

Chapter

4

AGING & EMPLOYMENT

*Implications of an Aging Work Force on the
Development of Human Capital*

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Implications of an Aging Work Force on the Development of Human Capital

Abstract

Projected demographic trends, a fundamental shift toward a knowledge-based economy, and an economic recession have prompted a movement by global organizations to pay greater attention to their investment in human capital. “Human capital” refers to the practical knowledge, acquired skills, and learned abilities of an individual that makes him/her valuable or productive in the labor market. Each worker embodies a quality of labor that arises from innate ability, acquired experience and self or organization-related investment in education, experience and training. The ultimate objective of these efforts is to achieve higher productivity and/or higher income.

The aging worker holds a precarious role within this realm. As demographic trends suggest a greater demand for the elderly cohort in the workforce, global organizations are becoming more knowledge-based and streamlined. The aging worker is often dismissed as unfamiliar with or incapable of mastering the skills and know-how required to be proficient with modern day technology even though current literature claims that this cohort is easily trained, motivated, loyal, and productive. Age-based stereotyping perpetuates discriminatory practices and discourages elderly workers from remaining in or returning to the workplace. This group’s potential non-participation in the labor force could intensify the impending labor shortage and be counterproductive to efforts by organizations to build investment in human capital.

There needs to be a greater movement toward eliminating age-based discrimination in the workplace. Once this is accomplished, the aging cohort may be more willing to re-enter or remain in the workforce. The investment in people, despite

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gender, race, religion or age may be the most important investment for an organization to make in order to maintain productivity and a competitive edge in the modern economy.

The important role of the aging worker, in light of these trends, needs to be a key focus for employers. Employers should develop creative programs, incentives, training, benefits and other methods to capture and/or preserve the lifetime of acquired knowledge, skill and ability, of the elderly cohort. Numerous companies have already undertaken these initiatives, however, some organizations have chosen to ignore the potential impending labor crisis and the potential “skills crunch” that may follow as they continue to downsize.

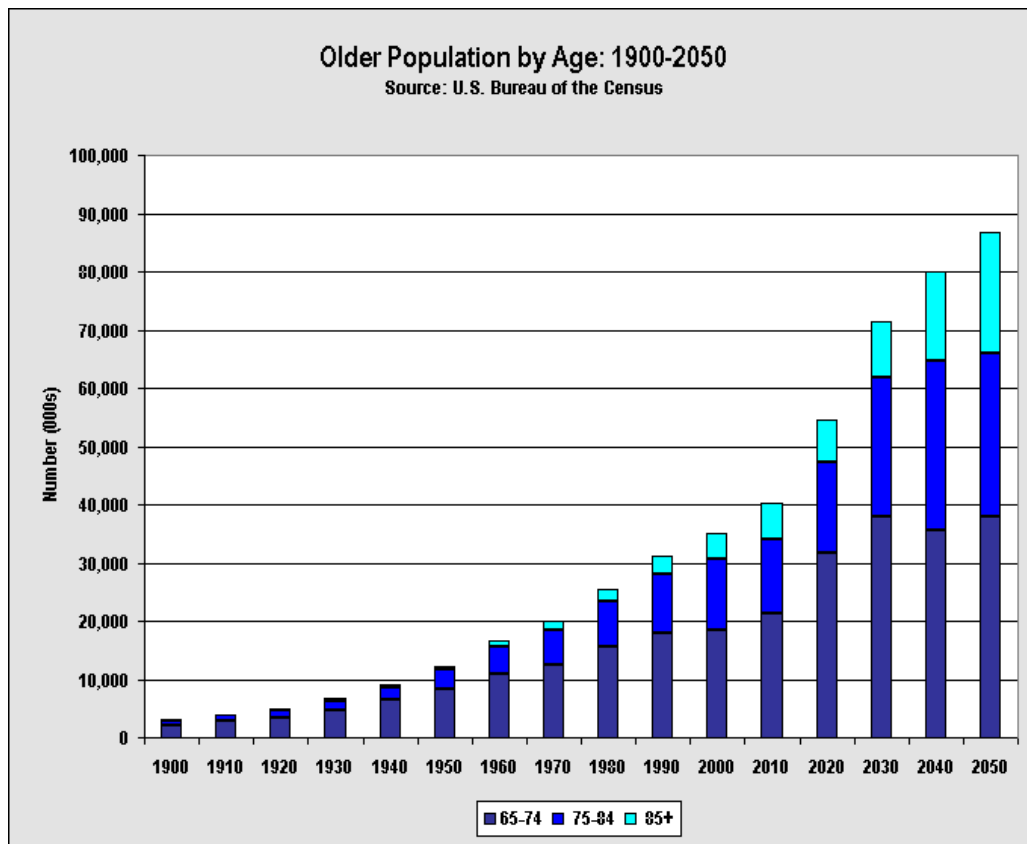
Introduction

In order to remain competitive in today's global economy, companies need to utilize all their resources to their fullest potential. As a result, companies are increasingly focusing on the development of their people, or their human capital, as one method of gaining a competitive edge. Coincidentally, the demographic projections of the United States work force predict an increase in the number and percentage of older workers. This paper will analyze the effect of this aging work force on the development of human capital and provide suggestions for companies on how to retain productive older workers.

We begin by analyzing the demographic projections of the work force domestically and globally. We then look into the development of human capital from an employer's perspective and its particular importance with regard to the elderly cohort. Because subjection to age-based discrimination can strongly influence the pool of aging workers willing to re-enter or remain in the workforce, we provide an overview and analysis of the current status of age-based discrimination in the work place. We conclude with our recommendations for practices employers should adopt to provide a work place welcoming to older workers.

Prevailing Trends and their Impact on the Aging Workforce

Demographic Trends



The United States, as one of the world's most advanced economies, is facing a rapidly aging population. The U.S. population pyramid exhibits a top-heavy bulge with regard to age profiles as post-World War II baby boomers enter their late 40's and 50's (see Figure above). For much of the last half century, the average work life has been shrinking as younger cohorts in pursuit of education have postponed entry into the labor force and growing numbers of older workers have left the workforce well before the normative retirement age of 65. As baby boomers draw nearer to retirement, the influx of

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new employees joining the workforce has different employment options and different career expectations than the generations preceding them.

In 2002, 4.5 million (13.2 %) Americans age 65 and over were in the labor force (working or actively seeking work), including 2.5 million men (17.9%) and 1.9 million women (9.8%). They constituted 3.1% of the U.S. labor force. Approximately 3.6% were unemployed. Labor force participation of men 65 and older decreased steadily from 2 of 3 in 1900 to 15.8% in 1985, and has stayed at 16%-18% since then. The participation rate for women 65+ rose slightly from 1 of 12 in 1900 to 10.8% in 1956, fell to 7.3% in 1985, and has been around 8%-10% since 1988 (www.bls.gov/cps/home.htm).

