

Bridging the Skills Gap: Why Mature Workers Matter



Prepared by the Council for Adult and Experiential Learning (CAEL) and
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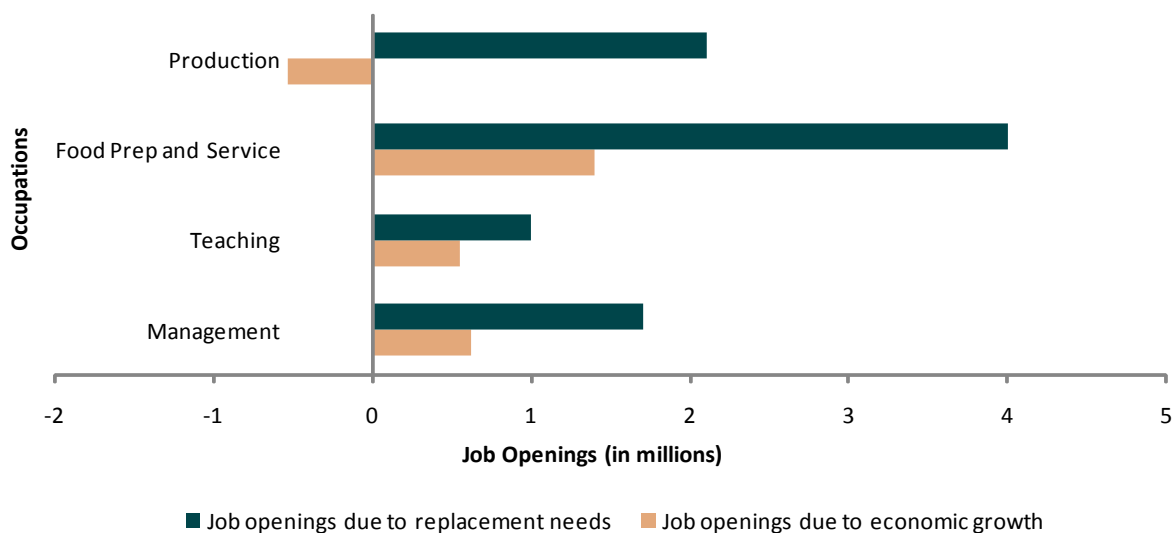
The Council For Adult & Experiential Learning

Introduction

With so many people newly unemployed, discussing the prospect of severe labor/skills shortages may seem a little like getting a flu shot in July. Nonetheless, the impending retirements of baby boomers over the next 20 years are likely to create shortages of skilled workers in critical areas which will drive down national productivity and corporate profitability. According to projections from the Bureau of Labor Statistics (BLS) of the U.S. Department of Labor, between now and the year 2016 twice as many job openings - 33.4 million - will be the result of replacement needs as compared to 17.4 million due to economic growth (Dohm and Shniper 2007). These shortages will not be limited to those with college degrees or higher. The BLS estimates that between 40 and 45 percent of all job openings through 2016 will be in middle-skilled occupations or those requiring credentials between a high school degree and a four year college degree (BLS 2007).

Hidden in the ashes of the economic crash may be one solution to these shortages - boomers, who out of necessity or preference, plan to postpone their retirements or to find new ways of continuing to work. It is likely that they will redefine retirement for a number of reasons. They are the healthiest and best educated generation in our history. In 1960, life expectancy at birth was 67 for men and 73 for women; by 2005 those numbers had risen to 75 and 80, respectively (U.S. National Center for Health Statistics 2008).

Job Openings Due to Economic Growth vs. Replacement Needs



(Dohm and Shniper 2007)

