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Executive Summary

As the U.S. population ages and the number of people reaching traditional retirement ages increases, employers may need to do more to attract and retain older workers, many of whom are highly experienced, knowledgeable, and skilled. To attract older workers, however, employers may need to rethink traditional workplace practices. Many older people prefer part-time work so they can enjoy more relaxed lifestyles and pursue leisure activities. Others need flexible schedules to accommodate family care responsibilities or their own physical limitations. Many older people can afford to cut back their work hours only if they have access to employer retirement benefits. Policies that prevent part-time workers from collecting retirement benefits from their current employer often force older workers to leave their career job and work reduced schedules elsewhere, squandering firm-specific skills accumulated over long careers.

Low employment rates at older ages may also result from difficulties matching older job applicants with appropriate employers, or from employer perceptions—real or imagined—that older Americans cannot meet their workforce needs. Some older people may lack the proper mix of skills required in high-growth industries. Some employers may be reluctant to hire older workers because they fear they are too costly or because employers do not appreciate the attributes many older workers embody, including maturity, experience, and dependability. Governments, nonprofit organizations, and educational institutions can promote employment at older ages by training older people, helping them find employment, and combating negative stereotypes about older workers.

This report, commissioned by the U.S. Department of Labor’s Employment and Training Administration to support the work of the Taskforce on the Aging of the American Workforce, describes current strategies used by employers to help attract and retain older workers and by nonprofit organizations, educational institutions, and the government to facilitate their employment.

Current Employer Strategies to Hire and Retain Older Workers

Existing employer efforts to improve hiring and retention of older workers include creating flexible work arrangements and offering formal and informal phased retirement options.

Flexible Work Arrangements

Flexible work arrangements may appeal to older adults who no longer wish to work traditional full-time schedules, either because of additional personal obligations (such as the need to care for aging parents or spouses or to help with grandchildren), worsening health, declining physical energy or stamina, or a preference to sacrifice some income for more control over their time without giving up paid employment entirely. Some older workers with enough savings or access to pension benefits can maintain their living standards with lower earnings.

Flexible work arrangements include the following:
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- part-time employment;
- flexible work schedules, including flextime (which grants employees some control over the timing of the workday) and compressed work schedules (which allow employees to work longer days but shorter weeks);
- job sharing;
- changing jobs within the company, which can facilitate shifts to part-time work and offer new opportunities to older employees seeking new challenges;
- telework arrangements, which enable employees to work from home or teleworking centers closer to home than their normal workplace. These arrangements require appropriate workplaces free from distractions with necessary communications equipment. They are not appropriate for all jobs, such as those that require equipment that cannot be placed in individual homes and those that entail face-to-face interaction with customers or fellow employees; and
- snowbird programs, which allow employees to shuttle between two locations seasonally. These arrangements are economically viable for large organizations in such sectors as retailing and health care services with customer bases that also migrate over the course of the year.

Phased Retirement Options

Many workers prefer to phase into retirement gradually with their current employers instead of changing employers or moving directly from full-time work to full retirement. But traditional defined benefit (DB) plans inhibit these arrangements. Many older employees cannot afford to reduce their work hours unless they can draw on their retirement benefits, but federal law restricts employers’ ability to pay benefits from DB plans to workers who remain on their payrolls. However, the movement by many private employers from traditional DB plans to defined contribution retirement plans and hybrid plans (such as cash balance plans) that do not discourage work past the traditional retirement age should make phased retirement options easier to implement. Some employers are also pursuing other strategies to accommodate their workers’ interest in phased retirement, such as allowing employees to continue working without losing traditional pension benefits, creating formal plans to move older employees to part-time work, rehiring retired employees as part-time workers, and using former employees as contractors.

Deferred Retirement Option Plans (DROPs). DROPs allow DB pension plan participants to work beyond their plan’s retirement age without forfeiting pension benefits. When a worker reaches retirement age, the employer deposits into a DROP account the pension benefits it would have paid if the employee had retired. The employee later receives the benefits with interest when he or she stops working. DROPs have been instituted in many public school districts facing teacher shortages, but legal complications have limited their use in the private sector.

Transition to Part-Time Employment for Older Workers. Before enactment of the Pension Protection Act of 2006 (PPA), IRS regulations did not allow firms to pay retirement benefits from DB plans before termination of employment, except in a limited way. PPA allows payment
of benefits to in-service workers who are age 62 or older, although new regulations under PPA are still pending. Even before this change, some firms have been able to institute programs that allow older workers to reduce their hours gradually while still receiving some pension and health benefits. Other employers are able to meet regulatory requirements and pay retirement benefits to older workers by terminating the employees and rehiring them part time. The law is unclear about what constitutes termination of employment, but it would seem that some time would need to elapse between terminating and rehiring before the former employee could be considered a new hire.

_Hiring Former Employees as Independent Contractors._ As an alternative to paying pension benefits to active employees, the firm could terminate employment and then rehire the former employee as a consultant or independent contractor. Independent contractors do not receive employee benefits, but they can receive full retirement benefits while working for their previous employer. Although there are no restrictions on paying pension benefits to former employees who are independent contractors, issues arise in determining whether the provider of labor services is really an independent contractor.

**Strategies by Government and Other Service Providers to Boost Older Adults’ Employment**

Federal, state, and local governments, as well as nonprofit organizations and post-secondary educational institutions, help older workers find employment and secure job training and educate employers about the value of older workers. The Workforce Investment Act of 1998 (WIA) adult and dislocated worker programs, delivered through a system of One-Stop Career Centers, and the Senior Community Service Employment Program (SCSEP) are two of the federally funded programs that provide job search and readiness assistance to older workers. SCSEP services are restricted to low-income older adults. Additionally, nonprofit organizations and community colleges are developing initiatives to help older workers return to or remain in the workforce.

**Helping Older Workers Find Employment**

*Job and Career Centers.* Older workers can find job search assistance at One-Stop Career Centers and SCSEP sites. The U.S. Department of Labor’s Employment and Training Administration has developed service protocols for use in One-Stop Career Centers to train older worker specialists so they can better understand the employment barriers that many older adults face. Some states, such as Maine and Wisconsin, are developing materials and resources in their One-Stop Career Centers especially for older clients. The SCSEP sites often use One-Stop job search services for their low-income enrollees.

Several local areas provide services through alternatives to traditional One-Stop or SCSEP offices. In Ohio, for example, the Mature Services program operates four employment centers geared specifically for seniors, using SCSEP grants and WIA funds to finance employment services and intensive “job clubs.” National career centers also assist older people seeking employment, usually by recruiting workers for particular industries.
Employment Web Sites. Internet job sites and job banks that target older workers are becoming increasingly popular. Many provide guidance to older adults about how to find jobs best suited to their needs, including tips on identifying employers that value their expertise and offer work environments that welcome older people. The AARP web site, for example, lists job sites, provides job search advice, and vets employers friendly to older workers. It also provides information on careers, self-employment, workplace flexibility, and how to cope with job loss. Some web sites are industry specific, such as YourEncore.com, which recruits engineers, scientists, and product developers.

Job Fairs. Many state and local offices of the aging, workforce agencies, local One-Stop Career Centers, and nonprofit service providers organize job fairs for older workers. For example, Operation A.B.L.E. (Ability Based on Long Experience) of Greater Boston hosts Mature Worker Career Fairs to help match employers with job seekers age 45 and older.

Job Counseling. At One-Stop Career Centers, staff and older worker specialists provide job counseling to older workers seeking new employment. Staffers can identify high-growth industries, companies with job openings, and the skills needed to obtain these jobs, and advise older workers on how to pursue job openings, interview with employers, and deal with various age-related issues. Other counseling services can be obtained from organizations such as Senior Employment Resources, a private nonprofit organization that offers advice to older job seekers on career directions, resumes and interviews, and networking. SCORE, a national nonprofit association funded by the U.S. Small Business Administration, also offers counseling to budding entrepreneurs of all ages.

Training Opportunities for Older Workers

Publicly funded training programs have been serving older workers for decades. Although previous legislation authorized special funding blocks for older workers, WIA consolidated these funds into a single funding stream for all adults in an effort to provide universal access to these services. This legislation does, however, allow states and local areas to give priority to special populations, such as older workers, when allocating training funds. Some states have recently begun to focus on older workers’ training needs and to tailor some services and funding for older workers. State or local dislocated worker programs funded through WIA (or Trade Adjustment Assistance, when layoffs are trade-related) serve a significant number of older workers. DOL also funds SCSEP sites through competitive grants to state governments and national nonprofit organizations to train workers age 55 and older.

Community colleges are leading efforts to develop job training opportunities for older workers. Such colleges as Portland Community College and Central Florida Community College are recruiting workers age 45 and older, creating educational and vocational training programs tailored to older peoples’ learning styles, and offering student advisor and supportive services for older students. The Grand Rapids Community College Older Learner Center has created Project Mature Worker to provide older workers specialized employment and training services and meet local employers’ skill needs.
Many states, local workforce agencies, community colleges, and advocates for older adults have begun campaigns to educate employers and industry associations about the benefits of hiring and retaining older workers. States working to educate employers and develop partnerships to improve employment opportunities include Arizona, Arkansas, and Iowa. Arizona, for example, developed the Mature Workforce Initiative. It features a “seal of approval” to identify businesses that are friendly to older workers and a pilot program to connect businesses with older workers through all One-Stop Career Centers in the state.

The key issue for future employment prospects is how the business community will respond to the increased availability of older workers. Relatively few employers have actively begun to recruit older workers, primarily because they do not yet foresee worker shortages. The industries that have most vigorously recruited older workers, such as health care and energy, already face imminent labor shortages. As the population ages and worker shortages develop, more employers may adapt workplace policies to appeal to older people. However, some observers who believe that globalization will enable people working overseas to meet the U.S. economy’s employment needs dispute claims that labor shortages are inevitable and that the demand for older workers will soar.

