

FEDCAP SOLUTION SERIES

business in the 21st century

Leveraging the Older Workforce as a Competitive Advantage

A JOB MAKES A DIFFERENCE

Solution Series is a project of Fedcap's Community Impact Institute





A LETTER FROM FEDCAP'S PRESIDENT & CEO

Dear Friends,

Welcome to Fedcap's 6th Solution Series: *Business in the 21st Century: Leveraging the Older Workforce as a Competitive Advantage.*"

Our nation is in the midst of a profound demographic shift to an older population and an aging workforce. As business leaders and concerned stakeholders, you have a golden opportunity to take the lead on a transformational change and turn it to your competitive advantage.

With the Baby Boomer generation working longer and postponing retirement, business can tap the best educated, most entrepreneurial and healthiest pool of workers this country has ever known, to fill critical staffing needs. Since many of you probably belong to the Baby Boomer cohort, you know better than anyone the energy, creativity, skills and dedication that characterize this group.

There are a lot of myths about the older workforce. They're labeled as unwilling to adapt to change, slow to innovate and more expensive to employ. Businesses that buy into the stereotypes will lose out on the best job candidates, while leaders more grounded in reality will build multigenerational workforces that will provide the foundation for competitive advantage in the 21st century.

Further, forget all those jokes about the technological illiteracy of the boomers. They are a lot savvier around social media and mobile technology than is generally assumed, and the gap between them and their children is narrower than you might think.

With competing priorities, competitive pressures and limited resources, few companies have taken the time to analyze the changing demographics or their impact on the bottom line. This doesn't mean that the sky is falling, or that business leaders should panic and implement ad hoc solutions. There's time for discussion, systematic research and strategic planning.

That's what this Solution Series is designed for; to trigger those discussions and frame the questions that ultimately lead to the right solutions.

Our hope is that the conversation does not stop here. We want to engage our business partners and entire stakeholder community in ongoing dialogue about this critical workforce issue. It's a win-win for everyone; a highly skilled workforce for employers, and productive employment for older workers.

Sincerely,
Christine McMahon



SETTING THE STAGE: THE EMERGING REALITY

The United States is undergoing a profound demographic shift to an older population and an aging workforce. Every person in the workplace will be impacted to some degree by this seismic generational upheaval and its social and economic repercussions.

On January 1, 2011, the oldest of some 78 million Baby Boomers turned 65. When the youngest Boomer reaches that age in 2030, the generation born between 1946 and 1964 will account for 30 percent of the total U.S. population. Until then, over 10,000 people will turn 65 every day.

The percentage of the labor force age 55+ grew from 13.1% in 2000 to 19.5% in 2010 and is expected to increase to 25.2% in 2020.

The percentage of non-retirees who say they expect to retire before age 65 has declined to 26% today from 49% in 1995.

Business and organizational leaders have little choice but to seize the opportunity that change affords and turn it to competitive advantage as their most valuable asset, human capital, is transformed.



As this reality unfolds, attitudes about aging and work are changing. Baby Boomers are questioning traditional notions of old age and retirement as they postpone their own retirements and extend productive working lives, and businesses are rethinking their employment strategies with older workers.

14% percent of women age 65+ are currently in the workforce. The number is projected to reach 28% by 2020.

Does it make sense to define old age in calendar years and cling to traditional notions of retirement when millions of people are having a different kind of experience?

WHAT IF **70** IS REALLY THE NEW **60**?

The aging of the workforce presents employers with challenges related to compensation, retirement, tenure, morale, communications, work preferences, knowledge transfer, brain drain, job structures and workplace design.

The times demand a systematic and comprehensive strategy for managing a multigenerational workforce. The absence of a strategy can lead to increased recruiting costs, continuous outside hiring, and higher training and development costs.



THE WORKPLACE LEARNING CURVE BEGINS

Workplaces are at the beginning of the learning curve with regard to today's age demographics. Even businesses that expect a significant number of their Baby Boomer workers to retire within the next 5 years, and companies recognized for their proactive human resource strategies are at the beginning of the learning curve.

With competing priorities, competitive pressures and limited resources, few companies have analyzed the changing demographics or their impact on the bottom line. Over 85% of human resource executives who responded to a survey about the aging workforce reported that their organization had no formal programs in place to respond to the trend. (Ernst & Young).

