



Challenges employers face in hiring and retaining older workers

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Employing the Region's Assets:

Baby Boomers Meeting New England's Skilled Workforce Needs

Federal Reserve Bank of Boston, Boston MA

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Employers in the past:
Not keen on “hiring and retaining” older workers.

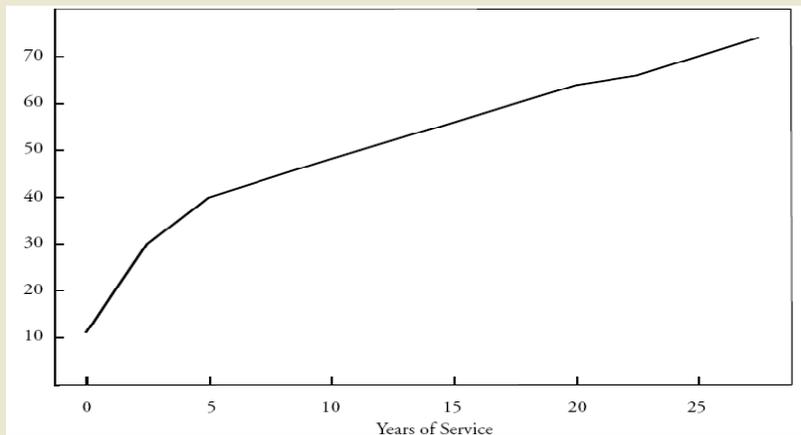
- Productivity – flat or falling
- Compensation – flat or rising

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Productivity flat or declining + wages ratchet higher

Average Pay by Tenure, Fortune 1000, 2003

Thousands of 2003 dollars

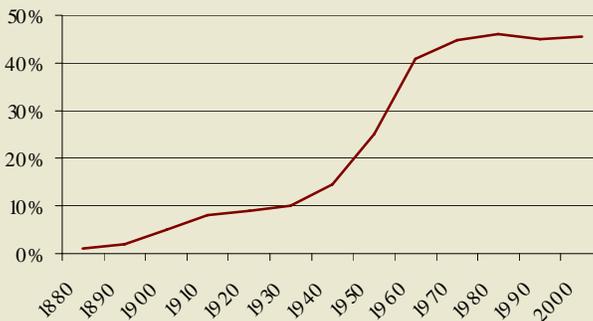


Source: The Business Case for Workers Age 50+: Planning for Tomorrow's Talent Needs in Today's Competitive Environment," A Report for AARP Prepared by Towers Perrin, 2005.

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Created mandatory retirement + defined benefit pensions to *sever* older workers.

Percent of U.S. Private-Sector Workers Covered by Employer Plans, 1880-2000

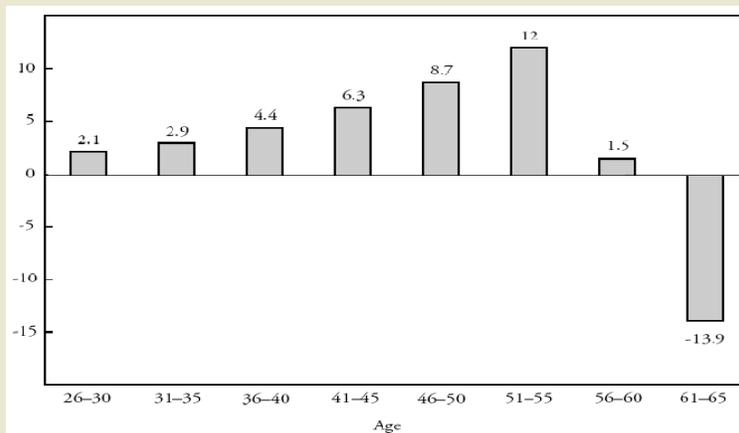


Sources: Alfred Skolnik, "Private Pension Plans, 1950-1974," *Social Security Bulletin* 39 (June)1976; U.S. Department of Labor. 2006. *Annual Return/Report Form 5500 Series for Plan Year 2004*. Washington, DC; and U.S. Department of Labor. 1999. *Private Pension Plan Bulletin: Abstract of 1995 Form 5500 Annual Reports*. Washington, DC.

