

**“The Paradox of the ‘Working Retired’ – Identifying Barriers to
Increased Labor Force Participation
By Older Workers in the U.S.”**

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Paper submitted for
Academy of Management CMS Research Workshop
Managing the Aging Workforce:
Leadership towards a New Weltanschauung
August 11, 2006

ABSTRACT

There is now broad support for the idea that aging baby boomers in the United States will stay in the workforce longer than the previous generation. Indeed, many baby boomers are expecting to join the ranks of the so-called “working retired.” But expectations are not the same as outcomes, and previous studies have shown that plans for working after retirement often don’t work out. Drawing on data from a new survey of U.S. residents age 55-70, this paper identifies six factors that currently drive aging workers into full retirement sooner than they planned. These findings provide useful comparative data for aging workforce studies in other industrialized countries. If the U.S. is actually going to increase the labor force participation of its aging baby boomers, leaders must find ways to address these factors so expectations about working longer can become reality. The paper also identifies the theoretical and practical implications of these six factors that encourage people to leave the workforce before they planned to.

The MetLife Mature Market Institute provided essential funding for this research.

Current demographic trends, which reflect an aging population, are now widely recognized throughout the industrialized world. There is also a broadly accepted assumption that societies need older workers to stay in the workforce longer. (Paul & Townsend, 1993; Peterson, 1999; Dychtwald, 2004). This growing consensus is supported in three domains.

In the U.S., for example, managers in sectors such as government, healthcare, manufacturing, energy, and aerospace and defense have begun to recognize that the shortage of experienced workers created by the sudden departure of many aging baby boomers could pose serious staffing and performance problems (DeLong, 2004; Gordon, 2005; Dychtwald, Erikson, & Morison, 2006). In addition, policy makers and politicians have long understood that increasing labor force participation among older workers is essential for financing pension and healthcare systems needed to support an aging population (Torrey & Kinkade, 1990; Greller & Stroh, 2004; Johnson, 2004)

Finally, a number of studies have concluded that as baby boomers age they will behave differently than preceding generations, working longer and recreating the concept of “retirement” (Brown, 2003; Helman, Greenwald, Copeland, & VanDerhei, 2006; Princeton Survey, 2005). Not only do people in their fifties report that they *expect* to work longer than the generation ahead of them, but researchers suggest that a series of factors will support these plans. Today, 76 million aging baby boomers, who were born in the U.S. between 1946 and 1964 are expected to live longer – well into their eighties – and healthier lives than their parents (Princeton Survey, 2005). Aging boomers will also need the income from continued employment because a majority have inadequate financial assets needed for retirement, a phenomenon that has been well documented (Center for Retirement Research, 2006; Helman et al., 2006). Additional support for extending work years comes from recent research that suggests working longer is actually beneficial for an individual’s health (Calvo, 2006; Dhavad, Rashad, & Spasojevic, 2006). All these factors suggest that a major shift will be occurring in the behavior of aging workers in the next decade. More optimistic researchers have concluded that the willingness of baby boomers to remain in the workforce longer than previous generations actually raises doubts about any serious threat of labor shortages in the foreseeable future (Cappelli, 2003).

THE PROBLEM

But these assumptions about what baby boomers will do fail to take into account six factors that are likely to undermine increased labor force participation among this generation. Some of these variables will be easier to influence than others. Researchers who expect to develop practical theories about how employers and policy makers can respond to the challenges created by an aging workforce must take all of these variables into account.

While considerable research has been done in the U.S. about how baby boomers *expect* to make the transition from work to retirement (Brown, 2003; Princeton Survey, 2005), few studies have explored the decisions baby boomers are *actually* making today about work and retirement. This paper reviews existing literature to identify variables that empirical data suggest will discourage prolonged participation in the workforce by aging baby boomers. In addition, it reports on the findings from my new survey of U.S. residents age 55-70 which, along with dozens of interviews with older workers, elaborate on existing variables and suggest new factors that are likely to undermine labor force participation and contribute to future shortages of skilled workers. Although my analysis focuses on data from the U.S. labor market, the framework and findings can serve as a basis for comparative research in other industrialized countries. The paper concludes by suggesting implications for both researchers and practitioners.

Despite the reported expectations that baby boomers will continue working longer than the previous generation, a number of studies raise serious doubts that these predictions will come true (Anderson, Burkhauser, & Quinn, 1986; Ekerdta, Hackneya, Kosloskib, & DeVineye, 2001; Abraham & Houseman, 2005; Helman, et al., 2006.) For example, Abraham & Houseman found that actual employment rates among older Americans are much lower than expected, given earlier survey responses that indicated more than 70% expected to work at least part time after retirement (AARP, 1998).

Research has shown that as workers approach traditional retirement age, there is considerable interest in reducing hours or changing occupations, as either a transition to, or instead of full retirement. But in follow up surveys Abraham & Houseman (2005) found that among those who planned to reduce work hours only 35% followed through. And only 22% of older workers who planned to change the type of work they were doing had actually succeeded in doing so. Much higher percentages than expected actually left the workforce completely. Patterns were similar for men and women. This led Abraham & Houseman (2005) to conclude, “People who plan to reduce their hours or to change the type of work they do are much less likely to follow through on their plans than people who plan to stop working altogether.” A more recent study by the Employee Benefit Research Institute reached similar conclusions. Researchers found that in 2006, 67% of workers say they expect to work for pay after retiring. But in the last 10 years only 32% of retirees report having worked for pay since retiring. (Helman et al., 2006). This gap between older workers’ plans and how they actually end up transitioning out of the workforce raises serious questions about the likelihood that labor force participation rates can be substantially increased in the next decade, as baby boomer retirements begin in earnest.

