

Boomers to Bust Age Bias?

Baby Boomers Redefine Retirement - Ageism Is The Next Frontier

A RetirementJobs.com & interbiznet White Paper

by Robert Skladany and John Sumser

RetirementJobs.com, Inc. was founded by a team of professionals with senior executive backgrounds in media, online recruiting and human capital management. They have worked at major media brands such as AOL, ABC and CNN, built and managed strategic relationships with leading e-recruiters such as Monster, Careerbuilder and Hotjobs, and helped found or build successes such as Net-Temps and Salary.com. Along with a growing number of labor analysts, RetirementJobs.com's human resources experts observe that a long-predicted workforce change favoring age 50+ workers is now underway. The change, possibly the largest since women went to work en masse in the 1970's, is spurred by several trends.

The factors include population shifts that have baby boomers turning age 60 amidst a dwindling supply of younger workers, unprecedented numbers of baby boomers retiring in the next 5 to 10 years, health changes that have people living longer than ever, a new definition of retirement that includes a desire to stay active or a need to remain gainfully employed and new research confirming what many may have known all along- that, on top of experience, older workers bring valuable traits such as lower turnover, greater dependability, a stronger work ethic, and flexibility over work schedule and rewards.

The goal of RetirementJobs.com is to identify companies most-suited to older workers and match them with active, productive, conscientious, mature adults seeking a job or project that matches their lifestyle. The purpose of this white paper is to frame the employment issues confronting workers age 50+, encourage dialogue and research challenging age bias, and promote recruiting and management practices yielding full utilization of this vital age 50+ workforce.

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Summary of Key Findings

This comprehensive examination of age bias in U.S. employers considered extensive current literature and research as well as patterns of government, employer and advocacy group behavior. The pace and scope of change related to retirement and employment of workers age 50+ is accelerating. Concepts and terms that did not exist or were seldom heard have become prevalent – “age friendly employer”, “retirement jobs”, “seniors the solution to labor shortage” and so on. The major findings of the white paper reflect the onset of a major and growing trend about the importance of the age 50+ workers in the labor market and the competitive opportunities available to employers who recognize their value.

Emerging Age Friendly Employer Pattern – There is a clear emergence of age friendly employers. Borne of necessity or conscience, these “early adopting” employers are actively recruiting and retaining older workers. AARP has its well-established *Best Employers for Workers Over 50 Program*; Retirementjobs.com has its *Age Friendly Employer Certification Program*, and other older worker employer and advocacy groups are appearing in the U.S. and overseas.

Age Bias Requires Conclusive Study – There is substantial disagreement about the significance, even existence, of age bias. Opinions and anecdotal information abound. Many reliable and responsible sources believe that age bias, often in most subtle forms, is actually growing. Negative stereotypes of people over 50 are widespread and deeply imbedded in our culture. Employee opinion surveys indicating that 65% to 70% of older workers experience damaging bias are contradicted by employer claims of age 50+ worker misperception and exaggeration. *We challenge the academic, government, public interest and employer communities to objectively study the issue of age bias and utilization of workers age 50+. We need a definitive and shared understanding of age bias, and plans for corrective action, if current beliefs and perceptions are validated.*

Positive Support of Age 50+ Workers – There is a clear and growing body of information and evidence supporting the value and cost effectiveness of workers age 50 and older. Articles, speeches, enlightened employers, advocacy groups, consultants and academics are beating the drum of older worker capabilities and virtues. No less than the AARP has become the most outspoken voice and organizer for age 50+ worker rights and interests. The 76 million baby boomers will become a powerful force with this support.

Making a Law Alone Doesn't Change Behavior – After almost 40 years, federal and state age bias statutes should have dramatically reduced age bias and discrimination – in reality and perception. Regrettably, deeply imbedded stereotypes, cultural norms, employment laws, and existing human resource and management policy have sustained age bias. Overcoming age bias must start with the commitment of employer senior leadership, government and public interest groups.