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Then DB pension costs also ratchet higher.

Private Defined Benefit Plan Accruals as Percentage of Earnings



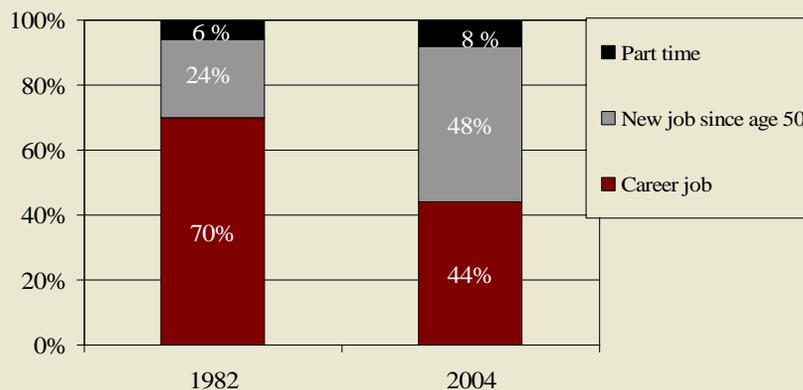
Source: Rudolph G. Penner, Pamela Perun, and Eugene Steuerle, "Legal and Institutional Impediments to Partial Retirement and Part-Time Work by Older Workers," Washington DC: Urban Institute, 2002.

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The new situation: The decline of career employment

Employment Status of Working Men, Age 58-62



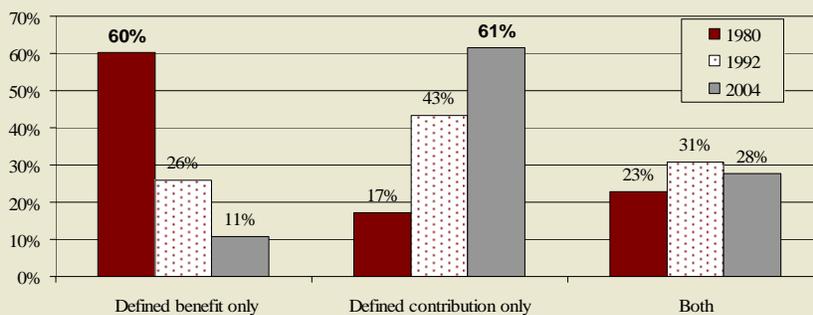
Source: Authors calculations from the Current Population Survey, 1982 and 2004.

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The new situation: The shift from DB to DC retirement plans

Coverage by Type of Plan, Private Sector Wage and Salary Workers with Pension Coverage



Source: U.S. Department of Labor, Pension and Welfare Benefits Administration, Office of Policy and Research, "Abstract of 1999 Form 5500 Annual Reports," *Private Pension Plan Bulletin* (12) 2004.

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The new situation: Older men are healthier

Men Aged 50-64 Reporting Health as Good, Very Good, or Excellent, 1974-76, 2004-06.

	1974-1976	2004-2006
All Men age 50-64	75%	84%
Top Third	86	93
Middle Third	75	85
Bottom Third	65	75

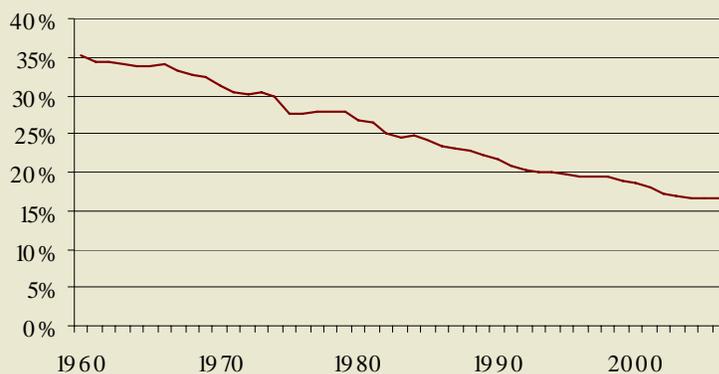
Source: Alicia H. Munnell, Mauricio Soto, and Alex Golub-Sass, "Are Older Men Healthy Enough to Work?" *Issue in Brief* #17. Chestnut Hill, MA: Center for Retirement Research at Boston College, 2008, using data from the National Health Interview Survey.