METHODOLOGY

Increasing employment among older people will depend on reducing the percentage of aging baby boomers who are fully retired and increasing the percentages of both those who continue to work without taking retirement benefits, as well as those who have come to be known as the “working retired” (DeLong, 2006; Putnam Investments, 2006). This latter group represents workers who have accepted retirement benefits from a

previous employer, but who have returned to work for pay either full or part-time. They may be working part-time for their old employer as a contractor or consultant, or working in a completely new field. To assess any real changes in the labor force participation rate over time we need to know the state of the aging workforce today.

That was one of the objectives of my survey. This study was conducted during the first quarter of 2006. It consisted of an interactive online survey fielded by Zogby International with a panel of 2,719 respondents between the ages of 55 and 70. Slight weights were added to region, race, and gender to more accurately reflect the population of U.S. adults. Zogby International is one of the most experienced online polling firms in the world. They report that the sample is generalizable to the U.S. population as a whole. For example, according to recent U.S. Census data, the median income for those age 55-64 is \$50,000. The median household income reported by all survey respondents was in the "\$50,000-\$75,000 range," indicating that the sample is fairly typical of the overall population in these age brackets in terms of income. But because respondents were required to have computer access, logic suggests certain economic groups were excluded from data collection. Thus, although we must assume the "working poor" are excluded from the sample, it still represents a robust picture of the middle class workforce and allows the identification of different categories of aging baby boomers that will be useful for research.

Because a primary focus of the 50-question survey was to better understand the experiences and behaviors of the aging workforce, the instrument included many questions asked only of people who were still working or seeking work, either full time or part time. The margin of error (at the 95% confidence level) is +/- 1.9 percentage points. Margins of error are higher in sub-groups.

LANDSCAPE OF THE AGING WORKFORCE

Figure 1 shows the current distribution of the four major groups that must be considered when studying labor force participation rates. Note that I analyzed the data by three age groups (55-59, 60-65, & 66-70) because they consistently showed significant variation in responses.

Fully Retired, Not Working – Overall 38% of survey respondents in this category are fully retired and not working for pay, or they have not worked outside the home for 15 years.

Working Retired – This group includes the 15% of respondents age 55-70 who are collecting retirement benefits, but who have also returned to the workforce or who are actively seeking work.

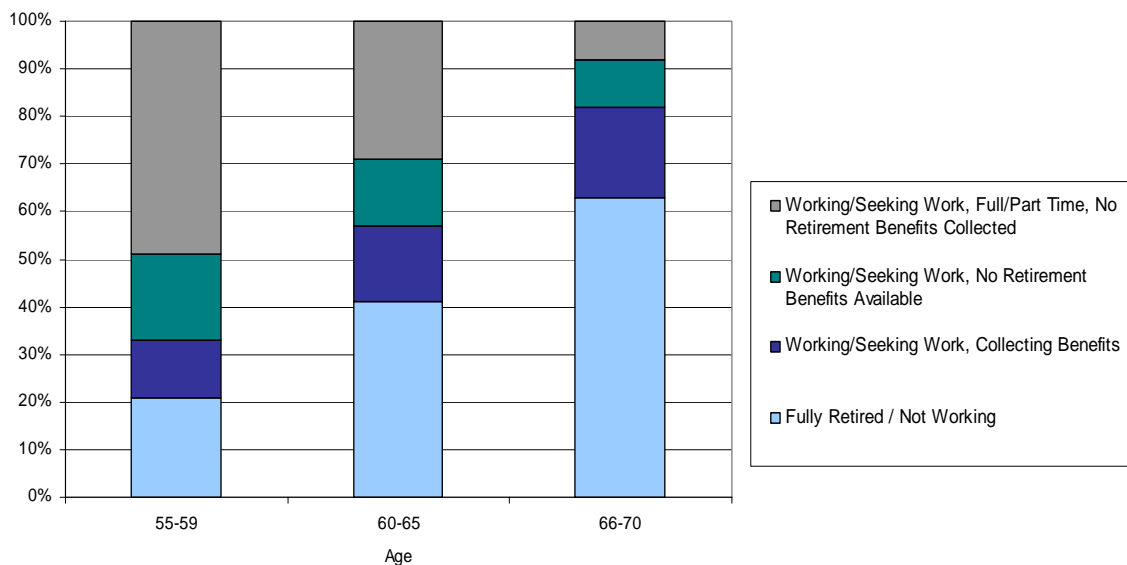
Mature Workers – This group, which represented 30% of all survey respondents, describes employees age 55-70 who are still working full or part-time, but not yet collecting retirement benefits, except possibly social security, if qualified. Many of these

respondents were still fully engaged in their careers, but they will have access to retirement benefits at some point.

Mature Workers, No Retirement Benefits – This category, which included 16% of the respondents overall, describes employees working full or part-time who report having no access to retirement benefits, except social security, when they are qualified. In reality, other studies suggest this group is considerably larger than reported here. Moore (2006) says about half of all baby boomers will not be eligible for a pension benefit.