The “Tipping Point” – Considering the expected massive retirement of baby boomers, impending labor shortages and economic and social conditions compelling age 50+ workers to “stay on the job”, the long-predicted “tipping point” has arrived in key sectors of the labor market including healthcare, public education and the sciences, and is fast approaching in many others. Age bias stereotypes and employment obstacles must begin to crumble in order to attract and retain increasing numbers of workers over age 50. Recruiters, employers, executives and HR managers will be scrambling to get this high value, productive labor pool “on the payroll.”

The Baby Boom Is Going Bust.

As soldiers returned from World War II, they settled down with their sweethearts and began to produce the most influential generation ever. There are 76 million baby boomers among us. Born between the end of the war (1946) and the year after the Kennedy Assassination (1964), this group continues to redefine everything it touches.

The parents of the baby boomers (the "silent generation") rode a crest of American productivity that emerged from the ruins of the Great Depression. Known for thriftiness and frugality, they had fewer children than their own parents. Thus, while the baby boomers are large in number, they grew up in smaller families with more privilege and opportunity.

For example, declining family size correlates directly to the educational attainment of women. Women with post-graduate degrees tend to come from the smallest families. In the United States today, nearly 60% of all college students are women, rising from a low of 5% in the early 1940s.

As women remained in school longer and had careers outside the home, they had fewer children themselves, often later in life. Over the past 60 years, the birth rate fell by nearly 50% resulting in a decrease in average family size from 3.4 to 2.6. At this rate, the native population of the United States will stop growing in 2015 then decline. Within the next ten years, immigration will be the predominant force behind any additional American population growth.

The combination of an enormous demographic wave followed by smaller successors creates a disturbing reality. Declining birth

rates over the past two generations will have a significant effect on American employers. As the baby boom retires, employers will have difficulty finding replacements because there are more bodies scheduled to leave the workforce than the supply of available replacements. America faces a labor shortage of historic proportion.

At the same time, a disturbing financial trend is emerging. Retirement will not be the "golden years" the retirees are expecting. Much of the baby boom faces aging without the financial resources to quit working entirely. Over the past 150 years, the proportion of men working after age 65 has plummeted from 76% in 1850 to 17% in 2000. Retirement evolved from an option available to only a few during the 19th century to a virtual entitlement by the end of the 20th century.

The traditional leisure retirement, free of the need to work, is in jeopardy for many, in large measure because of declining, and endangered public and private funding of pensions.

Congress and the President are repeatedly warning of the insolvency of Social Security since there will be fewer workers contributing to the plan relative to those collecting benefits. Further, the American employer pension system, which only covers about 30% of all workers, is under-funded by nearly \$420 billion or about one-third of the total projected obligation. As baby boomer retirements accelerate (the first turned 60 this year), the immediate demand and pressure on Social Security and pension plans will increase until these benefits become severely threatened. Hundreds of companies have already terminated or frozen their pension plans in the recent past.

Many baby boomers have inadequate savings or assets for what is likely to be a longer retirement and ever-increasing life span. Meaningful tax incentives for personal retirement savings were introduced only 15 to 20 years ago, by which time most boomers had already been working 20 or more years with confidence in Social Security, employer pensions and manageable healthcare and living expenses. At present, tax favored individual retirement accounts (IRAs) are limited to \$5,000 annually for individuals 50 and older and may be the only such savings opportunity for those not in any employer-sponsored retirement income plan. This has resulted in what, for many, has become the fear they will outlive their retirement income and savings. Today, the traditional “three legged stool” of retirement – Social Security, employer pensions and personal savings, has become very wobbly.

But Everyone Is Supposed to Retire--That's How it Works

The ideal of a financially safe and secure retirement beginning at age 60 to 65 has been the foundation of popular culture in the bulk of developed countries for the past fifty years. Increases in life expectancy, economic uncertainty, rising healthcare costs, deterioration in pensions, concerns about social welfare benefits, keen business competition, international tensions and countless other concerns have threatened this ideal. The likelihood for the large majority of older workers is that the ideal retirement is no longer a realistic goal. Employment beyond age 60 or 65 is likely – either by necessity or preference.

