

# Adaptations to an Aging Workforce: Innovative Responses by the Corporate Sector

By Diane Piktialis

Farsighted businesses have been responding to an aging workforce since the late 1990s. As baby boomers enter their 50s and 60s, many organizations have found that they needed to reexamine the old labor-force model whereby older workers were continually replaced with a larger number of younger and better educated workers. Some enterprises have developed adaptive practices to deal with the new workforce realities. Others are trying to make the business case for change.

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## *Promising practices.*

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wide, or throughout the industry (Young, 2004)?

Research by the Conference Board and other organizations indicates

that thus far few companies are feeling a high level of pain because of the aging workforce (Morton, Foster, and Sedlar, 2005). Companies that have identified specific vulnerabilities in relation to a maturing workforce usually focus selectively on those critical areas rather than on the entire enterprise. For example, a business may respond to an impending shortage of scientists in the research and development function yet ignore older workers in the manufacturing facilities because they see no business problems there, such as many impending retirements or the risk of lost knowledge, that will occur in the short term.

Finally, some companies realize that their own aging workforce requires planning and adaptations, but they may not be convinced that enough hard data exist to justify new resource allocations.

## AGING WORKFORCE, CHANGING WORKPLACE

Companies engaged in strategic workforce planning or human-resource professionals tracking demographic change often ask, What makes an ideal workplace for older workers? While

### WHY CORPORATE RESPONSES VARY

Employers' responses to older employees in their companies vary considerably because of different perceptions about the business impact of an aging workforce.

The concept of the "continuum of pain" developed by Mary Young (2004) helps explain the range of views regarding whether older employees and their approaching retirement is a business issue to be dealt with. At the low end of this continuum, the pain is small and localized: "Who will replace Old Joe?" At the high end, aging and retiring workers are viewed not as a company-specific problem but as a national crisis. In between these two extremes is a range of pain levels. Is an aging workforce an issue in some job categories, in some business units, company-

there is no agreement on a single set of characteristics, conjecture gradually has been replaced by solid research, which identifies several critical factors.

*Age-neutral culture.* A number of fields have seen changes in corporate policies, new business practices, and innovative programs designed to be older-worker-friendly fall short of their anticipated impact. After much scratching of heads, numerous studies by consultants, and monetary investments for state-of-the-art programs, experts began to chant a common mantra: “It’s the culture, stupid!” The conventional wisdom now is that innovations in corporate policies, practices, and programs are doomed to fall short if the organization’s culture implicitly conveys a contradictory message—for example, that if workers participate in new programs offering flexible schedules, the managers won’t like it, or the employees will be seen as not serious about their careers.

Indeed, organizational culture plays a crucial role in changing any behavior in the workplace—as it certainly will in changing the world of work for older workers. The United States harbors deep-seated cultural biases about aging that contribute to the exclusion of many older workers from optimal participation in the labor force. (See Dennis, this issue.) Unless age-based stereotypes are confronted and dispelled, innovative initiatives to recruit older workers or to meet their career and workplace needs will not be effective.

IBM is one company that understands this reality and is proactively tackling the “culture thing.” As a result of a worldwide survey, IBM developed a corporate strategy to address what their older workers told them was needed. Responses have included review of internal policies and programs to make sure that the language used is age-neutral. Age has become another “diversity factor,” age-related education is now a part of diversity training, and managers are trained in how to better manage a mature and multigenerational workforce (DesBiens, 2006).

The MITRE Corporation, which has almost 6,000 employees and headquarters in Bedford, Massachusetts, is a not-for-profit organization that provides technical support to the government in systems engineering, information tech-

nology, and research and development. Long recognized as an innovative employer of older workers, MITRE as an organization explicitly states that it values older workers for their expertise, productivity, creativity, and commitment. The firm provides opportunities for older employees to move within the organization and for ongoing training with over 350 courses a year (Morton, Foster, and Sedlar, 2005).

*Phased retirement and flexible career paths.* Several industries, including healthcare, aerospace, power, education, and manufacturing, already face concerns about the immediate loss of experienced and talented older workers, as does the government sector. Innovators within those industries understand the cost of recruiting and training younger workers and the irreplaceable knowledge and skills older workers have acquired over the course of their careers. Innovative employers are providing ways for older workers to phase into retirement or get off the linear career track in other ways. Such adaptations can strengthen efforts to recruit older workers, thereby opening up a new pool of skilled labor or retaining long-term employees along with their experience, skills, and knowledge of customer needs and customer relationships.