This difference between the current survey results and previous studies is accounted for in several ways. First, about two-thirds of my survey sample was respondents age 60 and older. More of this group has had access to defined benefit pensions than younger workers. In addition, the survey participants all reported having at least some college, and there is a strong correlation between education level and pension eligibility (Moore, 2006). As noted earlier, this survey excluded those at the lower end of the economic spectrum who are also least likely to have access to retirement benefits. Another reason for the discrepancy is that some respondents may misunderstand their own pension eligibility and make false assumptions about their retirement assets. Despite this larger than expected variation from previously reported data, the point is that a significant portion of the baby boomer generation will not have access to retirement benefits. Regardless of the actual percentage, the issue addressed in this paper is what factors will drive them out of the labor force, even when there is an obvious economic need to continue working? This group would logically be expected to work longer because of their lack of retirement assets, but other findings in the survey raise questions about this assumption, and these will be discussed below.

Figure 1
The Aging Population – Current Working Situation

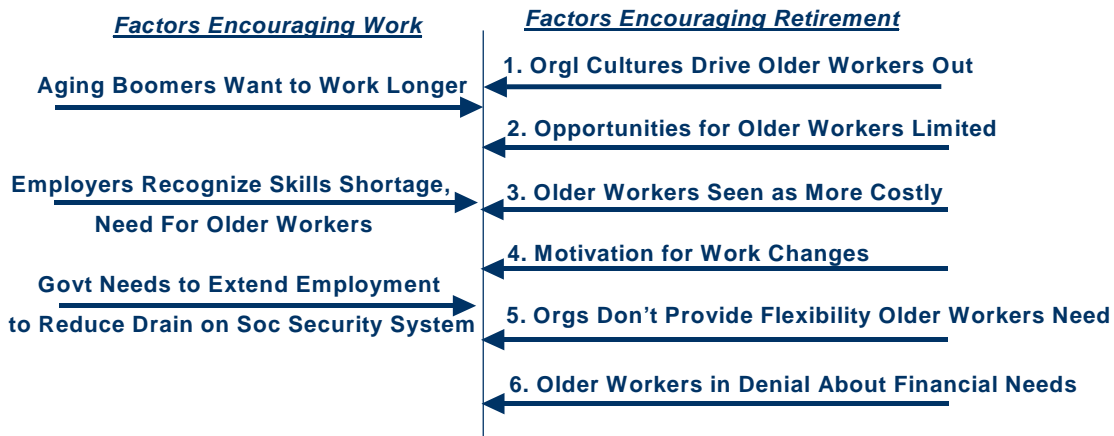


One of the most obvious but important findings in this study is the expected variation in the size of the categories by age group. Not surprisingly, the number of retirees grows from 21% for those age 55-59, to 41% for the 60-65 age group, and 63% for those age 66-70. From the youngest to the oldest group, the “working retired” category grows from 11% to 16% to 19%. Thus 20% of those age 66-70 who have retired are back working. But, as we will see below, this group has considerably different motives than their 55-59 year-old counterparts.

CONFLICTING FORCES SHAPE AGING WORKFORCE

Today, 60% of U.S. residents age 60-65 are working at least part-time and 37% of those age 66-70 are in the workforce. These numbers will have to increase noticeably if the expected increase in labor force participation is to occur among older workers. But results from this and other studies suggest that keeping older workers in the labor force is going to be difficult. Researchers have long studied reasons for employee turnover in general (e.g., Lee, Mitchell, Wise, & Fireman, 1996; Branham, 2005). While this earlier work is obviously relevant, my analysis identifies variables that are of particular concern when trying to influence the retention of older workers. There are six factors that should be considered. Figure 2 provides a summary of the conflicting factors.

Figure 2
Framework for Analyzing Labor Force Participation
Of Aging Baby Boomers



1. *Organizational cultures drive older workers out.*

Downsizing, early retirements, and more subtle cultural norms continue to drive mature workers out of organizations prematurely. If managed creatively, these people might gladly continue to contribute to the company. Greller & Stroh (2004) identified a series of beliefs, norms, and behaviors that can encourage older workers to leave organizations. These cultural characteristics include:

1. Older workers experience a noticeable lack of respect among colleagues for their ideas.
2. A widespread belief that older workers cannot learn or change as fast as younger colleagues.
3. An unspoken belief that an older worker's only value to the organization is based on their existing expertise and knowledge about a specific activity, function, or unit. The implication is that the employee's learning and growth is over.
4. A series of mixed messages about retention. "We'd like you to stay with the organization, but we're not going to help you find a more satisfying role." In other words, we value you for who you are, not what you could become.
5. Routine inferences and observations that imply older workers are cognitively slower, less motivated, or less healthy.

Culture often plays a role in encouraging mature workers to leave before they are truly ready to stop working. When this happens the outcome for organizations is usually unconscious or unintentional. Cultures that are unfriendly to older workers are indiscriminate about who they drive out. Incompatible beliefs, norms, and behaviors are just as likely to encourage high performing hard-to-replace older employees to leave as less critical workers. Researchers and managers who are serious about understanding how firms can retain a higher percentage of older employees must examine the values, norms, and behaviors that exist in organizational cultures that undermine retention objectives.

2. Opportunities for older workers are limited.

Despite documented skills shortages today in many industries and organizations, there are surprisingly limited opportunities for older people. Needs in nursing, teaching, engineering, project management, and skilled construction trades are growing every year. Yet mature workers are leaving organizations everyday, often because of what they perceive as a lack of opportunity. In addition, aging baby boomers have also begun to experience limitations imposed on their age when looking for work (McCann, 2004).

There are three ways opportunities for older workers can be limited. The first two end up encouraging employees to leave their organization and the other one keeps them out in the first place. For existing employees, Greller & Stroh (2004) identify a dysfunctional loop that is set in motion when management assumes investments in older worker development won't pay off. This, in turn, leads to cut backs in the employee's professional development, which naturally decreases future promotion and employment opportunities. This outcome reinforces the stereotype that led to management's initial assumption about development investments in older workers not paying off.

