



Report of the Taskforce on  
the Aging of the American Workforce

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## EXECUTIVE SUMMARY

### A. Aging of the Workforce

The aging and retirement of the Baby Boomer generation is a dramatic demographic transformation for our country. According to the U.S. Census Bureau, by 2030, 19.7 percent of the population, or about 71.5 million Americans, will be 65 or older, compared with just 12.4 percent in 2000. The aging of the American people will affect many aspects of our society, from the health care system to financial markets, and has many implications for the U.S. labor market. Employers rely on the skills and experience of this skilled labor pool, and as the population ages and more people retire, many industries could face worker and skill shortages.

### B. Taskforce on the Aging of the American Workforce

In recognition of the challenges that lie ahead, as well as the opportunities, an interagency effort was launched in May 2006 to focus on the aging of the American workforce and the impact of this demographic change. The *Taskforce on the Aging of the American Workforce* is composed of senior representatives from nine Federal agencies: the Departments of Commerce, Education, Health and Human Services, Labor, Transportation, and Treasury; the Equal Employment Opportunity Commission; Small Business Administration; and Social Security Administration. The Taskforce was chaired by former Assistant Secretary of Labor for Employment and Training Emily Stover DeRocco.

Although the Taskforce agencies individually affect the lives of older workers, the impact of the aging and retirement of the Baby Boomer generation on the labor market warrants a collective response. This effort began, in part, in response to a recommendation by the Government Accountability Office that the Department of Labor convene the relevant government agencies to identify strategies to extend the work life of older Americans. The Senate Special Committee on Aging also requested the Department of Labor launch such an effort.

The *Taskforce on the Aging of the American Workforce* was charged with two primary goals: (1) identifying strategies to enhance the ability of older Americans to remain in or re-enter the labor market and pursue self-employment opportunities; and (2) identifying strategies to enable businesses to take full advantage of this skilled labor pool. When the Taskforce convened in May 2006, the members elected to focus on three main areas: (1) the response of employers to the aging workforce, (2) individual opportunities for employment of older workers, and (3) legal and regulatory issues regarding work and retirement.

The Taskforce worked for several months to examine the key issues within these respective topic areas and to develop strategies to address these issues. This report summarizes the Taskforce's findings and recommendations. Before finalizing the report, a draft of the Taskforce's findings and recommendations was shared with stakeholders from the aging and business communities and others with experience in older worker issues to obtain their feedback.

## C. Opportunities and Barriers to Employment of Older Workers

The report begins with a discussion of the issues related to the aging of the American workforce. In general, older workers are less likely than younger workers to be unemployed, but those who are unemployed take longer to find work.<sup>1</sup> Many encouraging signs point to the prospects of increasing the labor force participation of older individuals. For example, surveys have found that most Americans wish to continue their ties to the work world even after they reach retirement age for a variety of reasons, including the need to build and maintain financial security and the desire to stay productive and socially engaged.

Many older workers confront a variety of barriers to continued employment, however, such as the following:

- Elements of the economy that create a difficult job market for older individuals
- The need to increase skills to keep pace with technological and organizational change
- Limited access to training to update their skills
- Lack of skills and confidence of some older workers to search for a new job
- Age discrimination in the workplace
- Health problems, disabilities, or physical limitations
- Limited opportunities for flexible work arrangements and customized employment
- Lack of knowledge on how to start one's own business
- Poor knowledge about financial needs in retirement
- Elements of retirement laws and regulations that may discourage work participation

These barriers and the issues they raise are discussed in detail in the report.

## D. Strategies

The report presents strategies developed by the Taskforce that could address the most significant issues related to the aging of the American workforce. A brief summary of these strategies, which fall into seven categories, follows.

### *Legal and Regulatory Issues*

Strategies include further policy exploration of legal and regulatory issues by an interagency group, and research on specific issues to determine whether changes are needed to current laws and regulations.

