



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.

Western Massachusetts Focuses on Older Worker Retention

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

The group, which met at SpringBoard Technology in Springfield, Massachusetts, talked about 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 Massachusetts' 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 Massachusetts, the state's population will continue to grow older. The consequent decline in the childbearing age population will

(See Page Two)

Meeting Held in Springfield, Massachusetts



Michael Niziolek, Vice President, Human Resources, Hasbro Games; Anthony Dolphin, Chairman and CEO, SpringBoard Technology; and Ira Rubenzahl, President, Springfield Technical Community College.

Western Massachusetts Focuses on Retention Strategies

(From Page One)

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.”

The business leaders discussed a variety of retention issues including healthcare costs. The group noted that this was often a barrier for employers for recruiting and retaining workers. One concern raised is the state’s new healthcare legislation which requires all residents to have health insurance. It is still unclear how the legislation will affect employer healthcare costs for part-time workers.

Some suggestions on this issue included that insurance companies explore the development of more competitive products, that the rules governing Health Savings Accounts should be simplified and that this program should be used to a greater extent.

Some companies noted that they are already working on retention strategies for older workers. One company is exploring ways to encourage retention including flexible and part-time hours, bonuses and additional paid time-off. Older workers are also being tapped for training purposes and to assist in facilitating knowledge transfer.

Other companies have begun actively recruiting from their own retirees. By keeping in touch with them with a newsletter, they are able to keep their former employees engaged with the company. If they are interested in returning to work, they may be offered part-time hours and asked to assist in training. Some companies are also utilizing technology and telecommuting as a way of facilitating the participation of retirees returning to work.

The group noted there are additional barriers for older workers who wish to stay or come back to the workforce. One is Social Security income limits and

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

penalties for those who try to work and collect retirement income at the same time. Another is pension regulations which 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.

It is also particularly difficult for state agencies to hire state retirees, even on a part-time basis. Income and restrictions on hours worked delay and often prevent rehiring of the state retirees.

Several recommendations were provided which related to pension reform. The group observed that there is an inherent conflict between treating everyone the same as required under ERISA law and giving employers flexibility in designing programs which address their specific needs. It was recommended that administrative “exceptions” or waivers be granted to let employers implement new ideas and flexible alternatives through administrative rather than legislative avenues.

Other recommendations offered included: to allow workers to collect their pensions and also work with the same employer and to raise the Social Security earnings limit. The \$12,500 limit was viewed as too low and served as a disincentive for workers to either remain or return to the workforce.

The group also discussed the issue of succession and knowledge transfer. This was noted as a challenging issue particularly among professional and technical positions. In addition, concern was raised about the shortage of skilled younger workers coming up the pipeline. Some companies are making location decisions right now based on their perceived ability or inability to acquire and grow talent and whether they believe the labor supply and talent pipeline will be sufficient to meet their needs.

Some also discussed the ability of the public secondary education system to provide enough math and science instruction for the workers. While many retirees with technical backgrounds may be willing to consider a second career, either as full-time or part-time teachers, current requirements often pose barriers to prospective teachers for quick entry. This ultimately discourages many potential participants. A recommendation was offered that current requirements could be amended to attract older individuals from math, science and technical-related fields into teaching.



Northeastern University Study Reveals:

55+ Will Dominate Massachusetts' 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 Massachusetts, 2005-2015," that an overwhelming share of Massachusetts' 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 Massachusetts 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 Massachusetts prime age working population, those aged 25 to 54, will fall by about 3.7 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 Massachusetts 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 683,000. By 2015, this number is expected to increase by 27 percent. Similarly, the resident population of those aged 65 or older will increase by about 20 percent in the same time period.

The overall size of the 55+ age group will increase 23 percent over the 10-year projection period.

Massachusetts' median age is higher than that of the nation as a whole, at 38 compared to 35. In 2004, Massachusetts had the eighth lowest birth rate in the nation.

"The data reveals that no longer can Massachusetts look to an expanding number of teens and young adults along with prime age workers to meet their needs for labor force growth. Instead, 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

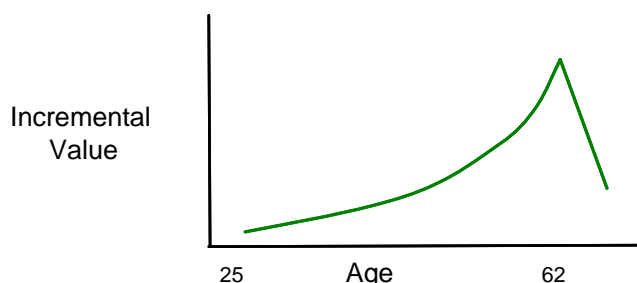
Current retirement laws were developed in the mid 1970s and designed to encourage older workers to retire so that the baby boom bubble could advance in the workforce. Now, with the baby boomers reaching retirement age, the laws are still in place. Coupled with the

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



By Elizabeth Sylvia, Principal, Mercer Human Resource Consulting

Northeastern University's Publishes Report on Labor Force Attachment:

Western Massachusetts' 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 Western Massachusetts' Population Ages 55 and Older."

The study found that the labor force participation among Western, Massachusetts older workers was 37 percent, which is higher than the rest of the country at 36.4 percent but less than the New England region, 40.1 percent.

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The New England Council, founded in 1925, is an alliance of large and small companies, colleges and universities, nonprofit and other agencies, dedicated to promoting economic development and a high quality of life in the six-state region.

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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. Nearly 69 percent of this group was 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 79.4 percent.

Of those between 65 and 74, only 22.8 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 Western Massachusetts was employed for slightly above 45 weeks during the year. The average work week was 39 hours per week. The intensity of work effort among older workers in Western Massachusetts is high.

The three industries with the highest concentration of older workers was the transportation, warehouse and utilities industry, educational and health services and public administration.

Mercer Human Resource Consulting is a global leader for HR and related financial advice and services, with more than 15,000 employees serving clients in more than 190 cities and 40 countries and territories worldwide. The company is a wholly owned subsidiary of Marsh & McLennan Companies, Inc., which lists its stock (ticker symbol: MMC) on the New York, Chicago, Pacific and London stock exchanges.

Founded in 1898, **Northeastern University** is a private research university located in Boston, and a leader in interdisciplinary research, urban engagement, and the integration of classroom learning with real-world experience. The University's signature cooperative education program, one of the largest and most innovative in the world, is ranked among the best in the nation by U.S. News & World Report. The University offers a comprehensive range of undergraduate and graduate programs leading to degrees through the doctorate in six undergraduate colleges, eight graduate schools, and two part-time divisions.



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