Opportunities also become limited for older workers when management restricts them to increasingly obsolete or narrow areas of expertise because it appears to be most expedient for the organization. Avoiding the costs of training another expert for a unique role can produce an older worker who is frustrated, bored, and angry and inclined to

leave the company, creating more serious problems due to knowledge loss (DeLong, 2004). Management resistance to investing in the development of older workers is an ongoing problem, but this reluctance is really a function of the reduced opportunities being offered. (Greller & Simpson, 1999). In the end, management actions create a mismatch between the job and the person. The employee ends up either under qualified for the evolving role due to a lack of training, or overqualified (and bored) due to a lack of new challenges. Both situations are likely to lead to increased disengagement and attrition (Branham, 2005).

There is a third way employment opportunities are limited for older workers, which makes it inherently more difficult to increase labor force participation among this age group. The challenges for older people of finding work have been documented for years, but age barriers to employment opportunities continue to be a dominant theme in studies of mature job seekers (AARP, 2002; Causey, 2003; McCann, 2004). In my survey, when asked about unsuccessful job searches, older workers most frequently gave reasons suggesting or implying “age bias.” Respondents aged 55-59 blamed “age bias” 39% of the time, while 60-65 year-olds and 66-70 year-olds identified bias as a barrier 42% and 60% of the time respectively. One interviewee commented:

“The technology itself is a barrier now because it allows managers who don’t want to hire older workers complete freedom. They can discriminate and you can’t touch them because the Internet doesn’t allow you to touch them. So, if they don’t call you, who are you mad at? In the old days you knew the company and had an address. Now sending resumes off it’s a complete black hole,” said Jeff, age 64, who started a computer support company for home users after an unsuccessful two-year job search. He has no access to retirement benefits and has additional medical bills because of diabetes.

Among the comments provided by survey respondents:

- *“Age was a factor in not hiring even though it's against the law. It was not overt but it was there.”*
- *“Although they have used subterfuge such as ‘you are over qualified’ or ‘your pay grade is too high,’ what the prospective employer means is ‘you are too old.’ Knowing it is unlawful, does not stop them.”*
- *“I feel certain it is age. Pass all the tests, go through one or two interviews and then the job just disappears!! I used to hear about this, but now cannot believe how biased the workplace is. This is for clerical position, part-time typing!!!”*
- *“Employers will not hire an older person unless there are simply no younger people.”*

The Age Discrimination in Employment Act (ADEA) has prohibited age discrimination in employment decisions for 39 years in the U.S. While some progress has been made, age bias is a complex and deeply embedded cultural phenomenon that will continue to discourage older worker employment. New Internet-based job search processes apparently exacerbate the possibilities of age discrimination, making it easier for potential employers to screen out older job candidates when applicants don’t even

know who is rejecting them. Promising research opportunities exist for those interested in exploring the economics of investing in older worker development, and the challenges of retaining aging experts, while also transferring their knowledge. In addition, the persistence of age discrimination and its impacts will also be a fruitful area for research, particularly as the costs for societies become more compelling.

3. Older workers are seen as more costly.

The tendency of management to view mature employees as “more costly” than younger ones is another factor that will limit the labor force participation of older workers. Management beliefs that older workers are not a cost effective source of labor are driven by economic assumptions that may be flawed (Greller & Simpson, 1999). Economists have made the argument that the costs of training and retraining older workers are unacceptably high, in part, because it requires taking higher-paid and highly productive employees off the job with an uncertain payback period (Rix, 1996; Lyon & Pollard, 1997). But these claims are increasingly being challenged (Greller & Simpson, 1999; Stoney & Roberts, 1993).

Less disputed is the fact that health care costs are significantly higher for older workers. One recent study found medical claims costs were 1.4 to 2.2 times higher for workers age 50 to 65 than for colleagues age 30-49. Other factors that can add to the expense of employing older workers are higher costs for vacation time and pension costs, if workers participate in a traditional defined-benefit plan (Towers Perrin, 2005).

When managers focus only on these variables, the economic case for not employing older workers seems clear. But this narrow view of the cost structure overlooks a variety of factors that can more than balance the equation in favor of mature workers. Researchers have found evidence that older workers can cost less than younger employees through (1) fewer absences; (2) fewer days spent caring for sick children; (3) lower accident rates; and (4) higher loyalty, which means lowers turnover costs (Towers Perrin, 2005).

