

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.

Connecticut Focuses on Older Worker Retention Strategies

More than 30 private and public sector business leaders and representatives of organizations met to discuss the status of older workers in Connecticut.

The group, which met at Northeast Utilities in Berlin, Connecticut, talked about several companies that have already established strategies to identify the issue within their area and retain and attract older workers in anticipation of specific skills shortages. 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 Connecticut'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

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Meeting Held in Berlin, Connecticut



Paul Harrington, Associate Director, Northeastern University's Center for Labor Market Studies; **James McCaffrey,** New England Market Leader, Mercer Human Resource Consulting; **Kristin Sabatino,** Manager, Human Resources, Stanley Works in Connecticut; and **Randy Belair,** Director of Employee Benefits, Stanley Works.

Connecticut Focuses on Retention Strategies

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states in the nation into Connecticut, the state's population will continue to grow older. The consequent decline in 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."

Several business representatives noted there are many barriers for older workers who wish to stay or come back to the workforce. One is Social Security income limits and 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.

To compound the issue of an aging workforce, there are industry sectors, such as high technology, health-care and manufacturing, that are already experiencing shortages of skilled workers in certain areas such as engineers, doctors and nurses. This is forcing human resource managers to grapple not only with the loss of aging workers retiring out with their expertise, but also the challenge of a pipeline of talent that is not meeting the current demand for workers.

There is a prevailing concern throughout the region of the shrinking number of students entering science, technology, engineering and math (STEM) fields. The state Office of Workforce and Competitiveness points out that only 17 high school physics teachers were produced from the entire Connecticut university system last year. There is also a shortage of qualified math teachers. The office is working the industry to launch a pilot program to encourage baby boomers with STEM skills to go back to work and teach.

In the manufacturing industry there are challenges presented by the shortages of machinists and the lack

of workers coming up the pipeline to fill these jobs. One large manufacturer noted that more than 23 percent of their employee population is currently eligible to retire. In five years, that total will be up to 40 percent. They also reported difficulties filling positions in the skilled trades area, such as electricians.

Another employer noted difficulty in filling technical positions for information technology jobs in financial services. As a result, they offer some people the flexibility of working from home.

Apprenticeship programs are another tool of recruitment. But while some may fill these technical positions on a short-term basis, the people may not stay on as high housing costs become a barrier to settling in New England permanently.

Barriers to retain the older workers, however, include largely pension regulations which limit one's ability to mix work and retirement. There are also regulatory issues around benefits and the number of hours that the individual can work and receive retirement income.

Some of the group noted that they are exploring ways of using their benefits system to attract and retain older workers as they have more flexibility in what they can offer. Also, they discussed defined-benefit versus defined-contribution retirement plans and the trends in employee interests in these types of plans. Health benefits are another major concern for retiring employees and are being used as a retention tool by some companies.

The group also discussed the need for pension reform. Some suggestions that arose from the discussion included: the creation of a new class of employee who would be subject to different regulations; the expanded allowances for people who wish to mix work and retirement; and the creation of a phased retirement program.

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



Northeastern University Study Reveals:

55+ Will Dominate Connecticut'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 Connecticut, 2005-2015," that an overwhelming share of Connecticut'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 Connecticut 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 Connecticut prime age working population, those aged 25 to 54, will fall by about 2.3 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 Connecticut 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 377,300. By 2015, this number is

expected to increase by 23 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 21 percent over the 10-year projection period.

Connecticut's median age is higher than that of the nation as a whole, at 37 compared to 35. The state is projected to have a rapidly aging population and has experienced a low birth rate. In 2004, Connecticut had the seventh lowest birth rate in the nation.

"The data reveals that no longer can Connecticut 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

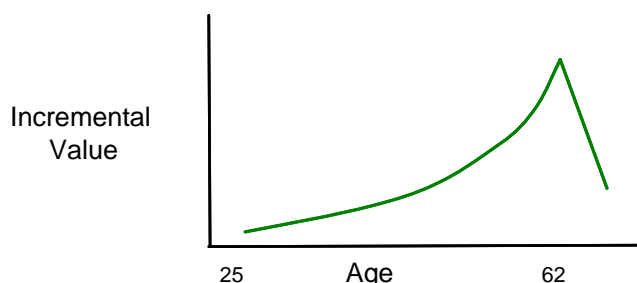
Current retirement laws were developed in the mid 1970s and designed to encourage older workers to retire so that the baby boom bubble could advance in the workforce. Now, with the baby boomers reaching retirement age, the laws are still in place. Coupled with the

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:

Connecticut's Older Workers: Staying on the Job Longer; 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 Connecticut's Population Ages 55 and Older."

The study found that the labor force participation among Connecticut's older workers was 41 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 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 81 percent.

Of those between 65 and 74, only 28 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 percentage of older workers with a college degree in Connecticut — 33.9 percent -- was comparable to New England and much higher than the rest of the nation.

The average older worker in Connecticut was employed for slightly above 45 weeks during the year. The average work week was 37 hours per week. The intensity of work effort among older workers in Connecticut is quite high. Older workers with a college degree worked considerably more intensely, averaging more than 39.3 hours per week and 47 weeks per year.

The industry with the highest concentration of older workers was educational and health services sector, where older workers make up 23 percent.

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*The New England Council,
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