Are You Ready for the New Older Workplace? Aging Baby Boomers & the Evolving Role of Employers

By Joseph F. Coughlin, PhD AgeLab 2008-01

Imagine a workplace where there is a shortage of workers and the workers that are in shortest supply are those who know what makes your business work. Imagine a job market where older women and retirees beginning second careers are a critical part of your recruitment pool. Imagine a workplace where successful recruitment and retention may rest less on what you pay than on what you provide – flexibility, access to information, personal services and voluntary benefits. Over the next decade the endless stream of young educated workers available over the last 40 years will slow to a trickle. Workers over 55 will grow at a rate of 4 percent per year – 4 times faster than the entire workforce. Employers must act now to respond to the next generation older worker who demands a new approach to employee-provided services, benefits, technologies and processes to recruit, retain and motivate a productive four-generation workplace.

The past four decades have seen major transformation in the roles and evolving responsibilities of employers with regard to the lives of their employees. While business has changed with the 'times,' the times have been defined by the baby boomers. The boomers are the largest generation in the nation's history – nearly 80 million people born between 1946 and 1964. The last 40 years in the workplace have been theirs. Today's 'accepted practices' were yesterday's revolutions brought to the workplace by their lifestyles, lifestages, and now, their longevity in the labor force.

For example, unlike their mothers, nearly 70 percent of boomer women work full or part-time. Flextime, to accommodate family needs, or to avoid congested highways is routine in many of America's industry sectors. Worksite childcare centers are no longer novel, but the norm. For those working in knowledge-based service jobs, telecommuting a day or more a week via the Internet is an accepted option for many. Rather than extraordinary, an array of benefits are now expected in most hiring packages, including retirement planning, access to employee assistance programs, healthcare and dental coverage, life insurance, and more.

The boomers have at least another 20+ precedent-setting years in the workplace – how will they, now as older workers, shape the future workplace and the role of employers?

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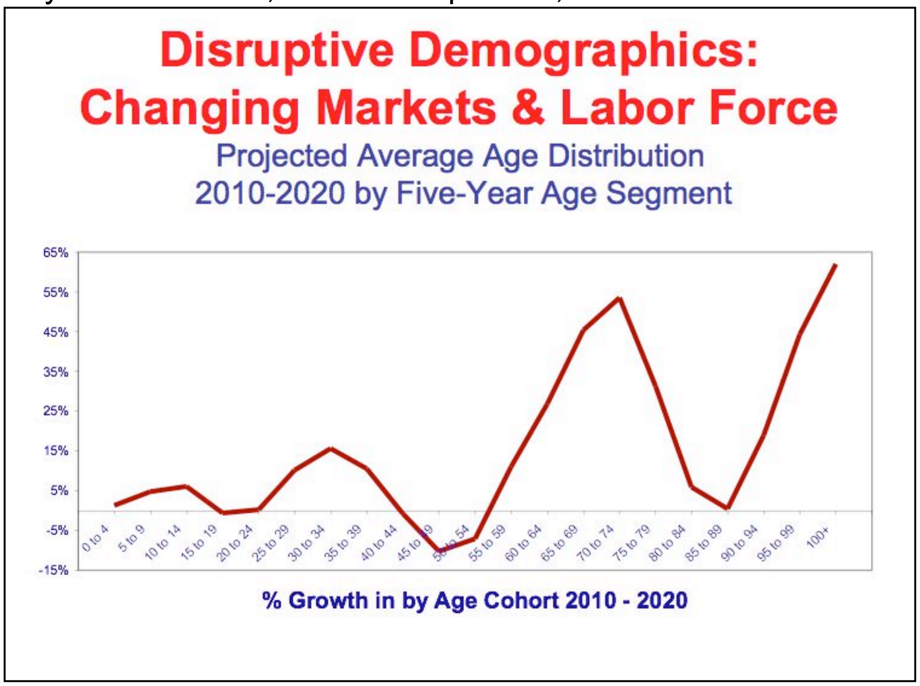
Disruptive Demographics

Business spends considerable sums of money to project economic trends, forecast technological change, or to see clearly through the haze of globalization and current events. Most of these investments are wrought with uncertainty, affected by unforeseen events and a mixture of good and bad luck. In contrast, demographics can be seen as destiny. With relative accuracy we can predict who is and will be in the labor force. According to the Current Population Survey (2000), there were 18.4 million workers age 55+ in the labor force. The Bureau of Labor Statistics forecasts that this number will grow to nearly 32 million by 2015.