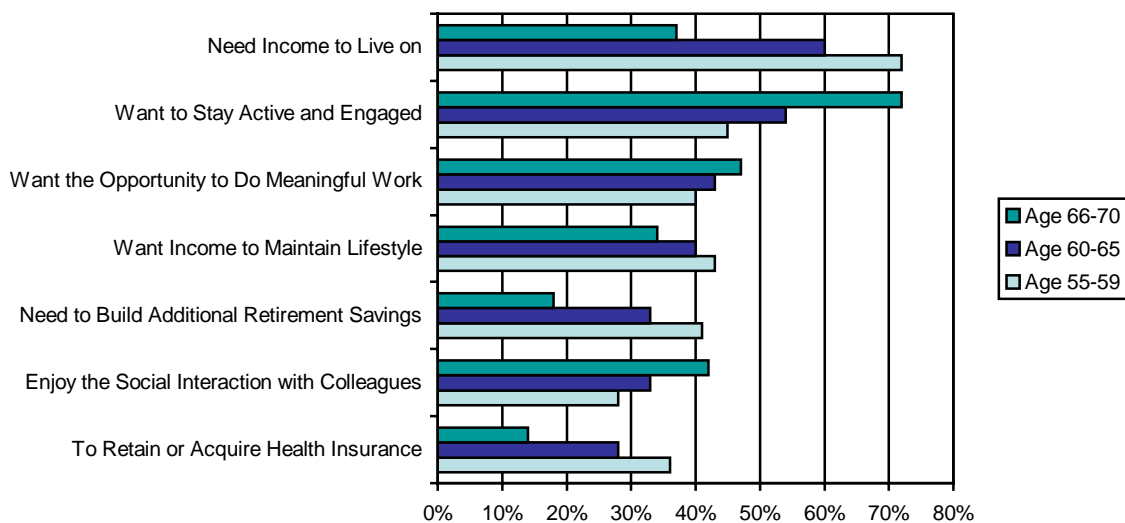
The most important variable, however, is the intangible productivity benefits associated with employing more skilled and experienced older workers. This is the factor that determines where retaining or recruiting older workers really pays off. The problem of determining the value of older worker productivity has been identified (DeLong, 2004; Dychtwald, Erikson, & Morison, 2006). More research is needed, however, to determine when improved performance based on experience outweighs the incremental costs of retaining mature workers. Realistically, sometimes the costs of older workers will clearly outweigh their potential value to the firm. But today managers lack the frameworks and data to make these evaluations accurately. As a result, many older employees who could be providing substantial value are being discouraged from staying in the workforce.

4. Older people's motivation for work changes.

There has been relatively little research done on how aging effects work motivation (Warr, 2001). And work that has been done lately has produced what appear to be contradictory findings. Kanfer & Ackerman (2004) concluded there is a lack of empirical evidence to support the assumption that age creates an inevitable and universal decline in work motivation, but a survey done by Princeton Survey Research (2005) found that there is considerable evidence that the *source* of motivation for work changes.

Indeed, one of the most striking findings of my survey as summarized in Figure 3 is the significant shift that occurs in the motivations for work as individuals age. For those age 55-59, economic reasons clearly dominate. Of those currently in the workplace, about 72% of this age group cited the need for “income to live on” as a primary reason for working. This was followed by the desire to “maintain lifestyle” (43%) and “build additional retirement savings” (41%). Among 60-65 year-olds, the need for “income to live on” (60%) was still the most frequently mentioned reason for working. But after that, a shift in priorities appears as the desire to “stay active and engaged” (54%) and “do meaningful work” (43%), which follow in second and third place. For 66-70 year-olds, this shift in priorities is dramatic, with 72% choosing “want to stay active and engaged” as the most frequently mentioned reason for working. The second choice is “want the opportunity to do meaningful work” (47%) and third choice is “enjoy social interaction with colleagues” (42%). “Need income to live on” trails in fourth place, cited by 37% of 66-70 year-olds.

Chart 5
Primary Reasons For Working Change With Age

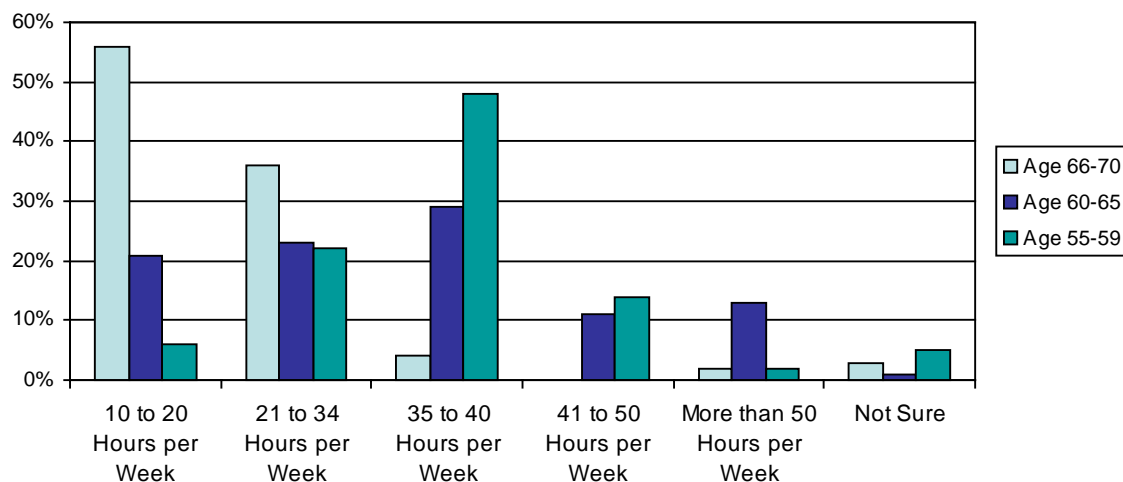


Their findings have important implications for employers because they suggest that recruiting and retaining workers in their sixties requires special attention to job design, work environment and creating new opportunities. Even though older workers may need income, they place a special premium on feeling engaged and doing meaningful work and, equally important, feeling socially connected to colleagues. Unless organizations adapt to these changing motivations, they are likely to see more mature workers leave and will have trouble recruiting others.