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The new situation: Jobs less physically demanding.

Strenuous Jobs as a Percent of Total Employment, 1960-2006



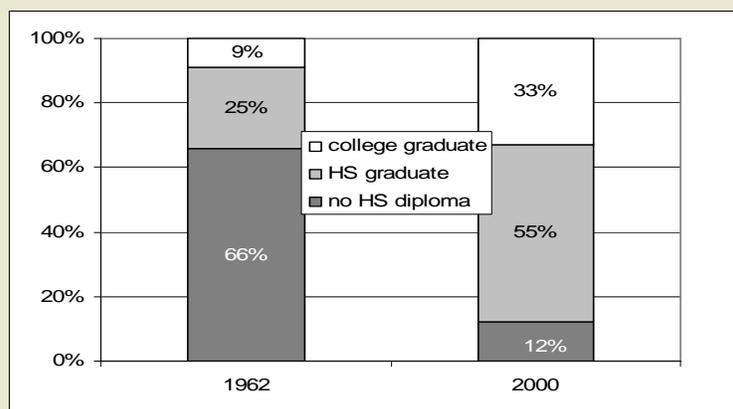
Source: U.S. Bureau of Labor Statistics. *Employment, Hours, and Earnings from the Current Employment Statistics Survey (National)*, 2007. Washington, DC.

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The new situation: Older workers better educated.

Educational Attainment, Men 50-65, 1962 and 2007



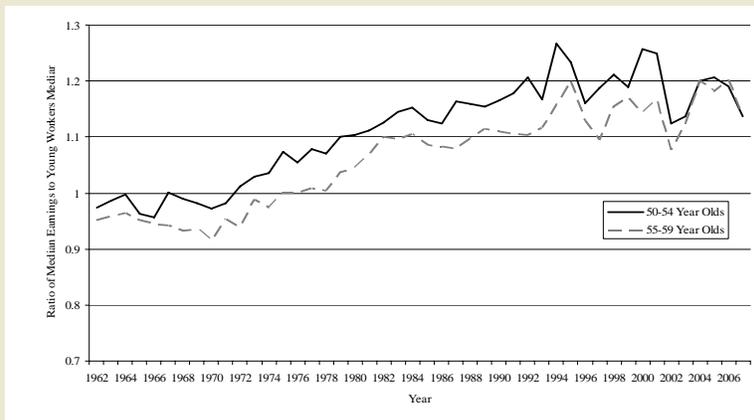
Source: U.S. Bureau of Labor Statistics, U.S. Bureau of the Census, 1962 and 2007.

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The rise in the labor-market value of older workers

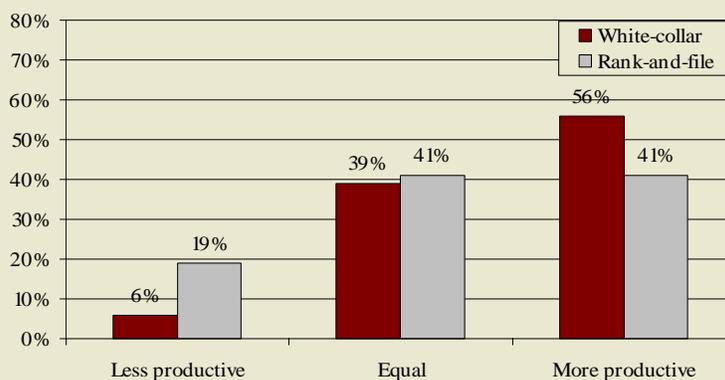
Relative Earnings, Full-Time Male Workers, Ages 50-54 and 55-59 to Ages 25-49.



Source: US Bureau of Labor Statistics and US Bureau of the Census, 1962-2007.