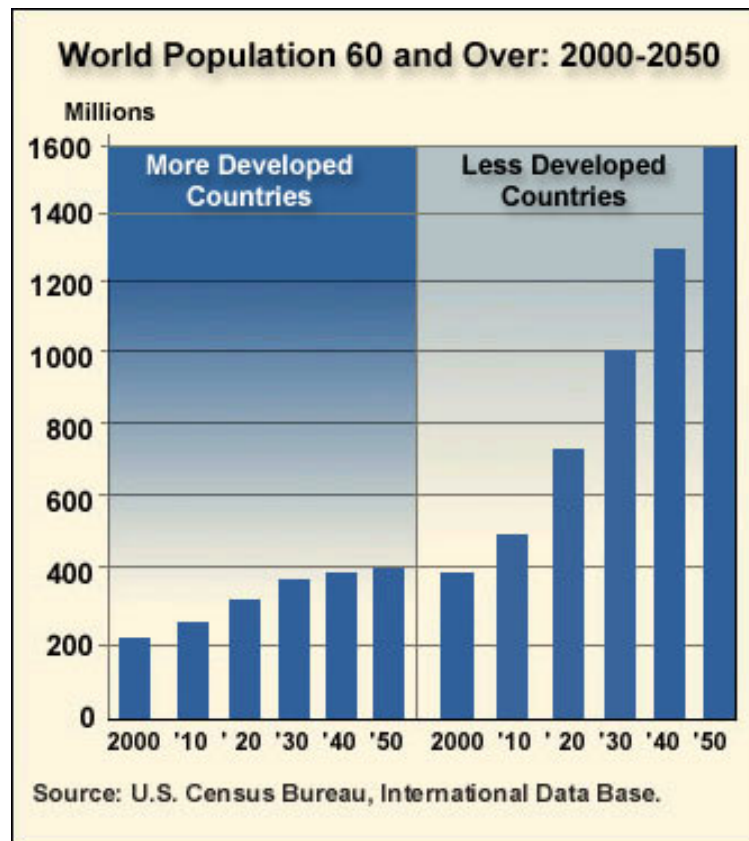
With fewer young people joining the workforce and many mature people leaving, a fundamental supply and demand problem is at hand. Demographic trends warn that the rate of growth of per capita GDP is certain to fall significantly over the coming decades unless either the immigration rate or the productivity growth rate increases dramatically (Scarth, 2002). Labor tightness could conceivably lead to an economic slowdown in the United States. Organizations need to recognize and understand this vulnerability, and address it by aligning their respective workforces. It is possible that the aging cohort will contribute greatly to increases in domestic productivity growth if a good portion of this group makes the decision to stay working.

Demographic Trends: A Global Perspective

In Canada and certain European countries, work after age 65 has also become the exception rather than the rule. Over time, social norms have developed in response to laws that support sixty-five years old as the “pension-able age.” As discussed above, participation rates tend to be well below 50% for individuals in their mid-50’s to mid-

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60's. In addition to the aging of the global baby boomer cohort in developed countries, medical advances are contributing to a rapid increase in life expectancy and a decrease in fertility rates. General population aging and decreasing labor-force growth trends are occurring at increasingly varied rates in different regions of the globe. This will have a profound effect on the distribution of the global work force in the decades to come, as projected demographic trends are disparate between and among developed and less developed countries (see Figure below).



The World Economic Forum (www.weforum.org) details some of these important global trends as follows:

- In 2000, Mexico and Germany had roughly equivalent workforce populations (51 million people each). By 2030, Mexico will have a working age population (20-

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64) that is twice the size of Germany's (80.5 million versus 43.1 million, respectively).

- In the European Union, the number of people aged 20-59 years will decrease from 208.7 million in 2000 to 151.2 million in 2050. During this same timeframe, the amount of people over the age of 60 will climb from 82.1 million to 125.1 million. More specifically in the United Kingdom, the employment rate for men aged 50-64 is 71 percent and for women aged 50-59 is 66 percent. Since 1997, the employment rate of the elderly cohort has risen faster than that of the working age population as a whole. The average length of time in current employment is much higher for older workers (13 years compared with 7 years for those aged 25-49). Older workers are also more likely to work part time and/or be self-employed. People aged between 50 and the state pension age have less qualifications (24 percent) than those aged 25-49 (12 percent) (www.agepositive.gov.uk).
- India will witness an increase in its working-age population of 335 million by 2030 (almost as much as the total working-age population of the EU and the U.S. combined in 2000!)
- Italy's retirees will outnumber its active workers by 2030.
- The estimated retiree/active worker ratio is expected to increase by 71.4% in the U.S. by 2030; Switzerland is projected to experience a 100.2% increase for the same period.
- Southeast Asia will see its workforce grow by 58% within the next 30 years.

These varied trends will impact certain professions differently from country to country. For instance, an international shortage of teachers is surfacing in wealthy

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economies. A recent OECD report indicated that even in countries with high starting salaries, such as Germany, the average age of teachers is almost 50 years old. The report warns that many advanced economies run the risk of having a shortage of teachers in the near future because, as the generation of older teachers retires, there are not enough young people who want to work in education (Ivey, 2004).

Further, the global demand for goods and services is expected to increase at a rate that is higher than the workforce can deliver. If increased consumer demand is to be satisfied, either labor or productivity must increase. On the other hand, surging population growth in lesser-developed countries suggests a labor oversupply, and an ensuing high unemployment rate. Current literature suggests the potential of globally integrated efforts to ease restrictions on immigration laws in order to fill the anticipated demand for workers in developed countries.

Summary – Demographic Trends

History indicates that past labor shortages have been largely cyclical, primarily a reflection of economic boom and bust cycles. However, the demographic trends discussed above indicate that there is a deeper, more fundamental shift driving the current projected labor shortage. As discussed previously, these trends will vary widely in their manifestation on a global basis, largely relative to a country's socioeconomic status. The global workforce will respond differently to these changes and the economic and workplace incentives and pressures that accompany them, especially because countries and cultures have differing preferences regarding leisure and retirement. Europeans, for example, might prefer more holidays and earlier retirement, resulting in lower income and slower growth than Americans. These fundamental demographic changes need to be

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better understood for each country in order to gain insight into how they will play out in the grander global scheme.

A Fundamental Shift to a Knowledge-Based Economy & Downsizing

Developed countries are evolving structurally from manufacturing-based to service-based and/or knowledge-based economies. Service-oriented businesses like research analysis, financial advising, law, healthcare, and consulting firms, are a direct function of the talents and abilities of their workforce. Employers in service-oriented businesses are more apt to invest in the talent of their employees because this talent is the store of worth within the business. Individual knowledge and/or personal ability/skill drive the service or knowledge-based economy. By highly training, preparing and supporting these employees, there is a concurrent effort to bolster productivity and revenues.