Current practices by some employers raise additional concerns about how older workers might fare in the future. Many Americans claim that older people face discrimination in the labor market, and several studies have found that employers favor younger workers over older workers. Unless changing demographics or public awareness campaigns lead employers to change their attitudes, many older workers may encounter problems finding meaningful employment. Initiatives and partnerships developed by states and advocacy groups such as AARP and the National Council on Aging to educate employers about the benefits of hiring older workers may help older job applicants overcome employment barriers.

Future employment prospects may be least promising for older workers with limited skills. The steady deterioration over the past quarter-century in the earnings capacity of workers with limited education does not bode well for the employment prospects of low-skilled workers at any age, but older workers with few skills may be especially vulnerable. Because workers with less education work disproportionately in physically demanding jobs and experience more health problems than those with more education, low-skilled older adults may be less physically able to work than other older people. Employer surveys indicate that managers are less likely to embrace older rank-and-file workers than older professionals. Government programs such as WIA and SCSEP that train low-skilled older adults and help them find employment may be critical to safeguarding their financial security in old age.
I. Introduction

Older people are emerging as a major untapped labor source that could limit potential worker shortages. As the U.S. population ages and the number of people reaching traditional retirement ages increases, employers may need to attract and retain more older workers, many of whom are highly experienced, knowledgeable, and skilled. Many people report in surveys that they wish to remain working after traditional retirement ages, health status at older ages is generally better now than in the past, and many jobs are less physically demanding. Nonetheless, employment rates remain low at older ages.

Employers may need to rethink traditional workplace practices to attract older workers. Because many older people who wish to remain employed do not want traditional full-time work schedules, some employers are experimenting with flexible work arrangements, including part-time employment, flexible schedules, telework, contract work, and job sharing. Some employers are also creating phased retirement arrangements so employees can reduce their work hours but still retain health and retirement benefits. Nonprofit organizations, community colleges, and the government are promoting employment at older ages by developing job search assistance and training programs for older workers and partnerships with employers and industry groups.

This report describes current strategies in the private sector along with the government, nonprofit, and education sectors to help attract and retain older workers. This study was commissioned by the U.S. Department of Labor’s Employment and Training Administration to support the work of the Taskforce on the Aging of the American Workforce. Chaired by Assistant Secretary of Labor for Employment and Training Emily Stover DeRocco, the taskforce includes senior representatives from nine federal agencies that administer programs affecting the lives of older Americans. It was charged with recommending strategies to address the challenges and opportunities created by an aging workforce.

The report is organized as follows. Section II reviews the challenges faced by older people looking for employment and employers that wish to hire them. Section III describes current employer strategies to hire and retain older workers, and Section IV identifies current strategies and practices by government, nonprofit organizations, and educational institutions that could improve employment opportunities for older workers. These two sections also provide examples of actual practices in use today. The final section summarizes the report, offers some conclusions, and discusses the outlook for older workers in coming years.
II. Benefits and Challenges to Engaging Older Workers

The aging population poses a serious threat to the nation’s economic security. The growing size of the older population will increase the number of older Americans who qualify for publicly financed retirement and health benefits in coming years, relative to the number of younger adults who typically work and pay taxes. Between 2000 and 2020, the number of working adults for every nonworking adult age 65 or older will fall from 4.5 to 3.3, if current employment patterns continue (Johnson and Steuerle 2004). The shrinking labor pool threatens American economic growth, living standards, Social Security and Medicare financing, and funding for all other government programs. If current employment patterns and benefit levels persist, workers will have to pay higher taxes to support more retirees, employers will face labor shortages (particularly in certain industries), retirement benefits will likely be cut, and the growth in per capita economic output will slow.

But demographic change tells only part of the story. Future outcomes depend largely on individual employment decisions by workers and employers. Although labor force participation rates for older women have been rising over the past half-century as paid employment increased for women of all ages, participation rates for older men are lower now than they were 50 years ago, when health problems were more prevalent and jobs were generally more physically demanding. In 2005, for example, only 20 percent of men age 65 or older participated in the labor force, down from 47 percent in 1948 (Bureau of Labor Statistics 2006a). If people work longer, the economy can produce more goods and services, boosting living standards for both workers and nonworkers and generating additional tax revenue to fund all kinds of government services. For example, if men age 55 or older in 2020 worked at the same rate as they did in 1950 instead of the rate that prevailed in 2000, the ratio of working adults to nonworking older adults in 2020 would be 4.1 instead of 3.3 (Johnson and Steuerle 2004). Restoring the 1950 labor force participation behavior of older men would eliminate about two-thirds of the expected drop in the old-age dependency ratio between 2000 and 2020. Alternatively, if every worker delayed retirement by five years, relative to retirement plans based on current work patterns, the additional income and payroll taxes they would pay would more than cover the Social Security trust fund deficit for the foreseeable future (Butrica, Smith, and Steuerle 2007).

In addition to improving the economic outlook, working longer can enhance individual well-being. Those who delay retirement can raise their own retirement incomes by avoiding early retirement reductions to their Social Security and defined benefit (DB) pension benefits, accumulating more Social Security and pension credits and other savings, and reducing the number of retirement years that they must fund. By working until age 67 instead of retiring at age 62, for example, a typical worker could gain about $10,000 in annual income at age 75, net of federal income taxes and health insurance premiums (Butrica et al. 2004). Delaying

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1 Most people can increase lifetime Social Security benefits by delaying benefit take-up, even if they do not work any additional years (Coile et al. 2002). The system increases monthly payments for those who wait to collect benefits to offset the reduction in the number of payments they receive over their lifetime. But, as life expectancy has increased, these bonuses now exceed the actuarially fair amount, overcompensating beneficiaries who delay claiming.
retirement may also promote physical and emotional health by keeping older adults active and engaged and imbuing their lives with meaning (Calvo 2006).

A. The Changing Retirement Landscape

The crucial question, then, is whether coming demographic changes will lead to higher employment rates and later retirements for older adults. A number of factors suggest that employment rates for older Americans will rise in the coming years. Improved health and declines in physical job demands leave older people better able to work today than in the past (National Center for Health Statistics 2006; Johnson, Mermin, and Resseger forthcoming; Steuerle, Spiro, and Johnson 1999). Recent Social Security changes increase work incentives at older ages. The normal retirement age for full Social Security benefits recently increased from 65 to 66 and will reach 67 for those born after 1959.Delayed retirement credits have been raised to better compensate retirees who take up benefits after the normal retirement age. And Congress repealed the earnings test, which reduces Social Security benefits for employed recipients who earn more than a limited amount, for beneficiaries past the normal retirement age.

Changes in employer-provided pension and retiree health benefits are also likely to encourage boomers to remain at work. Traditional DB pensions, which provide workers with lifetime retirement annuities usually based on years of service and earnings near the end of the career, discourage work at older ages (Stock and Wise 1990). They often provide substantial subsidies for early retirement and penalize workers who remain on the job past the plan’s normal retirement age, because workers who delay retirement by a month forfeit a month of benefits.

Over the past 30 years, however, employers have been shifting from traditional DB pensions to defined contribution (DC) plans (Pension and Welfare Benefits Administration 2001-02), which do not encourage early retirement. Employers typically make specified contributions into individual DC accounts that workers access at retirement, generally as lump-sum payments. Because contributions continue as long as plan participants remain employed and workers with a given account balance can receive the same lifetime benefit regardless of when they chose to begin collecting, DC plans do not generally penalize work at older ages. As a result, people in DC plans tend to work about two years longer than DB participants (Friedberg and Webb 2005). Thus, the shift to DC plans should increase older Americans’ labor supply.

The erosion in employer-provided retiree health benefits is also likely to limit early retirement. Retiree health insurance, which pays health expenses for early retirees who have not reached the Medicare eligibility age of 65, discourages work by reducing retirement costs that arise from the loss of employer health benefits. Workers offered retiree health benefits by their employers retire earlier than workers who lose their health benefits (Johnson, Davidoff, and Perese 2003; Rogowski and Karoly 2000). Rising health care costs and the introduction of an accounting rule in 1993 that requires employers to recognize on their balance sheets the full

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2 There is some evidence, however, that the trend toward better health in late midlife has ended and perhaps reversed. For example, the share of surveyed adults age 51 to 56 reporting health problems increased between 1992 and 2004 (Soldo et al., 2006), and disability rates at age 40 to 49 increased between 1984 and 2000 (Lakdawalla, Bhattacharya, and Goldman 2004).
liability of future retiree health costs have led many employers to terminate their retiree health plans. In 2005, only 33 percent of employers with more than 200 employees offered retiree health benefits, down from 68 percent in 1988 (Kaiser Family Foundation and Health Research Educational Trust 2005).

Perhaps in response to these various trends, older adults are now working longer than they did 20 years ago. Between 1985 and 2005, the share of men in the labor force increased from 46 to 53 percent at age 62 to 64 and from 24 to 34 percent at age 65 to 69 (Federal Interagency Forum on Aging-Related Statistics 2006). The increase among men older than 65, when Medicare eligibility begins, suggests that the desire for health insurance coverage is not the sole factor boosting participation rates. Over the same period, female labor force participation rates rose from 29 to 40 percent at age 62 to 64 and from 14 to 24 percent at age 65 to 69 (reflecting the aging of a cohort of women with higher participation rates at younger ages than earlier cohorts).

Several surveys also suggest that boomers intend to work into old age. For example, 68 percent of older workers in one recent poll said they intended to work in retirement (AARP 2003). The mean self-reported probability of working full-time past age 65 among workers age 51 to 56 participating in the Health and Retirement Study increased from 27 percent in 1992 to 33 percent in 2004 (Mermin, Johnson, and Murphy 2007). Another AARP poll found that 38 percent of older workers want to phase into retirement gradually instead of leaving the labor force all together (AARP 2005). A recent MetLife survey found that boomers are increasingly concerned about their ability to afford an early retirement (MetLife Mature Market Institute 2005).