5. Organizations don't provide the flexibility older workers want.

One of the implications of changing motivations among workers close to retirement is that firms will be asked to provide more flexible work options in order to retain or recruit older workers. My survey showed a strong demand for non-traditional work roles among older respondents. While aging boomers (age 55-59) still favor full-time positions, the oldest workers surveyed expressed a strong preference for part-time work. Of those still in the workplace, about 76% of 55-59 year-olds reported working more than 35 hours a week, and only 39% of 66-70 year-olds who are still holding jobs work that much. In fact, among the oldest workers surveyed (age 66-70), nearly four in ten (39%) are working fewer than 20 hours a week. And among those *seeking* work in this age group, 56% wanted less than 20 hours per week (See Figure 4). For those currently working, the percentage of part-timers falls to 22% for 60-65 year-olds and 13% for 55-59 year-olds.

Figure 4
Preferred Number of Working Hours Sought By Older Job Seekers



When asked the main reason they are working part-time, a strong majority of all three groups made it clear they are only interested in part-time work. For 66-70 year-olds, 84% said they wanted to work part-time. Only 2% of that group – and 15% of 60-65 year-olds – said they wanted full-time work but couldn't find it.

As the demographic shift takes hold and the inevitable talent shortage develops in many industries, there will be tremendous pressure on organizations to adapt work designs to meet the changing requirements of older workers. Specifically, older people have shown an interest in three types of situations, which can also benefit organizations.

1. *Phased Retirement* – There is no single definition of this concept (Sheaks & Pitt-Catsouphes, 2006), but for this discussion it means structuring roles for older workers, so they gradually reduce work hours and effort on the way to retiring from a particular organization (Hutchens & Grace-Martin, 2004). About 14% of organizations in one study reported having formal policies that allow all employees to reduce work hours before officially retiring (Hutchens, 2003).

But a more recent detailed report on phased retirement noted the lack of formal broad-based programs to study. Researchers observed that phased retirement is a process currently available primarily to employees in management or highly skilled positions, who are better educated, healthier, and more financially secure. It is used more often on a case-by-case basis rather than as part of a formal organization-wide program. Finally, phased retirement arrangements are used more often by people at the younger end of the aging workforce (Chen & Scott, 2006). In other words, these transition opportunities are available to the least vulnerable – and most valuable – older workers. So far, these programs provide virtually no benefit to the vast majority of aging workers.

2. *Programs or individual arrangements that allow retirees to return to an organization as a part-time contractor or consultant.* A small but growing number of organizations have created formal programs to bring retirees back on a part-time basis. Federal laws and pension regulations in the U.S. make structuring these programs quite challenging today, so most organizations avoid formalizing the process. Individual arrangements between a specific manager and a former employee are much more common. One study found 62% of organizations had their own retirees returning to work under this arrangement (Muson, 2003). The fact is many firms today have become highly dependent on the skills and knowledge of specific employees who cannot be easily replaced. As a result, managers often feel compelled to bring retirees back, usually on a case-by-case basis (DeLong, 2004). Pressure to do this is certain to increase as retirement rates accelerate. Like phased retirement, these programs are designed solely to provide economic value to the company. The fact that they meet individual needs is ancillary.

3. *Programs designed specifically to recruit and employ older people who were not previously employees.* Firms like Home Depot and Countrywide Financial have begun structuring jobs that would be particularly attractive to older workers. These are more likely to be reasonably low skilled part-time positions, such as sales associates or call center operators, that provide much sought after health insurance benefits.

Despite the obvious appeal of these three types of flexible options, organizations have been surprisingly resistant to offering them to older workers, with some notable exceptions. Obviously, there are serious legal and regulatory issues that must be clarified. But in many situations there is cultural reluctance to adapt traditional full-time work policies and practices to accommodate the wishes or needs of a particular segment of the workforce. Consider the challenges “working mothers” have had for decades trying to find good paying, skilled jobs that could fit a part-time schedule (Belkin, 2003).

One finding that supports the lack of flexible work options available was the surprisingly high number of people in their sixties who reported being “self-employed or a business owner.” While 28% of respondents age 55-59 listed themselves this way, 36% of 60-65 year-olds and 42% of 66-70 year-olds reported working for themselves. Only 22% of this oldest group reported working in private sector businesses, and less than 12% of them are working in organizations with over 1,000 employees. In retrospect, it shouldn’t be surprising that a significant percentage of older Americans are self-employed. This group has made it clear they want more flexibility, more control over their work, and a sense of doing something meaningful. Self-employment or business ownership can readily support these objectives, and large firms have been unwilling to adapt their work structures. There is also a dark side to this trend. A significant number of older workers may feel forced into self-employment due to both age discrimination and a lack of flexible work options in larger organizations.

In the end, the profit motive and concerns about cost effectiveness may appear to justify only a small percentage of flexible work opportunities. Phased retirement and consulting or contracting opportunities probably will only be available to a small group of highly skilled older workers. And programs that recruit older people into lower-skilled, low paying jobs will be appealing to applicants anxious for any kind of work that provides health insurance benefits. But this could leave the vast majority of mature workers without satisfying part-time choices, which will continue to drive valuable experienced workers into retirement well before they want to leave the labor force.

6. Older workers are in denial about their financial needs.

Multiple studies have concluded that the majority of baby boomers have woefully inadequate retirement savings given their current life expectancy today (Helman et. al., 2006; Princeton Survey, 2005). Thus, one line of management thinking that appears reasonable is that aging baby boomers will stay in the workforce because they can’t afford to retire. But other evidence indicates this perspective of economic rationality is based on false assumptions about how older workers make the decision to retire.

