

New England Older Worker Initiative

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New England Council and Mercer Human Resource Consulting Lead Regional Older Worker Initiative

The New England Council and Mercer Human Resource Consulting are leading an effort to understand the status of the aging workforce population in New England and its implications for the future.



James T. Brett,
President and CEO,
The New England
Council

As part of this Older Worker Initiative, Northeastern University's Center for Labor Market Studies has prepared a series of reports on the demographic changes in the region with projections for the coming decades. The studies indicate an already aging workforce and the likelihood of significant gaps of available employees and skilled worker shortages in the not too distant future.

As the baby boom generation enters retirement age, New England employers will become increasingly dependent on older workers – those aged 55 and above – to meet the demand for skilled workers. The ability to retain and recapture these older workers in the labor force will be critical to the long-term economic prosperity of the region.

New England is at a critical juncture. The aging population creates important challenges and significant opportunities for developing strategies to respond to these inevitable workforce changes. We need to develop specific proposals to encourage the active engagement of older workers in the employment market. Retirement regulations – both on a state and federal level – often actually encourage workers to retire early and not return to the workforce.



James McCaffrey,
New England
Market Leader,
Mercer Human
Resource
Consulting

As part of this initiative, private and public sector leaders have been meeting to explore a variety of issues including: pension policies that limit workers' ability to mix work and retirement income; workforce development programs that do not serve older workers; and the need for the workplace to accommodate an older workforce.

Vermont Focuses on Older Worker Retention Strategies

Private and public sector business leaders and representatives of organizations met to discuss the status of older workers in Vermont.

The group, which was hosted by Champlain College and the Vermont Business Roundtable, met in Burlington, Vermont. They discussed some of the challenges to retention and recruitment in their industries. Presentations were made by: Paul Harrington, Associate Director, Center for Labor Market Studies, Northeastern University; Elizabeth Sylvia, Principal, Mercer Human Resource Consulting; and Dr. William Kiernan, Director, Institute for Community Inclusion.

"The aging of Vermont's population has several consequences for overall economic growth in the state. Without sizable increases in skilled foreign immigration and/or migration of residents from other states in the nation into Vermont, the state's population will continue to grow older. The consequent decline in

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Meeting Held in Burlington, Vermont



Bill Stritzler, Managing Director, Smugglers' Notch Resort, and Peter Hofstetter, CEO, Northwestern Medical Center, participated in the meeting.

Vermont Focuses on Retention Strategies

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the childbearing age population will continue to reduce the already low birth rate in the state,” said Paul Harrington, Northeastern University’s Center for Labor Market Studies. “In the meanwhile, the state will increasingly have to rely on the older population for labor supply.”

Harrington said that by 2010, Vermont will begin to see very slow labor force growth. After 2010, all of the growth will be in the 55 and older age group.

“Half of the population growth in Vermont in the last six years has been natural growth. There has been modest international migration and modest internal migration. Over the same time period, the southern states of Massachusetts, Connecticut and Rhode Island have had net out-migration. But Vermont has had a positive net in-migration. That’s one of the things you’ve got going for you in the state,” he said.

But finding workers remains a challenge for some in the state. Many of the business leaders discussed challenges in recruiting workers in general. One noted that the largest single impediment to sustainability and growth is the shrinking number of workers.

Some industries are also experiencing shortages of skilled workers such as in healthcare and financial services. In the nursing area, one employer noted that flexible hours and health benefits are important factors for all workers, old and young. It can make it more challenging to find workers willing to work evenings, weekends and holidays. Also the fact that baby boomers are aging will put an additional burden on the nursing shortage as this population demands more healthcare.

Flexibility in scheduling is a main driver behind one of the financial institutions as they work to redesign their hourly schedule at their retail bank branch operations. The expanded hours will help the institution remain competitive and it will also allow them to create a variety of more flexible shifts that they can offer workers. They are also developing specific strategies for re-

cruiting older workers and making their benefit structure more accommodating to part-time workers.

They also discussed barriers to retention of older workers, such as the laws regulating income level and taxation when older workers return to the workforce or try to combine work and retirement. There are Social Security income limits and penalties for those who try to work and collect retirement income at the same time. Pension regulations may also pose a challenge in that they may encourage a person to retire early but will not allow them to return to their former employer and collect retirement income. Yet skilled people can move on and work for a competing company.

Another company representative noted the challenge in recruiting younger workers. They are currently examining their benefit plan as younger workers tend to favor more portable retirement plans that differ from the traditional defined benefit plans.

Several companies noted that they have introduced succession plans to meet the challenges of older workers retiring and knowledge transfer, as well as internship programs to introduce students to the industry with the hope of hiring some of the qualified interns when they graduate.

Participants from several companies also noted that they offer leadership training to employees with potential for growth in that direction.

“In the past six years, Vermont has had a positive net in-migration. That’s one of the things you’ve got going for you,” said Paul Harrington, Northeastern University’s Center for Labor Market Studies.

All of the growth in the Vermont labor force over the next decade will come from those aged 55 and older.



Northeastern University Study Reveals:

55+ Will Dominate Vermont's Labor Force Growth in Next Decade

Northeastern University's Center for Labor Market Studies reported in "The Projected Population and Labor Force Outlook for the 55 and Older Population in Vermont, 2005-2015," that an overwhelming share of Vermont's labor force growth in the future will be among those aged 55 and over.