**B. Challenges Confronting Older Workers and Employers**

Despite these encouraging signs, a number of obstacles remain to lengthening work lives, discouraging both employees from working longer and employers from hiring and retaining them. On the labor supply side, Social Security payroll taxes create disincentives to work at older ages for people who have spent most of their adult lives in the labor force. Social Security benefits are based on average indexed monthly earnings, computed over the 35 years with the highest indexed earnings. For workers with fewer than 35 years of employment, an additional year of work and contributions eliminates a year of zero earnings from the benefit computation, often raising future benefits substantially. But for those with longer employment histories, an additional year of work will raise future Social Security benefits only if current earnings exceed adjusted earnings in the least remunerative of the top 35 years already used in the computation. This gain in benefits is not typically large enough to compensate for the additional payroll taxes that workers must pay (Butrica et al. 2004).

Even for older workers who have not completed 35 years of qualified work the net increase in Social Security benefits is often small because the benefit formula favors people with low lifetime earnings over those with high lifetime earnings. In addition, people with spouses who earn substantially more than they do often receive no additional Social Security benefits in
return for the payroll taxes they pay, because many end up collecting benefits based on their spouse’s earnings history.³

Social Security’s retirement earnings test remains in effect for those who have not yet reached the full retirement age, currently 66. The earnings test reduces current benefits for people who have not reached the full retirement age by $1 for every $2 of earnings above a specified annual threshold, set at $12,960 in 2007 (and adjusted each year by the average change in earnings). Many of those whose benefits are taxed away would eventually recover or more than recover them (depending on how long they live) through higher benefits in the future, but many people are unaware of (or do not respond to) this feature of the law. In addition, the earnings test may signal older people that they should not work, discouraging employment more than the financial incentives alone suggest.

Certain fringe benefits also discourage work at older ages. As noted earlier, workers in DB pension plans often lose pension wealth if they work beyond the plan’s normal retirement age. Although these plans are much less common now than they once were, they continue to cover about one in five workers in the private sector (particularly those in large, unionized firms) and nearly all workers in the public sector (Bureau of Labor Statistics 2006b). Retiree health benefits also encourage retirement before age 65 by providing affordable health insurance before Medicare eligibility for people who choose to stop working. Many people without retiree health benefits are forced to work until they qualify for Medicare at age 65 because private nongroup insurance is expensive at older ages, especially for people with health problems. Although these benefits are also disappearing, nearly all public-sector workers and about one in six private-sector workers had access to retiree health benefits from their employers in 2003 (Buchmueller, Johnson, and Lo Sasso 2006).

Federal laws and regulations complicate employer efforts to provide the flexible work options that many older people prefer, discouraging them from remaining in the labor force. For example, restrictions on DB pension payouts to active workers make it difficult for workers to phase into retirement because many cannot afford to reduce their work hours without access to their pension benefits. Also, until recently, age discrimination laws made it difficult for employers to offer phased retirement programs that treat certain older workers differently from others. However, in response to a recent Supreme Court ruling, the U.S. Equal Employment Opportunity Commission issued new regulations in July 2007 clarifying that the Age Discrimination in Employment Act does not prohibit employers from favoring older workers over younger workers (even when the younger workers in question are age 40 or older).⁴

On the demand side, the perceived high costs of older workers may deter employers from hiring and retaining them. For example, wages usually rise with age. If this relationship reflects only age-related productivity gains, then it should not pose employment barriers for older workers. But it may also reflect the workings of internal labor markets that tie pay to seniority regardless of individual productivity. Average health care costs also rise with age, raising the cost of employing older people and often making total compensation rise with age more quickly.

³ As married women’s average lifetime earnings increase relative to men’s, however, more married women are receiving benefits based on their own earning histories.
than productivity. Medicare secondary payer rules, which designate employer-sponsored health benefits as the primary payer of health care costs for Medicare-covered workers, further raise the cost of workers age 65 and older. DB pension plans raise the cost of hiring and retaining older workers because pension benefits in traditional plans that pay benefits based on highest earning years accrue rapidly in the years immediately before the plan’s retirement age.

Older workers may also face age discrimination in the workplace. In a 2005 survey of 800 adults working or looking for work, 36 percent said that employers treated older workers less fairly than younger workers, and 71 percent said that older workers were more likely to be laid off (Reynolds, Ridley, and Van Horn 2005). Fully 60 percent of workers age 45 to 74 responding to a 2002 survey said they felt older workers were the first to go when employers cut back their workforces (AARP 2002). Two-thirds of the same group of respondents said they believed workers face age discrimination in the workplace, based on what they had experienced or seen.

Quasi-experimental evidence provides additional evidence that some employers may favor younger workers over older workers. One study examining how managers reacted to hypothetical workplace situations found that they generally perceived older workers as less flexible and more resistant to change than younger workers and that they were reluctant to promote older workers to jobs requiring flexibility, creativity, and high motivation (Rosen and Jerdee 1995). Another study found that employers were less likely to call back older job applicants than otherwise identical younger applicants (Lahey 2005).

There is also evidence that some employers are reluctant to invest in training older workers (Frazis, Gittleman, and Joyce 1998). Without adequate training, older workers run the risk of having their skills become obsolete, particularly in industries undergoing rapid technological change. Employers may fear that they will be unable to recoup their training costs before older workers retire.

Finally, some observers question whether a widespread labor shortage will actually materialize in the U.S. As globalization increases, according to this view, overseas workers will be able to meet the U.S economy’s employment needs (Freeman 2006), limiting the demand for older U.S. workers.
III. Current Employer Strategies to Hire and Retain Older Workers

This section describes employer strategies to help attract and retain older workers. The first group of strategies encompasses flexible work arrangements and includes a wide range of alternatives to the traditional, full-time, 9AM to 5PM, five-days-a-week work schedule at a single place of employment. Flexible work arrangements may appeal to workers of all ages, especially those with disabilities or care responsibilities. Parents with young children, for example, may find these arrangements attractive. But flexible arrangements can be a particularly powerful tool to retain or attract older workers, who may be willing to extend their careers only if they can free themselves from standard work schedules. The second group of strategies includes phased retirement alternatives and focuses especially on the design of benefit packages that might encourage people to remain with the same employer longer. These include part-time work arrangements that allow employees to retain health and retirement benefits, programs to rehire former employees as contractors, other creative ways of retaining the services of former employees part time, and alternative ways of making pension benefits available to those still working or removing the penalty for additional work that exists in many DB plan arrangements.

A. Flexible Work Arrangements

Flexible work arrangements may appeal to older adults who no longer wish to work traditional full-time schedules, either because of additional personal obligations (such as the need to care for aging parents or spouses or help with grandchildren), worsening health, declining physical energy or stamina, or simply a preference to sacrifice some income for more control over their time without giving up paid employment entirely. Older workers may have accumulated enough savings or gained full or partial access to pension benefits and employer-sponsored health benefits so they can maintain their living standards with lower earnings but still need some labor income.

As discussed in more detail in this section, flexible work arrangements include part-time employment, flexible work schedules, telework, contract work, and job sharing. Flexibility may also include arrangements that enable workers to perform new work tasks in different ways or change the organization’s work design. Changes in the nature of work assignments are often necessary to accommodate changes in work schedules and the allocation of work assignments as workers age.

An important benefit of flexible work arrangements is that they can enable employees to extend their careers with the same employer or in the same occupation or industry instead of moving to self-employment or to different occupations or sectors where part-time work schedules are more common (such as retailing). By staying in the same firm or occupation, employees can continue to use the human capital and experience that they have accumulated over a lifetime of work, raising their compensation and preventing the loss of these specialized skills, attributes, and knowledge to the employer.

Although this section focuses on the use of flexible work arrangements to make work more attractive to older people, the proliferation of these arrangements can transform the
workplace for all workers. Thus, as the workforce ages, workplace changes designed to attract and retain older workers may change the nature of employment relationships at all ages.

**Part-Time Employment.** Part-time employment helps employees balance demands of work and personal life. According to an AARP survey, nearly 7 in 10 workers who have not yet retired plan to work into their retirement years or never retire (AARP 2003). However, part-time employment and other forms of workplace flexibility is very important to many older workers because it allows them to set their own hours, take time off to care for relatives, enjoy more free time, or attend to other life priorities, and work a reduced schedule before completely retiring.

While older workers have many reasons to want to work part time, a potential issue is its impact on pensions, health benefits, and other employee benefits. IRS regulations under the Employee Retirement Income Security Act (ERISA) limit a company’s ability to pay benefits from a DB pension plan to employees who continue to work for them, while retaining the plan’s tax-exempt status. Employers may no longer wish to bear the same share of health insurance premiums for part-time workers as full-time workers, but federal law may limit their ability to adjust their contributions. The interrelationships between benefits and part-time employment are discussed more fully in the section below on phased retirement plans.

**Flexible Work Schedules.** Rather than go to a part-time schedule, many workers who maintain full-time schedules may prefer some control over their work hours. Flexible work schedules can help employees meet care responsibilities, coordinate personal chores with other family members, enjoy more free time, reduce commuting time, and schedule medical appointments, out-of-town family travel, and other intermittent activities.

Flexible schedules allow workers to determine the timing of the workday (*flextime*) or the workweek or longer periods (*compressed work schedules*) with the consent of their employer. Typically, workers in flextime programs must show up during certain core hours (such as 10AM through 3PM) on days that they work, but otherwise can set the time they arrive and leave for the day. Workers on compressed work schedules may do all their work in eight 10-hour days instead of 10 eight-hour days, or, more typically, they can work nine days in a two-week period with an extra day off every other week. In addition to flexible hours, another possibility is for employers to allow employees to work extra hours ad hoc (at their mutual convenience), and then grant compensatory leave.