However, employers are not currently prepared to hire, retain and make optimal use of the experience and resources of the age 50+ worker.

Human Resource Policy – Established human resource policies, practices and programs presume that employees will “fully retire” at about 60 to 65. Deeply entrenched policies facilitate the long-planned departure of most all employees as the expected and preferred outcome of one’s work life. Organizations are generally very hesitant to substantially alter their workforce strategy and fundamental policies. The shift to age friendly human resource policies is nothing less than a total “sea change.” The most fundamental values, beliefs, habits and practices will have to evolve for everyone in the organization beginning with senior executives.

Organization culture, workforce planning, recruiting, training, management development, compensation, benefits, employee relations, organization structure, and work environment will all see dramatic change.

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Benefit Laws and Regulation – Existing IRS and ERISA requirements present significant obstacles to adapting to longer, more flexible careers and different forms of employment beyond traditional retirement age. Major legislative initiatives will be required to change pension, savings and healthcare benefit laws. There will be extraordinary reluctance to confront many of these issues because of the economic consequences.

Organized Labor – While less than 13% of American workers are covered by collective bargaining agreements, unions still exert substantial influence with U.S. employers and workers. Unions are vital partners in the transition to a new definition of career and retirement for our increasingly older workforce.

Respect Your Elders, But Do We Have to Hire Them?

Back in 1967 when many baby boomers were still in diapers, Congress passed the Age Discrimination in Employment Act (ADEA). The ADEA prohibits discrimination against workers 40 and older in organizations with 20 or more employees. Employers may not favor younger workers in any policy, practice or program. In 1990, Congress expanded the ADEA's protections to prevent age discrimination in the provision of employee benefits with the Older Workers Benefit Protection Act. Every state also has enacted laws designed to prohibit age-based discrimination.

The Equal Employment Opportunity Commission (EEOC) has enforcement authority for federal discrimination laws. Each state also maintains an agency to enforce its statutes (although the EEOC often shares jurisdiction with the state agencies, so either can investigate or prosecute any claim of discrimination). After the agencies have investigated a claim, the courts then have authority to hear and remedy age discrimination claims. With a major civil rights law that has been enforced for almost 40 years by the courts and a formidable array of agencies, it seems surprising that age discrimination is even an issue anymore.

Claims and litigation statistics are inconclu-

sive as to age bias trends. Business and employer groups often say there is no real age bias anymore and that most employers are in compliance. However, the AARP has stated, "Age discrimination remains a formidable barrier for older workers." The AARP is not alone in its view that age bias continues and is pervasive.

There has long been a connection between a poor economy and age discrimination claims. EEOC statistics demonstrate a direct correlation between an unfavorable economy and age-based complaints. During the mid-90's, the U.S. saw about 400,000 layoffs annually – often accompanied by "early retirement packages". Jobs were relatively plentiful and older job seekers were often successful. In contrast, during 2001, there were 2,000,000 layoffs in the United States. Both business and society were staggered by the September 11th terrorist attacks. And the economy continued a protracted downward slide. Globalization, downsizing, outsourcing and the continuing loss of good paying, and often unionized, manufacturing jobs all contributed to an unfavorable labor market. Then, the service economy provided only low-wage and limited-benefit jobs for the large majority of the unemployed. Thus, with more competition for desirable jobs, older worker tended to be left behind and age discrimination claims rose.

The current head of the EEOC offered further explanation, "The (*age-based*) claims go up when the economy goes down." "Companies tighten their belts by cutting higher-paid jobs, many of which are held by older workers... and that is largely because of bias."

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More recently, unemployment has been at relatively low levels for several years and the economy continues its sustained growth. So, older workers should be faring better in the job market. Yet who does not know at least several people over age 50 who simply cannot find a job? A friend laments, "If you think it's tough to find a job in your late 40s, wait until you hit 50, or worse yet, 58." These are not marginal people. They are hard working, responsible and productive individuals.

