defined contribution plan and a traditional employer-sponsored pension plan—which permits in-service distributions beginning at age 62 ½ while an individual is still actively employed. This pension plan enables employees to continue working while receiving a benefit and has encouraged older workers to remain in the workplace longer.

WellStar’s new wellness initiative, HealthStart, is designed to help employees of all ages stay healthy. As part of this program, WellStar has opened or is currently building fitness centers in each of its locations—many with on-site coaches. To further support employee wellness, food services has color-coded items to indicate the nutritional value of food choices available in its hospitals and help employees make better choices, with subsidies for healthier items.

Beyond competitive benefits, WellStar recognizes employees based on years of service. Specifically, it recognizes service milestones in five-year intervals, from 5 years up to 45 or more years of tenure, through large-scale on-site events—complete with live music—that publicly celebrate employees. During and after these events, employees receive gifts, checks, and have their photo taken with the CEO. Three team members will be recognized for 50 years of service in 2015.

### Right People, Right Place, Right Time

Today, the average age of WellStar’s employees is 43. A third of its current workforce is age 50 and older, and more than 80% of its employees are female. As a result, the company has focused its efforts on being a great place for working mothers and a benchmark for older workers. As part of this effort, WellStar introduced FlexWorks, a program designed around a simple philosophy—get the right people, at the right place, at the right time.

FlexWorks enables managers and team members to consider alternative ways to work, and includes a variety of elements such as telework, job sharing, and unique shifts and schedules.

In addition to the variety of work arrangements available through FlexWorks, WellStar offers numerous additional programs to allow people to work longer, including back-up care for aging parents through Bright Horizons (in addition to the back-up child care more frequently offered by employers), and a free on-site concierge service to help employees with errands and car maintenance. Through WellStar's employee assistance program, employees can talk with an attorney and an accountant, access counseling services, and more.

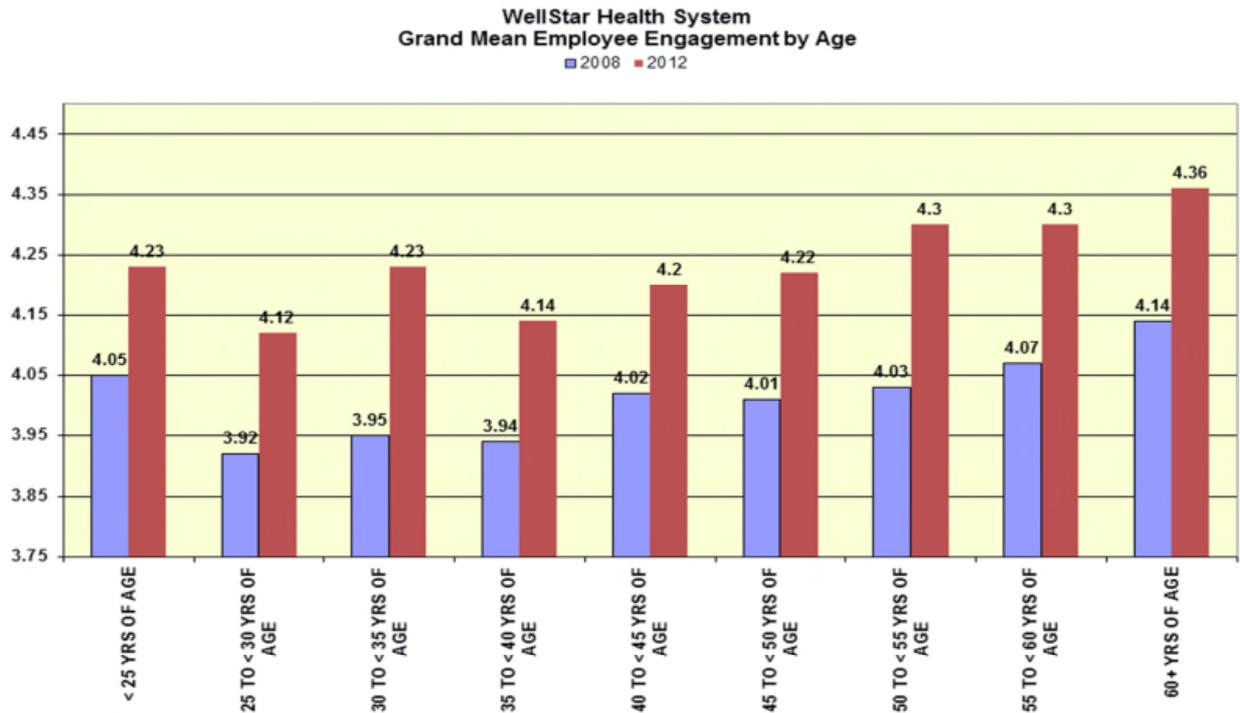
#### Employee Engagement Measurement

Older workers at WellStar are actively involved in designing new hospitals, directing efficient renovations in the flagship hospital, and redesigning patient care areas and work processes to influence the way day-to-day work gets done. WellStar's efforts to create a work environment that appeals to workers of all ages have resulted in significantly increased employee engagement since 2009, when the majority of the programs described above were implemented. Although engagement has increased within all employee age groups, workers age 50 and older have the highest levels of engagement. (See Exhibit V-2.) In addition to the programs described above, other major initiatives implemented by WellStar may have contributed to the growth in engagement scores.

High employee engagement across all age groups has helped WellStar receive the Gallup designation as a Great Place to Work, as well as its ranking of 39 on the 2014 Fortune 100 Best Companies to Work For list.

According to WellStar, its treatment of employees has created a strong culture of trust and respect. Its zero lay-off policy means that, even if the organization finds itself having to eliminate positions, it will help the affected employees find other jobs, either in other parts of the organization or externally. The fact that it receives more than 200,000 job applications each year suggests that it is well regarded by job seekers.

**Exhibit V-3**  
**WellStar Engagement Levels by Age**



## S&T Bancorp Hires from All Stages of Life

The mission of S&T Bancorp, Inc. is to become the financial services provider of choice in western Pennsylvania by delivering exceptional service and value “One Customer at a Time.”

### Community-Driven

S&T strives to create a “true community bank environment” in which employees are recognized as its most valuable asset. While S&T is known for its customer service, the company is equally focused on replicating that service culture for its own employees.

A variety of programs and activities enable this environment—from events to support new product rollouts that bring employees together, to announcements of births, promotions and transfers, and an internal calendar with employee birthdays and anniversary dates. The organization stays connected with its retirees by communicating on a regular basis, inviting retirees to organization events, providing them with ongoing access to retirement planning workshops and information, and by formally acknowledging employees on their retirement. Retirees can work for S&T Bank in part-time or temporary positions, and by doing consulting or contract work.