Because of the baby boomers, business has enjoyed a well-educated, seemingly endless supply of workers for the past 40 years. However, unlike their parents, the boomers had fewer children. As the accompanying chart shows, there is a coming shortfall in the number of available workers after the large baby boomer cohort. Employers, in nearly all industry sectors, will be required to retain and seek older workers to maintain their expertise and in some cases simply to get work done. In a study conducted for the American Trucking Association it was reported that there is a current shortage of nearly 20,000 truck drivers. In only seven years, when the baby boomers will be between 50 and 68, the ATA estimates that demand for drivers will exceed supply by more than 5 times – a shortfall of nearly 110,000 employees (Global Insight, 2005).



As in their youth, older baby boomers will be a disruptive force driving change in the workplace. In response to a new older workforce, business must anticipate change in employee needs and in their roles as employers to meet the new realities of an older labor force. Four factors will shape employer recruitment, productivity, retention strategies over the next decade: the graying of the workforce; growing number of older women in the labor force; increasing demand of caregiving on employees; and, the evolving trend of multi-act careers for workers across the lifespan.

Gray Matters – As the boomers age, the workplace will be grayer – some grayer than others. According to the Bureau of Labor Statistics, the median age of the American workforce is about 41 year old, compared to 20 years earlier when it was nearly 36. Knowledge intensive industries are impacted the most by aging and retirement. For example, in engineering, petrol-chemical, utilities, defense manufacturing, education and healthcare, a workforce shortage is pending and older workers who form the collective gray matter that is the institutional memory of many organizations will retire. One report suggests that within the next 5 years, 8 in ten oil and gas companies forecast a shortage of engineers (Poretto, 2007). The Federal Government is predicting nearly 50 percent of the current workforce to retire over the next 10 years with critical losses in areas such as air traffic control (GAO, 2001; 2002).

Insights & Innovations:

- **Capture Lost Knowledge**: To recapture what has been called "lost knowledge" many firms will have to develop and implement new processes and technologies that will transfer knowledge and succession to the next generation (Delong, 2004). As one senior executive from a leading information technology firm remarked, "if we only knew what we know." Many firms are now investing more in information technology to capture 'what they know' and to serve as a bridge between generations of workers. For example, Watson Wyatt's 2007 HR Technology Trends study indicated that nearly one-third of 182 large companies surveyed are investing in systems to support succession planning, knowledge management and transfer, recruiting of new talent, training and overall workforce management.

- **Bridge the Innovation Gap**: While new technology is an element of a comprehensive strategy, real innovation may lay in organizational change. For example, companies will need to implement strategies that enable consulting, part-time work or other ways to engage and access their retiree pool for expertise. This may include special retirement agreements and contracts, mentorship programs, or flexible consulting and pension plans. Procter & Gamble, Boeing, and Eli Lilly, for example, formed Your Encore, an organization that pools retired talent and facilitates easy access to knowledgeable retirees to bridge what might be an 'innovation gap' between the generations within a company's workforce.

Getting in Touch With Your Feminine Side–As the boomers age and their children leave home to begin their own lives, many women will return to work after a decade or more hiatus to raise children. Others who were part-time may choose to begin working full-time. According to the Bureau of Labor Statistics, the number of women between the ages of 55 and 64 in the workforce has increased 10 percent over the last 10 years. Forecasts suggest rapid acceleration in that rate as baby boomer women become empty nesters.

Insights & Innovations:

- **Teach Your Children's Parents Well**: Many firms will need the skills returning-to-work women offer. For some women being out of the workforce means that they may be educated, but not necessarily familiar with current practices or technologies. Consequently, firms will need to invest more in corporate education programs to make these new older workers current. More importantly, access to training may spark new life in a mid-life career while motivating employees across the lifespan. ACS, the business process outsourcing firm, has expanded its support of HR activities in companies across industry sectors around the world. It has launched technology-enabled on-site training as well as initiatives in on-line training as a strategic response to a rapidly aging labor force and ever changing technology environment. Other firms are investing in employee sabbaticals or 'refreshs' that may include going back to school or attending a certificate program for a few months or over a year. While some are funding the entire cost of these later life sabbaticals, others are partnering financial services firms with the employee to form 'education' accounts that share the cost of changing education needs over a lifespan.