### *Expanding Knowledge on Older Workers*

Strategies include coordinating research and demonstrations by Taskforce agencies to expand

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<sup>1</sup> U.S. Congressional Budget Office, "February 2005 Budget Options" (Washington, DC, February 2005), <http://www.cbo.gov/ftpdocs/60xx/doc6075/02-15-BudgetOptions.pdf>, 166.

knowledge about the most effective strategies for serving older workers, adding questions to a supplement to the Current Population Survey regarding older workers' participation in the labor force, and conducting a special tabulation of census data on older workers designed to match workforce investment areas.

### *Outreach and Education Efforts*

Strategies include developing a blueprint for coordinated public awareness and outreach activities of Taskforce agencies regarding older workers, educating employers and workers on opportunities (such as flexible retirement programs) and requirements (such as age discrimination laws) under current laws, and developing training materials for human resource professionals on how to best respond to an older workforce.

### *Facilitating Self-Employment for Older Workers*

Strategies could include replicating Project GATE (a demonstration project that assists individuals in creating or expanding their own businesses), utilizing the Small Business Administration's (SBA's) Web site to provide targeted information on SBA programs and services for older entrepreneurs, and encouraging access and referrals to SBA resources at One-Stop Career Centers.

### *Flexible Work Arrangements and Customized Employment for Older Workers*

Strategies include promoting accommodations to both recruit and retain older workers with disabilities or limitations through the Job Accommodation Network; providing information on best practices, strategies, and policies for promoting telework; and promoting workplace flexibility for the Federal workforce by having Taskforce agencies model best practices.

### *Tools and Technical Assistance to Support Older Worker Employment*

Strategies include disseminating products from the President's High Growth Job Training Initiative relevant to older workers, developing a resource guide on available and potential work supports available to older workers, developing an Online Coach that walks older workers and workforce professionals through employment Web resources, creating an inventory of labor market intermediaries serving older workers (e.g., senior job banks), and exploring the possibility of increasing the employment focus of Aging and Disability Resource Centers and enhancing collaboration with One-Stop Career Centers.

### *Retirement and Financial Literacy Education*

Strategies include making educational resources on retirement and financial literacy available to older workers in One-Stop Career Centers, local Social Security Administration offices, aging service providers, and other appropriate venues.

The strategies recommended by the Taskforce are intended to be multi-agency efforts, implemented by all Taskforce members or by an appropriate sub-group of agencies. Together, these Federal government agencies—working in partnership with private employers, non-profit organizations, and older workers—can address the challenges and take advantage of the opportunities posed by the aging of the American workforce.

## I. INTRODUCTION

With the aging of the Baby Boomer population, the United States is facing a radical demographic change. According to the U.S. Census Bureau, by 2030, 19.7 percent of the population, or about 71.5 million Americans, will be 65 or older, compared with just 12.4 percent in 2000.<sup>2</sup> The “graying” of the American people will affect many aspects of our society, from the health care system to financial markets. In particular, the aging of the population has many implications for the U.S. labor market, including possible labor and skill shortages. Employers will be challenged to find and train replacements as some of their most experienced workers retire.

In recognition of both the challenges and opportunities that lie ahead, an interagency effort was launched to focus on the aging and retirement of the Baby Boomer generation and the impact on the workforce of this demographic change. The *Taskforce on the Aging of the American Workforce* has brought together agencies from across the Federal government to collectively address the workforce challenges and identify workforce opportunities for our aging population.

The *Taskforce on the Aging of the American Workforce* was created in part in response to a request from the Senate Special Committee on Aging. In that request, Senators Gordon H. Smith (R-Oregon) and Herb Kohl (D-Wisconsin) asked the Department of Labor to prepare a report for Congress and Federal agency leaders to serve as a blueprint for action. The Taskforce’s work also responds to recommendations made by the U.S. Government Accountability Office (GAO, formerly the General Accounting Office) that the Department of Labor convene an interagency taskforce to develop proposals addressing the issues raised by the aging of the labor force.<sup>3</sup>

The Taskforce was chaired by former Assistant Secretary of Labor for Employment and Training Emily Stover DeRocco and includes senior representatives from the following key Federal agencies affecting the lives of older Americans:

- Department of Commerce
- Department of Education
- Department of Health and Human Services
- Department of Labor
- Department of Transportation
- Department of the Treasury
- Equal Employment Opportunity Commission
- Small Business Administration
- Social Security Administration

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<sup>2</sup>U.S. Census Bureau, “Projected Population of the United States by Age and Sex: 2000 to 2050” (Washington, DC, 2007), <http://www.census.gov/ipc/www/usinterimproj/>.