The Aerospace Corporation provides a range of phased retirement options as an effective way to maintain its long-term experience in the space program and its long-standing relationships with its government customers. Older workers, often talented scientists and engineers, can continue working as employees or retired consultants with reduced schedules (Piktialis and Morgan, 2002).

CVS, a retail pharmacy chain, actively recruits older workers for entry-level positions, such as clerks and pharmacy and photo-lab technicians, and offers them part-time, flexible schedules. A newly added feature now allows “snow birds” flexibility in choosing where to work. Older workers who spend the winter in warmer climates each year can now work part time during the winter months for the same employer but at their winter home at another store in the same chain (Piktialis and Morgan, 2002).

As a result of a 2004 task force, Lincoln Financial Services Company, with 5,441 employees and headquarters in Philadelphia, has cre-

ated a paid-time-off bank to offer more flexibility than a fixed number of sick or vacation days for each individual worker. Such a system allows older workers to take time off for medical appointments or care of an older parent or spouse. The firm also decided to address ways to better integrate older workers into its workforce. In one specific case, Lincoln Financial is actively introducing older workers into the customer-services function based on the recognition that many customers prefer discussing financial issues with a more mature worker (Morton, Foster, and Sedlar, 2005).

IBM (329,000 employees) has taken an interest in maintaining an on-demand workforce to address potential workforce and knowledge needs (Morton, Foster, and Sedlar, 2005). The company is working on how to tap into alumni networks within business units to bring back retirees to work on specific projects.

Baptist Health Systems, designated by AARP as one of the “Best Employers for Workers 50-plus” several years in a row, provides a defined-contribution retirement. That plan was revised in 2002. Following changes in legislation, employees who have worked for the company for ten years or more and who are at least 59 1/2 years old can now begin to draw on retirement benefits and still continue to work part time. Under this phased retirement benefit, older workers are able to reduce their hours without reducing their income (Morton, Foster, and Sedlar, 2005).

Baptist Health Systems has another creative benefit in its “bridge of service” policy. If employees decide to retire but find they do not like it, they can return to the company within five years without losing their paid time off and other benefits.

Unfortunately, formal phased-retirement programs are the exception rather than the rule in corporate America, largely as a result of legal and regulatory restrictions (see Sheaks, this issue). Real or perceived, these constraints have hampered the widespread adoption of programs allowing older workers to make the transition from full-time work to less than full-time, flexible work situations. Surveys by organizations such as the Conference Board, Watson Wyatt Worldwide, and Mercer Consulting have found

the prevalence of phased retirement quite low, from 14 percent to 16 percent to 23 percent of workers in those organizations, respectively (Munson, 2003; Penner, Perun, and Steuerie, 2002). Despite some relatively recent changes in the tax code that governs Social Security and recently passed pension reform legislation, many legal obstacles remain, especially for companies with defined-benefit pension plans.

*Age-related diversity training.* As noted earlier, IBM has incorporated age-related education into its diversity training and offers training in managing an older and multigenerational workforce. Most recently, the company developed training on how to work effectively in multigenerational teams and launched training on generational diversity in the fall of 2006 (DesBiens, 2006).

Some companies have bridged generational divides by using intergenerational teams to overcome age biases. Deutsche Bank AG in Germany has created project teams that intentionally mix younger workers and more experienced employees. Cross-learning is actively encouraged by team managers (Munson, 2003). John Deere and Company, a U.S. manufacturer of farm, forestry, and lawn-care equipment, also uses multigenerational teams strategically (Munson, 2003). Deere relies heavily on project teams and finds that age-diverse teams are very useful in transferring knowledge from one age group to another.

*A positive multigenerational workforce.* Many companies have developed age profiles of their employees only to discover a multigenerational workforce with up to four generations working alongside each other (either currently or in the very near future). Each generation comes to the workplace with different values, preferences, and attitudes toward work.

Organizations that understand this new dynamic realize the many challenges, as well as the opportunities, that come from multiple generations in the workplace. In 2004, Glaxo-SmithKline conducted the Conference Board Retirement Planning Survey with employees age 50-plus to assess the magnitude of risk for the company, to identify possible action that can be taken to ensure knowledge transfer, and to identify ways to support those employees

nearing retirement. As a direct result of the data from that study, GlaxoSmithKline decided on several actions to increase the engagement of 50-plus employees. Several of these initiatives recognize the importance of the new multi-generational workforce (Byrd, 2006):

- The company has increased education and awareness with on-site seminars on generational diversity, a speakers bureau, and train-the-trainer sessions on generational diversity for its large field teams.