Information, transformed into shared knowledge and intellectual capital, is changing the face of work, education and most other aspects of life. Information technology is changing the structure of business relationships, global markets and organizational systems. The increasing dependence on a country's knowledge sector is highly sensitive to demographic and technological changes. The people who employ this knowledge must be privy to the ever-changing nature of advances in technology, and be ready to learn and adapt in order to maintain a competitive edge – not only for their industry, but also for their personal job marketability. The resulting effect is often construed as a leaner, better trained and more efficient global information economy.

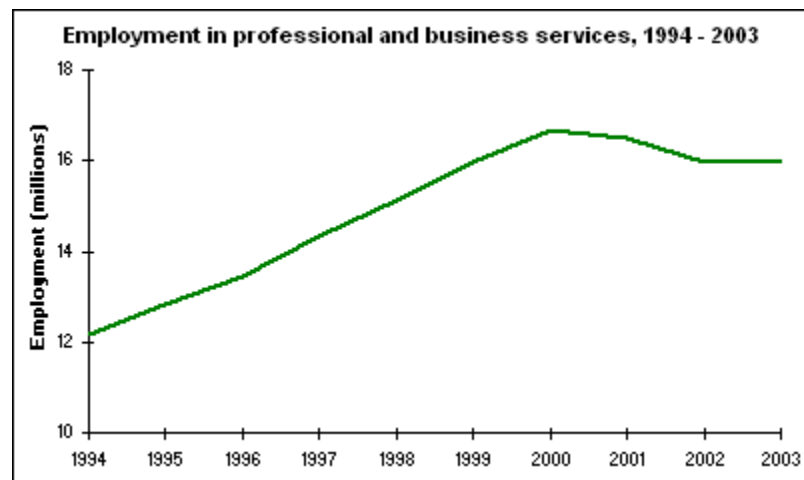
While the knowledge-based economic model relies directly on human beings and the intangible skills or “brain power” they provide to fuel productivity, over the past

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decade, the trend towards a service-based economy has led to significant efforts by companies to downsize operations in an effort to increase efficiency. As companies have lessened or ceased efforts to hire new staff, there has been a simultaneous exodus of talent and skill as older workers either retire or are “forced out.” Current literature warns of the possibility of a “skills crunch” arising from the purging of skill, ability and institutional knowledge held by the older worker.

The recent trend in the service-based economy to downsize can be seen below in the Professional and Business Services sub sector. “The 1994 - 2003 period shows annual average employment in professional and business services at 12,174,000 at the beginning of the period and peaking at 16,666,000 in 2000. In 2003, the employment in professional and business services was 15,997,000, on average”

(www.bls.gov/iag/profbusservices.htm).



Technological know-how and ability are becoming focus criteria for employers with regard to the abilities of their staff. Older workers encounter discrimination all too often in the hiring process. It is possible that downsizing in general has led to the loss of institutional memory and an increase in work backlog. Whether the current workforce is

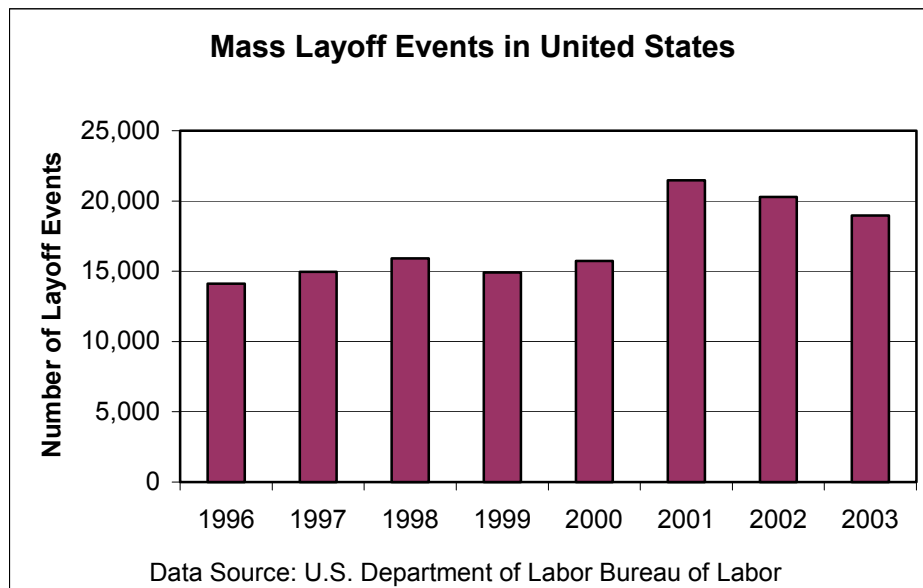
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adequately balanced to properly execute business initiatives at the present, or whether adequate plans are in place to ensure the appropriate balance in the future remains an area of concern for most companies (Walker, 2000).

Prevailing Trends and their Consequences

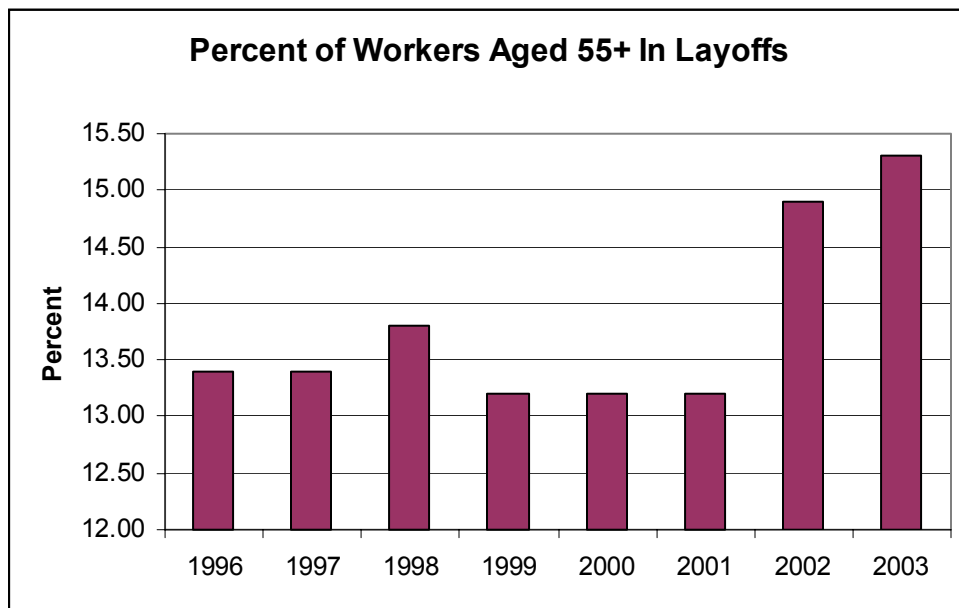
The trends discussed above will have a profound impact on the work life and accompanying employment perspective of the aging worker. As indicated by demographic trends, this cohort will continue to leave the workforce unless fundamental changes are indoctrinated. Organizations have realized the importance of investing in their workforce – the “brains” behind the business, in an effort to support and maintain a competitive edge in the current knowledge economy.