<sup>3</sup>U.S. Government Accountability Office, *Older Workers: Demographic Trends Pose Challenges for Employers and Workers*, GAO-02-85 (Washington, DC, November 2001); and *Older Workers: Labor Can Help Employers and Employees Plan Better for the Future*, GAO-06-80 (Washington, DC, December 2005).

The *Taskforce on the Aging of the American Workforce* was charged with developing strategies to address the impact of the aging of the American workforce and the retirement of the Baby Boomer generation. These strategies are specific actions the Taskforce believes should be taken by Federal, state, and local government agencies; businesses; the public workforce investment system; aging organizations; and older workers. These actions will result in greater opportunities for older workers to remain in the workforce and reduce barriers that may prevent them from doing so.

The Taskforce recognizes that market forces will address, at least to some extent, many of the key issues affecting participation of older individuals in the labor market. However, some experts believe that the labor market will work more efficiently and effectively if the government undertakes a series of targeted actions, in coordination with the private sector and other partners.

The ability to find solutions for the challenges presented by an aging workforce depends on strong leadership and solid partnerships across Federal agencies and with partners outside the Federal sector. The President's announcement of his intention to refocus Americans on the need to reform Social Security represents a crucial step toward finding solutions. Moreover, the Department of Labor's initiatives on the 21st Century Workforce and Retirement Security represent tangible efforts to prepare for and begin to address workforce competitiveness and retirement security issues presented by the aging workforce.

The *Taskforce on the Aging of the American Workforce* first convened in May 2006, and its members elected to focus on three main areas related to older workers:<sup>4</sup>

- **Employer Response to the Aging Workforce:** This topic focuses on the opportunities and needs of employers when recruiting, hiring, training, and retaining older workers. With the aging and retirement of the Baby Boomer generation, many businesses risk losing experienced workers and will possibly face worker and skill shortages. While some employers recognize the value of older employees and are implementing efforts to hire and retain these skilled workers, many others are not taking the necessary steps to hire and retain them.
- **Individual Opportunities for Employment:** Many older Americans want to continue working or need to do so for financial reasons, and employers need the skills and staff power of older workers to meet their current and future workforce needs. Older individuals nonetheless often face challenges to full participation in the labor market, including a difficult job market for older workers with outdated skills; negative perceptions of older workers' abilities; health issues, disabilities, or physical limitations for certain types of work; and the lack of flexible work arrangements to enable a greater work-life balance. This topic focuses on addressing these challenges and identifying opportunities for older workers to increase their workforce participation.

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<sup>4</sup> The Taskforce generally considers an "older worker" to be someone age 55 or older. Because individuals make decisions regarding work and retirement at various stages of life, however, the Taskforce looked at workforce issues facing a wide range of older individuals, from those in their 40s to those in their 70s and beyond.

- **Legal and Regulatory Issues Regarding Work and Retirement:** Despite the preferences among older workers for continued flexible employment and the desires of many employers to respond to those needs, many stakeholders agree that Federal laws and regulations often function as impediments and disincentives to continued employment. In recent years, many of these stakeholders have advocated several possible revisions to Federal law that might remove those impediments. This topic considers these and other approaches to reform laws and regulations pertaining to issues such as pension plans, Social Security benefits, tax policy with respect to retirement savings, and unemployment programs.

The Taskforce worked for several months to examine the key issues within these topics and to develop strategies to address these issues. This report summarizes the Taskforce's findings and recommendations.