Older workers are more productive

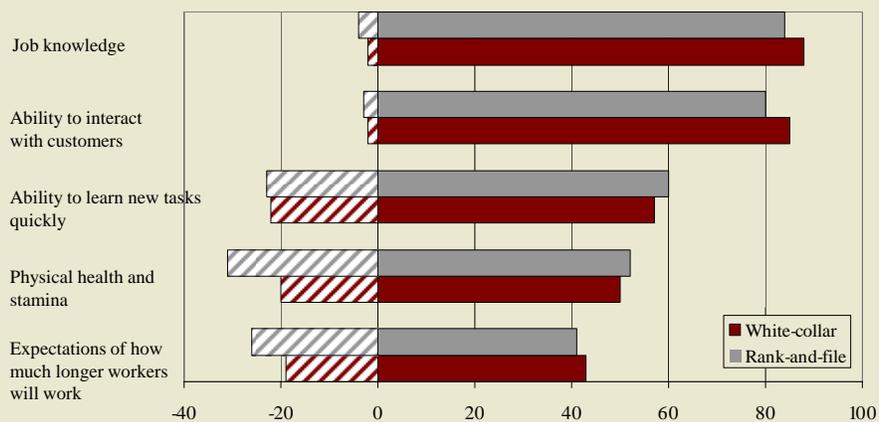
Employer Evaluations of the Relative Productivity of Older Workers



Source: Alicia H. Munnell, Steven A. Sass, and Mauricio Soto, "Employer Attitudes Toward Older Workers." *Work Opportunity Issue in Brief #3*. Chestnut Hill, MA: Center for Retirement Research at Boston College, 2006.

Due to job knowledge and people skills

Employer Evaluations of Factors Affecting the Productivity of Older Workers



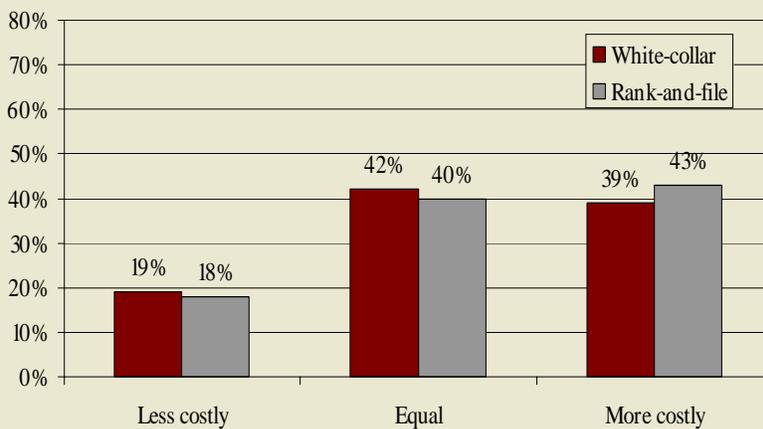
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Older workers cost more

Employer Evaluations of the Relative Cost of Older Workers



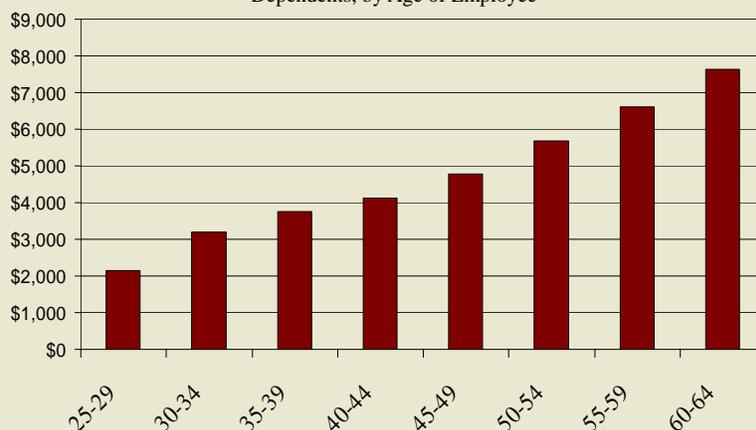
Source: Alicia H. Munnell, Steven A. Sass, and Mauricio Soto, "Employer Attitudes Toward Older Workers." *Work Opportunity Issue in Brief* #3. Chestnut Hill, MA: Center for Retirement Research at Boston College, 2006.

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Health insurance a major reason.