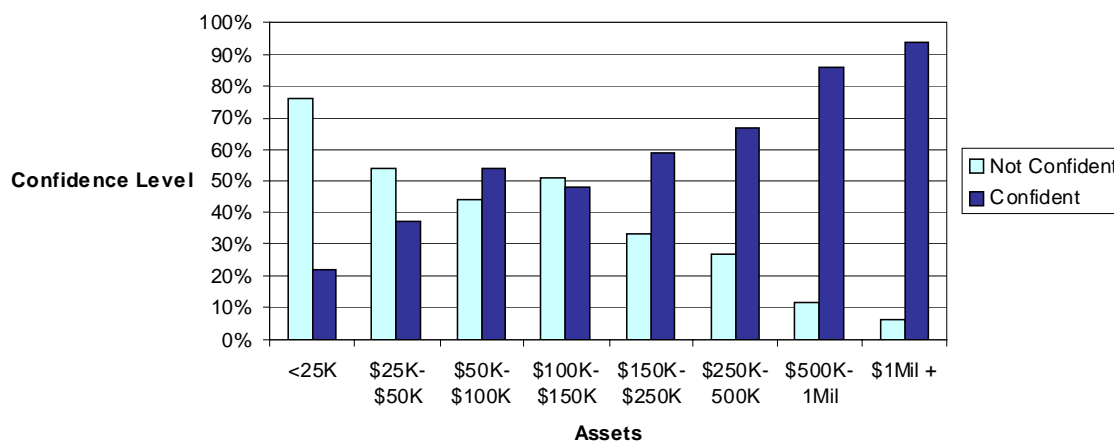
Overall, respondents in my survey reported they expect to live to a median age of “81 to 85.” This estimate is in keeping with today’s average life expectancy in the U.S., which for 55 to 70 year-olds ranges from 79 to 83 years for men and from 83 to 86 years for women. This means half the respondents can expect to live beyond the average, many

surviving well into their 90s. In fact, for a 65-year-old married couple today, there is a 25% chance that one of them will live beyond age 97.

When asked about having enough money in retirement, aging baby boomers (age 55-59) are the least confident of those surveyed. About 44% are not confident they will have enough money to live comfortably past age 85. Those age 60-65 and 66-70 are considerably more confident (69%) on the issue of retirement security, although their confidence may be unfounded.

When viewed in the context of existing retirement assets, many older people seem to have overly high confidence levels about having enough money to support a long retirement (See Figure 5). As expected, those with less than \$25,000 in financial assets are least confident (22% confident/76% not confident) about having enough money to live after age 85. But as assets climb, so do confidence levels – more quickly than would be expected. Those with \$150,000-\$250,000 in financial assets are highly confident (59%) that they will live comfortably in a long retirement.

Figure 5
Confidence You Will Have Enough Money to Live to Age 85,
Given Current Financial Assets



Those with assets under \$250,000, who are expected to live well into their eighties are very likely to find their savings exhausted before then. Other studies have also found a gap between older worker's perceptions of what's needed in retirement and what they actually will have access to. Helman et al. (2006) found...that among those who were most confident about their financial security in retirement (1) 39% have less than \$50,000 in savings; (2) 22% were not currently saving for retirement; and (3) 37% have not done a retirement needs calculation. Not surprisingly, these researchers concluded"there is considerable room for improvement in saving for retirement among at least some of those who say they are very confident."

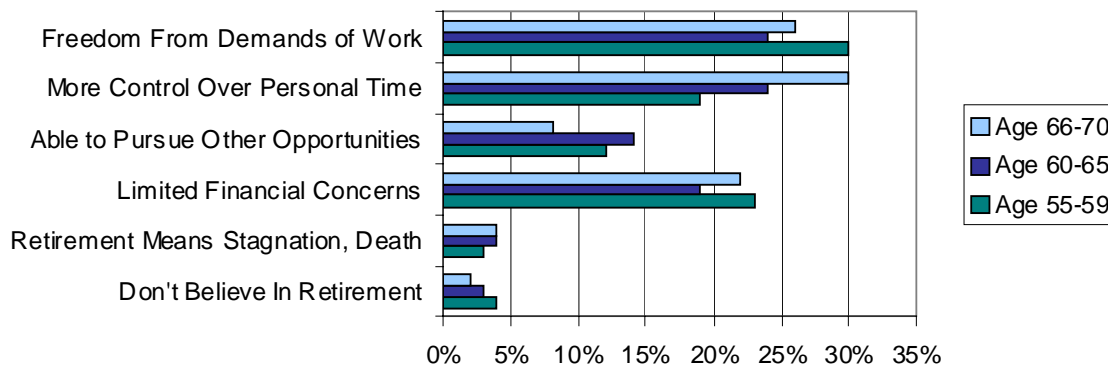
The critical point is that people don't necessarily make "rational" economic decisions when it comes to retirement. Part of this can likely be attributed to the changing motivations around work. One of the most interesting phenomena to watch in the years ahead will be the clash many aging baby boomers will experience between their inadequate retirement assets and their changing motivations around work. Managers and policy makers who assume aging boomers will stay in the workforce full time out of economic necessity may be surprised at how changing motives, priorities, and concerns about the quality of work life (Greller & Simpson, 1999) lead aging workers to make retirement decisions that don't seem to make economic sense. This means that even though many older workers won't have the financial assets to retire comfortably, they may do so anyway, taking still more experienced workers out of the labor force before they were expected to leave.

IMPLICATIONS FOR RESEARCH & PRACTICE

Contradictions are good for researchers, and the phenomenon of the aging workforce is full of them. This "predictable surprise" (Bazerman & Watkins, 2004) of a huge demographic change in the industrialized world will ultimately force practitioners and academics to confront a new set of problems. In this section, I will summarize some of the most interesting implications suggested by the framework and variables I have described, which will influence labor force participation in the future.