- The senior vice president of human resources has appointed a special task force with representation from each of the company's six business units to address the older worker and intergenerational issues in the company's workforce planning and to create strategic business plans.

Companies that leverage generational differences will benefit from increased organizational effectiveness and business performance through improved communication, teamwork, and knowledge transfer in multiple directions.

*Strategic workforce planning.* Some companies come to understand their aging workforce needs through a systematic process known as strategic workforce planning (SWP). "Strategic Workforce Planning is the analytic, forecasting and planning process that corrects and directs talent management activities to ensure an organization has the right people in the right places at the right time and at the right price to execute business strategy" (Young, 2006). Instead of taking a reactive approach to changing demographics, some companies are proactive and develop a strategic workforce plan. One of the many possible drivers of SWP is an aging workforce.

Workforce planning that focuses on differentiating selective jobs or specific employees is called segmentation. Older workers may be identified as a workforce "segment" critical to future business needs. Southern Company is an example of a business that used a segmentation approach to SWP and older workers.

Southern Company, a leading U.S. energy producer with 25,000 employees, responded to what they saw as impending demographic changes. According to their director of human resources, the company had a workforce that was aging and retiring, a potential significant

loss of knowledge, and a business environment requiring strict cost-containment to maintain competitiveness (Mitchell, 2006). At the same time, internal company research identified two distinct groups of preretirees. One group was not financially ready to retire. The other group was strong financially and in good health and wanted to continue their careers. The latter group also wanted phased retirement and part-time work options.

To tap into these valuable resources and transfer knowledge to younger employees, Southern Company launched an innovative program in 2003 targeted at retirees. Retirees who want to continue working on a part-time basis provide a detailed list of skills and experience, which is placed in a companywide database. Managers access the database to find talent for assignments. The pilot program was a success and led to plans to roll it out to other business units within the company (Mitchell, 2006; Winkler, 2006).

#### EXTENDING THE LABOR FORCE PARTICIPATION OF OLDER WORKERS

Research into what older workers want in an ideal workplace reveals workplace characteristics that are important to them. Older workers want the respect of other generations and they want to be valued by their managers and supervisors. They want to be able to plan their careers or their retirement, or both, with openness and support. They want work arrangements that are flexible and benefits that are relevant to their life stage.

*Management practices.* Whether employees stay or go seems to be based more on the day-to-day behavior of the employee's direct manager than on specific programs. Managerial behavior also plays a major role in how engaged employees are in their work. One program that has shown some positive results is at Baptist Health Systems, which has tried to tap the discretionary effort of older workers with recognition programs. The company also has a long-service review committee. The committee's goal is to make sure that employees who have been with the company fifteen years or more are treated fairly before any adverse action can be taken against them. This committee also

helps long-term employees find solutions to work/life issues and to develop opportunities for meaningful and developmental assignments. Outcomes include employee retention, development, and loyalty (Morton, Foster, and Sedlar, 2005).

*Understanding retirement intentions.* Legal statutes and regulatory restrictions prevent many companies from forging creative benefits and retirement programs. Because employer benefits must conform to the Employee Retirement Income Security Act, the Age Discrimination in Employment Act, and the IRS tax code (as well as defined-benefit plan provisions, if a company has one), many firms feel limited legally in what innovations they can implement or in what conversations they can have with older workers about career or retirement intentions. With age discrimination lawsuits on the rise, existing laws and statutes pose real and perceived risks to employer change.

In 2000, the Conference Board surveyed older workers to find out, among other things, what they want in an ideal job. To answer this and other questions, the researchers explored the retirement intentions and perspectives of employees age 50 and older in eight companies.

Four years later, several other companies, members of another Conference Board working group, administered the survey within their own companies to better understand baby boomers' retirement intentions and perspectives on work. GlaxoSmithKline's responses to a multigenerational workforce, based on this survey, were described above. In addition, GlaxoSmithKline decided to explore the following actions to increase the engagement of 50-plus employees: provide opportunities for older workers to assume more responsibility, offer more training to older workers, and make phased retirement an option (Parkinson, 2002). A second company that participated in the survey is now in the process of developing a program for its older workers that will enable them to "bridge" to retirement.