Before finalizing the report and beginning to undertake the proposed strategies, the Taskforce sought input from leaders in the aging and business communities and others with experience in older worker issues. A roundtable discussion of the draft report, held in Washington, D.C., on June 25, 2007, was attended by more than 50 individuals representing key stakeholder organizations and Taskforce agencies. Participants at the roundtable provided positive feedback on the report and made many useful suggestions that helped the Taskforce improve the report's findings and strategies.

The Taskforce report is being transmitted to senior officials in the executive branch and relevant Congressional committees, and it will be shared widely with business, workforce, and aging organizations. Section II provides in-depth background and discussion of the issues related to the aging of the American workforce. Section III includes strategies that the Taskforce intends to pursue to address the challenges and opportunities of an aging workforce.

## II. BACKGROUND

The demographic transformation with the aging of the Baby Boomer population is already under way—every seven seconds, a Baby Boomer turns 60. Because of this, the United States faces a significant challenge in meeting demands for workers in the next several years. The Bureau of Labor Statistics (BLS) projects that the U.S. economy will add 18.9 million jobs in the decade ending in 2014, about 2.6 million more jobs than were added in the previous decade. Meanwhile, over the same period, nearly 36 million workers are expected to leave their jobs permanently and will need to be replaced.<sup>5</sup> An analysis of the aging workforce in selected high-growth industries using Current Population Survey (CPS) data, presented in table 1, indicates that many older workers in these industries could leave the workforce over the next decade.

High-Growth Industries	Workers Age 45 and Older
Aerospace	55%
Energy	52%
Transportation	47%
Advanced Manufacturing	43%
Health Care	43%
Automotive	39%
Financial Services	38%
Construction	34%
Retail	34%
Information Technology	33%
Hospitality	21%

Since 1950, and until recently, labor force participation rates decreased for men, age 55 and older, and increased for women in the same age group.<sup>6</sup> In the past, a “culture of retirement” in the United States led many individuals to retire earlier than they might otherwise.

Year	Men		Women	
	55 to 64	65 and up	55 to 64	65 and up
1950	86.9	45.8	27.0	9.7
1970	83.0	26.8	43.0	9.7
1990	67.8	16.3	45.2	8.6
2000	67.3	17.5	51.8	9.4

<sup>5</sup> Daniel Hecker, “Occupational Employment Projections to 2014,” Monthly Labor Review (Washington, DC: Bureau of Labor Statistics, November 2005).

<sup>6</sup> Patrick Purcell, Older Workers: Employment and Retirement Trends, Congressional Research Service Report for Congress, September 7, 2006.

Since the 1990s, however, workforce participation rates for older men have begun to rebound, as indicated in table 3.<sup>7</sup>

Year	Men				Women			
	55 to 61	62 to 64	65 to 69	70+	55 to 61	62 to 64	65 to 69	70+
1994	73.8	45.1	26.8	11.7	55.5	33.1	17.9	5.5
2000	74.3	47.0	30.3	12.0	58.3	34.1	19.5	5.8
2005	74.7	52.5	33.6	13.5	62.7	40.0	23.7	7.1

According to both medium - and long-term projections, the overall labor force participation rates are expected to have a slight decrease. However, the 55 and older age group is the only age group which has experienced a strong growth in its participation rates since the end of the 1980s. This increase in the labor force participation rate of the 55 and older workers is projected to continue in the future. In 1996, the participation rate of this group was 30.3 percent. A decade later, in 2006, the participation rate of this group increased to 38 percent. Women between the ages of 55 and 64 have been steadily increasing their labor force participation rates from 42 percent in the mid-1980s to 51.9 percent in 2000. According to the BLS, this figure is expected to reach 56.7 percent by 2015. Between 2004 and 2014, the number of people in the labor force ages 55 to 64 is projected to increase by 42.3 percent, and the number of labor force participants age 65 and older is expected to grow by nearly 74 percent.<sup>8</sup>