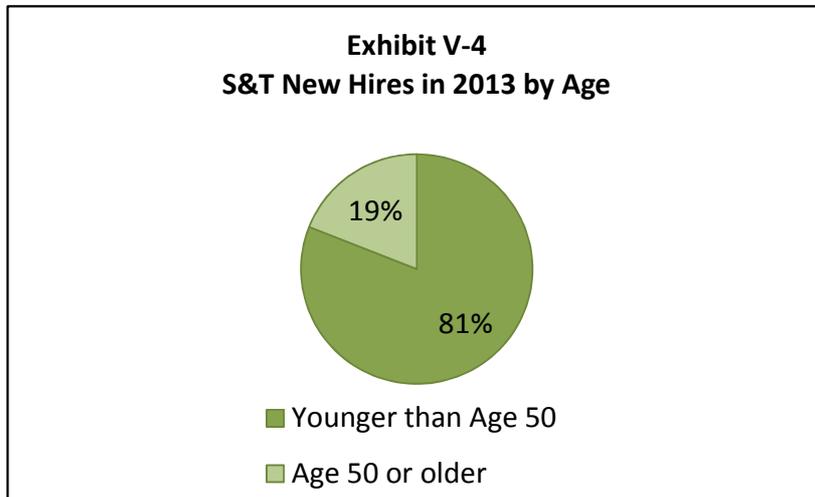
### Progressive Recruiting and Rehiring

Like other leading organizations, S&T embraces a variety of flexible work arrangements, including flex-time, part-time, and telecommuting that benefit younger and older workers alike. However, in addition to these more traditional flexible arrangements, the company leverages two innovative approaches to attract and retain older, more experienced workers:

**Hiring Retirees via Temp Agency:** S&T partners with a local temp agency that specializes in retirees returning to work on a part-time basis. The company has found this mutually beneficial, as the returning older employees enjoy the opportunity to mentor younger staff, and S&T is able to leverage their expertise to improve performance and productivity as younger employees learn about the business.

**New Choices, New Options Referral Program:** S&T also works with New Choices, New Options, a local non-profit employment referral service for people 40 years of age or older. This enables the company to hire older workers with specialized skills by re-employing many of its own retirees on a part-time basis, as well as hiring retirees of other local companies.

Through its own internal employee referral program, S&T has also found that many applications for open positions come from referrals by active employees who encourage retired friends and family members to apply. As a result of all of these recruiting practices, S&T reports that nearly 20 percent of its new hires in 2013 were age 50 or older. (See Exhibit V-3.)



### Encouraging Health and Wellness

S&T believes that its health care benefits and wellness program support the physical well-being of all employees. With nearly 70% of employees participating in biometric screenings this past year, S&T reports that employee participation in its wellness programs is above average and has likely contributed to the health of its workforce and, therefore, the ability of workers to remain active longer.

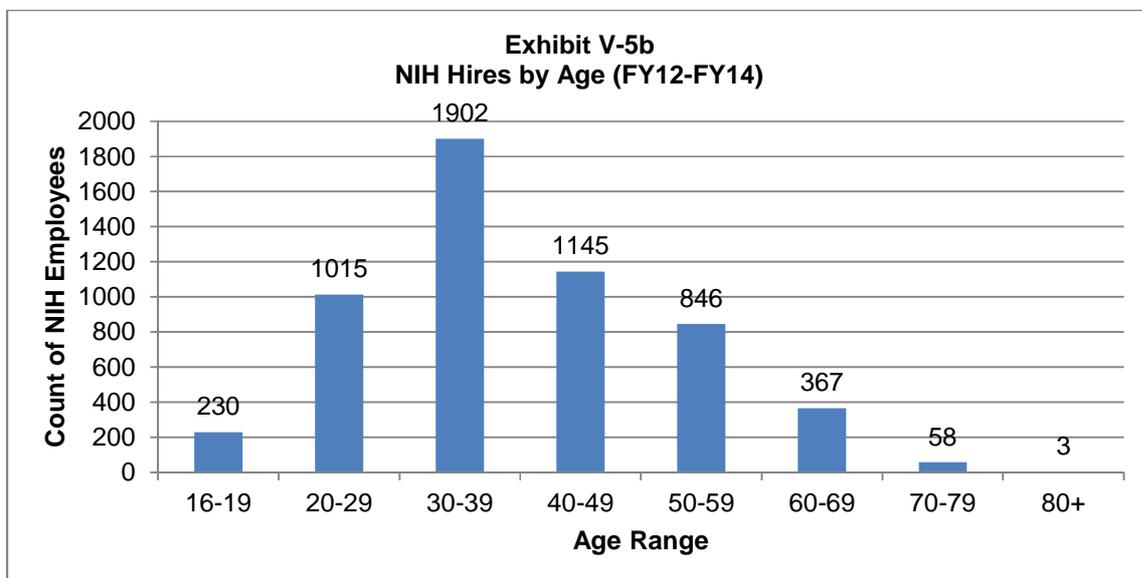
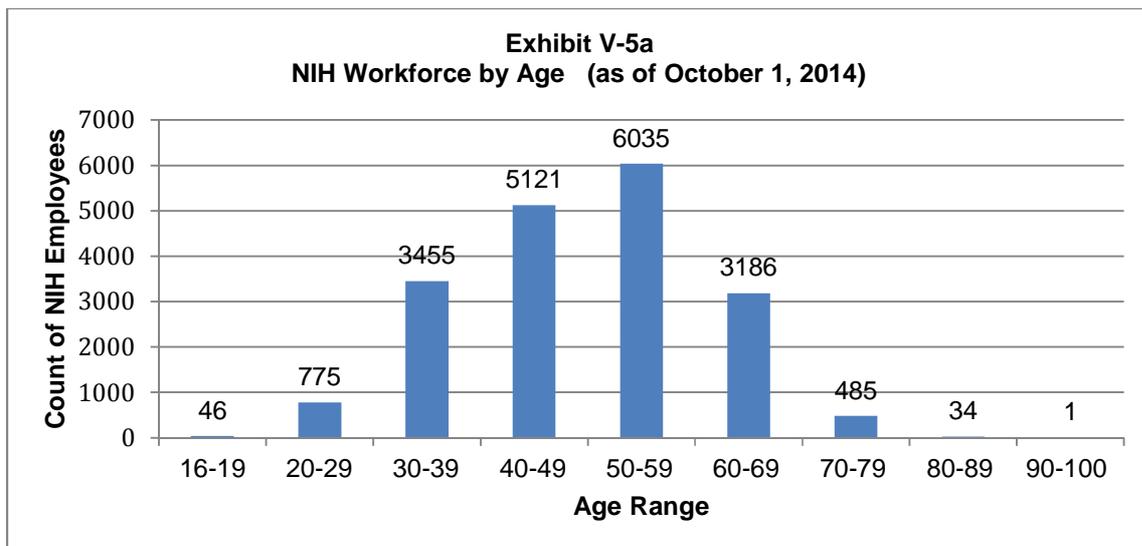
### The Benefits of Tenure

While S&T's pension plan was closed to new entrants in 2008, many older workers remain eligible for the plan, and all employees are eligible for the company's 401(k) plan. In addition, it offers an attractive "pre-paid" vacation program, where employees with 15 or more years of service can purchase up to an extra five days of vacation (all other employees can purchase up to three extra days). Discounts on financial products (free check re-orders, waived service fees and discounts on wealth and insurance services) round out the array of benefits and perks S&T offers employees.