More than two-thirds of employers have not done any analysis or done only limited analysis on the demographic make-up of their own workforce. Over three-quarter of employers have not analyzed, or analyzed only to a limited extent, information about their employees' career plans/work preferences or projected retirement rates. (CAEL).

Sixty-four percent of companies with 25,000 employees or more reported that they didn't know the percentage of their workforce that would be eligible to retire within the next five years. Thirty-two percent of the same group didn't know whether financial risks associated with the aging workforce would affect changes in their benefits and compensation plans. (Ernst & Young).

A systematic and comprehensive strategy for managing a multigenerational workforce is better than an ad hoc approach.



MYTHS ARE JUST MYTHS

Myths, stereotypes and biases about older workers are common and impact how businesses respond to the aging workforce. In an AARP survey of registered voters over the age of 50, one-third said that they or someone they know has experienced age discrimination in the workplace. **The facts about the Baby Boom Generation belie the myths and biases.**

MYTHS

As a group, workers over 55 are unable to adjust to change, incapable of taking direction, slow to innovate and sorely lacking in technological skills.

Older workers are unable to adapt to new technologies.

Older workers are more costly to employ.

Health care costs are higher for older workers.

FACTS

▶ Boomers are highly skilled, well educated, hardworking and entrepreneurial. In 1996, entrepreneurs age 55-64 made up 14.3% of new business owners; in 2011, they made up 20.9%.

▶ Boomers are rapidly closing the gadget and social media gap with younger generations. 89% of baby boomers 65+ have personal email and use it regularly. One-third of the 195.3 million internet users in the U.S., are adults aged 50+.

▶ Studies show that older workers perform better on every dimension of job performance. They have less absenteeism, less turnover, superior interpersonal skills and provide better customer service.

▶ Fortune 400 executives say older worker productivity, work ethic, loyalty, knowledge transfer and other factors provide a significant ROI.

“The evidence is overwhelming that older workers are simply better. But the hiring managers are just going with their guts, and our guts are full of prejudice.”

— Peter Capelli, Director of the Wharton Center for Human Performance



BEST EDUCATED GENERATION

More Baby Boomers hold college degrees than any previous generation. According to U.S. Census Bureau data, 28.8 percent of Baby Boomers have earned a Bachelor's degree or higher, while another 28.9 percent have attended some college classes.

For the generation born after the World War II, higher education was a ticket into the middle class. Many Baby Boomers were the first in their families to attend college and to own homes. They participated in an era of great social change, including the Civil Rights Movement and the Women's Movement. They move easily in today's diverse workforce environments and are adept at team-building and collaborative decision-making.

Many Baby Boomers have held leadership positions. They are willing to work long hours to accomplish tasks and often identify with the prestige and brand of the companies they work for. They are comfortable with corporate hierarchies and understand that hard work and commitment are necessary for advancement.

Further, Baby Boomers are returning to college in great numbers to stay relevant in an increasingly competitive workplace. Having already earned four-year college degrees they're going for associate degrees to improve their marketability or retrain to reenter the workforce after losing jobs.

**BABY BOOMERS
ARE THE BEST
EDUCATED
GENERATION
IN THE HISTORY
OF OUR COUNTRY**

15% of those 65+
had a college degree
or higher in

2000

25% of those 65+,
had a college degree
or higher in

2012

NEW OPPORTUNITIES TO ADD VALUE TO YOUR BOTTOM LINE

SIGNS OF HOW BUSINESSES ARE LEVERAGING THE TALENT OF OLDER WORKERS ARE ON THE RISE.

Across industries, businesses are engaging older workers in new and different ways, innovating with new retention strategies, flexible work schedules, alternative benefits plans, collaborative work spaces, change management programs and other measures. Businesses that are hiring older workers and fully incorporating them into a multigenerational workforce are showing that it's a winning proposition, and that proactive management of the changing workforce is becoming a priority.

In September, 2013, Google, AT&T and MetLife and over 200 other employers signed an AARP-sponsored pledge to recognize the value of experienced workers.



Automaker BMW faced the prospect of a workforce that was projected to rise in average age from 39 to 47 between 2007 and 2017. In 2013 the company launched an innovative pilot program in which seventy modifications in workplace design and equipment were made to accommodate the needs of older workers.