Because the U.S. workforce is aging, the projected tide of retirements could dramatically affect productivity and profits. Furthermore, unless the wave of retirements is more gradual than anticipated, employers not only will have fewer workers, but also will have fewer leaders. In many companies, younger workers remain relatively inexperienced because of the predominance of Baby Boomers in important management and other leadership roles. The impact of the aging population will vary across regions, industries, and skill levels. The loss of older workers' critical organizational knowledge and expertise could be costly to employers.<sup>9</sup>

Whether the retirement of Baby Boomers will result in labor shortages is by no means a settled issue. Many analysts predict shortages of labor when the boomers retire, especially in key occupations. Other analysts have pointed out reasons why these predictions might be flawed, noting that these analyses pay inadequate attention to the huge supply of qualified low-wage workers in the global economy and ignore the fact that demographic changes have not historically been associated with changes in labor market conditions.<sup>10</sup> Many retirements may occur in declining sectors of the economy.

The United States has not had an overarching policy regarding the employment of older workers. Historically, some of our laws, regulations, and policies have been designed to encourage

<sup>7</sup> Current Population Survey (CPS), Washington, DC, Bureau of Labor Statistics, 2007, [http://www.agingstats.gov/agingstatsdotnet/Main\\_Site/Data/Data\\_2006.aspx](http://www.agingstats.gov/agingstatsdotnet/Main_Site/Data/Data_2006.aspx).

<sup>8</sup> Mitra Toosi, "Labor force Projections to 2014: Retiring Boomers," Monthly Labor Review (Washington, DC: Bureau of Labor Statistics, November 2005).

<sup>9</sup> David W. DeLong, *Lost Knowledge: Confronting the Threat of an Aging Workforce* (New York: Oxford University Press, August 2004).

<sup>10</sup> Richard B. Freeman, *Is a Great Labor Shortage Coming? Replacement Demand in a Global Economy*, National Bureau of Economic Research Working Paper No. 12541 (Cambridge, September 2006).

older workers to retire and leave the labor force. More recently, some government policies have encouraged them to continue working. As we work to address the aging and retirement of the Baby Boomer generation, the United States must consider whether the overarching policy of government should encourage retirement, discourage retirement, or remain neutral.

A neutral approach would permit older workers to make their own decisions about whether to remain in the labor force. Older workers are a diverse group, and not everyone will make the same decision or make a decision for the same reasons. A neutral policy would mean that disincentives to continue working that exist in current laws and regulations need to be removed and that other barriers to participation in the workforce by older workers need to be addressed. Those barriers, both perceived and real, affect the continued participation of older workers in the labor market and obstruct the normal dynamic of supply and demand for older workers and their potential employers. The Federal government can play an important leadership role by seeking ways to address barriers and other disincentives that discourage older Americans from continuing to work.

As an alternative to a neutral approach, government policy could err on the side of encouraging people to work longer, if possible. In that case, older Americans would be adding to the resources available to support all people, both young and old.

Concern about the implications of an aging workforce is not limited to the United States. The aging of the population is a global phenomenon. Nearly all countries are undergoing a demographic transition that is likely to leave them, in time, with larger and much older populations than they started the century with.<sup>11</sup> This is a result of both a steep drop in fertility rates and an increase in longevity.<sup>12</sup> For example, by 2050, more than one-third of the population is projected to be age 65 and older in Italy, Japan, and the Republic of Korea, compared with about one-fifth or less in Mexico, Turkey, and the United States. Apart from the rapidly rising number of elderly people, another aspect of population aging is the slowdown in the growth of the population ages 20 to 64, where participation in the labor market is concentrated.<sup>13</sup> If work and retirement patterns do not change, aging on the scale projected will place substantial pressures on public finances and reduce living standards in many countries.

As the American population ages, workers are making decisions about how they would like to spend their retirement years. The decisions of the workers in this diverse population will depend on their financial security, health status, attitudes toward work and leisure, and many other factors. When asked, most Americans say they wish to maintain their connections to the world of “work” even after they “retire” and they wish to do so for a variety of reasons, including the need to build and maintain financial security and the desire to stay productive and socially engaged.<sup>14</sup> Some older Americans plan to continue working full time, but most say they wish to work fewer hours through more flexible work arrangements, while taking on new challenges.