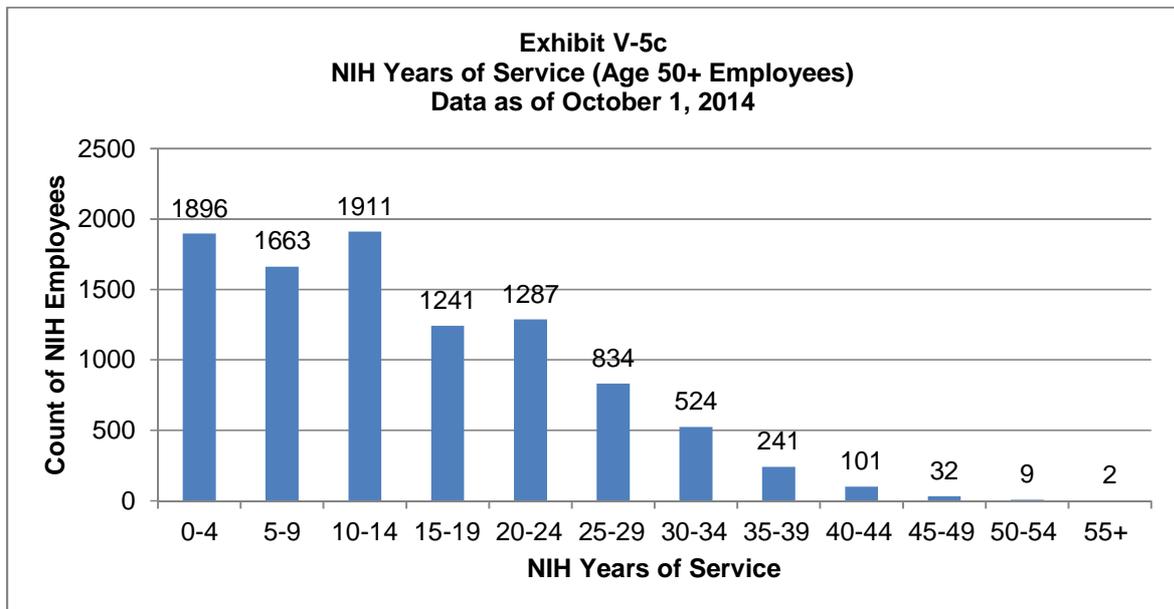
With 43% of its employees over the age of 50, and the average tenure of these workers equal to 13 years of service, S&T believes that the environment it has created appeals to older workers and contributes to the organization's success in the marketplace. In fact, S&T Bank was recently named to the 2014 Bank & Thrift Sm-All Stars list by Sandler O'Neill + Partners. The annual list recognizes the top performing small-cap banks and thrifts across the nation based on growth, profitability, asset quality, and capital.

## National Institutes of Health Mission Transcends Age

Given its role as the nation’s primary medical research agency, the National Institutes of Health (NIH) actively recruits experienced workers, including scientists, researchers, and grant reviewers. Most candidates qualified for these jobs aren’t even able to enter the workforce until their mid-30s due to extensive post-graduate education requirements. This has resulted in an employee population that skews older—51% of its 19,000 employees are age 50 and older, and 19% of its employees are age 60 and older.



The average tenure of NIH employees age 50 and older is 15 years. It is common for both scientists and administrators to remain actively employed five or more years after retirement eligibility, despite the financial incentive to retire. In fact, over the past three years, nearly one in five employees waited more than 10 years past retirement eligibility to retire.



### Administrative Fellows Program

Mentoring is an essential component of the work experience at NIH. Every junior scientist in the organization is assigned an experienced scientist as a mentor. And through the Administrative Fellows Program, younger non-scientist employees are assigned to more experienced mentors to formally develop a talent pipeline. This provides continuity of expertise as older workers approach retirement.

According to NIH, these programs consistently receive accolades from employees. The younger workers appreciate the coaching and guidance, and the older, more experienced workers feel energized by the ability to teach and train the next wave of talent to fulfill the NIH mission.

### A Mix of Traditional and Progressive Benefits

In addition to competitive medical benefits for active employees, NIH offers retiree medical coverage at the same cost to participants as the active employee premium rates—a rare offering in 2014. NIH also offers both a defined contribution 401(k) plan and a defined benefit pension plan to employees.

While NIH's formal flexible work options and paid time off for caregiving are popular across all age groups, the organization has several programs specifically designed to appeal to older workers. They include Fit Plus, a low-impact fitness program designed for older individuals, and on-site and back-up childcare that includes eligibility for employees' grandchildren.

### An Appealing Cause

The NIH mission serves as a great recruiting tool for older talent, especially for experienced workers looking to contribute to a cause. With high engagement and multiple employer recognition awards (including 1<sup>st</sup> place on both the 2013 AARP Best Employers for Workers Over 50 list and the 2014 Universum America's Ideal Employers list), NIH is clearly doing something right to appeal to its workforce, especially to older workers.

## Michelin Believes Experienced Workers Are the Backbone of the Company

Michelin is in year seven of a health program called “*Choose Well—Live Well.*” Cited by the U.S. Department of Health and Human Services as an example of innovation, and awarded an Honorable Mention in the C. Everett Koop National Health Award competition, this award-winning wellness program helps employees achieve physical, emotional, and financial health. By viewing health as a shared responsibility between the company and its people, Michelin realizes the benefits of healthier and happier employees who can concentrate on their jobs and deliver productivity.

### An Ergonomic Advantage

The company is continuously evaluating and redesigning workplaces and processes to be increasingly ergonomic, especially given the evolution of the automobile industry and the resulting need for ever-larger (and heavier) tires. Michelin, for example, continues to invest in automation systems for employees who have heavy lifting and/or repeated motions in their job responsibilities in its manufacturing plants.

### The Part-Time Return of Retirees

For retirees who return to work, Michelin offers part-time work as well as the opportunity to have flexible hours for certain job positions. In addition, as briefly referenced elsewhere in this report, the company established a formal Returning Retiree Employee program (RRE) that allows former employees to return to Michelin on a reduced schedule if they want to continue working. Michelin’s Human Resources department manages the Returning Retiree Employee program and connects with retirees who express interest in returning to work. Retirees who participate in this program return to work for a number of hours that is dependent upon their interest and the needs of the business.

The retirees who return appreciate the social aspects of their continued working years, and Michelin appreciates the mentoring and advice that they offer to younger employees. These programs reflect the value Michelin places on a multi-generational workforce.