So, is age bias in employment still a real problem or just an "age-old" perception?

Older Worker Myths – The Foundation for Bias

There are a number of surveys and studies of employees and employers that suggest there are well-established perceptions and stereotypes of older workers. Some of the more common beliefs include:

Older Worker Capabilities – The physical, intellectual and emotional capabilities of people decline rather consistently and significantly beginning at about age 50.

Overly Qualified - Many older job candidates are far too qualified for the position available making them prone to boredom and potentially disruptive to the organization.

Unlikely to Stay – Particularly those that are overly qualified, older candidates are not a good "long term bet" and are likely to quit their job in a short time.

Pay Expectations – Older candidates and workers expect to receive the higher pay levels simply because of their age and experience.

Benefit Costs – Healthcare, disability, sick time and life insurance benefit costs for older workers are far higher than younger workers.

Illness and Attendance – Older workers have significantly poorer health and are often absent due to illness and other reasons.

Innovation and Creativity – Older workers become set in their ways and just cannot provide the innovation and creativity vital to organizations.

Technical Savvy – Older workers have not acquired the technical expertise required in today's fast paced, computer-driven work environment.

Resistant to Change – Older workers are very resistant to change and are principally concerned with just "putting in their time" until retirement.

Not A Team Player – Older workers don't do well in the fast changing and intense environment of virtual organizations and teamwork.

Productivity – All things considered, older workers are just not as productive as younger workers.

The evidence refuting the myths is widely available, but beliefs and long-held stereotypes are slow to yield to facts. These inaccurate beliefs will sustain age bias until a public outcry of protest reverses them.

Older Workers' Self Limiting Beliefs

Not all myths and misperceptions are the fault of employers. Older workers may be limiting themselves with their own beliefs that can become self-fulfilling. For Example:

"First Fired, Last Hired" – It is well known that older workers are the "first to be fired and the last to be hired." That must be the reason for what's happening to me. I may as well not even bother to apply for the opening.

This Early Retirement Package is Irresistible – I can't wait to get out of here anyway so I think I'll just take the package. I'll take a little mental health break and then find a new, great job!

Although Based on Myth, Age Discrimination Still Exists

Age Bias Claims – Federal EEOC age bias claims have been unremarkable for evidence of increasing discrimination though they do tend to rise during unfavorable economic times, often faster than those of other protected groups. Since 1992, annual claims have ranged between 14,100 and 19,900. Of those, the EEOC found more than 60% of claims to “have no reasonable cause.” The statistics for the other protected classes of gender, race, disability, religion and national origin are similar.

The notable exception is a spike in federal age bias claims between 2001 and 2003. No other protected group’s claims showed a similar jump. This information, plus anecdotal information from several state enforcement agencies, notably California and Texas, suggests that worker terminations and the hiring slowdown in the U.S. have hit older workers more heavily than other protected groups. The number of age bias claims is increasing faster than other types of discrimination claims – but then again, so is the proportion of the workforce comprised of older workers.

There is an emerging consensus that the baby boomers- 76 million people, the youngest just now turning 60, could yield a noticeable increase in age bias claims in the next five to ten years. This is a generation that grew up during the civil rights and Vietnam war protest eras. They have stood up and sat down for their rights and learned to seek legal redress for individual wrongs.

Do We Value Capable Older Workers? – Despite our best intentions and what we want to believe, the evidence indicates that contemporary U.S. culture does not value older workers. While there is a general respect for older people, this does not always translate to fair treatment, free of discrimination. Major U.S. employers are cancelling or reducing pensions and retiree medical protection on a

massive scale because they cannot afford them as the workforce becomes older. With the need to cut costs, employers are also inclined to hire younger workers who will take lower salaries, and who cost less to insure.