The concepts of "work" and "retirement" have never been more ambiguous. These notions mean very different things to different people. Work can be seen as drudgery and forced by economic necessity or it can be a joyful opportunity to be creative and to connect with other human beings. It can also be done in an office, at home, or at Starbucks. "Retirement" has an equally ambiguous meaning in the U.S. today. (See Figure 6.) When asked "What does it mean to be 'retired'?" the most popular sentiment communicated in my survey was that retirement means "freedom from the demands of work" (26%). A related idea was the notion of "more control over one's personal time" (24%). This was the idea most commonly expressed by those who are fully retired (35%) and by employees who retired and subsequently returned to work (23%). A third notion defining retirement was "limited financial concerns," which was mentioned by 21% of the total sample. The implication here is that retirement means not being worried about money. Finally, 12% of the total sample cited "the ability to pursue other opportunities" as the definition of retirement today.

Figure 6
What Does it Mean to be “Retired”?



As more people begin to define themselves as the “working retired,” fundamental questions must be asked about what these concepts mean and why the changing definitions matter. How can an individual be working and retired at the same time? If this is possible, what does it really mean to be “retired”? Of course, some researchers have already addressed this question (Rix, 2000; Gustman & Steinmeier, 2000; Luborsky & LeBlanc, 2003), but there is a need for a lot more empirical work in this area. An obvious but critical assumption for researchers studying aging workforce problems must be that the aging population is not an homogenous group. They have different needs, desires, and experiences. We must view the aging workforce as a landscape with many different characteristics and beware of theory that generalizes too much.

The contradictions set out in my framework in Figure 2 are also worth exploring further. In the U.S., government policy makers, managers, and employees generally agree that increasing labor force participation among the aging population is essential. Yet all three stakeholder groups seem to be doing things to undermine this objective. The factors identified in my framework suggest that theoretical contributions can be made in many core concepts such as:

- Culture – e.g., How do cultures include or exclude certain types of individuals?
 How do cultures tell people they are no longer welcome? How is age discrimination different from discrimination based on race or gender?
- Motivation – e.g., How do different sources of motivation effect decisions about work?
- Decision Making – e.g., Why do people make decisions that are clearly counter to their economic interests?
- Knowledge – e.g., How is tacit expertise about complex systems transferred effectively (by retirees)?
- Adult Development – e.g., Does generational identity (i.e., baby boomers) influence adult development?

This is just a sample of the opportunities for theory development created by social forces made visible by changing demographics. Obviously, some theoretical work has been done on these questions, but the challenges posed by an aging workforce make them even more compelling for academics today. Researchers can also help practitioners by addressing more applied questions. For example, they can help managers better understand issues such as:

- Cultural barriers to employee retention
- The full economic costs and benefits of retaining or losing older workers
- Characteristics of effective job design for older workers
- How to design effective roles for transferring knowledge
- How to motivate workers to better plan for retirement

Researchers investigating aging workforce issues must be wary of several traps that will make their research outputs more suspect. First, there is a tendency among researchers in this field to consciously or unconsciously identify themselves with extreme ideological positions. Those positions range from the implied all-old-people-are-good view that says, "All old workers are pleasant, highly motivated, effective and deserve a high paying job." to the other extreme, which implies, "Older workers are annoying, unmotivated, ineffective, and too expensive." Of course, neither extreme is true. But academics need to continually question their own position in this ideological battle. Researchers should also recognize that their bias is likely to be influenced significantly by their own age. Multi-generational research teams should have a distinct advantage in maintaining awareness of this bias, as long as they keep the issue discussable throughout the project.

Aging workforce inquiries are also well served by continually questioning the deep assumptions about aging held in the cultures where the study is taking place. These cultural assumptions, which can be complex and often contradictory, can vary considerably by organization and country. Finally, researchers must be careful to separate natural aspects of adult development from unique characteristics of particular generations. For example, it is surprisingly easy to jump on the "baby boomer bandwagon," assuming that changes in work and retirement are attributable to the values and choices of a "unique" generation. Researchers must continually question these assumptions, identifying where the empirical data is truly at odds with existing theory on human and adult development.

If the goal is to increase labor force participation among older workers, then there are also implications for management in my framework. Leaders must first decide what role they want older workers to play in their organization (Greller & Stroh, 2004). This means, in part, clarifying the strategic impacts an aging workforce will have on the firm's workforce and leadership development. When trying to influence older worker retention, managers also must pay more attention to the behaviors that their organization's culture is condoning. One way to do this is to probe for mature workers' real perceptions of how the organization values them. An important lesson in this research is the folly of treating all older workers the same. Indeed, stereotypes make us much less likely to notice the actual qualities and attributes that are most likely to determine an individual's real

contribution (Adams, 1986). Also, executives will benefit from questioning more proactively their own assumptions about the costs of retaining older workers. Are the costs of lost experience and knowledge being factored in? And what are the costs of limiting opportunities for older workers? These decisions should at least be made consciously. Finally, management should anticipate – but don't assume – changes in the sources of motivation for workers in their sixties. As this and other studies have shown, the motivations for work don't change for everyone in the same way. For some, the drive for economic gain never goes away, but for many others economic motives fall behind the need to accomplish something meaningful in their early sixties. One of the best ways to accommodate these changes is to look for more creative ways to structure work.

Many factors today seem to be encouraging older workers to stay in the workforce, but, in practice, individuals still face major barriers to working longer than previous generations. We won't be able to develop effective theories about the employment of older people until we truly understand the dynamics that are currently driving mature workers into retirement sooner than they had planned.

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