### Experience = Results

As Barry Cross, senior director of compensation and benefits for Michelin notes, “Nearly 40 years ago, Michelin began its tire operations in Greenville, S.C, with a group of talented, dedicated employees who helped build our presence in the U.S. from the ground up. In large part because of that experienced workforce, Michelin is a leading four-generation company that designs, manufactures and sells tires for every type of vehicle. Our longer-service employees are the backbone that has helped the Company grow and have consistent performance year over year.”

## Leading Organizations Focus on the Attraction, Retention, and Engagement of Workers Age 50+

The market reality is that most employers still have not developed their own approach to a cohesive workforce plan including workers age 50+. The insights shared by these leading employers present valuable and replicable practices that employers of all sizes and across all industries can leverage.

Specific examples to create an attractive environment and culture include:

- Offering flexible work arrangements
- Focusing on diversity and inclusion
- Recognizing employee service
- Fostering retiree communications and involvement
- Creating formal mentoring and knowledge transfer programs
- Establishing and promoting affinity groups
- Offering ergonomic changes and job redesign.

As the employers featured in this chapter have illustrated, creating and nurturing a corporate environment that champions generational diversity and inclusion often delivers tangible results to the corporate bottom line.

## Conclusion

Each chapter of this report has presented compelling findings that support the business case for attracting, engaging, and retaining age 50+ workers as a critical component of a multi-generational workforce. In summary:

- The rapid growth of the older workforce relative to younger workers will impact talent supply; workers age 50+ can help employers address current and future talent shortages.
- Workers age 50+ add value to organizations due to their high levels of engagement, stability, productivity, and innovation.
- The market evolution in compensation and reward design over the past decade has created a more age-neutral distribution of labor costs, meaning that the incremental costs associated with retaining and recruiting more 50+ workers are minimal to nonexistent and may be far outweighed by the value that these workers add.
- Workers age 50+ want to be in the workforce and anticipate a longer working career, making it critical for employers to understand the preferences of this group.
- Best practices to recruit, retain, and engage workers age 50+ can be replicated by employers of all sizes and across all industries.

The findings in this Business Case for Workers Age 50+ report have several implications for employers. Those who wish to capitalize on the value these workers can bring to the bottom line and reduce the risks of current and future skills gaps should embrace the following tactics in their employment and program development strategies:

- **Skills and Career Development Opportunities:** Older workers want the opportunity to use and expand their skills in order to remain productive and expand their career options. They consider on-the-job training to be an important part of an ideal job. Therefore, employers who want to recruit and retain older workers should be sure to offer them skills development, including work-based learning, tuition reimbursement, scholarship programs, and other opportunities for continuous learning. While a large percentage of learning will be “on the job,” the ability to provide rotational opportunities and, where needed, access to supplemental structured learning, will be critical for employers and their employees to keep up with evolving business practices and technologies.
- **Mentoring and Knowledge Transfer:** As employees transition to retirement, organizations need a process to transfer key knowledge to the next generation of employees. Leveraging older employees to facilitate knowledge transfer and mentoring and to provide advice regarding succession planning is engaging to older workers and benefits the next generation taking on new responsibilities.

- **New Career Models:** Many older workers want the ability to “dial up or down” their career trajectories and work schedules. Current career models and career paths in many organizations remain linear. One notable exception is the health care industry, which for many decades has embraced flexibility in work arrangements, with alternative shifts, per diem arrangements, and a variety of full-time, part-time, and contract employment options. Other industries can learn from the health care industry, as its model promotes the retention of valuable experienced talent.
- **Benchmarking and Best Practices:** Employers stand to learn a great deal by benchmarking against successful practices of leading companies, and adopting those practices that are an appropriate fit for their workforce, desired culture, and business needs. Much in the same way that employers benchmark the value of their total rewards, they can also measure and compare their practices of attracting, engaging, and retaining an older workforce.
- **Fostering Connections:** Maintaining strong connections with retirees—whether through social media, in-person events or other channels—makes it easier to tap this talent for temporary or project-based assignments.

This report demonstrates the value of older workers to businesses today and in the future. It also shows that the cost to employ older workers is minimally higher—if at all—than employing younger workers.

Labor trends are clear: working Americans will remain in the workforce longer than in the past. This represents a significant opportunity for businesses to benefit from recruiting, retaining, and engaging workers age 50+.

## Appendix

### A Look at the Affordable Care Act (ACA), Related Trends, and Their Impact on the Business Case

As noted in Chapter 3, multiple changes in the health care landscape, the implementation of the Affordable Care Act (ACA), and emerging trends in employer-provided health benefits affect employer health benefit costs. Some emerging trends that are directly related to the ACA, which may be relevant to the business case, are as follows:

- **Managing health benefit costs in order to avoid the Affordable Care Act excise tax; and**
- **The emergence of private health care exchanges and defined contribution models of health care.**

#### Employers Design Plans to Manage the Excise Tax

The ACA's excise tax (also known as the "Cadillac Tax"), which takes effect in 2018, is a 40% levy on high-cost health plans. The financial impact of the excise tax is a significant incentive for employers to keep health benefit costs under the threshold that triggers the tax. Most large employers have already determined where their health benefit plans will stand relative to the excise tax threshold in 2018, and those who are in danger of being above the threshold have begun to make adjustments to reduce plan cost and avoid paying the tax.

The adjustments that employers are making to reduce overall plan costs fall into three main categories:

- Emphasizing wellness,
- Providing employees tools to help them compare treatment options, provider quality and provider costs, and
- Increasing employee cost sharing (including higher deductibles, copays, and coinsurance), and otherwise reconfiguring health benefit designs.

By deploying some or all of these tactics, employers hope to reduce the cost of their health benefits and avoid reaching the excise tax threshold. However, the excise tax threshold increases at a rate tied to the Consumer Price Index (CPI) while health care costs are expected to continue to increase faster than CPI. As a result, many employers expect to reach the excise tax threshold at some point between 2018 and 2023.

It is expected that, as costs reach the excise tax threshold, many employers will define the excise tax dollar limit as the maximum (cost effective) amount that should be spent on health care benefits. When this happens, the employer's health benefit cost is determined by this limit

instead of by their employees' use of health care. This change could in effect minimize any concerns about hiring older workers due to a potential higher cost to the health plan.

### **Growing Number of Employers Moving Towards Defined Contribution Health Care Delivered Through Private Exchanges**

One growing trend is employers moving towards a defined contribution health benefit strategy where the employer provides a fixed amount to employees to purchase a health insurance plan. In implementing this approach, the health plan the employee purchases must be insured (either on a group or individual basis) so that the impact of actual claims (higher or lower than expected) does not impact the employer's cost. Most large employers currently offer self-insured plans where their costs depend on their workers' actual claims.