However, in an effort to achieve efficiency, many businesses have downsized, letting go of some of their best talent with little consideration to projected demographic trends. The chart below shows the sharp increase in the number of layoffs in the U.S in 2001.



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More often than not, the target is the elderly worker as shown in the chart below. Age-based stereotyping perpetuates this trend, as youth is favored as “more trainable” or better able to grasp novel technology. If fundamental changes are not made, and the aging cohort is discouraged from participating in the labor force, domestic and even global productivity could be stifled, feasibly leading to an economic slowdown. These declines could be compensated for by an appropriate increase in labor force participation ratios. It will become imperative that organizations observe a different business model in order to persevere and be competitive.



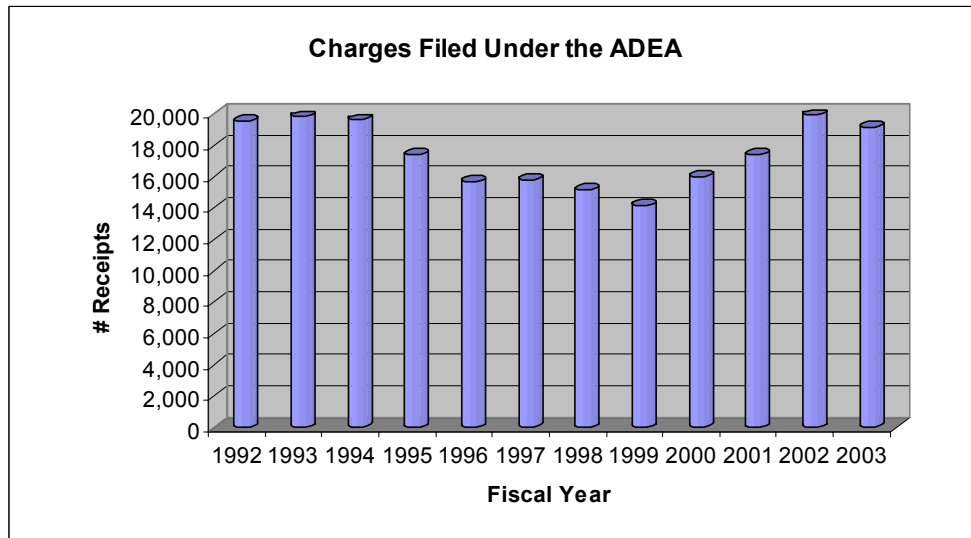
Age Discrimination

As suggested above, organizations aiming to build an investment in human capital by targeting the aging cohort could be severely hindered by age-based discriminatory practices or perceptions prevailing in the work place. Discrimination in any form can potentially damage the development of human capital in an organization. Therefore, it is important that organizations understand what constitutes age-based discrimination in

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order to prevent it from developing within their organizational cultures. In addition to hurting the development of people, discrimination can have legal ramifications for an organization.

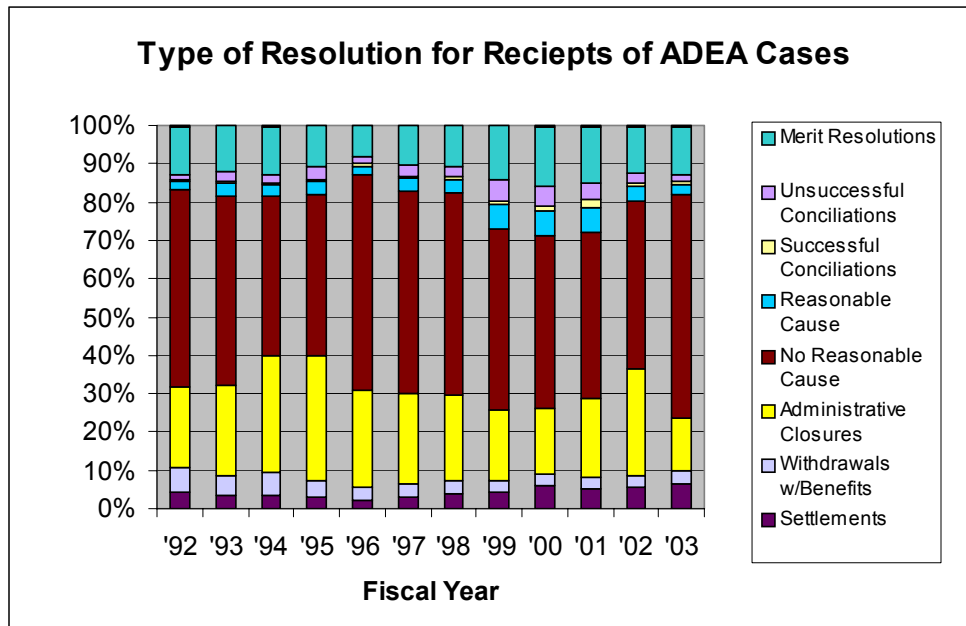
Current statistics from the EEOC show that there is an increase in the number of age discrimination lawsuits being pursued. The chart below shows the number of age discrimination cases filed with the EEOC from 1992 to 2003. The number of receipts decreased from 1993 to 1999 and then increased until 2002. In 2002, age discrimination was the largest type of case filed with the EEOC on the basis of number of cases filed. These trends need to change in order for older workers to remain in the work force.



The chart below depicts the type of resolution for ADEA cases filed over the same time period. During each year, the majority of cases (> 48%) resulted in a “No Reasonable Cause” resolution. There has been an increase in the number of cases being resolved with “Settlements” and “Withdrawals with Benefits.” This could signify and

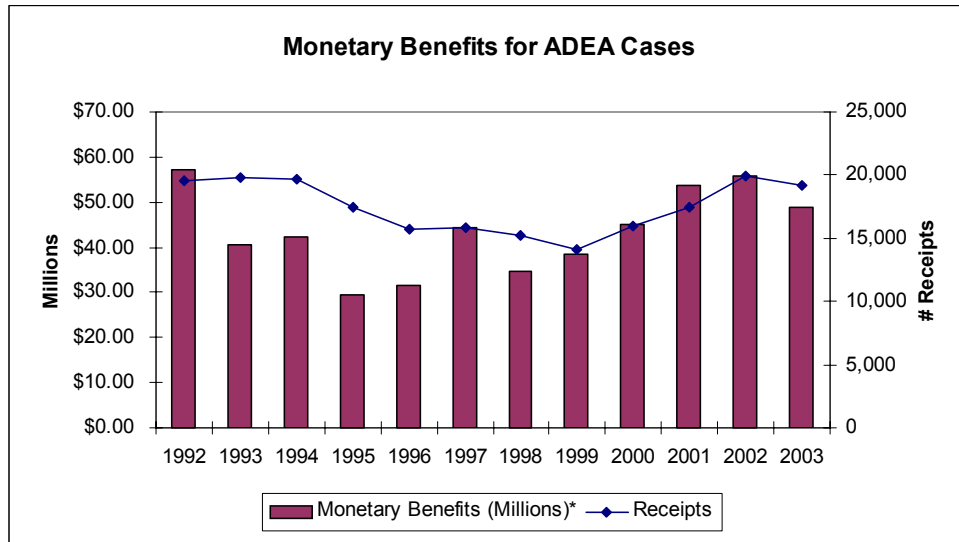
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acknowledgement by corporations of their discriminatory practices or their attempt to avoid bad publicity.