Labor Supply and Demand – As the Baby Boom begins to retire, employers will face an impending major shortfall in labor supply. By 2010, the workforce growth rate will be about one-tenth of what it was in the 1970s and one-quarter of what it was during the 1990s. The U.S. Bureau of Labor Statistics estimated a 10 million person shortfall in our domestic labor supply in the next five years. Some major companies are already working hard to recruit and retain “experienced” workers.

Recruiting Policies and Older Workers – Research from the Society for Human Resource Management indicates that 2/3 of U.S. employers do not actively recruit candidates age 50 and older. Some 1/2 of employers don’t actively try to retain older workers. This is a situation that is not likely to continue. It’s really a matter of how quickly employers acknowledge that a large part of the solution to the impending labor shortage is already on the job or eager to apply – workers 50 and older.

Perception Molds Reality – In a December, 2005 report prepared for the AARP by the human capital consulting firm of Towers Perrin, (*The Business Case for Workers Age 50+: Planning for Tomorrow’s Talent Needs in Today’s Competitive Environment*), the issues of myth and reality about older workers were evaluated in a business case format. Through careful financial analysis and direct, methodical challenge to widely held myths about older workers, the report makes a powerful case for employers to promptly begin attracting and retaining workers over age 50.

An Open Issue – Age bias is certain to receive far more attention going forward. Economic and social factors will not permit continued age bias.

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An organization associated with the national employment lawyers association

AARP

The leading organization advocating for the interests and rights of Americans 50 and older.

<http://www.aarp.org>

Making Your Company Age Friendly

General Values and Commitment – Beginning with the senior leadership, publicly and forcefully commit your organization to the full utilization of workers age 50+. Make it a major workforce initiative. Reward employees who embrace this commitment and don't tolerate indifference or lack of support.

Organization Culture and Work Environment – Establish and sustain a culture and work environment that values cross-generational diversity – make age diversity as important as all other protected groups afforded diversity protection and advantage. Combat the negative stereotypes of older people – the foundation of age bias.

Retention Practices – Change policies, programs and practices to maximize retention of capable and productive workers age 50+. Start by letting older workers know they are valued and respected.

Recruiting Practices – Establish and maintain an ongoing and targeted recruiting program to attract candidates age 50+. Feature older workers in your ads and even in the role of recruiter. Insure that the potential for bias is eliminated from the screening and selection process.

Workforce Composition – Strive to have the representation of employees age 50+ in executive and management ranks at the same or higher level of representation of age 50+ people in the workforce at large.

Management Practices and Style – Establish and reinforce management practices and styles that are particularly respectful and appropriate for workers age 50+. This should begin with age diversity awareness training for management and the entire workforce. Recognize that age 50+ workers may be more inclined to challenge management decisions and ask for the rationale for management actions.

Work Schedules and Arrangement - Establish flexible work scheduling policies and practices that recognize the special needs and preferences of age 50+ workers. The scheduling flexibility of workers age 50+ can often be a distinct advantage to many employers.

Job Accommodation – Modify job content to play to the strengths and minimize the weaknesses (i.e. heavy lifting) of older workers. Consider adapted tools, equipment and work processes.

Training and Development – Maintain training and development programs for age 50+ employees that enable them to maintain their proficiencies and insure continued contribution. Consider the use of older workers in the role of mentor to their younger colleagues.

Compensation – Modify pay policies and practices to accommodate the interests and work arrangements of age 50+ workers. There is clear evidence that employers offering reduced pay for reduced accountability and hours receive a favorable response from age 50+ employees.

Pension and Savings Benefits – Adapt all pension and savings benefit programs and policies to accommodate the interests and work arrangements of age 50+ workers. The ability to earn and save is central to why many age 50+ workers and retirees return to work. Explore the introduction of phased retirement.

Healthcare Benefits – Make it a priority to enable age 50+ workers to qualify for, and afford, group healthcare coverage. The availability of affordable and comprehensive healthcare is of extraordinary value to many age 50+ workers.

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