With the advent of the ACA, some entities have begun increasingly offering private health care exchanges. Private exchanges contract with health plans to provide ACA compliant plan options and with employers who offer these health plans to their employees. Under this approach, employees may be able to choose from a wider selection of health plans than their employer may have otherwise been able to offer. And the employer is able to reduce their administrative burden and limit their financial exposure.

The employer may vary the employee subsidy based on the employee's pay level, geographic location or family status. But under a fully insured arrangement, once the employer's subsidy is determined, the fixed amount represents the employer's defined contribution towards that employee's health care benefits. This is because when a plan is fully insured, the employer's costs are not subject to any variation due to actual claims experience.

Similar to the excise tax discussion, the expectation is that a defined contribution approach will also remove the health care cost age factor from the hiring decision.

### **Some Employers May Choose to Eliminate Employer-Provided Health Coverage**

One additional longer-term trend, affected by the ACA, is that some employers may ultimately elect to not offer health insurance at all, but rather will pay the ACA penalties and direct employees to the public exchanges. When surveyed, only 6% of large employers say they are considering this approach.<sup>91</sup>

The ACA public health care exchanges offer guaranteed access to coverage. Eligibility for a subsidy to help with the cost of the premium is determined by an individual's income relative to federal poverty limits. In the public exchange health plan, premiums are based on age, so older workers who do not receive employer-sponsored health benefits bear some impact of age-related health costs. If they are eligible for subsidies, the older worker's subsidy reflects the age-adjusted premium cost. The effect of this response to ACA would remove the cost of health care from the employer's hiring decision.

## Conclusion

Although it is still too early to know the full implications of ACA for employers in general, and more specifically for the business case for workers age 50+, many employers have or are considering altering their health benefits strategy. Further, the emerging trends seem to suggest that the changes may reduce rather than increase employer's concerns over the health care costs of older workers when making hiring decisions. However, these same trends are likely to shift more risk to employees, which may in turn make it more important that they continue to work to pay for their health care coverage and costs.

## Endnotes

<sup>1</sup> Towers Perrin and AARP. *The Business Case for Workers Age 50+: Planning for Tomorrow's Talent Needs in Today's Competitive Environment*. 2005. AARP.

<sup>2</sup> Manpower Group 2014 Talent Shortage Survey of 1,013 U.S. employers, and over 37,000 employers globally.

<sup>3</sup> Society for Human Resource Management. "The Aging Workforce -- State of Older Workers in U.S. Organizations." *2014 Older Workers Survey*. (Reflects responses of more than 1,900 randomly selected HR professionals from SHRM's membership. Survey was fielded from May through July 2014.)

<sup>4</sup> Aon Hewitt Engagement Database 2009- 2013, covering 2M employees in 276 organizations.

<sup>5</sup> Aon Hewitt 2014 Trends in Global Employee Engagement report. Analysis included 284 global companies in the Aon Hewitt database, with correlation of 2010–2012 employee perceptions with 2012 financial performance in sales growth, operating margin and total shareholder return (TSR). Aon Hewitt compared three groups of companies against companies with average engagement: bottom quartile engagement companies (those with roughly half or less of their employees engaged), top quartile engagement companies (those that have greater than 7 out of 10 employees engaged) and those considered best employer companies (all of which are top quartile engagement companies but also have top quartile levels of leadership, performance and brand).

<sup>6</sup> Society for Human Resource Management. "The Aging Workforce --Basic and Applied Skills." *2014 Older Workers Survey*. (Reflects responses of more than 1,900 randomly selected HR professionals from SHRM's membership. Survey was fielded from May through July 2014.)

<sup>7</sup> Borsch-Supan, Axel and Matthias Weiss. *Productivity and Age: Evidence From Work Teams at the Assembly Line*. Munich Center for the Economics of Aging. 2013.

<sup>8</sup> Aon Hewitt Engagement Database 2009-2013; 2014 analysis of Aon Hewitt normative survey data covering 2M employees in 276 organizations.

<sup>9</sup> AARP and SHRM. *What Are Older Workers Seeking?: An AARP/ SHRM Survey of 50+ Workers*. June 2012. (This nationally representative survey of 1,004 adults ages 50+ who were working or looking for work was conducted in May 2012.)

<sup>10</sup> U.S. Census Bureau, 2011 County Business Patterns. Data file entitled "Number of Firms, Number of Establishments, Employment, and Annual Payroll by Large Enterprise Employment Sizes for the United States, NAICS Sectors":

[http://www2.census.gov/econ/susb/data/2011/us\\_naicssector\\_large\\_emplsize\\_2011.xls](http://www2.census.gov/econ/susb/data/2011/us_naicssector_large_emplsize_2011.xls)

<sup>11</sup> Aon Hewitt analysis of Bureau of Labor Statistics data and Mitra Toosi, Monthly Labor Review, December 2013, utilizing Bureau of Labor Statistics (BLS) data

<sup>12</sup> Ibid.

<sup>13</sup> Alicia H. Munnell. "The Average Retirement Age - An Update," Issue in Brief 15-4. 2015. Chestnut Hill, MA: Center for Retirement Research at Boston College. ("Average retirement age" is defined as the age at which the labor force participation rate drops below 50%.)

<sup>14</sup> Individuals born between 1938 and 1942 must wait a certain number of months after turning age 65 to receive full Social Security retirement benefits, while those born between 1943 and 1954 (that is, those currently likely to be considering retirement) must until age 66 to receive full Social Security benefits. For those born after 1954, the full retirement age increases gradually until reaching age 67 for those born in 1960 or later ([www.socialsecurity.gov/planners/retire/retirechart.html](http://www.socialsecurity.gov/planners/retire/retirechart.html))

<sup>15</sup> Aon Hewitt analysis of Society of Actuaries (SOA) mortality table and mortality improvement scale applicable in 2014 (RP-2014 table and MP-2014 improvement scale from year 2014 study) compared to those applicable in 2005 (RP-2000 table and AA improvement scale from year 2000 study). SOA periodically reviews life expectancy assumptions and publishes mortality tables used by actuaries for employee populations consistent with a Fortune 1000 workforce. The studies represent life expectancies indicative of large employer populations covered by private retirement plans and more broadly explore mortality improvement from Social Security mortality experience. 2005 life expectancy was calculated using RP-2000 table projected fully generational using scale AA. 2014 life expectancy was calculated using RP-2014 table projected fully generational using scale MP-2014. Life expectancy for those age 55 uses employee mortality rates; life expectancy for those age 65 and 75 use healthy annuitant mortality rates. The 2014 study reflected plan experience from 2004-2008 including 10.5 million life years of exposure. Mortality improvement scale MP 2014 was developed using Social Security mortality data.