The chart below reflects the total monetary benefits that have been received by those filing ADEA claims that did not go to litigation. The highest total benefits were received in 1992 (\$57.3 million) followed closely by 2002 (\$55.7 million). The trend in total monetary benefits mimics the trend in number of receipts of ADEA claims filed.

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Legal cases set the precedent for setting policies in the work place regarding age discrimination. Obviously companies need to be aware of what does and does not constitute discrimination in their companies' policies. The table below summarizes the monumental cases over the years and the significance of their outcomes. Several of the cases focus on the downsizing policies of companies. It is increasingly important for companies to ensure that if they do downsize they do not target older workers. Of course, downsizing is sending the wrong message to your work force over their valuing of human capital.

Date	Case	Claim
Closed Cases		
March 3, 2004	Coryell v. Bank One Ohio Supreme Court	Age discrimination victims only need to establish that a replacement worker was "substantially younger"
February 24, 2004	General Dynamics Land Systems, Inc. v. Cline Supreme Court	ADEA does not prohibit employers from favoring older employees over younger employees
August 23, 2002	Pike, et al. v.	Court dismissed case in which older workers

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	Lucent Technologies District court for Northern District of Georgia	claimed downsizing program targeted older workers
March 14, 2002	Siegel, et al. v. Ford Motor Company Circuit Court of Wayne County, MI	\$10.6 million settlement - Plaintiffs allege that Ford weeded out older workers through job evaluation programs
February 25, 2002	Shea v. Butte School District Montana Judicial District Court	Teachers union provision resulting in teachers forfeiting retiree benefits for each additional year worked was discriminatory
Open Cases		
May 1, 2004	Adam, et al. v. Norton US District Court for Northern District of CA	Claim that reduction in force at US Geological Survey targeted older and/or female and/or minority employees
June 30, 2004	Drnek, et al. v. City of Chicago	Former police officers and firefighters fighting mandatory retirement
June 30, 2004	Meacham v. KAPL	Polices that are harsher on older workers can be challenged with “disparate impact theory”
April 1, 2004	Sitko v. Goodyear Tire & Rubber Co.	Polices that are harsher on older workers can be challenged with “disparate impact theory”
January 1, 2006	Wynn, et al. v. National Broadcasting Co., Inc., et al.	Plaintiffs allege an industry-wide practice of hiring younger writers to appeal to ‘twenty-something’ advertising demographic is discriminatory

Other countries are also in the midst of legally defining age discriminatory practices. For example, the United Kingdom started making changes and educating organizations to protect their older workers. The “government launched the Code of

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Practice on Age Diversity in Employment in June 1999. This voluntary Code for employers sets good practice standards for non-ageist approaches to recruitment, selection, training and development, promotion, redundancy and retirement. Evaluation of the Code shows that a third of employers are aware of the Code and that, since its launch, the use of age in selection has halved from 27% to 13%” (www.agepositive.gov.uk).

Discrimination and Effects on Human Capital

Current literature suggests the high probability of perceived age discrimination in the workplace as having a negative or discouraging effect on overall investments in human capital. How age discrimination and the future status of aging workers affect the stock of workers and the base of human capital upon which current, and increasingly future productive capacity will depend, needs to be researched.

“Because of discrimination, members of the relevant groups perceive that their investments in human capital do not pay relative to others and they are less likely to invest in human capital because of this lower investment, discrimination persists or increases because its statistical rationality increases and because of this effect, investments decrease, and so on. There is a total net loss to society since less investment in human capital results in lower productivity. Intervention into the market is necessary to break the circle or end the spiral ...” (Caputo, 2002)

A study by Richard Caputo in 2002 found that when subjected to a discriminatory working environment, Blacks and women tended to invest relatively less effort or interest in programs designed to augment human capital, such as education and training. In contrast, White males retain a privileged position in relation to these groups, experiencing

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the least job-hiring discrimination and also achieving higher levels of additional schooling. Interestingly, this finding is age-dependent. Caputo's study indicates that rather than depress the investment in human capital, discrimination increases the likelihood of *young labor force participants* of all races and either gender to increase their educational levels and participate in job training programs – in effect to “maximize their utility.”

When considering Caputo's findings with regard to Blacks and women we can assume, by extension, that any group experiencing discrimination (read, elderly workers) can be similarly affected. Discriminatory practices in the workplace on the basis of age can plausibly lead to a lesser degree of motivation by this cohort to further expand personal skills and marketable assets. Aging workers may be discouraged by the hostile environments they encounter, and ultimately be less willing to commit the time and/or money involved to “invest” in further education or training, especially aging workers who are also of minority race, or are women. Discrimination in both hiring practices and in the workplace on the basis of gender of race *or age* is not conducive to sustaining and building a quality investment in human capital. It is apparent that employers must demonstrate a no tolerance policy with regard to age discrimination in order for a sound investment in human capital to positively contribute to domestic and global productive capacity.

Caputo's findings indicate that in light of the necessary and overarching trend to invest in human capital, the appeal to affirmative action policies and programs based on race and sex remain warranted. The persistence of age discrimination in the workplace will have a detrimental effect upon the pool of human capital available in the future. This

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does not bode well in light of looming demographic and workforce trends. Employers must make a firm commitment to eradicate any and all forms of age discrimination in their hiring practices, while making a concerted effort to expand their human capital base to include workers across the age spectrum.

The Call for a New Business Model: Investment in Human Capital

Many businesses and organizations continue to employ use of rigid, hierarchical, command-and-control, industrial-age business models, which are slow in responding to the dynamic economic environment. On the other hand, some organizations align themselves with short-sighted attempts to maximize profit in the knowledge-based economy, while disregarding the larger, longer term trends that are quietly unfolding. Current literature regarding the knowledge economy is now focusing on the organization's most important dimension – its workforce.