- **Redesign the Workplace**: The physical workplace will need to be redesigned. Manufacturers, for example, may find that equipment, vehicles, and related facilities may not meet the usability, size, and safety demands of older women who will be available to work on the assembly line or operate machinery. Older workers and smaller framed older women will be major drivers of design innovation in the workplace – from improved lighting and voice actuated (activated?) systems, to better ergonomic design in offices, assembly lines, and retail floors, which will reduce physical stress or injury (Coughlin, 2007). Siemens, for example, is exploring how robotics and cobotics may improve shop floor efficiency and ease the strain on the women and older workers necessary to keep a line running. Manufacturers of farm equipment and tractor-trailers are already investigating ways to make their products more accessible and usable for women. Likewise, office furniture manufacturer HermanMiller is developing products for older knowledge workers. Older office staff will require redesigned workstations that provide optimal accessibility and appropriate physical design to manage the fatigue, lower back pain, vision impairment, and other chronic problems that are often associated with mid and later-life.

Workforce as Careforce – Once concerned with the development and availability of childcare, the baby boomers are now more concerned with eldercare. The US Census Bureau reports that the 'elder support ratio', or the number of people over the age of 85 per 100 people age 50 to 64, will rise from about 10 to 16 over the next 25 years.

To attract and retain talent, employers must develop more creative ways of supporting full and part-time workers engaged in caregiving. According to the AARP, at least one in four families today provides care for an older adult. Caring for an older family member is an investment of heart, time and money. AARP estimates that families spend nearly 21 hours per week caring for another family member. The economic value of informal (family) caregiving may be nearly $350 million annually (AARP, 2007). A typical caregiver is a spouse caring for a husband. However, it is often the 47 to 57 year old adult daughter that shoulders the support of one parent caring for another – as advisor, advocate and often expediter of everything from healthcare and transportation to emotional needs. Over time she is most likely to evolve into the primary caregiver of her parents as well as her husband's parents if his sister is not available.

Families are estimated to spend an average of more than $5,500.00 per year on caregiving-related expenses. However, caregiving has been estimated to cost American business more than $33 billion annually in lost productivity (National Alliance for Caregiving, 2007). Given the aging of the boomers and the longevity of their parents, the blurring between workforce and careforce may become greater than any previous generation. 'Checking in' on a parent, making a trip to the doctor, or simply attending to errands, such as food shopping or home maintenance for an older loved one living alone are leading causes of absenteeism and presenteeism in the workplace (Coughlin, 2005). In addition, the 'caregiving career' is among the top reasons why an employee may leave the workplace, refuse a job that requires frequent travel, or reject a transfer to a location that is too far from a frail parent.

Insights & Innovations:

- **Be Life-Stage Friendly**: Beyond one, two or three shifts to work, the new older workplace will require flexibility of where and when to work. 'Family friendly' policies started decades ago are now being extended across the lifespan to enable childcare and eldercare. Rather than 'flex-time,' employers need to rethink 'flexible work.' These policies include flexible work hours, work from home, part-time work, job sharing, position redesign, and other flexible options that may be necessary to keep valuable employees who are also caregivers.

- **Provide Access to Eldercare Solutions**: Over the last decade employers have made investments in eldercare programs. However, these have been more often call centers simply directing employees to a list of 'resources' rather than the provision of real information on the choices, trade-offs, costs and evolving needs of the 'caregiving career.' Even with the modest services that are typically available today, one employee assistance program provider, DuPont & Associates, reported a 30 percent increase in demand for eldercare services in 2007 compared to requests in 2006.

  Access to comprehensive services in the workplace to support eldercare is becoming crucial to employee productivity and retention. This may include financial products to finance home modification, group discounts for elder daycare, as well as other services that improve the quality of life of older people and support the productivity of employed caregivers. For example, employers may serve as an access hub to branded and 'approved' home care, disease management services, and remote health and safety monitoring, home contractors, and other eldercare services offered through employers at a discount to employees and their families, e.g., cell phone service packages available to employees to provide at a discount to a parent, or home health and safety services discounts offered through global providers such as ADT health and security monitoring.

  Some companies have experimented with direct eldercare service provision. To reduce employee time away from the office to meet the mobility needs of elderly parents, IBM piloted a transportation service to provide daily trips to the doctor, store, or simply to window shop (WFD, 1997). Eldercare support may be necessary to retain existing older workers and an absolute requirement for those middle-aged employees that may have left full-time work elsewhere due to managing the caregiving demands of being sandwiched between children and elderly parents.