<sup>16</sup> ManpowerGroup 2014 Talent Shortage Survey of 1,013 U.S. employers and over 37,000 employers globally

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<sup>17</sup> Pricewaterhouse Coopers. "Leading in Extraordinary Times: The 2015 U.S. CEO Survey Essay," *18<sup>th</sup> Annual Global CEO Survey*. 2015. (The survey, which was fielded from September through December 2014, included 1,322 CEOs from 77 countries, including 103 CEOs in the U.S. Findings published in this report are for U.S. CEOs only.)

<sup>18</sup> *Accenture 2014 Manufacturing Skills and Training Study: Out of Inventory – Skills Shortage Threatens Growth for U.S. Manufacturing*. Accenture and The Manufacturing Institute.

<sup>19</sup> U.S. Bureau of Labor Statistics. "Employed persons by detailed occupation and age, 2013 annual averages" data table. [http://www.bls.gov/cps/occupation\\_age.htm](http://www.bls.gov/cps/occupation_age.htm)

<sup>20</sup> Carnevale, Anthony, Nicole Smith, and Artem Gulish. *Nursing Supply and Demand Through 2020*. Georgetown University Center on Education and the Workforce. McCourt School of Public Policy. 2015.

<sup>21</sup> *The Complexities of Physician Supply and Demand: Projections from 2013 to 2025*. American Association of Medical Colleges, and IHS, Inc. March 2015.

<sup>22</sup> Aon Hewitt 2014 Trends in Global Employee Engagement report. Also, see Gallup. "Engagement at Work: Its Effect on Performance Continues in Tough Economic Times" Key findings from Gallup's Q<sup>12</sup> meta-analysis of 1.4 million employees. Gallup, Inc., 2013.

<sup>23</sup> Aon Hewitt Engagement Database 2009- 2013, covering 2M employees in 276 organizations.

<sup>24</sup> *Ibid.*

<sup>25</sup> AARP. *Staying Ahead of the Curve 2013: The AARP Work and Career Study*, National survey of 1502 adults age 45-74 who were working or looking for work.

<sup>26</sup> Taylor, Paul, Rakesh Kochhar, Rich Morin, Wendy Wang, Daniel Dockterman, and Jennifer Medina. *America's Changing Workforce: Recession Turns a Graying Office Grayer*. Pew Research Center. September 2009. (2009 survey of 1,140 respondents employed full-time or part-time who were asked whether they currently work because they need the money, want to work, or both.)

<sup>27</sup> Aon Hewitt 2014 Trends in Global Employee Engagement report . Analysis included 284 global companies in the Aon Hewitt database, with correlation of 2010–2012 employee perceptions with 2012 financial performance in sales growth, operating margin and total shareholder return (TSR). Aon Hewitt compared three groups of companies against companies with average engagement: bottom quartile engagement companies (those with roughly half or less of their employees engaged), top quartile engagement companies (those that have greater than 7 out of 10 employees engaged) and those considered best employer companies (all of which are top quartile engagement companies but also have top quartile levels of leadership, performance and brand).

<sup>28</sup> *Ibid.*

<sup>29</sup> Gallup. "Engagement at Work: Its Effect on Performance Continues in Tough Economic Times" Key findings from Gallup's Q<sup>12</sup> meta-analysis of 1.4 million employees. Gallup, Inc., 2013.

<sup>30</sup> *Ibid.*

<sup>31</sup> Aon Hewitt Engagement Database 2009-2013, covering 2M employees in 276 organizations

<sup>32</sup> *Ibid.*

<sup>33</sup> Aon Hewitt estimates.

<sup>34</sup> AARP Trend and Opinion Monitor Survey – Technology Insert (July 2014 and August 2011). Nationally representative telephone survey. In July 2014, the technology questions were fielded to a sample of 1,520 adults ages 50+. In August 2011, the technology questions were fielded to a sample of 1,172 adults ages 50+. Findings cited in this paragraph refer to findings from the subset of respondents ages 50+ who were either employed or looking for work at the time of the survey (622 in July 2014, and 485 in August 2011).

<sup>35</sup> *Ibid.*

<sup>36</sup> Morrison, Patrick and Emerson Murphy-Hill. "Is Programming Knowledge Related to Age?" (February 2013). North Carolina State University.

<sup>37</sup> Alcorn, Brandon, Gayle Christensen, and Ezekiel Emanuel. "Who Takes MOOCs? For Online Higher Education, the Devil Is In the Details"; survey results published in *New Republic*, January 4, 2014.

<sup>38</sup> Towers Perrin and AARP. *Investing in Training 50+ Workers: A Talent Management Strategy*. 2008. Survey results are based on a nationally representative survey of 1,048 workers age 50+ who were employed at companies with at least 10 employees. Survey was fielded in December 2006.

<sup>39</sup> Tompson, Benz, Agiesta, and Junius. *America's Lower-Wage Workforce: Employer and Worker Perspectives*. 2013. The Associated-Press-NORC Center for Public Affairs Research. (Survey of workers, which was conducted in 2012, included 1,606 adults ages 18-74 who were currently employed—excluding self-employed-- or on temporary layoff and earning \$35,000 or less, full-time equivalent, per year. Results for workers over the age of 50 shown in this report were obtained from the survey's data file available at [www.apnorc.org](http://www.apnorc.org).)

<sup>40</sup> Borsch-Supan, Axel and Matthias Weiss. *Productivity and Age: Evidence From Work Teams at the Assembly Line*. Munich Center for the Economics of Aging. 2013