Demographic trends will be the driving force behind efforts to recruit and retain aging workers. The importance of human capital retention is seen in the estimated costs organizations experience when an employee leaves. "Estimates of the total cost of losing a single position to turnover range from 30 percent of the yearly salary of the position for hourly employees to 150 percent. Even a conservative estimate, that the loss of one person is equal to his or her annual salary, clearly illustrates the negative financial impact of employee turnover" (Lermusiaux, October 2003).

Organizations will need to employ a greater and more focused investment in the training and education of the aging cohort. The aggregation of investments such as education, health, on-the-job training that enhances an individual's productivity in the labor market, and also in non-market activities has been termed human capital by

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economists. The term suggests that people are assets whose value can be enhanced through investment either by internal (self) or external (provided for by the organization) means. Some definitions of human capital include innate abilities as well as the knowledge and skills that individuals acquire throughout their lifetimes. As the value of people increases, so does the performance capacity of the organization, and thus its value to relevant stakeholders. If labor is expected to be a relatively scarce input as the population ages, we can expect that the return on investment in human capital will rise.

As more organizations are expecting a return on their human capital investment, human resources researchers and experts are investigating the potential for an organization to create a “Human Capital Valuation” that would give analysts more tools to assess a companies’ viability (Lermusiaux, April, 2002). To date several models have been developed to try to quantify the intangible and the human component of human capital.

- Cost models are based on the acquisition cost, including replacement and training costs and opportunity cost of the human asset.
- The Lev & Schwartz model, more monetary-centric, is based on the likely future earnings of an employee until his/her retirement.
- Another model is based on turnover rate and capitalized salary expenditures. The value of human capital is calculated by multiply the number of employees by their salaries; multiplied by the average length of tenure per employee; multiplied by the average increase in wages per year; all discounted back to year one (Lermusiaux, April, 2002).”

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Traditional conceptions of human capital are embedded in current socio-economic and cultural contexts – often revolving around young, bright, well-educated youth that are working through the ranks and entering the labor force prepared for anything and everything. It is a common perception that this cohort is better trained and more proficient in modern technology than older workers. Although many older workers have not had equivalent exposure to more modern advances and trends, current literature suggests that older workers are easily trained and more than capable of performing quality work and maximizing productivity.

Economists estimate that human capital is the most important form of wealth in the U.S., worth three to four times as much as all other assets, including stocks, bonds, and real estate (Farrell, 2003). Human capital embraces both the broader human resource considerations of the business workforce and the more specific requirements of individual competence in the form of knowledge, skills and attributes of managers and the people they manage. Developing and harvesting this talent in the workforce will conceivably become an organization's most important task.

Many empirical studies confirm the link between human capital and productivity, particularly in relation to the knowledge-driven economy discussed above. Studies show that workers with higher investments in human capital increase productivity and are a direct source of long-term competitiveness. Human Capital consulting firms such as Watson Wyatt Worldwide have performed numerous studies pertaining to human capital and its correlation to shareholder value. The result of the most recent study confirmed that the more successful an organization is in managing its human capital, the better its returns for shareholders. In 1999, Watson Wyatt launched a Human Capital Index (HCI)

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study in North America and became the first consulting firm to demonstrate the link between exceptional human capital practices and shareholder value creation. It is clear that the management of human capital is a source of competitive advantage in the marketplace.

Human Capital and the Aging Worker

Given biases and ageist attitudes regarding performance and productivity of the elderly cohort, employers need to *rethink* traditional concepts of human capital in light of the pending shortage of workers in the labor market. Managing and redefining misguided perceptions can lead to a huge source of competitive advantage through preserving and developing human capital in the aging cohort to meet future labor demand. Research consistently reveals favorable opinions regarding older workers who are viewed by employers as loyal, dependable, knowledgeable, etc. Employers, however, also harbor reservations regarding this group's flexibility, adaptability, technological competence, ability to learn new technology, and cost – perceived deficiencies that often outweigh the traits they otherwise admire in this cohort (Rother, 2002).

As the demographic trends outlined above unfold and demand for workers increases substantially, employment relationships and the years of stereotyping and biases will most likely change. Demographic trends will fuel demand and the creation and preservation of human skill and experience that are so essential to a knowledge-based economy will drive this movement. It can be expected that older workers and the years of invaluable experience and knowledge that they provide will become highly coveted.

This propensity for amassing human capital in global organizations will focus on preserving and/or accessing knowledge that is specialized, differentiated and relevant to

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the respective industry. Very few workers will be able to “afford the trap of technological obsolescence” (McGregor, 2004). To be considered valuable or deemed “a good investment,” older workers will need to have knowledge of operations and processes and keep themselves abreast of a continuously changing business environment. Workers will need transferable skills that are up-to-date, technologically relevant and portable, including the ability to work as part of a team.

Investing in Aging Workers

Apart from the obvious need to move away from outdated business models, there are different views about how the looming skills crisis and the need to redirect attention to an investment in human capital can be addressed effectively. The aging cohort can no longer be viewed as a cost to be cut, but rather as an asset to be appreciated. Strategic human capital management recognizes that employees are critical to success, and the organization’s human capital policies and practices must be designed, implemented and assessed by the standard of how well they support the organization’s mission and goals. Older workers exemplify a veritable untapped resource and will play a very important role in building human capital.

Companies can take certain targeted steps to address an increase in the quantity and quality of the stock of human capital within their organization. Some examples are listed below:

Education & Training Perhaps most obvious, is for an organization to invest in extending education and training to ensure that personnel are well prepared to employ new technologies as well as the development and adoption of breakthrough trends and organizational management systems. Lifelong learning initiatives should be supported to

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counter the increasingly rapid obsolescence of skills in a period of rapid technological change.

More Attractive Benefit Programs Employers can make benefit options more appealing to the elderly worker, especially with regard to health and life insurance and paid time off. One company allows for “grandchild leave” – essentially allowing its elderly employees to taken extended time off for the birth of a grandchild.

Recognition. Aging workers must be recognized as contributing to an organization’s success and individual job roles must be considered through all stages of strategic planning and day-to-day business management.

Appropriately Matching Employee to Job Businesses need to identify the skills and other characteristics requisite among leaders and all other employees, to help achieve success, and make the appropriate investments to hire, develop and retain people to ensure that these competencies are sustained.

Organizational Culture Aging workers will be more apt to remain working – thereby providing a fundamental component of future human capital – if the organization within which they work has developed a culture that is based on teamwork, employee involvement, accountability and empowerment. Employees need to have the flexibility to work together and pool their resources in order to achieve high performance. There is no room for discriminatory behavior in the workforce of the future.

Encourage older employees to work longer Organizations can scale benefit packages to the length of a worker’s tenure with the firm, perhaps opting for significant increases if the employee stays working well into the “normal” retirement years. This will

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also work to preserve and accumulate years of experience and knowledge in the aging worker cohort.