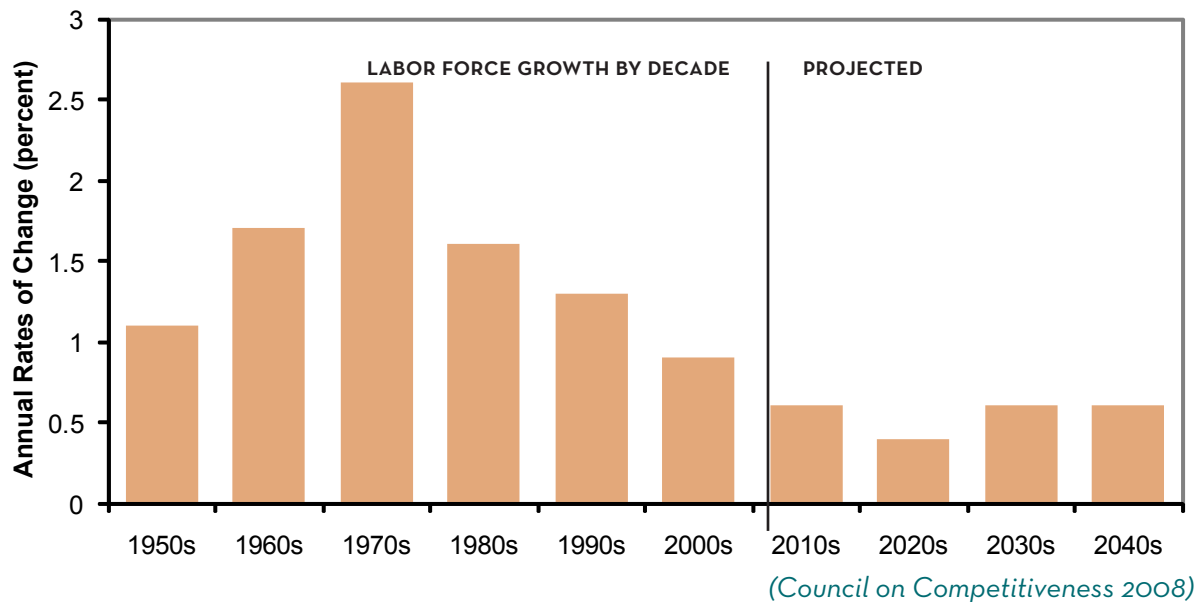
In addition to increased longevity, economic necessity, in part due to the economic downturn which affected both property values and other long-term investments will postpone retirements. Shrinking nest eggs make mature workers far more likely to remain in the workforce past traditional retirement years. According to a recent survey of workers age 50-64, over 50% say they plan to postpone their retirement three or more years longer than they had expected as a result of the economic crisis (Watson Wyatt Worldwide 2009).

Some may recall that the first wave of women who combined work and family in the 1960's and 70's inspired some forward-thinking employers to develop innovative strategies, like job sharing, to accommodate their needs. In the same vein, today's employers and policy makers can better tap the talent of the mature workforce by accommodating their needs in terms of the structure of the work week, the number of work hours needed to earn benefits, the physical demands of the job, or other considerations.

What About the Next Generation of Workers?

Historically, the next generation is ready and willing to fill the positions vacated by retiring workers. However, with slowing workforce growth and the flattening supply of educated workers, this will no longer be the case. According to the Aspen Institute, the growth in educated workers is expected to slow from 19 percent between the years of 1980 to 2000 to 4 percent over the next 20 years (Ellwood 2002).

Slowing Workforce Growth Will Cause Talent Shortages as Boomers Retire



In fact, many employers report current skills shortages. According to Grant Thornton's International Business Report (IBR), for the first time this century, regulations and red tape have been replaced by workforce issues as the number one problem holding back the growth of privately held businesses. This same publication shows that 37 percent of privately held businesses report the availability of a skilled workforce as a constraint on business development, up from 34 percent in 2007 (Grant Thornton 2008).

The Mature Workforce is Part of the Solution Not Part of the Problem

While their retirement is a source of skills shortages, the mature workforce is also well positioned to be an asset for employers facing talent and skill shortages. Mature workers are the largest and fastest growing portion of the U.S. population (Dohm and Shniper 2007). While the workforce is projected to grow by 8.5 percent from 2006-2016, workers 55 and older are expected to grow by 36.5 percent. In 2007, they had achieved higher levels of education, from high school through post-secondary, in comparison to their 1997 counterparts (BLS 2008). And most importantly, they are choosing to stay in the workforce past traditional retirement ages.

Percentage of individuals 55 and older in the workforce		
1999	2004	2009
31%	35%	38%

(Current Population Survey 2009)

Drawing on years of experience with a particular company, or their expertise in a certain area or task, mature workers bring added value to the workplace through the accumulation of tacit knowledge. Whether based on understanding a particular process, the intricacies of a particular machine, the organizational knowledge gathered from years with a particular employer, or other forms of knowledge, retiring workers take these intangible and valuable assets with them unless their employers develop strategies to retain them.

In the various surveys that have asked employers to compare older to younger workers, employers overwhelmingly gave favorable reviews of older employees. They responded that older workers:

- tended to have a stronger work ethic
- were more reliable and loyal
- had lower turnover rates
- had higher levels of skills than their younger counterparts (Pitt-Catsoupes et al 2007)
- were “as attractive” or “more attractive” than a younger employee or prospect (Munnell et al 2006)

When surveyed, some employers associated drawbacks with older workers, including their resistance to change, such as learning or adapting to new technical advancements, and the cost to train them (Heidkamp and Van Horn 2008). Contrary to these perceptions, however, an AARP survey of workers ages 55+ revealed that they are in fact eager to learn and are particularly receptive to work-related training aimed at improving business and technical skills (Towers Perrin 2005), although there is limited access to such programs (Heidkamp and Van Horn 2008).

Do Older Workers Really Cost More?

It is generally assumed that older workers are more expensive because of a combination of higher wages including higher reservation wages (the lowest wage at which a worker will accept a job), higher average health insurance claims, and higher pension costs (Heidkamp and Van Horn 2008). However, Peter Cappelli, the director of the Center for Human Resources at the Wharton School of Business argues that, “Older workers perform better across the range of relevant performance indicators – better skills, especially interpersonal skills, better attendance, more conscientious, and so on. While one might assume that older workers cost more, in truth any premiums that older workers receive are related to experience – which affects performance.” He goes on to argue that the issue of higher health care costs is a red herring because older workers may already have coverage from programs like Medicare, and while they use more health care, they also have fewer covered dependents, so total employer costs may not be so different (Cappelli 2009).