- <sup>41</sup> Gorodnichenko, Yuriy, John Laitner, Jae Song, and Dmitriy Stolyarov. *Technological Progress and the Earnings of Older Workers*. October 2013. The University of Michigan Retirement Research Center. Utilizing historical data from the Social Security Administration's Continuous Work History Sample (CWHS) and the Bureau of Labor Statistics (BLS). (This study examined how older workers were affected by technological progress by tracking increases in Total Factor Productivity (TFP) in relation to earnings of workers. TFP is a macro-level measure of the joint effects of many factors including research and development, new technologies, economies of scale, managerial skill, and organizational changes. The authors found that the earnings of workers over age 60 increase with TFP growth about 90% as well as workers age 25-30, but that an older workforce leads to net "efficiency gains with age from accumulated human capital." They concluded that an aging labor force is a more productive labor force.)
- <sup>42</sup> Munnell, Alicia, Steven Sass, and Mauricio Soto. *Employer Attitudes Towards Older Workers Survey*. Center for Retirement Research at Boston College. June 2006 survey of 400 private-sector employers.
- <sup>43</sup> Wadhwa, Vivek. "There's No Age Requirement for Innovation." *Wall Street Journal*. October 28, 2013. <http://blogs.wsj.com/accelerators/2013/10/28/vivek-wadhwa-theres-no-age-requirement-for-innovation/>
- <sup>44</sup> Peterson, Suzanne J. and Barry K. Spiker. "Establishing the Positive Contributory Value of Older Workers: A Positive Psychology Perspective," *Organizational Dynamics*, Vol. 34, No. 2. (2005).
- <sup>45</sup> Munnell, Alicia and April Yanyuan Wu. "Are Aging Baby Boomers Squeezing Young Workers Out of Jobs?" Center for Retirement Research at Boston College (October 2012)
- <sup>46</sup> Gruber, Jonathan and David A. Wise, editors. 2010. *Social Security Programs and Retirement around the World: The Relationship to Youth Employment*. Chicago, IL and London: The University of Chicago Press. (Chapter 12: "Do Elderly Workers Substitute for Younger Workers in the United States?" Gruber, Jonathan and Kevin Milligan. Paper was prepared as part of the National Bureau of Economic Research's International Social Security Project.)
- <sup>47</sup> Society for Human Resource Management. "The Aging Workforce -- Basic and Applied Skills." *2014 Older Workers Survey*. January 2015. (Reflects responses of more than 1,900 randomly selected HR professionals from SHRM's membership. Survey was fielded from May through July 2014. Survey question was worded as follows: "In your professional opinion, what are the main advantages workers age 55 and older bring to your organization compared to other workers?")
- <sup>48</sup> Transamerica. *Baby Boomer Workers Are Revolutionizing Retirement: Are They and Their Employers Ready?* December 2014. (Survey was fielded by phone from July 31-September 17, 2014 among a nationally representative sample of 751 employers.)
- <sup>49</sup> Ibid.
- <sup>50</sup> Ibid.
- <sup>51</sup> AARP. *Employer Experiences and Expectations: Finding, Training, and Keeping Qualified Workers*. An AARP/AARP Foundation survey of 1,003 HR directors at employers with at least 20 employees. Fielded from May through July 2010.
- <sup>52</sup> Society for Human Resource Management. "The Aging Workforce -- State of Older Workers in U.S. Organizations." *2014 Older Workers Survey*. (Reflects responses of more than 1,900 randomly selected HR professionals from SHRM's membership. Survey was fielded from May through July 2014.)
- <sup>53</sup> The analysis of cost drivers relies on the best available sources of "current" data (generally from 2012-2014) on labor costs in large companies. In order to demonstrate the changes since the original AARP business case study was published, the comparisons to costs in previous years utilizes as much relevant data as possible starting from around 2005. The timeframes used to analyze changes in particular labor costs vary depending on the timeframes covered by the best available data sources for each type of labor cost.
- <sup>54</sup> Aon Hewitt's Benefit SpecSelect™. The 2013 Benefit SpecSelect contains salaried benefit information for 1,093 major U.S. organizations, including 50 in the energy/oil/mining industry, 173 in financial services, 81 in health care, and 103 in the retail industry.
- <sup>55</sup> Towers Perrin and AARP. *The Business Case for Workers Age 50+: Planning for Tomorrow's Talent Needs in Today's Competitive Environment*, December 2005; pages 45-46. (Calculated from Towers Perrin 2005 Benvat data for 225 *Fortune* 500 companies in a range of industries).
- <sup>56</sup> Aon Hewitt U.S. Salary Increase Survey 1990-2013. 36th annual survey focuses on overall changes in employee compensation for the calendar year 2012, and on projections for 2013. Information was collected during June and July from 1,306 organizations. Participants included 788 service organizations, 508 manufacturing organizations, and 10 multi-industry organizations.
- <sup>57</sup> Aon Hewitt's Benefit SpecSelect™. The 2004 Benefit SpecSelect data contains salaried benefit information for 936 major U.S. organizations.
- <sup>58</sup> Aon Hewitt's Benefit SpecSelect™. The 2013 Benefit SpecSelect contains salaried benefit information for 1,093 major U.S. organizations, including 50 in the energy/oil/mining industry, 173 in financial services, 81 in health care, and 103 in the retail industry.

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<sup>59</sup> Truven Health Analytics, September 2013. Calculations of the increases in employer claims costs are based on a comparison of medical claims paid by large employers in 2011 and in 2003. Includes claims experience of more than 341 employers representing 14.6 million covered lives and crossing the full spectrum of industry types, health plans, and pharmacy benefit managers. Data is aggregated at the employer level, rather than claim or member level. This means results for each employer included in a norm receive equal weight, so that a single large employer does not skew the results.

<sup>60</sup> 2013 Aon Hewitt Universe Benchmark data, which covers 104 companies (with a total of 3.5 million employees) that are Human Resources Outsourcing clients of Aon Hewitt. This includes 59 companies (with 1.8M employees) in the four industries of focus: 12 companies in the energy industry (100K employees), 20 companies in the financial industry (370K employees), 9 companies in the health care industry (125K employees), and 18 companies in the retail industry (1.2M employees).

<sup>61</sup> Aon Hewitt Health Value Initiative (HHVI)<sup>™</sup> database. Launched in 1996, this database captures health care cost and benefit data for 13 million health plan participants, across 550 organizations and 1,260 health plans. Database includes \$64.8 billion in health care expenditures. (Statistics current as of July 24, 2014; data updated weekly.)

<sup>62</sup> Ibid.

<sup>63</sup> Truven Health Analytics, September 2013.

<sup>64</sup> Ibid.

<sup>65</sup> Ibid.

<sup>66</sup> Towers Perrin and AARP. *The Business Case for Workers Age 50+: Planning for Tomorrow's Talent Needs in Today's Competitive Environment*, December 2005; page 50.

<sup>67</sup> Hill, Rhonda K., Joseph W. Thompson, Jennifer L. Shaw, Sathiska D. Pinidiya, Paula CardHigginson "Self Reported Health Risks Linked to Health Plan Cost and Age Group," *American Journal of Preventive Medicine*, Volume 36, Issue 6. June 2009. Also, see Dee W. Edington, University of Michigan Health Management Research Center, "Emerging Research: A View from One Research Center," *American Journal of Health Promotion*, 2001.

<sup>68</sup> Aon Hewitt 2014 Health Care Survey of 1,234 employers.

<sup>69</sup> Aon Hewitt 2013 Benefit SpecSelect<sup>™</sup>, containing salaried benefit information for 1,093 major U.S. organizations, including 50 in the energy/oil/mining industry, 173 in financial services, 81 in health care, and 103 in the retail industry. (Just 18% of large employers make age-based contributions to their DC plans, meaning that the employer's contribution under the DC plan is based at least in part on the employee's age. For example, the employer contribution under the DC plan may be based on age + service (often referred to as "points"). The employer may give participants with under 60 points a fixed 4% DC contribution, while participants with 60 points or more receive a fixed 5% DC contribution.)

<sup>70</sup> Based on average values from Aon Hewitt Benefit Index<sup>™</sup>. Five-year average contributions were used when level is variable. Estimated long-term costs for pension plans range from 3.0% to 6.0% (4.5% midpoint graphed).