The Bureau of Labor Statistics (2005) reports that in 2004, 27.5 percent of the labor force had flexible schedules that enabled them to vary the time they began or ended work. Flexible work schedules were more common among whites and Asian-Americans than among African-Americans and Hispanics, and more prevalent in managerial and professional occupations and among sales and office workers than in construction, natural resource industries, and transportation. While more than 25 percent of workers had flexible work schedules, only about 10 percent were enrolled in formal, employer-sponsored flextime programs. Employers who sponsor flexible work programs generally offer a variety of options, as shown in the examples in box 1.
While flexible schedules are becoming more prevalent, the Fair Labor Standards Act (FLSA) somewhat restricts private employers’ use of flexible schedules and compensatory leave by requiring them to pay overtime wages to hourly employees who work more than 40 hours in a week. Although the FLSA protects workers who do not wish to work more than 40 hours in a week from potential employer pressure for overtime work to meet short-term needs, it also limits some flexible arrangements that both employees and employers may prefer. The federal government may be able to make better use of flexible schedules because the FLSA allows it to grant compensatory leave instead of overtime pay to employees who work more than 40 hours in a week. The government permits federal workers at all levels other than the Senior Executive Service to use flexible schedules. The Bureau of Labor Statistics (2005) reports that 29 percent of federal workers in 2004 worked flexible schedules. (See box 2 for more details.)

**Job Sharing.** Job sharing arrangements can help older employees as they move from full-time work to part-time work. Employers may benefit from the enhanced skill sets that often result when two people share a single job. Some employers, as mentioned in box 3, encourage job sharing as a way to extend the careers of older employees.

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**Box 1. Examples of Flexible Work Schedules in the Private Sector**

*Volkswagen of America* provides a menu of ways for its full- and part-time employees to create flexible schedules, including flextime, compressed work schedules, job sharing, and telecommuting. Employees are also allowed some schedule changes to move between full- and part-time employment. Many older workers phase into retirement by moving to part-time work. Retirees are also actively recruited back into employment with part-time and flexible schedules, consulting/contracting opportunities, and short-term work assignments.

*Mercy Health System* offers its employees numerous flexible schedule options, including weekend-only work, work-at-home opportunities, and seasonal work programs that allow employees to take extended leaves.

*Lee Memorial Health System* is another employer in the health care industry that offers flexible work options. These include part-time work, compressed workweeks, job sharing, temporary work schedules, and phased retirement. Lee Memorial has also developed a seasonal-months-off (SMO) program that grants employees up to six months off during slow seasons (usually summer). Both full- and part-time workers can use the program, which allows workers to maintain their health, dental, vision, long-term care, and life insurance benefits at the same rate that prevailed before their SMO break. Additionally, Lee Memorial offers a reduced schedule program, similar to the SMO program, that allows employees to work reduced schedules for up to six months without losing their benefits.

However, employers may have more difficulty implementing job sharing than other flexible work options. It requires clear delineation of work responsibilities as well as frequent communication among the job sharers and their manager. If one job sharer leaves, the other may be forced to return to full-time work or lose his or her job unless another job sharer can be found. Nonetheless, both the company and the employees who share jobs can benefit if all parties have a long-term commitment to the arrangement (Sheley 1996).

Changing Jobs within the Company. Some employers allow employees to change jobs within the company. Sometimes a way to facilitate shifts to part-time work, this option can also offer new opportunities to older employees who have become less motivated in their existing position and are seeking new challenges or it can enable employees to shift to new positions better suited to their changing capabilities or preferences. Box 4 provides examples of companies that encourage workers to change jobs within the company.
Box 3. Examples of Job Sharing

Abbott, a global health care company with about 65,000 employees, recently developed a job-sharing program, with the assistance of its employees, to deal with its aging workforce in Europe, Japan, and the United States. Older employees are encouraged to use the job-sharing program in conjunction with other flexible work options so they can stay on the job longer and better achieve a work-life balance (Abbott 2007).

Unified School District of Wichita, Kansas is an early example of job-sharing programs for older workers. As shrinking school enrollment forced the district to reduce its staff, the school system began offering a job-sharing program rather than laying off workers. The program allows teachers age 55 and older to move to half-time schedules but maintain full-time pension contributions (Colbert 1985).

Lancaster Labs, a Pennsylvania technology company with more than 800 employees, provides both formal and informal job sharing opportunities for its workforce and encourages older workers to participate. To retain workers in a tight labor market, the company managers remain as flexible as possible in approving job-sharing arrangements. Arrangements can be temporary or permanent depending on employee needs and can range from working a few days a week to a few hours a day. More than two employees can share a job if that arrangement fits into a 40-hour workweek (Business and Legal Reports 2000).

Box 4. Examples of Companies That Facilitate Internal Job Changes

Dow Chemical Company has programs for “career deceleration” that allow older workers to move into less intense positions, such as those that involve mentoring younger workers or teaching courses. This program allows older workers who may be required by government regulations to retire from a particular job to move into different positions within the company rather than leave the firm (Dychtwald, Erikson, and Morison 2006).

Duke Power allows employees to post their jobs and swap them with others at the same pay scale. Employees must receive approval from their supervisors, who are encouraged to permit these exchanges and be open to movement across departments. Some companies, such as Bell Canada and CNA Insurance, have even more liberal policies on moving within the company and allow employees with sufficient tenure to transfer without manager approval (Mullich 2005).

Deloitte Consulting developed the Senior Leaders program as a way to retain its aging workforce. The program allows selected employees, nominated by a committee, to redesign their role at the company and customize a new, second career within the firm. This customization usually includes plans for flexible hours, alternative work locations, and work on special projects (Dychtwald et al. 2006).
Telework. Under telework arrangements, employees work either from home or from teleworking centers closer to home than their normal workplace. The main benefit of teleworking is the saving of commuting time. It is also a way of accommodating workers with difficulty commuting because of physical impairments that affect driving (e.g., poor vision) or limit use of public transportation (e.g., lack of strength or mobility) or those who might need to perform personal chores or schedule appointments during the workday. In addition to benefiting employees who choose telework, the widespread use of telework arrangements can reduce traffic congestion, thus benefiting those who continue commuting to downtown offices.

To be successful, telework arrangements require that employees have appropriate workplaces free from distractions and interruptions with necessary communications equipment. At-home employees need dedicated workspaces in their homes with telephone service, a computer, and access to the Internet and internal office e-mail systems, if applicable. Teleworking centers may be appropriate for employees without suitable workspaces at home or for those whose work requires sophisticated office equipment or secure communications that cannot be efficiently provided to a large number of separate residences.

Telework is not suitable for all workers. It does not work, for example, for jobs that require equipment that cannot be placed in an individual home (such as manufacturing jobs) or that entail face-to-face interaction with customers or fellow employees. Telework requires that employers be able to monitor worker performance based on tangible work product, without the need to observe them at work. Nonetheless, off-site work possibilities are increasing as the number of workers in such sectors as financial services, information technology, and communications services rises. Many companies are now offering telework opportunities, including Quest Diagnostics, IBM, and ARO Inc (AARP 2007; Dychtwald et al. 2006).

Time spent teleworking is work time and cannot be used for child care or to meet other personal responsibilities. Employees may choose to telework during regular working hours. But teleworking also facilitates use of flextime; employees who miss work part of the day can make it up at another time because they have easy access to their at-home workplace. Nonetheless, teleworking employees may need to be accessible to supervisors or coworkers via phone or email during core work hours.

The International Telework Association and Council tracks the number of employees working from home. According to their latest report, the number of Americans whose employer allowed them to work from home at least one day a month grew from 9.9 million to 12.4 million between 2005 and 2006, an increase of 25 percent (World at Work 2007). Between 2004 and 2006, the number of teleworkers increased 63 percent. Including contract teleworkers (self-employed individuals who work from home at least one day a month), 28.7 million workers—almost a fifth of the total workforce—worked from home at least one day a month in 2006. Two-thirds of teleworkers had a broadband Internet connection in 2006, a much larger percentage than for the overall population. Teleworkers are more likely to be male than female and are more likely to be married and have higher levels of education and income than the general population. (See box 5 for examples of private-sector employers providing telework options and box 6 for information on the federal government’s telework policy.)
Snowbird programs. Snowbird programs allow employees to shuttle between two locations seasonally. The programs are especially appealing to older workers who seek warmer climates in the winter months and cooler climates in the summer, as well as some college students and parents with preschool-age children. Companies with active snowbird programs
include Home Depot, Carondelet Health Network, Borders, and CVS Pharmacies. (See box 7 for more information about the CVS program.)

Snowbird programs are economically viable for organizations in such sectors as retailing and health care services in which the customer base also migrates from north to south in the winter months. The programs would likely not work in other sectors, such as manufacturing or software development, in which it would be costly to maintain multiple production facilities and office buildings that stay idle for much of the year. But snowbird programs are an innovative solution for firms with regionally shifting employment needs during the year, allowing them to meet their staffing needs while accommodating the preferences of many older workers who no longer wish to remain in a single location for the entire year.

**B. Phased Retirement Plans**

Many older workers would like to continue working past traditional retirement ages. But workers in DB pension plans have strong economic incentives to retire from their current employer and may face lesser employment opportunities at other firms. Employers often face significant legal barriers to offering their employees pension benefits while still working or opportunities to participate in phased retirement plans. This section reviews some options for phased retirement and barriers to their use and provides examples of several firms with phased retirement plans.

Older workers may have only limited opportunities to phase into retirement gradually with their current employers, in part because benefit plans generally inhibit these arrangements. Employers, however, are continuing to switch from DB to DC retirement pension plans, which can more easily distribute retirement payments to employees still on the job. Many employers are also learning how to design phased retirement arrangements, either formal or informal, that can survive legal challenges. These trends will provide more opportunities for employees to take phased retirement in the future.