The 2005 Medical Care Expenditure Survey shows that while costs to employers of providing health benefits generally increases with age, in dollar terms, the differences were modest¹ (Mermin et al 2008). Employers were equally divided when surveyed whether health expenses for older workers was significant versus insignificant when employing them (WorldatWork 2007).

As for the productivity of older workers, the GAO cited that employers were concerned that older workers were less productive than their younger counterparts (Heidkamp and Van Horn 2008). Contrary to this finding, a survey in 2006 showed that employers reported that the high productivity of older workers offsets their higher costs (Munnell et al 2006).

How Can Employers Benefit from Hiring and Retaining Mature Workers?

The retention of older workers is particularly beneficial due to their experience, knowledge, expertise, and higher productivity. According to a report by the Center on Aging & Work/ Workplace Flexibility at Boston College, retention efforts also save the turnover cost of anywhere between 30 to 150 percent of the salary for each employee (Pitt-Catsouphe et al 2007). The graph on the following page emphasizes the importance that employers place on retention.

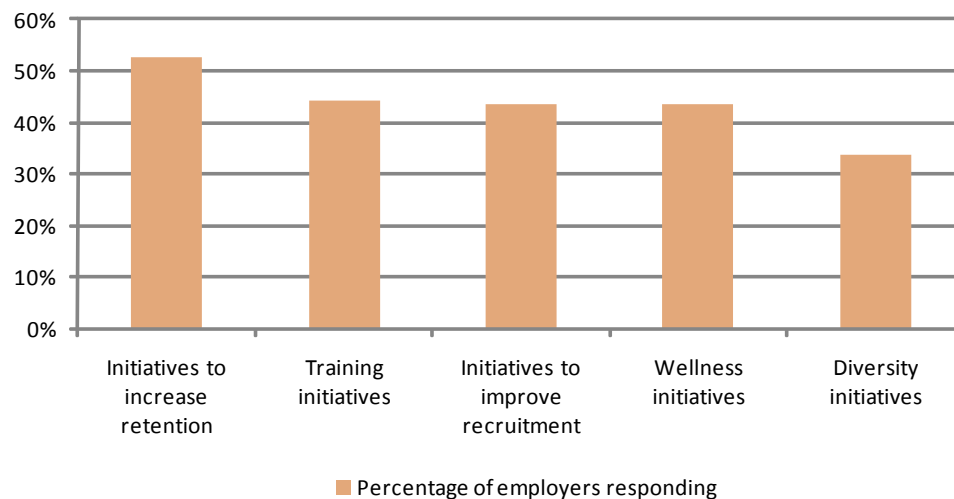
Retention and knowledge transfer programs each offer mechanisms to capture the knowledge and experience of older workers before they retire and take their critical assets out the door with them.

There are many retention options available to employers to keep their mature workers actively engaged in the organization. They include:

- offering flexible work hours
- transitioning to part time work
- hiring mature workers as consultants
- phased retirement

¹The difference in mean health expenditures between adults ages 55 to 59 and adults ages 45 to 49 was only about \$2,000 as older workers are on average healthier than older adults who are not working.

Which HR activities offer the greatest return on investment?



(Pitt-Catsoupes et al 2007)

Knowledge transfer is another key activity that benefits both employers and the mature worker. This includes:

- mentoring programs where mature workers work with younger employees
- transitioning mature workers to other areas of the company that could apply their expertise and tacit knowledge
- organizing multi-generational work teams

Efforts like these help to overcome the various barriers that keep older workers from remaining in and/or returning to the workplace. Among those cited are too few opportunities for flexible work hours, limited access to training and retraining programs, regulations and retirement laws that discourage employers from hiring older workers, and the general unreliability of labor market information that is available to both employers and workers (Heidkamp and Van Horn 2008).

Tapping Mature Talent: Aging Worker Initiative

To demonstrate to employers and policy makers that mature workers are a neglected asset for meeting employer needs and increasing productivity, the Council for Adult and Experiential Learning (CAEL) and the Council on Competitiveness (CoC), two nationally recognized non-profits specializing in adult learning and economic competitiveness, have joined together to create the Tapping Mature Talent: Aging Worker Initiative. Part of a public-private partnership funded by the U.S. Department of Labor (USDOL) and the Atlantic Philanthropies, this initiative will work at the regional and national levels to devise innovative ways of retaining the knowledge, skills, and abilities of mature workers for regions and employers. With support from the Atlantic Philanthropies, CAEL and CoC will provide direct assistance to projects receiving grants from the USDOL's Aging Worker Initiative and capture and disseminate policy and program solutions nationally.

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