<sup>71</sup> The median salary data in the hiring and retention scenarios relied on compensation data from the Bureau of Labor Statistics Occupational Outlook Handbook to determine average cash compensation for the positions studied. The average benefit costs in each industry came from a current snapshot of Aon Hewitt's Benefit SpecSelect database containing benefit information for over 1,000 major U.S. organizations. Under "value considerations," the potential value of avoiding turnover (shown as the average one-time turnover costs) are estimated as explained in Chapter 2 (Exhibits II-5a and 22-5b) using the available benchmark data from Saratoga Institute for each of the four industries examined.

<sup>72</sup> Employee Benefit Research Institute and Greenwald & Associates, 2004 and 2014 Retirement Confidence Surveys. National survey of 1,501 individuals age 25 and over in 2014 (1,000 workers and 501 retirees) and 1,002 individuals in 2004 (783 workers and 219 retirees). AARP used the survey data files from 2014 and 2004 to calculate the 2014 and 2004 results for workers ages 45+.

<sup>73</sup> Employee Benefit Research Institute and Greenwald & Associates, 2004 and 2014 Retirement Confidence Surveys. AARP used the survey data files from 2014 and 2004 to calculate the 2014 and 2004 results for workers ages 50+.

<sup>74</sup> Helman, Ruth, Nevin Adams, Craig Copeland and Jack VanDerhei, "The 2014 Retirement Confidence Survey: Confidence Rebounds—for Those With Retirement Plans," *EBRI Issue Brief*, no. 397, March 2014. National survey of 1,000 1,501 individuals age 25 and over in 2014 (1,000 workers and 501 retirees).

<sup>75</sup> AARP and SHRM. *What Are Older Workers Seeking?: An AARP/ SHRM Survey of 50+ Workers*. June 2012. (This nationally representative survey of 1,004 adults ages 50+ who were working or looking for work was conducted in May 2012.)

<sup>76</sup> AARP. *Staying Ahead of the Curve 2013: The AARP Work and Career Study*. National survey of 1502 adults age 45-74 who were working or looking for work.

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<sup>77</sup> AARP and SHRM. *What Are Older Workers Seeking?: An AARP/ SHRM Survey of 50+ Workers*. June 2012. (This nationally representative survey of 1,004 adults ages 50+ who were working or looking for work was conducted in May 2012.)

<sup>78</sup> AARP. *Staying Ahead of the Curve 2013: The AARP Work and Career Study*. National survey of 1502 adults age 45-74 who were working or looking for work.

<sup>79</sup> AARP. *Staying Ahead of the Curve 2013: The AARP Work and Career Study*. National survey of 1502 adults age 45-74. It is worth noting that the results in Exhibit IV-4a and 4b related to reasons for working in retirement were gathered through an open-ended question. This means that the responses are not directly comparable to the results in Exhibit IV-2a and 2b related to reasons for working as the IV-2a and 2b responses were gathered through a closed-ended question.

<sup>80</sup> AARP and SHRM. *What Are Older Workers Seeking?: An AARP/ SHRM Survey of 50+ Workers*. June 2012. (This nationally representative survey of 1,004 adults ages 50+ who were working or looking for work was conducted in May 2012.)

<sup>81</sup> Ibid.

<sup>82</sup> AARP. *Staying Ahead of the Curve 2013: The AARP Work and Career Study*. National survey of 1502 adults age 45-74 who were working or looking for work.

<sup>83</sup> AARP's Life Reimagined and USA Today. *Reflections on Life & Career*. June 2014. This telephone survey of 1,006 adults ages 40-59 was conducted in May 2014. Results discussed in this report are for the 476 respondents ages 50-59 who were employed or looking for work at the time of the survey. (Launched by AARP in 2013, Life Reimagined is a first-of-its kind single source of online and offline experiences that guide people through life transitions by helping them discover new possibilities and connect with a community of people pursuing similar passions and goals. For more information about Life Reimagined, see [www.lifereimagined.org](http://www.lifereimagined.org).)

<sup>84</sup> Society for Human Resource Management. "The Aging Workforce -- State of Older Workers in U.S. Organizations." *2014 Older Workers Survey*. January 2015. (Reflects responses of more than 1,900 randomly selected HR professionals from SHRM's membership. Survey was fielded from May through July 2014.)

<sup>85</sup> See, e.g., Galinsky, E., Bond, J.T., and Hill, E.J. (2004); Landauer, J. (1997). Bottom-line benefits of work/life programs. *HR Focus* (July): 3-4; Lineberry, J. & Trumble, S. (2000, Winter). The role of employee benefits in enhancing employee commitment. *Compensation and Benefits Management* 16(10), 9-14.

<sup>86</sup> Corporate Voices for Working Families (2005, November). *Business impacts of flexibility: An imperative for expansion*. Washington, D.C.; See also Galinsky, E. Bond, J.T., and Hill, E.J. (2004), *When work works: A status report on workplace flexibility. Who has it? Who wants it? What difference does it make?* New York, NY: Families and Work Institute.

<sup>87</sup> Top Workplaces 2014 lists can be found at [www.topworkplaces.com](http://www.topworkplaces.com). For SAP America's recognition as a Top Workplace in the Philadelphia area, Atlanta, and the Bay area, see the following three links: <http://www.topworkplaces.com/frontend.php/regional-list/list/philly>, <http://www.topworkplaces.com/frontend.php/regional-list/list/aic>, <http://www.topworkplaces.com/frontend.php/regional-list/list/bayarea>. Top 100 Companies with Remote Jobs in 2014 can be found at <http://www.flexjobs.com/blog/post/100-top-companies-for-remote-jobs/#sthash.8WTI01eo.dpbs>.

<sup>88</sup> WorldatWork. *Survey on Workplace Flexibility 2013*. (Survey of 566 WorldatWork members, randomly selected from WorldatWork members with responsibility for total rewards, benefits, work-life, and HR generalists. Survey was conducted from July 17 – August 2, 2013.)

<sup>89</sup> Forbes Insights. *Fostering Innovation Through a Diverse Workforce*, July 2011. (Report findings based on the results of a survey and one-on-one interviews conducted by Forbes Insights. Forbes Insights surveyed 321 executives with direct responsibility or oversight for their companies' diversity and inclusion programs. All respondents worked for large global enterprises with annual revenues of more than \$500 million. More than 40% worked for companies with annual revenues of \$5 billion or more. Nearly half (44%) of respondents had C-level titles or were board members. The remainder had titles of director or above.

<sup>90</sup> MetLife. (2014). "Benefits Breakthrough: How Employees and Their Employers Are Navigating an Evolving Environment." *12th Annual U.S. Employee Benefits Trends Study* (Findings published in this report were provided by MetLife via email but were not published in the report cited here. The 12<sup>th</sup> annual U.S. Employee Benefit Trends Study included both an employee and an employer survey. The employer survey findings were based on completed interviews with 1,510 benefits decision-makers at companies with at least two employees. The survey was fielded in October and November 2013.)

<sup>91</sup> Aon Hewitt 2014 Health Care Survey of 1,234 employers