Greater use of phased retirement arrangements will not necessarily increase older workers’ total labor hours, but it will lead some people to extend their working lives instead of leaving work completely. This may encourage some people to move from full-time to part-time work sooner than they otherwise would have. Nonetheless, more opportunities to use phased retirement arrangements will enable workers and employers to satisfy their preferences better and will remove one barrier to longer careers.

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**Box 7. Example of Snowbird Programs**

_CVS Pharmacies_ is a major innovator in developing snowbird programs. CVS employs many older workers in their northern retail outlets in the summer and their southern stores in the winter. About 300 older workers participate in the snowbird program each year. Between the early 1990s, when CVS initiated the program, and 2005, the share of its workforce older than age 50 increased from 7 to 17 percent (Gardner 2006).
Many employees are interested in phased retirement, but very few employers have formal phased retirement plans. A recent AARP survey found that 38 percent of workers expressed interest in phased retirement and 78 percent of those interested said these programs would encourage them to stay in the labor force longer (AARP 2005). But according to one survey, only about 30 percent of employers offer formal phased retirement programs (Hutchens and Grace-Martin 2006). Other surveys suggest that these types of formal programs are even less common. For example, only 16 percent of employers in a Watson Wyatt Worldwide survey and 23 percent of employers in a William H. Mercer survey reported any kind of flexible employment arrangements for older workers (Graig and Pagnelli 2000; Rappaport 2001).

Employers are often willing to work out phased retirement, but only as an informal arrangement (Hutchens and Grace-Martin 2006). As a result, unionized firms and establishments that are part of larger organizations are less likely to permit phased retirement because both unions and large bureaucracies generally oppose informal arrangements, preferring arrangements agreed on through collectively bargaining or imposed as part of overall personnel rules. Firms that have flexible work practices in general (flextime, employment of part-time workers, job sharing) are more likely to allow phased retirement (Hutchens and Grace-Martin 2006).

Employees who switch from full-time to part-time work often change employers instead of phasing into retirement with the same employer (Hutchens 2007). Just under 10 percent of workers age 62 to 64 surveyed in the Health and Retirement Study transitioned from full-time to part-time work over a two-year period, and about half of those who made the transition changed employers (Even and Macpherson 2004). Skilled white-collar workers are more likely to take phased retirement than nonphased retirement, and blacks are more likely to take nonphased retirement (Chen and Scott 2006). Those who take phased retirement have higher levels of education, household income, and wealth than those who do not take phased retirement.

The federal government has an older workforce than most employers, with about 60 percent of workers eligible for retirement in the next 10 years. While the federal government is a leader in developing flexible workplace practices, it does not do much to facilitate gradual transitions from work to retirement. It offers a very generous DB pension plan that encourages early retirement, especially for workers hired before 1984 under the old Civil Service Retirement System (CSRS), but also, though to a lesser degree, for those participating in the post-1984 Federal Employee Retirement System. However, OPM has recently proposed legislation allowing federal agencies to bring back retired employees on up to a half-time basis, while continuing to pay full retirement benefits (Barr 2007). Employees would not earn additional retirement credits from their work. OPM has also proposed revising the CSRS formula so employees could continue to work part time at the end of their careers without incurring the current penalty against their retirement calculation.

A number of business practices facilitate phased retirement. These include age-neutral pension plans, pension arrangements under traditional DB plans that enable employees to continue working without losing pension benefits, formal plans by companies to transition their older employees to part-time work, and use of former employees as contractors.

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5 Surprisingly, Hutchens and Grace-Martin find that having a DB plan itself does not appear to contribute negatively to the probability of allowing phased retirement, after controlling for firm size and unionization status.
Age-Neutral Pensions. Traditional DB plans can encourage workers to retire once they become eligible for full benefits because working longer reduces the present value of pension benefits over their lifetime. In contrast, DC plans are age neutral; wealth in the employee’s account accrues at the market rate of return without regard to age or previous years of service.

Cash-balance DB pension plans are also age neutral. Wealth in a cash balance plan is based on past contributions and a deemed rate of return. As with traditional DB benefits, employers bear the risk of variations in yields on assets but, as in a DC plan, the employee’s wealth depends only on past contributions and the rate of return, not on a formula based on the highest years of earnings and number of years of service. Beginning in the late 1990s, a number of large employers converted their DB plans to cash balance plans, but age discrimination claims created uncertainty about the legality of these conversions, halting new conversions for several years. While it now appears that the courts will uphold the legality of cash balance conversions, more employers seem to be terminating or freezing DB plans completely and replacing them with DC plans (Munnell et al. 2006).

The share of private-sector workers participating in traditional employer-sponsored DB plans has been declining steadily for the past quarter-century, dropping from 39 percent in 1980 to 20 percent in 2006 (Bureau of Labor Statistics 2006b; Pension and Welfare Benefits Administration 2001–02). Over the same period, the share of private-sector workers participating in any type of retirement plan (traditional DB, other, or both) has increased from 47 to 51 percent. The shift away from DB plans has been accelerating in recent years (VanDerhei 2006).

Deferred Retirement Option Plans (DROPs). Many state and local governments have recently instituted deferred retirement option plans (DROPs) as a way of getting around the work disincentive effects of DB plan formulas. DROPs have been established at many public schools facing teacher shortages. Under a DROP, a worker who reaches retirement age can continue working and receive contributions to a retirement fund equal to the pension benefit he or she would have received if retired. The worker does not receive a cash pension benefit, but the amount contributed to the DROP account accrues interest until he or she actually retires. Upon retirement, the employee starts receiving the same annual pension benefit he or she would have received if terminating employment at the retirement age, and he or she can withdraw the funds in the DROP account either as a lump sum or as an actuarially equivalent retirement annuity. In effect, the addition of a DROP makes the DB plan age neutral because the present value of the employee’s lifetime retirement benefit does not depend on the retirement date. At the same time, the employee is not receiving any cash pension benefits until retirement.

Under some plan designs, DROPs can be used to force out employees, especially if the plan is available only between the earliest retirement age specified in the plan and the normal retirement age (Calhoun and Tepfer 1998). Further, private-sector employers considering DROPs must deal with a host of complex legal issues under the tax law and ERISA relating to rules against back-loading pension benefits and against discrimination favoring highly compensated employees. These legal complications have limited the use of DROPs in the private sector. For additional information on DROPs available in state and local governments, see box 8.
Transition to Part-Time Employment for Older Workers. Before enactment of the Pension Protection Act of 2006 (PPA), IRS regulations did not allow firms to pay retirement benefits from DB plans before termination of employment (except in a limited way). PPA allows payment of benefits to in-service workers who are age 62 or older, although new regulations under PPA are still pending. Even before this change, some firms have been able to institute programs that allow older workers to reduce their hours gradually, either in their current job or a new job, while still receiving some pension and health benefits. Other employers are able to meet regulatory requirements and pay retirement benefits to older workers by terminating the employees and rehiring them part time. (See box 9 for examples of companies that offer to pay

**Box 9. Employers That Pay Pension Benefits to Partially Retired Workers**

*Bon Secours Richmond Health System* has a policy allowing employees who are age 65 and older to work up to 24 hours a week and receive the same benefits they would get if fully retired (Malone 2007).

*First Horizon National Corporation*, a financial services company based in Memphis, Tennessee, permits individuals to reduce their hours to 20 to 32 hours a week while still receiving health and other employment-related benefits. *Mitretek* also allows employees to work part time and collect partial benefits on a case-by-case basis (AARP 2007).

*The Aerospace Corporation* allows employees to work part time or take a leave of absence before retirement and rehires retirees on a temporary basis. In addition, retirees are able to return to work part-time (less than 1,000 hours a year) as “casual employees.” These options allow retirees to collect full benefits while working (Aerospace Corporation 2007).

*Massachusetts Institute of Technology* allows employees who wish to phase into retirement to reduce scheduled hours in their current jobs and then apply for part-time positions as they become available (Jackson 2004).
pensions to partially retired employees.) The law is unclear about what constitutes termination of employment, so it would seem that some interval would need to pass between terminating and rehiring before the former employee could be counted as a new hire.

**Hiring Former Employees as Independent Contractors.** As an alternative to paying pension benefits to active employees, the firm could terminate employment and then rehire the former employee as a consultant or independent contractor. Independent contractors do not receive employee benefits (health benefits, annual leave, sick leave, or contributions to retirement plans), but independent contractor status does enable former employees to receive full retirement benefits while working for their previous employer, such as Hoffmann-LaRoche Inc. (see box 10).

**Box 10. Examples of Companies’ Use of Independent Contractors**

Some companies have developed plans that avoid legal issues associated with paying pensions to employees who are still employees by rehiring former employees as contractors. For example, **Hoffmann-La Roche Inc.** allows retirees to work for the company through an employment agency or via private contracts that allow the retiree to collect pension benefits while working. Other companies that recruit retirees to return to work as independent contractors include **Principal Financial Group, SC Johnson, and Busch Entertainment Corporation** (AARP 2007).

While there are no restrictions on paying DB benefits to former employees who are independent contractors, issues arise in determining whether the provider of labor services is really an independent contractor. Because independent contractor status can be used to evade taxes and avoid labor laws, the tax law has a complex 20-part test of what constitutes an independent contractor. One important component of that test is whether individuals set work conditions—the how, when, and where. Independent contractor status may not be ideal in cases in which the employer wishes to access worker’s labor services regularly and predictably for tasks the employer defines and manages. Instead, contracting arrangements are more suitable for short-term projects or for temporary time periods.