Paul Harrington, Associate Director of the Center for Labor Market Studies, said the findings in Vermont represent challenges for future labor force growth.

"All of the net increase in the state's overall population between 2010 and 2015 will be among those aged 55 and older," said Harrington. "At the same time, the size of the Vermont prime age working population, those aged 25 to 54, will fall by about one percent."

While the size of the population will grow at a slow pace between 2005 and 2015, the age composition will change considerably over the same time. Like the region as a whole, the Vermont population is forecast to rise at a pace well below that of the nation. During 2005, the estimated size of the 55 to 64-year old population was 76,200. By 2015, this number is expected to increase by 32 percent. Similarly, the resi-

dent population of those aged 65 or older will increase by about 38 percent in the same time period.

The overall size of the 55+ age group will increase 35 percent over the 10-year projection period.

Vermont's median age is higher than that of the nation as a whole, at 38 compared to 35. The state is projected to have a rapidly aging population and has experienced a low birth rate. In 2004, Vermont had the lowest birth rate in the nation.

"The data reveals that no longer can Vermont look to an expanding number of teens and young adults along with prime age workers to meet their needs for labor force growth. Older workers are the 'new' growth sector of labor supply in the state," Harrington said.

Unless the aging population is replaced by increasing numbers of younger workers or the labor force attachment of older workers increases sharply, the graying of the labor force will result in labor shortages and hamper economic growth, Harrington said.

Retirement Laws Designed in the 1970s to Make Room For Workers

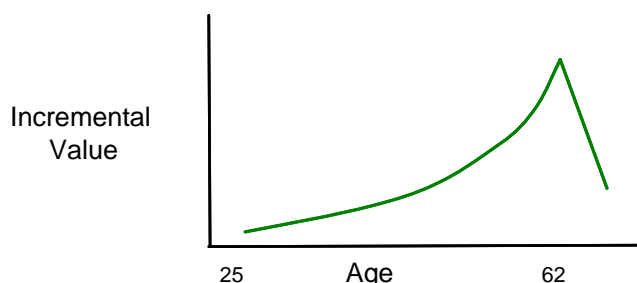
Current retirement laws were developed in the mid 1970s and designed to encourage older workers to retire so that the baby boom bubble could advance in the workforce. Now, with the baby boomers reaching retirement age, the laws are still in place. Coupled with the

pension laws, many plans were designed to target age 60 or 62 for retirement which results in the most valuable benefits paid to employees who retire in their early 60s. This works well to keep employees with the employer in the years just prior to reaching the peak value, but then has the opposite effect once an employee passes that point. Employees who keep working beyond the peak see the incremental value of their benefit decline and could actually lose value.

Even if they don't lose value most people want to take the payment as soon as they can rather than take it later. As the popular game show "Deal or No Deal" illustrates, everyone gets to a point where they want the certainty of cash in hand rather than the chance to get more later. Those who are risk averse reach this point earlier than those who are risk takers. When it comes to their retirement income, most people are risk averse and opt to collect their benefit when they can which leads to departure from the workforce earlier than their employer might want.

Barriers to Retaining Older Workers Retirement Program Design

- Designed to encourage workers to retire
 - Create an economic incentive for retirement
 - Plans designed to provide peak benefit value after a certain number of years of service or at a certain age, usually less than age 65
- Value creation under many traditional defined benefit plans



Northeastern University's Publishes Report on Labor Force Attachment:

Vermont's Older Workers: Intensity of Work is High

One of the most significant concerns about the aging workforce is the effect on future labor supply. The number of people staying in the workforce naturally changes over time. After the prime working years, ages 25-54, the labor market attachment typically declines.

But what happens when this is the segment of the working population that has experienced all of the growth? Northeastern University's Center for Labor Market Studies examines these trends in a report entitled, "Demographic Characteristics and Labor Force Attachment of Vermont's Population Ages 55 and Older."

The study found that the labor force participation among Vermont's older workers was 44 percent, which is considerably higher than the rest of the country at 36.4 percent and higher than the New England region, 40.1 percent.

Within the older population the rate drops off sharply

with age. Those at the pre-retirement age of 55 to 64 are more likely to be part of the workforce than their older counterparts. More than 71 percent of this group is actively participating in the labor force. But it still represents a sharp drop from the participation rate of those under the age of 55 where the study found a rate of 84 percent.

Of those between 65 and 74, only 26.2 percent were still working. "Education is one of the most important determinants of labor market attachment. Older persons with higher levels of education are more likely to participate in the labor force and are more easily able to find work," said Paul Harrington, Associate Director, Center for Labor Market Studies.

The average older worker in Vermont was employed for slightly below 45 weeks during the year. The average work week was 36.7 hours per week. The intensity of work effort among older workers in Vermont is quite high.

The industries with the highest concentration of older workers were the transportation, warehouse and utilities industries, the information sector and the educational and health services sector, accounting for between 25 and 31 percent of the workforce in these industries. Another three industries – finance, insurance and real estate sector, professional services and business services industries – had between 20 and 22 percent of their workforce in the older worker category.

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