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<sup>11</sup> Congressional Budget Office, *Global Population Aging in the 21st Century and Its Economic Implications* (Washington, DC, December 2005), 1.

<sup>12</sup> Organisation for Economic Co-operation and Development, *Live Longer, Work Longer: A Synthesis Report of the “Ageing and Employment Policies” Project* (Paris, 2006), 18.

<sup>13</sup> *Ibid.*, 9.

<sup>14</sup> AARP, *Baby Boomers Envision Retirement II – Key Findings: Survey of Baby Boomers’ Expectations for Retirement* (Washington, DC, May 2004).

By capitalizing on the positive attitudes and expectations of older workers regarding their desires for continued participation in the workforce, employers can minimize job vacancies, retain important skills and knowledge, and remain competitive and productive. Such a response will place older workers in a position to increase their personal retirement savings and realize the tangible and intangible benefits that result from their continued participation in the workforce. In addition, the U.S. economy will benefit and financial pressures will be eased on important programs like Social Security and Medicare.

Older workers offer competitive advantages to employers because many possess management and organizational skills that can be used in a variety of industries and occupations.<sup>15</sup> Older workers bring several qualities that make them ideal employees, such as knowledge, experience, and productive work habits.

Despite the advantages older workers offer and the labor and skill shortages caused by demographic changes, older workers continue to face challenges to full participation in the labor market. Some of the barriers experienced by older workers include difficulties in keeping pace with changing skill requirements and technology, lack of flexibility in work schedules, insufficient training opportunities, physical requirements for certain kinds of work, laws and regulations that encourage complete retirement at earlier ages, and actual or perceived age discrimination in the workplace by employers and co-workers. These and other barriers may discourage older Americans from remaining in the workforce or reentering it after a period of retirement, even though studies suggest that they would like to or need to continue working.<sup>16</sup> Addressing these barriers will benefit older individuals, employers, and the economy as a whole.

Particular subgroups of older workers may face even more extensive barriers. Older minority individuals may face racial and ethnic discrimination, in addition to the barriers they may face as older workers. Those who have limited English proficiency face an additional barrier. Older workers with disabilities may require special accommodations from employers. Re-connecting with the job market may be difficult for persons who have not worked for years and decide to look for work, perhaps following the death of a spouse or a divorce. Dislocated workers—those affected by large-scale layoffs or plant closings—face a particularly difficult time in obtaining new employment if they have obsolete skills and live in a geographic area that has a declining number of jobs.

The barriers that affect both those who are approaching retirement and those who already have left the workforce, but wish to return, are discussed in the remainder of this section. Barriers faced by employers in accessing older workers are also discussed.

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<sup>15</sup> Alicia H. Munnell, Steven A. Sass, and Mauricio Soto, "Employer Attitudes Towards Older Workers: Survey Results," *Work Opportunities for Older Americans Series 3* (Chestnut Hill, MA: Center for Retirement Research at Boston College, 2006), [http://crr.bc.edu/images/stories/Briefs/wob\\_3.pdf](http://crr.bc.edu/images/stories/Briefs/wob_3.pdf); Marcie Pitt-Catsouphes, Michael A. Smyer, Christina Matz-Costa, and Katherine Kane, *The National Study Report: Phase II of the National Study of Business Strategy and Workforce Development* (Chestnut Hill, MA: Center on Aging and Work, 2007), [http://agingandwork.bc.edu/documents/RH04\\_NationalStudy\\_03-07\\_004.pdf](http://agingandwork.bc.edu/documents/RH04_NationalStudy_03-07_004.pdf).