**Other Arrangements to Retain the Services of Retirees.** Companies have developed a number of other creative ways to continue to employ older or retired workers on an intermittent or part-time basis. Some companies, for example, recruit retirees to help on short-term projects. Others have programs to shift workers into a mentoring role. The MITRE Corporation, as discussed with other examples in box 11, has a “ready reserve” program under which retirees can be recalled for up to 1,000 hours of work a year on projects that require their expertise.
Box 11. Other Ways of Retaining Older Workers

*Busch Entertainment Corporation* has developed a program called “Legends Ambassadors” where a team of workers age 55 and older are stationed at every park to ensure quality employment and job satisfaction for older workers. Ambassadors are selected annually to work with older employees by helping them navigate the company, mentoring them, and serving as a conduit to human resources. Ambassadors also participate in recruiting efforts such as job fairs for older workers (AARP 2007).

Another example of an innovative phased retirement plan is the Ready Reserve Plan introduced by the *MITRE Corporation*. Retirees from MITRE volunteer for the program, under which they can be recalled for up to 1,000 hours of work a year on projects that require their expertise. Volunteers in the program receive full retirement benefits and are compensated as employees (Interview with Bill Albright, MITRE, May 21, 2007).

Reverse mentoring is another way to keep older workers engaged and in the workplace. Companies such as *Proctor & Gamble, Siemens*, and *General Electric* have reverse mentoring programs where younger employees teach managers and executives, who tend to be mid-career or older workers, about new technologies (Dychtwald et al. 2006).
IV. Other Strategies to Improve Employment Opportunities for Older Workers

With the boomers reaching retirement age and some observers forecasting labor shortages, government and other service providers—such as employment agencies, nonprofit organizations, and community colleges—are beginning to tailor their programming and services to individuals age 50 and older. These organizations are creating or expanding services to help older workers find or retain employment through older worker–focused employment centers, online job search and advice web sites, job clubs and networking opportunities, partnerships with employers, and other activities.

This section describes government and other efforts to help older workers prepare for and find new employment opportunities. It also provides examples of public-sector strategies to recruit and train older workers and create employer partnerships.

A. Helping Older Workers Find Employment

As discussed earlier, older people search for jobs for many reasons. Full-time workers may prefer employment that allows them to reduce their work hours. Retirees may want a flexible part-time job to occupy their time, provide meaningful work opportunities, or provide additional income. Some older workers may have been laid off and need help finding or training for a new job. Others may lack the needed skills or education to qualify for an available job in their region. Regardless of the reason for their search, many older job seekers need help connecting with employers, and both the public and private sectors are responding to these needs.

Sources of job search assistance for older workers are proliferating rapidly in the private sector. Tools geared specifically to older workers include job web sites, job fairs, books and articles, job centers, recruiters, and career counseling services. This growing cottage industry has defined its client base as older workers and is reaching out to workers age 55 and older, and sometimes workers as young as age 40.

The public sector is also developing targeted services and often implementing them with the help of private providers. It employs many strategies and tools used in the private sector to help older workers find employment opportunities, but it often targets those with limited skills or employment experience by providing additional assistance. The U.S. Department of Labor (DOL) administers two public-sector programs that provide job search and readiness assistance for older workers. The first, authorized by the Workforce Investment Act of 1998 (WIA), is the WIA adult and dislocated worker programs. One-Stop Career Centers, funded by WIA, provide employment and training services to workers in the community. Although these centers serve workers of all ages, some states and local areas are beginning to view older workers as important users of WIA-funded programs and services. The second publicly funded program is the Senior Community Service Employment Program (SCSEP), the federal government’s only older worker-focused employment and training program. It gives grants to states, territories, and national nonprofit organizations to serve low-income seniors and provide them with the work experience they need to secure gainful employment. State and local governments sometimes combine federal funding from these two programs to offer more comprehensive services to older workers.
As job services to older workers become available through both the public and private sector, navigating the myriad of service options may be the next challenge for older workers to find the assistance they need. The following section describes these various services and access points for older workers and provides some examples.

**Job and Career Centers.** Older workers can typically find job search assistance at government-funded job and career centers—One-Stop Career Centers and SCSEP sites. One-Stops provide job search assistance (among other employment and training services) to all workers regardless of income, while SCSEP sites restrict employment and training services to low-income individuals age 55 and older. DOL has developed a curriculum for One-Stops to train older worker specialists, so these specialists can better understand the employment barriers that many older adults face (DOL 2000). Some states, such as Maine and Wisconsin, are developing materials and resources in their One-Stop Career Centers especially for older customers. These materials may include lists of employers who are considered receptive to older workers and job openings, as well as one-on-one assistance with job search activities. The SCSEP sites often use One-Stop job search services for their low-income enrollees.

Some local workforce programs are taking additional steps to provide older people with job search and readiness assistance through alternatives to traditional One-Stop or SCSEP offices. In Ohio, the Mature Services program operates four employment centers geared specifically for seniors. These centers use SCSEP grants and WIA adult and dislocated worker funds to finance employment services and intensive “job clubs” for seniors. Mature Services also offers virtual services online. (See box 12 for more information.) Other examples of local One-Stop Career Centers specifically for seniors include Maryland’s Pasadena Freetown Village Center (Anne Arundel Workforce Development Corporation 2007) and the Career Encores Satellite Center in Los Angeles’ WorkSource system (Los Angeles Times 2007). Both programs staff resource centers, operate job clubs, and provide additional access points to workforce development services.

National career centers also assist older people seeking employment. These centers, which typically feature both physical offices and online services, usually focus on recruiting workers in particular industries. The National Older Worker Career Center (NOWCC), funded by the Senior Environmental Employment (SEE) Program of the U.S. Environmental Protection Agency and the Agricultural Conservation Enrollees/Seniors (ACES) of the U.S. Department of Agriculture, helps retired and unemployed workers age 40 and older find jobs in various environmental, conservation, and natural resource programs. The center, located in Arlington, Virginia, provides job leads in government agencies for older workers in clerical, technical, and professional positions, thus offering opportunities to individuals with a wide range of skill levels and experience. NOWCC lists job openings across the country, and workers who cannot visit the center in person may apply online (NOWCC 2007).

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Employment Web Sites. Although older people can use general online job search tools such as Monster.com or work with traditional recruiters and headhunters, a growing industry of online job assistance services is being tailored specifically to older workers. Internet job sites and job banks that target older workers are becoming increasingly popular, and they are beginning to court workers and job seekers age 40 and older, not just the 55-and-older age group (Olsen 2007). Many of these web sites provide guidance to older adults about how to find jobs best suited to their needs, including tips on finding employers that value their expertise and offer work environments that are welcoming to older people. AARP is leading an effort to help older adults find new employment opportunities by listing job sites, providing advice on job searches, and vetting employers who are older-worker “friendly.” It also provides information on careers, self-employment, workplace flexibility, and dealing with job loss, all available on a comprehensive web site. (See box 13 for more examples.)

Some web sites are industry-specific, listing job openings in such fields as engineering and health care targeted to older workers or retirees with skills in high demand. One site, YourEncore.com, recruits engineers, scientists, and product developers. Featured employers are

| Box 12. Mature Services—Ohio Senior Employment Centers |

*Mature Services* (www.matureservices.org) in Ohio has developed four senior employment centers in Akron, Euclid, Cincinnati, and Columbus. Using a combination of WIA and SCSEP funding from local government, these centers offer comprehensive employment assistance to older workers and serve as an access point to One-Stop Career Centers in the area. Mature Services staff and trained SCSEP participants sometimes work out of local One-Stops and provide orientation workshops. Mature Services also work with One-Stop Career Center staff, and both refer older workers to each other to fill service gaps.

In addition to traditional WIA and SCSEP services, Mature Services uses intensive job clubs to provide job search and preparedness workshops and networking opportunities to older workers. Mature Services’ facilitators lead the 10 to 15 participants in each job club and hold in-person sessions on job search techniques, resumes and interviews, computer use, and other topics, tailored to the needs of the job club participants. The facilitators counsel job club participants and work one-on-one to develop an employment plan. Because job club members work together for months on their job search, they often end up helping each other with job leads and contacts through facilitator-guided discussions. In addition, Mature Services organizes job clubs by videoconference for older workers in such areas as Youngstown, where no senior employment center exists.

Mature Services also has created a service for employers called Mature Staffing Systems. For a small fee, employers are able to list jobs with Mature Staffing and obtain help finding qualified older workers. The service usually targets retirees for temporary or part-time work.

often in the pharmaceutical, medical device, consumer products, aerospace and defense, and chemical industries.

Several states have online job banks and portals for their older residents and work directly with employers to obtain job listings. While these sites typically provide only links to national older worker job sites or state job banks, they offer one more access point for older workers in need of job search assistance. For example, the Tennessee Department of Labor and Workforce Development has a job site called Boomer Careers that provides a portal to job banks for state and national job openings (Tennessee Department of Labor and Workforce Development 2007).

**Job Fairs.** State and local aging and workforce agencies, local One-Stop Career Centers, and nonprofit service providers are organizing job fairs geared to older workers. Often with both economic development and workforce needs in mind, they recruit employers interested in finding skilled and experienced older workers. For example, Operation A.B.L.E. of Greater Boston hosts Mature Worker Career Fairs to help match employers with job seekers age 45 and older. The two career fairs it held in 2006 attracted 850 attendees and 40 companies (Operation A.B.L.E. of Greater Boston 2007). Also, the Tennessee Department of Labor and Workforce Development holds job fairs called “Maturity Matters” at the state fairgrounds for workers over age 40. The 11th annual fair in May 2007 hosted more than 40 Nashville employers and offered resume and interview workshops and networking opportunities (Tennessee Department of Labor and Workforce Development 2007).

**Job Counseling.** At One-Stop Career Centers, staff and older worker specialists provide job counseling to older workers seeking new employment. These staffers can identify high-growth industries, companies with job openings, and the skills needed to obtain these jobs. Staffers counsel older workers on how to pursue job openings, interview with employers, and deal with various age-specific issues.