Older Worker New Career – Most boomers say they would like to retire early – leaving the daily grind of 9 to 5. As alluring as visions of travel, grandchildren, or for some, golf and cruising may be, very few people wish to retire to full-time leisure. In fact, most report that they would like to continue working after retirement – just a different type of work. For example, an older worker seeking a new career may be an engineer with 30 years experience who becomes a high school math teacher; or, a factory worker who becomes a long-haul driver. According to an Organization of Economic Cooperation and Development survey of older workers in 21 industrialized countries, most people say that they would like to continue working for additional income, challenge, personal meaning, and social interaction. Consequently, employers may find that some new employees ‘starting’ their career may, in fact, be at the beginning of their second or third careers. In the near future the ‘new kid down the hall’ may in fact be someone’s grandmother in the next stage of her multi-act life.

Insights & Innovations:

- **Personalize Compensation & Benefits**: Business has generally enjoyed a “one compensation package fits all” approach to benefits, education and career development for a workplace that typically included only two generations. Today’s workplace has as many as four generations working – pre-boomer generations, the boomers, as well as the ‘x’, and ‘y’ cohorts. CVS, the national pharmacy chain, has found that nearly 20 percent of their new ‘junior’ employees are over 50 years old. They estimate that as many as one-third of their future employees will be over 50 in less than 10 years (Smith, 2007). A multi-generational workforce will make it difficult to compensate or to motivate people based upon their ‘seniority’ or education alone. Consequently, human resources professionals will find it necessary to develop metrics that are able to measure and reward individual contribution in the position regardless of ‘years of experience,’ or education.

- **Serve as a Solutions Platform**: Employers that recruit and manage across the generations are finding that it is an imperative to understand that the different lifestage needs of employees require flexibility across the enterprise. Traditional views of compensation may include a focus on income and employer-provided benefits – however, the new older workplace requires a comprehensive vision of compensation that includes access to lifestage solutions comprised of employer-provided benefits as well as voluntary benefits. For example, younger workers may be motivated by income potential. Middle-age workers may be seeking income accumulation, retirement planning and management benefits as well as health insurance. Older workers, in contrast, may be interested in income but motivated by a combination of meaningful work and flexible hours. In addition, access to a variety of employer provided and voluntary benefits such as supplemental life and health insurance, prescription drug benefits, long-term care and disability, eldercare or dental coverage, will be increasingly important. One major company now includes the ‘ultimate’ service in its benefits package. EDS, the global IT-services firm, now offers Everest Funeral Planning and Concierge Services to its employees to help plan and finance end-of-life needs for themselves or loved ones, e.g., elderly parents.

Aging Boomers and the Evolving Role of Employers

The baby boomers are in the next ‘workstage’ of their lives. The demographic transition of the workplace to an older, female, caregiving, and multi-act career worklife is shaping the future role of employers and the recruitment and retention strategies they implement. As the boomers age, what may have been once strictly considered the ‘private’ life of an employee, is now of importance to the productivity, efficiency and human resources development of most businesses. To ensure their competitiveness, capacity to retain institutional knowledge, and to recruit the necessary talent, employers must increase investments in existing programs and policies while exploring the development of new approaches to manage an older workplace. The oldest of the baby boomers are now turning 62 – one every seven seconds – as the cohort's youngest members enter mid-career at 44 years of age. While their generation 'X', 'Y' or 'millennial' children are entering the labor force, the baby boomers will continue to shape the workplace and the roles of employers for the next two decades. The baby boomer worker's ultimate legacy may be to instill in their children and younger colleagues the belief that these innovations in the workplace are not innovations at all – rather they are simply the mainstays of work and to be expected in a place worth working.

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About the AgeLab

The AgeLab is a multi-disciplinary research center dedicated to improving quality of life for older adults. Based within the Engineering Systems Division at Massachusetts Institute of Technology, the AgeLab is uniquely suited to translate cutting edge scientific and technological breakthroughs into innovative solutions that help address challenges posed by the world’s aging population.

The AgeLab views longevity as an opportunity to innovate – to invent a new definition of quality living throughout the lifespan. AgeLab activities set agendas of government and business, serve as a catalyst for change, and act as platforms to create new ways to remain engaged, connected, independent, and healthy.

Funded by businesses around the world, AgeLab research focuses on transportation, health & wellness, caregiving, longevity planning, shopping, lifelong engagement, and even play. AgeLab research informs the design of new technologies, aids in government policy decisions in the United States and abroad, and educates older adults and their families on important consumer issues.

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