Modifications included new wooden flooring, weight-adapted footwear, vertically adjustable tables, flexible magnifying lenses and special chairs at several workstations. The assembly line introduced job rotation across workstations, and strength and stretching exercises for line workers. Total investment for the project was about \$50,000. In return, the line achieved a 7% productivity improvement within a year, putting it at a level of lines staffed by younger workers.



Goldman Sachs’ “Returnship Program” offers training to individuals who are looking to restart their careers after an extended absence. The ten-week program helps older workers sharpen their skills in a changed work environment. The program has been so successful that Goldman has expanded it globally, including a 2013 launch in Bangalore, India.



CVS pharmacy, the largest U.S. retail pharmacy chain has won the American Society on Aging Business and Aging Award for designing innovative programs to recruit, train, and retain older workers, and to pass along their knowledge to younger employees. CVS increased its percentage of employees age 50+ from 7 percent in the early 1990s to more than 17 percent by 2007. The company’s Snowbird Program lets employees transfer to different CVS locations on a seasonal basis to work as greeting-card specialists, cosmetic consultants, photo supervisors, and pharmacists.



Among the 2013 winners of the AARP Best Employers for Workers over 50 Award are MEI Technologies, an aerospace company based in Houston, and Stanley Consultants, a global consulting engineering company in Iowa. Both have dedicated positions for retiree relations and maintain open lines of communication to retirees.

They offer temporary work assignments in consulting, contract work and telecommuting, as well as full-and part-time employment.

1/3 of the employees at Tofutti Brands Inc., a New Jersey-based distributor of non-dairy food products, are over 55.

“There’s no experience like experience,” said David Mintz, the company’s CEO.



TAKEAWAYS: WHAT YOU CAN DO

As society redefines old age, businesses are starting to recognize the vitality and productivity of older workers, and are taking a fresh look at how they hire and retain them.

Below are several questions you should be asking yourself and your key management staff:

- ▶ How is our business considering the potential impact of an aging workforce on current business operations?
- ▶ What are we doing to recruit, engage, and retain talented employees at different career stages?
- ▶ How do we perceive the relationships between our key business strategies and different approaches to talent management, including the inclusion of older workers?

Here are some ideas for businesses that want to deepen their understanding of how to leverage older workers to enhance their bottom line:

- ▶ Perform an analysis of current demographic trends in the company, and how these will affect the workforce — both short and long term.
- ▶ Establish mentoring programs with younger and older employees to enable knowledge transfer, skill building, and reduction of generational conflict.
- ▶ Consider providing older workers with a variety of pathways to retirement. Phased retirement is an underutilized option for retaining talent. In some circumstances IRS rules allow companies to provide partial pension benefits to current employees who have reached the “normal retirement age” of 62.



FEDCAP AND OLDER WORKERS

Since 1935, Fedcap has been helping people with barriers find employment and attain economic self-sufficiency. As a pioneer in innovative workforce development solutions, we are uniquely positioned to help businesses leverage the older workforce.

Our understanding of older workers and their impact on the bottom line stems from four sources. The first is extensive research on the aging workforce undertaken by our **Community Impact Institute**. Through analysis of supply and demand, growth industries, industry trends, skills requirements and existing developmental resources, we developed a comprehensive workforce development strategy for older adults who face barriers to employment due to age, skill level and workplace requirements.

Second, Fedcap's subsidiary **ReServe**, which matches 55+ professionals with organizations looking to fill critical staffing needs, has placed more than 3,000 older workers in jobs at over 350 public and private agencies. "ReServists" provide employers with valuable skills and experience, as well as insights into the productivity potential of an older workforce and the implications for business of later retirement and longer working years.

Third, Fedcap understands the staffing needs of business because we are business owners ourselves. Fedcap operates five commercial businesses that collectively employ more than 1,700 individuals working under 82 separate contracts. As an entrepreneurial organization we understand the growth imperatives of business. Since 2009 Fedcap has acquired five agencies, helping to increase its revenue from \$65 million in 2009 to \$135 million today.

Finally, we are age diverse ourselves. One-third of our 2,100-strong employees are over the age of 45, a workforce demographic that we believe correlates directly with our ongoing success.

At Fedcap, our mission and culture put us at the front lines of economic empowerment initiatives. As business leaders your primary concern is the bottom line. Together, we can turn the challenges of an aging workforce into opportunities for a competitive advantage.

FOOTNOTES

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