Annual Aggregate Medical Claim Costs for Employees and Dependents, by Age of Employee



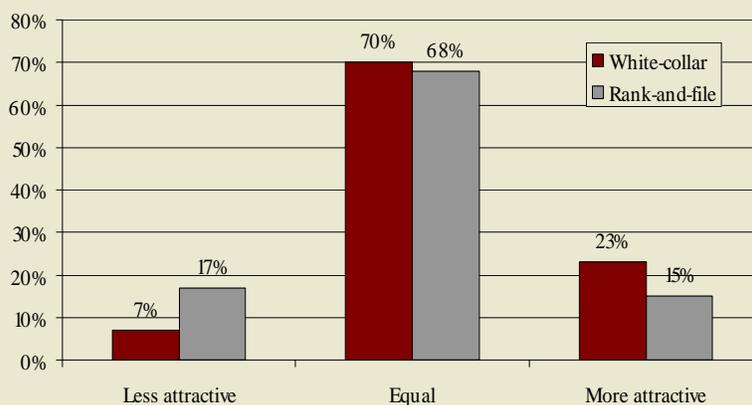
Source: "The Business Case for Workers Age 50+: Planning for Tomorrow's Talent Needs in Today's Competitive Environment." A Report for AARP Prepared by Towers Perrin, 2005.

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On balance, as attractive as the young

Employer Evaluations of Relative Attractiveness of Older Workers



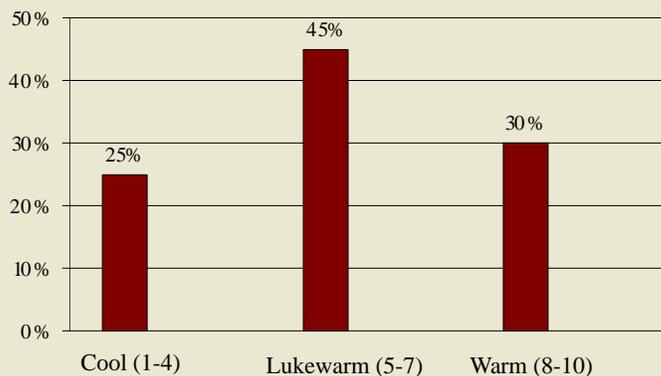
Source: Alicia H. Munnell, Steven A. Sass, and Mauricio Soto. 2006. "Employer Attitudes Toward Older Workers." *Work Opportunity Issue in Brief #3*. Chestnut Hill, MA: Center for Retirement Research at Boston College.

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Nevertheless, employers lukewarm about extending the careers of current employees.

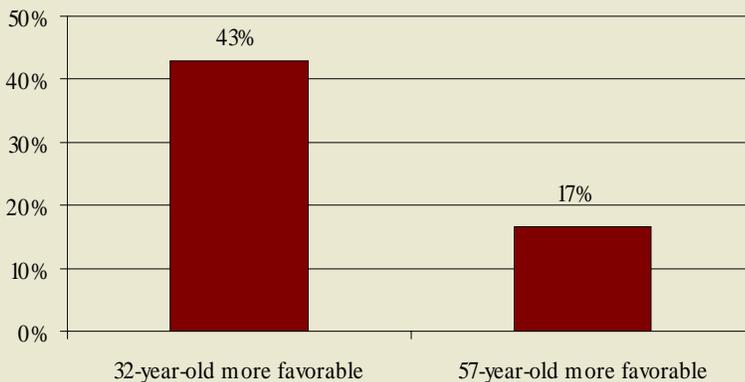
Likelihood of Creating Opportunities for Half Who Want to Stay 2-4 Years Past the Traditional Retirement Age (Scale from 1 to 10)



Source: Alicia H. Munnell, Steven A. Sass, and Jean-Pierre Aubry, "Employers Lukewarm about Employing Older Workers," Center for Retirement Research at Boston College, 2007.

Employers prefer to hire younger workers.