Increase Immigration Countries who participate in this regard will be able to better regulate excess supply and/or demand within their own labor forces. For instance, workers from Southeast Asia who are being crowded out of their home labor force would have the opportunity to work in a country where labor supply was in great demand (for instance, Canada or the United States).

Use technology to extend the effectiveness of particularly highly skilled individuals Many design and management teams in large corporations now consist of highly skilled participants located in different countries who communicate with each other virtually over video and intranet links.

The human capital of businesses and how the aging worker can become more integrated into the mix will increasingly become an area worthy of significant consideration for most domestic and global organizations. To preserve the value of an investment in human capital, these institutions will need to keep increasingly scarce and valuable employees happy and productive. The store of skilled and valuable human capital within the aging worker cohort will need to be tapped to maintain productivity. The wealth of knowledge-based capital inherent in this group is significant. As future trends unfold, such capital will have far greater value than financial or physical assets.

Adapting the Investment in Human Capital to Accommodate Older Workers

The American Association for Retired Persons (AARP) developed a yearly program that identifies the fifty best companies for workers over age 50. These are companies that view older workers as invaluable sources upon which to invest in human

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capital and promote employment by offering a stimulating and supportive workplace. The productive capacity of this group is recognized and revered by these organizations. They have taken the lead in aggressively recruiting, retaining and promoting older workers, not out of duty but rather because it makes prudent business sense.

Occupations where labor shortages can already be seen like teachers, nurses and certain blue collar trades will likely need to rely on older workers more heavily as the labor shortages continue to expand. Companies dealing with these types of occupations may want to review some of the recruitment and retention strategies proactive companies have already put in place. Others will need to or choose to create their own vision of their future workforce but the fact remains there will be a shortage of skilled and trained workers and the holes will need to be filled by someone.

Some companies started to think about older workers years ago and still others have not even begun to plan for the future. With the economy in a slump, companies currently have not had to worry about recruiting or retaining workers. Their focus has been on streamlining organizations, cutting costs, and downsizing. Unlike most U.S. companies the following have started to set examples by creating workforce strategies that incorporate a portion of their recruitment efforts toward older workers.

- Texas like most other states in the U.S. is experiencing a huge shortage of teachers. To combat this problem Texas is “relaxing its standards”. The state has come up with a plan that would add more teachers by allowing college graduates that majored in a subject to teach those courses as long as they pass a subject-area exam and a certification test. Teachers hired without education courses will be mentored by other peers for the first two years. In addition to these changes in

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- standards Texas is “providing recruiting and retention incentives for teachers, forgiving loans, appealing to older workers, and looking to other countries for potential teachers” (www.workforce.com, March 2004).
- After September 11 the FBI “cited a lack of analytical skills as perhaps the FBI’s greatest weakness (Mullich, March 2004).” The reason for this was that the FBI had a mandatory retirement age of 57, which created a situation where their most experienced analysts were forced out of work. Since then the FBI has hired dozens of agents back as temporary employees. This allows the FBI to fill their need and still allows temporary employees to collect their pension benefits.
 - CVS started actively recruiting and retaining older workers over ten years ago. Through a study conducted at CVS they found that older workers were less likely to call in sick than younger workers, loyalty and dedication are strong attributes in older workers. Older workers were still physically and mentally able to perform the jobs. In addition CVS tries to match its location demographics to its worker demographics for each store. CVS has recreated its training programs to work for both older and younger workers and has added intergenerational training to its general training program to head off any problems (Mullich, March 2004).
 - Brethren Village is a continuing-care retirement company that provides flexible schedules, health insurance year-round to part-time workers, training, and mentoring programs to older workers. These efforts to accommodate the needs of older workers has given Brethren Village a good reputation in the community and made it an enticing place for older workers (Mullich, March 2004).

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- Hospitals such as St. Mary's and Baptist Health South Florida have been experiencing nursing shortages. These hospitals have been wooing nurses out of retirement and instead of throwing them into intensive patient care settings immediately they have created re-entry programs that allow the nurses to be assigned to less demanding tasks first and gradually work up to more intensive situations. They have also created flexible benefits and perks that allow workers to come back to work without having to worry about previous issues. Some of the benefits are Summer Release Work Agreements that allow employees to take 4 to 12 weeks off during the summer months; Meals-To-Go where employees can pick up meals from the hospital cafeterias, on-site hair salon, and discounts on services and products in the community are just some of the creative programs that have been developed (www.baptisthealth.net).
- Baptist has also taken an extra step to retain and make sure older workers are being treated fairly. Three people must approve any action taken that might be detrimental to a worker with 15 years or more of service. Also staff members have been added to the Human Resources department whose job is to assist elderly workers inside the hospital to move to positions that are less physically demanding and require less lifting (Mullich, March 2004).

Other initiatives that companies have taken to retain aging workers are as follows: changing their pension or retirement plans to allow for phased retirements; allowing workers to “try out” retirement; or giving employees the freedom to come back within five years and pick up where they left off. Companies like Volkswagen allow workers a “rehearsal” retirement. This program allows the worker to take an unpaid leave of

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absence while keeping their benefits for a period of one to three months (Mullich, March 2004).

Some companies have made comments that lead the public to believe they are worried about publicly targeting older workers for recruitment efforts because the organization is concerned about setting themselves up for reverse age discrimination lawsuits. These companies believe that work and life benefits not only apply to the older workers within their organization but they find that the benefits are also of interest to workers that have been in the workforce only a few years. (Fandray, March 2004)

In addition to targeting older workers, human resources professionals have started creating additional programs with the looming labor shortages. Some of the programs are listed below (Caudron, April 2002):

- Flexible work schedules
- Part-time positions
- Job-sharing opportunities
- Flexible benefits
- Seasonal work
- Telecommuting
- Compressed workweeks
- Expanded or reduced shifts
- Voluntary demotions
- Job rotation
- Job redesign
- Continued education and development

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- Active recruitment of older workers
- Accommodations of workers with physical limitations
- Incentives that appeal to older workers, such as longer vacation time
- “Paid leave banks: A structured program that combines vacation, short-term sick leave, personal days and emergency leave is a way to reward and motivate employees. Although the company retains the right to grant approval for leave, the employee can accrue more discretionary days than with some traditional programs. The costs remain the same for the company, while participants perceive greater control and are more likely to remain contented in the long term” (Hoffman, October 1999).
- Developmental opportunities and career planning: Many individuals express frustration in performing the same responsibilities over and over. The ability of a company to structure career planning programs, including job rotations, skills training, and project management assignments are of interest to many employees. Providing opportunities to learn new technologies, methods and accomplish new achievements is significant in capturing prolonged interest from high potential staff. Giving people the opportunity to gain exposure and implement new programs while building self-esteem and credibility is valuable for both the company and the employee. Opportunity and recognition of accomplishments can prove to be a much more lucrative incentive than any financial considerations a company may offer” (Hoffman, October 1999).