Other counseling services help older workers find temporary or part-time work, full-time careers, or business opportunities. Senior Employment Resources, a private nonprofit organization, provides targeted job search activities and job counseling to adults age 50 and older.
Its volunteer staff is made up of retired professionals who counsel older job seekers on career directions, resumes and interviews, and networking. SCORE, a national nonprofit association funded by the U.S. Small Business Administration, offers counseling to budding entrepreneurs. Volunteer counselors are working or retired executives that can offer advice and guide individuals as they try to start a business. SCORE has 389 chapters across the country where an older worker (or any individual) can meet with a counselor or access one online (SCORE 2007).

An ever-expanding number of web sites also offer advice to older job seekers. These sites feature articles and tip sheets about how to defuse negative perceptions employers may have of older workers, find and negotiate flexible arrangements, and present oneself in resumes and interviews. Examples include AARP.com, Monster.com, and Quintscareer.com.

B. **Training Older Workers to Meet Employer Needs**

Some older workers may have difficulty obtaining the training they need to move into new jobs or receive promotions (Frazis et al. 1998) as employers, which provide most job training in this country, are more likely to offer training opportunities to mid-level workers. However, some community colleges and publicly funded employment and training programs are targeting older adults for training and creating educational tracks that meet their employment needs.

Publicly funded training programs have been serving older workers for decades. Although previous legislation authorized special funding blocks for older workers, WIA combined employment and training monies under one funding stream for all adults, in an effort to provide universal access to these services. This legislation does, however, allow states and local areas to give priority to special populations, such as older workers, when deciding how to allocate training funds. Some states have recently begun to focus on older workers’ training needs and to tailor some services and funding to serve older workers. In addition to WIA funding, DOL funds SCSEP sites through 74 grants to state governments and national nonprofit organizations to train workers age 55 and older (DOL 2007a).

**Community Colleges Offering Training.** Some community colleges are leading efforts to develop job training opportunities for older workers to meet local labor market needs. These colleges are recruiting workers age 45 and older, creating educational and vocational training programs tailored to older peoples’ learning styles, and offering student advisor and supportive services for older students. They often collaborate with local and state workforce agencies and workforce investment boards for funding, labor market information, and mutual referrals. One such college, Portland Community College, is leading a regional initiative to understand better the workforce and training needs of older workers so more effective training programs can be developed. (See box 14 for more information.) Central Florida Community College and Grand Rapids Community College in Michigan have also developed special programming for older residents to engage them in the community and the local workforce. (See box 15 and box 16.)
Box 14. Portland Community College Supports Older Workers

Portland Community College (PCC), Oregon’s largest community college system, recognized early on the need to engage older workers. Administrators saw that 1 in 6 students in credit courses and 6 in 10 students in community education courses (or about 10,000 to 15,000 students enrolled per term) were age 40 and older. To address the needs of this burgeoning older student population, PCC created its college-wide Taskforce on Aging to develop three studies: a survey of Oregon employers, the impact of the aging population on the Oregon workforce, and a survey of PCC students age 40 and older. These studies helped PCC develop strategies to help its older students and older workers in the community participate in the workforce and meet employer needs (U.S. Congress 2007). These strategies include the following:

Older Worker Transitioning. PCC developed a partnership called Life by Design NW with local employers and nonprofit organizations to help older workers plan for retirement. The strategy consisted of three components: Discover, Design, and Engage. In the Discover component, PCC helps older individuals explore interests in career and volunteer opportunities and understand their financial and health status to prepare better for the future. The Design component gives individuals a chance to develop a plan to pursue their interests and secure their future. During the Engagement component, PCC staff actively work with the individual to connect to education, community organizations, and employers to achieve their plan (U.S. Congress 2007).

Short-Term Skills Training. PCC also developed a new program called Career Pathways for older workers. The program offers training in 17 professional and technical courses especially tailored to workers who may be unable to work in physically demanding jobs but need training to move into new employment. The course offerings are usually provided in a compressed schedule to help participants become employed as soon as possible. Most workers who participate in this program receive WIA funding (PCC 2007).

Support for Older Workers Seeking Employment. As the area One-Stop operator, PCC provides job readiness and job training programs to area seniors, including classes on basic skills (General Equivalency Diploma, English as a second language, and general professional and office skills) and vocational skills (such as welding, construction trades, manufacturing, computers, and accounting) (U.S. Congress 2007).
Box 15. Central Florida Community College’s “Program for 55 and Better”

Central Florida Community College (CFCC) has taken an active role in creating opportunities for seniors in the region to participate in their community and in the workforce through its initiative, “Program for 55 and Better.” With seniors making up more than one-quarter of the population in the three-county area, CFCC wanted to engage older residents in civic and workforce activities. In creating its programming, CFCC studied major senior issues in the area and held focus groups with local seniors. A key research focus was workforce issues and the recruitment of seniors to fill current and future labor shortages. Part of its new program, “Pathways to Living, Learning, and Serving,” includes a workforce development component that provides job search assistance, training, and work experience. Seniors are able to participate in a number of activities to maintain their current employment, embark on second or third careers, find temporary or part-time work, or become an entrepreneur. Services include a re-career seminar, job search assistance, skills assessments, job counseling, job clubs, job fairs, resume workshops, and computer classes. Seniors are also able to take courses at the community college to upgrade or learn new skills to improve employability. Additionally, CFCC partners with area employers to encourage the hiring of older workers. It also actively recruits seniors to become adjunct faculty, because the college is facing its own labor shortage as faculty and staff retire (CFCC 2007).

Box 16. Grand Rapids Community College Older Learner Center

Grand Rapid Community College (GRCC) has also created an older worker-focused program, Project Mature Worker, in partnership with the Michigan Technical Education Center. With funding from the Grand Rapids Community Foundation, Project Mature Worker offers older workers specialized employment and training services. These services are tailored to the needs of “mature” workers, but are also designed to meet employer skill needs in the area. Project staff work with local service providers to make existing assistance and training programs friendlier to older workers and offer employment and training services to older workers who are unemployed or underemployed (GRCC 2007).

Publicly Funded Training Opportunities for Older Workers. WIA, the federally funded employment and training program, provides skills upgrades to workers, regardless of age. State and local dislocated worker programs funded through WIA serve a growing number of older workers. Of the dislocated workers that participated in WIA-funded training activities in program year 2005, 40 percent were age 45 and older and 11 percent were age 55 and older (DOL 2007c). Additionally, over 19 percent of those completing the WIA adult program training activities were age 45 and older and nearly 5 percent were age 55 and older (DOL 2007b). The use of WIA-funded training by older workers will likely continue to grow as the population ages.

SCSEP, the dedicated employment and training program for lower-income seniors age 55 and older, offers job search assistance, training, and work experience. (See box 17 for more information on SCSEP.) These efforts are highlighted every year in September during National Employ Older Workers Week, when SCSEP programs across the country participate in press
events, job fairs, career days, and meetings to raise awareness and focus on developing innovative strategies to improve employment opportunities for older workers. More information on these events and the strategies highlighted during National Employ Older Workers Week can be found on the DOL web site (http://www.doleta.gov/Seniors/html_docs/NatEmplOldWkr.cfm).

C. Building Relationships with Employers to Increase Employment Opportunities

A main objective of federal, state, and local government workforce development agencies has been to foster the development of partnerships among key stakeholders. These stakeholders include employers, industry and economic development groups, secondary and postsecondary educational institutions, service providers, and other nonprofit community organizations. At the state and local level, relationships are often developed through the Workforce Investment Boards, half of whose membership must be selected from the employer community. In addition, states and local areas are developing special initiatives to bring together these partners, especially employers and industry groups, to promote the skilled workforce that employers need. Employer involvement is crucial to the success of these efforts.

Given the competing time demands on employers and industry group representatives, getting them to participate in a partnership or initiative can be difficult. Their involvement depends on their perception that they will benefit from investing time and resources in a partnership. Also, information to educate employers on hiring and retaining older workers needs to be presented in a quick and useful format. Some strategies to engage employers are discussed below.

**Partnerships to Create Employment Opportunities.** State and nonprofit SCSEP grantees have developed ongoing partnerships with regional and local employers and industry

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**Box 17. Senior Community Service Employment Program**

The **Senior Community Service Employment Program (SCSEP)**, administered by the U.S. Department of Labor, provides community service and other job training to help workers age 55 and older with incomes below 125 percent of the federal poverty level. As authorized by the Older Americans Act of 1965 and reauthorized in 2006, DOL awards SCSEP grants to 74 state and territorial governments (usually state offices of the aging) and national nonprofit organizations to operate these programs. SCSEP helps older adults gain job skills by offering training (such as computer classes), placing participants in subsidized, part-time community services assignments, and providing other supportive services. Participants are often placed in community service assignments as nutrition workers, day care aides, teacher aides, receptionists, nurse aides, and older worker specialists at One-Stop Career Centers (DOL 2004). In recent years, the program has served nearly 100,000 older adults annually, the majority of whom are women living in poverty (DOL 2007a). SCSEP best practices, as detailed in a report by the National Council on the Aging (n.d.) to DOL, range from building relationships with local employers and the community to considering all the participant’s needs, not just job placement, when developing and implementing an individual employment plan (DOL 2007a).
associations. For example, Experience Works, Inc., a national nonprofit organization that receives SCSEP and U.S. Small Business Administration grants, works with small businesses to develop employment opportunities for older workers. Experience Works educates small businesses on the benefits of hiring older workers and helps place qualified SCSEP participants in subsidized jobs (Experience Works 2007). Other SCSEP grantees develop similar partnerships with employers to develop subsidized employment for low-income workers age 55 and older.