If these companies had followed the usual path of "Don't ask, don't tell," they would not have gained an understanding of their employees' retirement intentions or of what initiatives might stave off the retirement of those who

planned to leave within the next few years. Many companies have learned the hard way that being eligible for retirement does not necessarily mean an employee is likely to retire. The employees' statements about whether they intend to retire are far more accurate predictors of how many employees will actually retire and from what jobs and functions.

*Flexibility.* As with other employee populations such as working parents or caregivers for elders, older workers rank flexibility in work arrangements as highly desirable. For older workers, interest in career advancement is usually waning. They are beginning to think about either working less or retiring, and they increasingly face caring for parents or other elder family members. Companies as diverse as the Aerospace Corporation, cvs, Bonnie Bell, and Dress Barn have adopted flexible work arrangements to address the unique requirements of older workers through reduced work schedules and flexible scheduling in the form of half-shifts, "snow bird" programs, and even extended time off for travel or family visits (Piktialis and Morgan, 2002).

#### MAKING THE BUSINESS CASE

As was true with the issues of childcare, eldercare, and later work-life benefits, corporate America will focus on innovative adaptations for older workers when a "business case" can be made. Why invest? Why allocate scarce resources? Will business performance be enhanced? Business decision-making is very different from change that happens through public policy or advocacy. Show me the numbers. How will this investment improve business performance? Shareholder value? Is it legal? Have the lawyers approved?

Few companies cite the aging workforce as a pressing concern because they are not currently feeling sufficient pain to make this a burning issue. Moreover, when a company actually does the math, the outcome may not favor older workers.

The vulnerabilities for companies in relation to the aging workforce are varied. Labor shortages, succession planning, the leadership pipeline, long-term customer relationships, productivity, turnover costs, and engagement are some of the challenges that can influence a com-

### Sources of Innovative Practices

The resources listed below are for those who want to explore business innovations for older workers in greater breadth and depth.

**AARP**, once known as the most powerful advocate for older workers, has expanded its focus to include helping employers understand the value of older workers. For the past six years, AARP has held an annual Best Employers Competition. AARP promotes each year's winners and their innovative practices through its magazine, newsletters, and website. For more information, visit <http://www.aarp.org/money/careers/employerresourcecenter/bestemployers/>.

**The Concours Group and Age Wave** have published a book called *Workforce Crisis* that describes many innovative practices. The book is based in large part on research conducted by the Concours Group in conjunction with Ken Dychtwald and Age Wave.

**The Conference Board**, a nonprofit organization engaged in business research and analytics to improve the performance of its member companies, has a long history of studying exemplary practices in adapting to the older workforce. For more information about Conference Board reports and research working groups on the older workforce, go to <http://www.conference-board.org>.

**The Center on Aging and Work/Workplace Flexibility at Boston College** conducts research on aging and work. Current work includes a series of studies examining the adoption, implementation, and use of flexible work options by older workers to provide information to business, academic, and media leaders about workplace flexibility as a response to the aging workforce. For more information, contact the center at [age.work@bc.edu](mailto:age.work@bc.edu). ☺

pany's decision to focus on and adapt to older workers. Each company will attempt to address those factors that are critical to successful business. These factors, which vary from company to company and industry to industry, will determine whether employers will try to engage or tap the skills of older workers, or not.

#### CONCLUSION

Business has responded to an aging workforce with some innovative practices. However, taken as a whole, the aging workforce, or more specifically a company's older workers, are often not even on that firm's radar screen. Keeping in mind the "continuum of pain," the aging workforce is still only an emerging issue for most businesses.

As yet, there are no best practices employers' workforce adaptations for older workers. However, AARP does hold its annual awards competition naming the best employers for 50-plus workers, with winning companies and their practices widely touted and publicized. The Conference Board's Mature Workforce Project and the Boston College Center on Aging and

Work/Workplace Flexibility collect information on a cross section of companies, and promising practices are emerging.

When we move from calling the aging workforce an emerging issue to naming it a business issue, when promising practices meet higher standards and become best practices, and when innovative responses meet objective criteria and earn a company the designation of Employer of Choice for mature workers—that is when mid-career and older workers increasingly will be viewed as a human-capital asset to be invested in to optimize business performance. ☺

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*Coming up  
in*

# GENERATIONS



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