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The programs that organizations have created to appeal to their existing workforce and future workers indicate that there are many creative ways to invest in human capital in the effort to increase organizational success.

Recommendations

After reviewing the topic of age discrimination, statistics about the aging U.S. labor market, future workforce statistics, existing company recruitment and retention strategies, and progressive company behavior as it pertains to age discrimination; we have created a list of recommendations for employers seeking to recruit, retain and develop their older workers.

Maintain an Age Neutral Organizational Culture The culture of an organization can dramatically impact the employment of older workers. Older workers should feel comfortable within a company and the culture should reflect the organization's flexibility and acceptance of this cohort. This implies that companies should consider how older workers would view certain practices. For example, sales companies should consider the needs of older workers when selecting a site for annual sales meetings: the ski resort may not be ideal.

Recognition and Rewards Companies employing older workers should review their incentive, recognition and reward programs. Companies should offer feedback and recognition for all ages. Creating programs that are appropriate may require careful planning. In addition management should ensure that the methods and time for supervisors and managers give feedback and recognition to employees is part of standard practice within the organization. Some of the recent discriminatory lawsuits pertain to the

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type of performance evaluation companies utilize demonstrating how these practices can be perceived as discriminatory.

Older Worker Training Programs Incorporate training classes, techniques, and technology to enable older workers to learn just as effectively as other workers. Be sure to take each older worker's respective learning style and physical limitations into consideration when developing training programs. For example, computer screens with low glare, larger font sizes, and speakers with increased volume are all beneficial for older workers.

Zero Tolerance with regard to Age Discrimination Aside from being illegal for companies to discriminate against older workers, negative attitudes toward older workers are going to have to change for certain companies to survive. It makes sense for companies to institute policies that may assist in the retention and recruitment of older workers. Many companies already conduct in depth training on avoiding sexual harassment and these programs can be altered to include age discrimination.

Diversity Training to Include Older Worker Information As older workers stay in the workforce longer the "face" of organizations is bound to change. It will become increasingly important to include topics that may be of concern to an organization's older workers in diversity training initiatives. There are many inaccurate stereotypes in existence that need to be dismissed before older workers and their colleagues can fully benefit from working together. For example, many people inaccurately believe that older workers cannot learn the latest technologies. If not addressed, this belief could prevent older workers from being allowed to learn new technologies, which would diminish their ability to contribute to the company's aggregate human capital.

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Tailor Recruiting Efforts Accordingly Recruiters, Human Resources Departments, and hiring managers need to be aware of and create sourcing strategies that will capture and appeal to the older cohort and incorporate this group into the work force. For example, many individuals in the older cohort are not comfortable searching the Internet for job postings. Therefore, companies need to post jobs in creative places such as senior centers.

Solicit feedback from older workers Feedback should be received from all workers multiple times a year but it will become increasingly important to use the feedback received from older workers to enhance their working experience. Programs created with the feedback received from a workforce could give organizations a competitive advantage over other employers.

Implement Creative Programs As demonstrated previously by examples, many companies are scheming up thoughtful and creative ways to appeal to the older worker. As projected labor shortages will likely create an employee market, the excess supply of jobs will allow workers to switch jobs more frequently for better wages, benefits, perks, etc. Employers will find that creating programs may assist with employee retention and recruitment efforts. Previous examples of companies' programs such as that employed by CVS, demonstrates the effectiveness of well-designed programs. Companies can also solicit help from consulting companies that specialize in human capital development such as Watson Wyatt Worldwide.

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Equipment for Older Workers Physical requirements for older workers differs from younger workers. Providing the right equipment for these workers could be the deciding factor when a older worker is determining if they are going to retire or not. Equipment that employers could purchase to make older workers more comfortable are things like special computer screens that reduce glare, telephones with better volume control, ergonomically designed keyboards and workstations.

Flexible Benefits Similar to implementing creative programs its important to supply your workforce with benefits that they find valuable. Companies can start with some of these ideas suggested earlier in the paper or view company websites that are actively recruiting and employing older workers. By no means intended to be an exhaustive list, many of these options can take the form of: flexible work schedules, part-time positions, job-sharing opportunities, flexible benefits, seasonal work, compressed workweeks, expanded or reduced shifts, voluntary demotions, job rotation, job redesign, continued education and development, active recruitment of older workers, accommodations of workers with physical limitations and incentives that appeal to older workers, such as longer vacation time and grandchild leave.

Age Neutral Audit To accommodate not only older workers but also all workers it would be beneficial for companies to conduct an audit of their company. This audit should include every aspect of the company from recruitment to exit interviews. The goal of the audit should be to determine if the organization is age neutral. The organization should be just as comfortable for a 25 year old as a 65 year old and both workers should be able to be successful within the organization. The audit should identify areas where improvements can be made and an action plan should be created and implemented. As

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part of the plan feedback should be obtained for the work force to ensure the changes implemented have solved the issues the workers were facing. The program should continue in a cyclical fashion to address new issues that are found.

Be aware of discriminatory practices in other companies As discussed previously, there is an increase in the number of age discriminatory cases being filed. Therefore, it is imperative that corporations remain aware of the outcome of these cases to ensure that their cultures are not participating in similar practices. This is especially important when companies downsize since older workers tend to feel targeted in layoffs.

Conclusion

Demographic projections suggest that older workers will play an increasingly important role in the workplace. In order to build up a highly anticipated and necessary source of human capital, companies must appeal to the elderly cohort. This group will need to be courted back to the workforce or sufficiently enticed to remain working. The possibility of this occurring will be heavily influenced by an organization's ability to provide a tolerant, accepting and comfortable workplace for the aging worker. There is no room for age-based discrimination in the workplace of the future.

In order to avoid the potential for discrimination on the basis of age, companies need to be continually aware of the legalities of age-based discrimination so they can avoid policies that will prevent older workers from remaining in or entering the work force. This will also serve as a preventative measure against discriminatory lawsuits that can be costly. Anti-discriminatory behavior in the workplace will ultimately work to benefit both employers and the elderly employee by developing human capital in a workplace that is rich and rewarding.

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There are many policies and guidelines companies can adopt to ensure their development of human capital includes their older workers. Our recommendations serve to provide a fundamental list of some of the very core policies that companies should consider in this regard. However, as demographic projections come to fruition, there will inevitably be many other ideas, programs and initiatives that come to light. Employers must be tolerant of change and open to suggestions, insight and feedback not only from elderly employees, but also from employees across the age spectrum. There is important perspective and perception to be gained from all. Only once this is accomplished, can human capital and the incredible store of worth that it bears be wholly and properly realized.

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