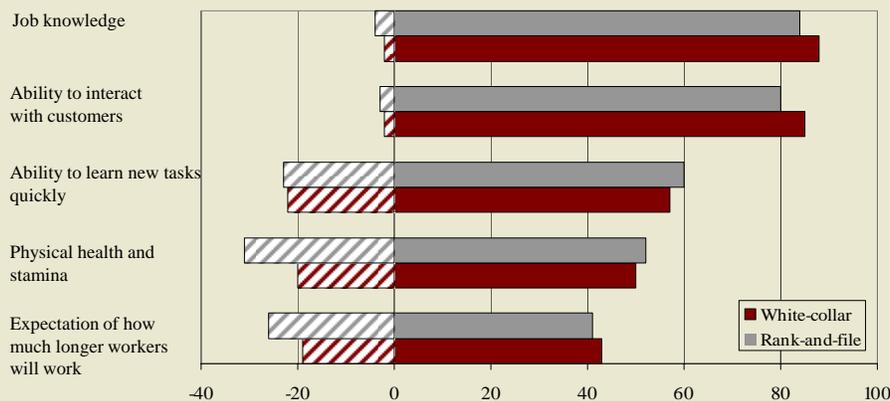
Percent with Favorable Employer Responses, by Age, to Paired Resumes



Source: Marc Bendick, Jr., Charles W. Jackson, and J. Horacio Romero, "Employment Discrimination Against Older Workers: An Experimental Study of Hiring Practices," *Journal of Aging and Social Policy* 8:4 (1996): 25-46.

Expectation of an early exit is critical

Employer Evaluations of Factors Affecting the Productivity of Older Workers

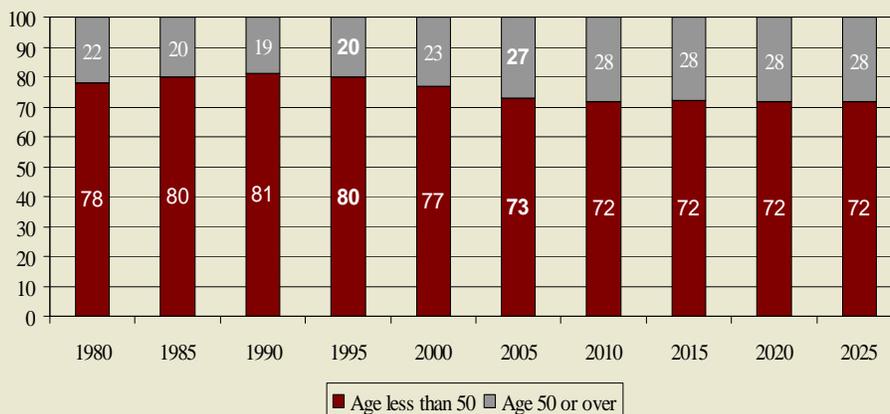


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Older workers: The abundant resource

The Aging of the U.S. Labor Force



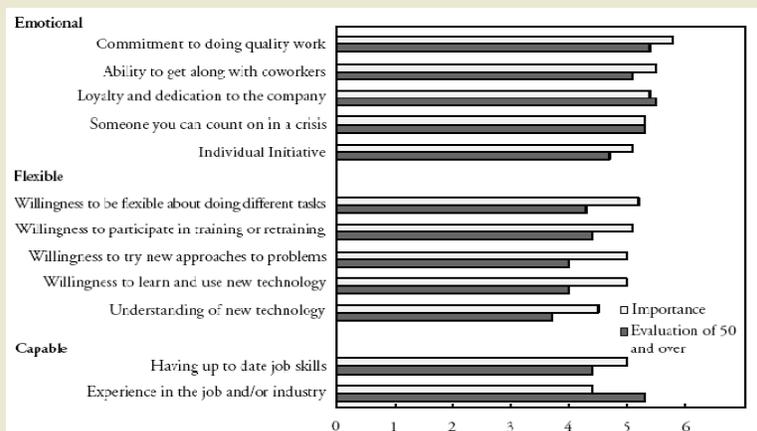
Source: U.S. Bureau of Labor Statistics *Current Population Survey* accessible at <http://data.bls.gov/PDQ/outside.jsp?survey=ln>.