AARP, through its National Employer Team, has reached out to many companies to improve employment opportunities for older workers. Qualifying companies, which must meet certain criteria on work environment, benefits, and hiring practices, enter into agreements with AARP indicating their desire to recruit and hire older workers. The National Employer Team helps advertise job openings to older adults, and provides information about applying for jobs on the AARP web site (2007). The Customized Employment Initiative, a DOL-led program, also works closely with employers to modify jobs to tailor job descriptions to particular job seekers or current employees who may have some physical limitations. (See box 18 for more information.)

Educating Employers on the Value of Older Workers. Many states, local workforce agencies, community colleges, and advocates for older adults have begun campaigns to educate employers and industry associations about the benefits of hiring and retaining older workers. For example, they have organized conferences, job fairs, and other events and prepared materials and presentations to dispel the misconceptions that persist in the employer community about older workers. Many employers believe, for instance, that older workers are generally costly to employ, lack necessary, up-to-date skills, and may be less productive than younger workers.

States working to educate employers about the value of older workers and develop partnerships to improve employment opportunities include Arizona, Arkansas (see box 19), and Iowa. Arizona’s Governor Janet Napolitano has developed the Mature Workforce Initiative,

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**Box 18. Customized Employment—“Practical Solutions to Employment Success”**

DOL, through its Office of Disability Employment Policy (ODEP), created the **Customized Employment Initiative** in 2001 to help all workers, but especially those with disabilities, work with their employers or potential employers to customize job functions and responsibilities. These job customizations are intended to be “win-win” situations for both job seekers/employees and employers by ensuring that workers can perform their job successfully and meet employer needs. Several strategies used to customize jobs for workers include task reassignment, job modification, job sharing, and self-employment. Customized employment job seekers are also encouraged to use resources accessed at one-stop career centers. This approach opens up new job opportunities to older workers, who may have some physical limitations or wish to work a reduced schedule but want to continue working or try new career paths. Personal representatives help workers and employers negotiate the customization process. These representatives build relationships with employers to get to know them and their staffing needs. Once workers are hired or obtain newly customized positions, some may need various special supports, such as benefits counseling, personal assistance, transportation coordination, and adaptive equipment (DOL, ODEP 2007).
which is creating a “seal of approval” to identify businesses that are friendly to older workers. The state is also developing a pilot program to connect businesses with older workers through all One-Stop Career Centers in the state. Former Iowa Governor Tom Vilsack developed the Task Force on Mature Workers, which has held statewide and regional conferences to educate employers on strategies to recruit, retain, and train older workers. It has also partnered with AARP to conduct a media campaign to promote older workers in various industry sectors (National Governors Association 2006).

### Box 19. Arkansas Mature Worker Initiative

In 2006, then-Governor Mike Huckabee announced the Arkansas Mature Worker Initiative, a pilot program of the AARP, as top priority of the Arkansas Workforce Investment Board. This senior-focused workforce development program aims to engage employers and increase awareness of older workers as an untapped labor group. Regional meetings were held with employers to educate them about the initiative and about the value of hiring and retaining older workers, as well as to hear from employers about their needs to enable them to hire older workers. Employers in Arkansas and on the AARP’s Featured Employers Program were specially recruited to participate in the initiative’s activities and work with other employers in the state (Arkansas Department of Workforce Services 2007).
V. Summary and Future Prospects

Employers, government, nonprofit organizations, and community colleges are beginning to develop strategies to attract and retain older workers. As the older population increases—particularly with the aging of the baby boomers—and the growth in the middle-aged population slows, older adults are becoming an increasingly important labor source. They typically bring maturity, dependability, and years of relevant experience to the workplace. With more people remaining in good health at older ages and fewer jobs involving physical demands now than in the past, more older adults are able to work than ever before. Yet older men’s employment rates remain below the levels that prevailed for most of the 20th century. Employers’ ability to tap into this underused resource in the coming years could be the key to avoiding labor shortages and maintaining economic growth.

For employers, the challenge is to develop workforce policies that appeal to older workers without sacrificing productivity. Unlike most younger adults, who must work full time to maintain their living standards, many older people have accumulated substantial savings or gained access to regular retirement incomes and thus can afford to work part time or stop working completely. They can be especially selective in their job search and turn down offers that do not suit them. The wage may not be the most important element of the employment package for many older Americans. Instead, they may assign more significance to how well employment opportunities allow them to combine work with other priorities, such as leisure activities and family care responsibilities.

Many older workers prefer workplace flexibility over more traditional work schedules, and increasing numbers of employers are offering flexible arrangements, including part-time work, flexible work schedules, job sharing, and telework. There is some uncertainty, however, about how many employers will promote flexibility in the workplace. Flexibility may be less suited to certain industries and occupations that require everyone to work at the same time, such as manufacturing. Many occupations cannot be performed at home, such as those that require face-to-face interactions with customers or other employees and those that involve cumbersome or costly equipment. Some employers may worry about a diminished ability to monitor employee performance. Only large employers with locations around the country can offer snowbird programs. On the other side, some employees may also be reluctant to pursue flexible work arrangements because they fear it may harm their careers, although this concern may be less prevalent among older workers transitioning into retirement.

Phased retirement arrangements are another option for employers trying to attract older workers, although formal programs remain rare. Phased retirement plans that allow experienced workers to reduce their work schedules at their career employers can benefit both the older worker and the employer. Firm-specific skills built up by workers over their careers are lost when older workers are forced to change employers in order to reduce work hours. Although IRS regulations before the Pension Protection Act of 2006 limited the payment of pension benefits to workers still on the payroll (and these payments will remain limited for workers under 62), several employers have devised ways to allow older workers to reduce their work hours and receive some pension and health benefits. Some terminate employees and then rehire them part time, sometimes as independent contractors. Independent contractor arrangements may be
appropriate only in some occupations, however, because the law stipulates that only workers who set their own work conditions can be classified as independent contractors.

After falling for decades, employment rates among older men are now rising. Employment rates among older women are also rising, reflecting increased workforce participation of younger cohorts of women and the proportion of older men and women willing to work will likely continue to increase. Steady declines in the physical demands of work are likely to persist (Johnson et al. forthcoming). Combined with the better health of older adults today than in the past—despite some recent evidence that the health improvements at midlife may be ending (Soldo et al. 2006)—this trend suggests that more older adults will be physically able to work in the future. The continued erosion in traditional DB pension plans and employer-sponsored retiree health benefits eliminates some powerful retirement incentives that kept many older Americans out of the labor force in previous years. The growing sense of financial insecurity at older ages, arising partly from cutbacks in employer benefits and the increase in Social Security’s normal retirement age, will likely cause many baby boomers to delay retirement (Mermin et al. 2007; Munnell, Webb, and Golub-Sass 2007). Other Social Security reforms, including the elimination of the earnings test after the normal retirement age and the increase in the delayed retirement credit, increase the returns to work at older ages. The decline in DB plan participation will also reduce the number of older part-time workers unable to collect pension benefits on the current job, even if lawmakers do not provide any regulatory relief, and thus will shrink the number unable to phase into retirement with their current employer.

Other economic trends and technological advancements may also promote employment for older adults. Continued growth in industries in which telework is common, such as financial services and the high-tech sector, will likely increase the use of these flexible work arrangements, as will continued improvements in communications. As older adults become more familiar with the Internet over time, they will likely make better use of online job search tools, improving their employment prospects.

A key issue for future employment prospects is how the business community will respond to the increased availability of older workers. Relatively few employers have actively begun to recruit older workers, primarily because they do not yet foresee worker shortages. The industries that have most vigorously recruited older workers, such as health care and energy, already face imminent labor shortages. As the population ages and worker shortages develop, more employers may adapt workplace polices that appeal to older people. However, some observers who believe that globalization will enable people working oversees to meet the U.S. economy’s employment needs dispute claims that labor shortages are inevitable in the United States and that the demand for older workers will soar (Freeman 2006).

Current practices by some employers raise additional concerns about how older workers might fare in the future. Many Americans claim that older people face discrimination in the labor market (AARP 2002; Reynolds et al. 2005), and several studies have found that employers favor younger workers over older workers (Lahey 2005; Rosen and Jerdee 1977, 1995). Unless changing demographies or public awareness campaigns lead employers to change their attitudes, many older workers may encounter problems finding meaningful employment. Initiatives and partnerships developed by states and advocacy groups such as AARP and the National Council
on Aging to educate employers about the benefits of hiring older workers may help older job applicants overcome employment barriers.

Future employment prospects may be least promising for older workers with limited skills. The steady deterioration over the past quarter-century in the earnings capacity of workers with limited education does not bode well for the employment prospects of low-skilled workers at any age, but older workers with few skills may be especially vulnerable. Because they work disproportionately in physically demanding jobs and experience more health problems than those with more education, low-skilled older adults may be less physically able to work than other older people. Employer surveys indicate that managers are less likely to embrace older rank-and-file workers than older professionals (Munnell, Sass, and Soto 2006).

Employment and training programs funded by WIA and SCSEP may be critical to safeguarding financial security for people struggling in the labor market, particularly those with low skill levels. As the population ages, more older workers are likely to demand these services, especially intensive counseling and training that require more staffing and other resources than basic job search assistance. Without additional funding, rising demand by older workers will strain these employment and training programs. In recent years, however, funding levels have not even kept pace with inflation.

Efforts by nonprofit organizations and community colleges may help to bridge some service gaps for older workers. Although these organizations and institutions often rely on public funding, they can turn to other funding sources (such as fee and tuition payments, donations, and private grants) to help serve older workers. From this funding base, some nonprofits and community colleges have been able to develop innovative strategies to not only address older workers’ employment and training needs but also work closely with employers.

The work of the federal Taskforce on the Aging of the American Workforce may create new strategies to promote employment at older ages. The taskforce has identified ways to promote self-employment opportunities, provide technical assistance to programs serving older workers, improve retirement and financial literacy among older people, and increase awareness of the advantages that older people can offer employers. These efforts may raise employment rates among older adults and help meet the challenges of an aging workforce.
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