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Innovations for an older work force

- Innovations in Production System
- Innovations in Personnel Management System

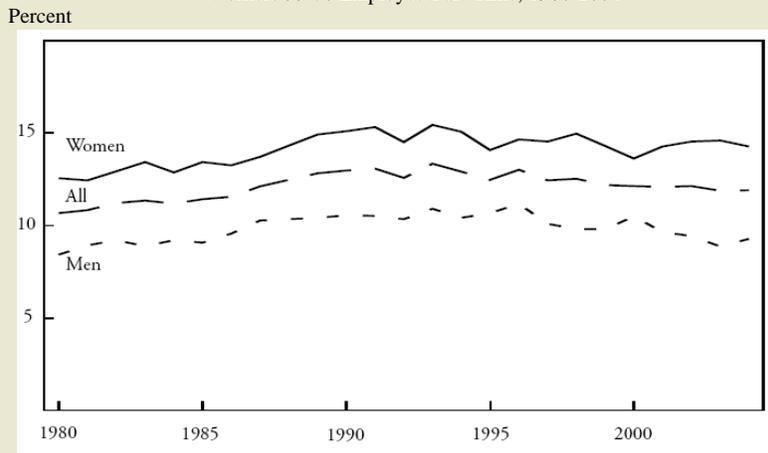
Older workers have different skill sets



Source: "The Business Case for Workers Age 50+: Planning for Tomorrow's Talent Needs in Today's Competitive Environment," A Report for AARP Prepared by Towers Perrin, 2005.

The Illusion of Phased Retirement

Workers 55-70 Employed Part-Time, 1980-2004

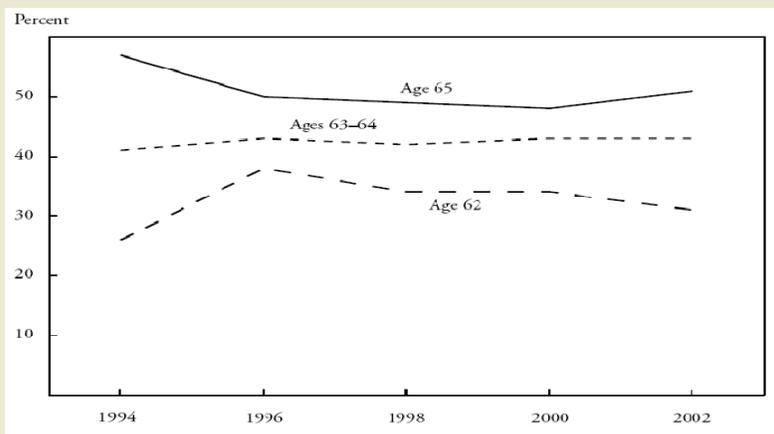


Source: U.S. Census Bureau and Bureau of Labor Statistics, Current Population Survey, 1981-2004.

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Retirement rates by age, DB Plans, 1994-2002

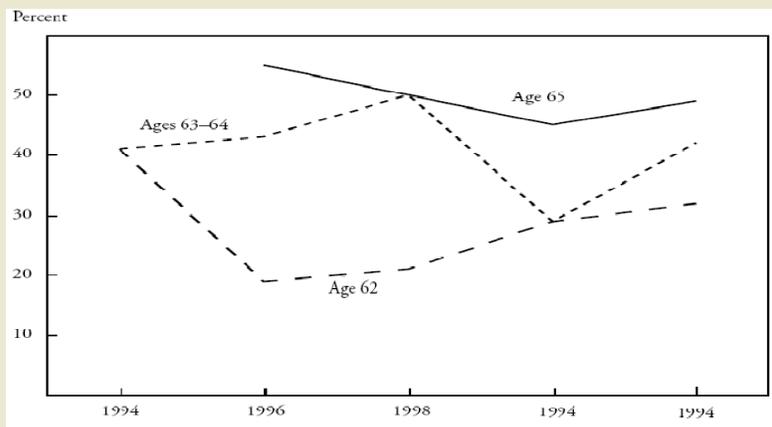


Source: Sylvester J. Schieber, "Pension Aspirations and Realizations: A Perspective on Yesterday, Today, and Tomorrow," Arlington, Va.: Watson-Wyatt, 2007.

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Retirement rates by age, DC Plans, 1994–2002



Source: Sylvester J. Schieber, "Pension Aspirations and Realizations: A Perspective on Yesterday, Today, and Tomorrow," Arlington, Va.: Watson-Wyatt, 2007.

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