<sup>16</sup> AARP, *Staying Ahead of the Curve 2003: The AARP Working In Retirement Survey* (Washington, DC, 2003). (Less than half of survey respondents between the ages of 50 and 70 stated that their "retirement" plans include leaving the workforce.) See also Gordon B.T. Mermin, Richard W. Johnson, and Dan Murphy, *Why Do Boomers Plan to Work So Long?* (Washington, DC: Urban Institute, 2006), <http://www.urban.org/url.cfm?ID=311386>.

## A. The Job Market for Older Workers

Ongoing structural changes in the economy often create difficult job markets for older Americans.<sup>17</sup> Structural changes include declining employment in manufacturing industries, growing employment in the service sector, and corporate downsizing. Faced with unemployment, some retirement-eligible workers elect to leave the labor force altogether, rather than search for a new job. When older workers lose their jobs, they typically earn significantly less when reemployed.<sup>18</sup> For example, dislocated workers with 20 years of tenure tend to find jobs that pay, on average, between 20 percent and 40 percent less than their old job.<sup>19</sup>

Older individuals who are reentering the workforce or trying to switch careers may experience difficulty in finding employment. Older workers face a narrower range of new employment opportunities than do younger workers.<sup>20</sup> Newly hired older workers are employed in a smaller set of industries and occupations compared with newly hired younger workers and all older workers. One study found that older male and female workers face substantial entry barriers in occupations with steep wage profiles, pension benefits, and computer usage. In addition, union coverage was associated with limited access for older men, while older female hires were concentrated in occupations where flex-time work, part-time work, and daytime shifts are common.<sup>21</sup>

The problem of job opportunities has a geographic component because unemployment is often associated with declining local or regional economies.<sup>22</sup> Finding a new job may require relocation, often a daunting prospect for older workers who own their home and have life-long roots in a community.<sup>23</sup>

Conversely, some employers are reaching out to older workers because of skill and worker shortages. For example, companies like Home Depot and CVS have made special efforts to recruit older workers and accommodate their desire for flexible work arrangements. Other companies and the Federal government have sought to recruit retirees, including retired executives, to fill crucial vacancies. With continuing low unemployment rates in many areas, and worker shortages in some occupations and industries, retired workers represent a valuable part of the labor pool.

<sup>17</sup> Committee for Economic Development, *New Opportunities for Older Workers* (New York, 1999).

<sup>18</sup> John Schmitt, *Job Displacement Over the Business Cycle 1991–2001* (Washington, DC: Center for Economic and Policy Studies, 2004); Richard W. Johnson, and Janette Kawachi, *Job Changes at Older Ages: Effects on Wages, Benefits, and Other Job Attributes* (Washington, DC: Urban Institute, 2007), <http://www.urban.org/url.cfm?ID=311435>.

<sup>19</sup> Louis Jacobson, Robert LaLonde, and Daniel Sullivan, “Is Retraining Displaced Workers a Good Investment?” *Economic Perspectives*, Federal Reserve Bank of Chicago (2Q/2005): 47–66.

<sup>20</sup> Robert Hutchens, “Do Job Opportunities Decline With Age?” *Industrial and Labor Relations Review* 42, no. 1 (October 1988): 89–99.

<sup>21</sup> Barry T. Hirsch, David A. Macpherson, and Melissa A. Hardy, “Occupational Age Structure and Access for Older Workers,” *Industrial and Labor Relations Review* 53, no. 3 (April 2000): 401–18.

<sup>22</sup> Committee for Economic Development, *New Opportunities*.

<sup>23</sup> *Ibid.*

## B. Skills of Older Workers

As a result of technological and organizational change and the ongoing shift to a knowledge economy, job requirements are continually changing. Therefore, individuals increasingly must acquire new skills and upgrade their existing skills.<sup>24</sup> Older persons who wish to continue working, either in their current field or in a new career in a different field, need to remain competitive by updating their skills. Depending on the field, this could mean staying abreast of industry trends, mastering new software systems, or earning another degree. Upgrading or developing new skills that require training may be a particular concern for older workers (see Section C. Access to Training). Acquiring or maintaining computer skills is particularly important. More than half of the U.S. workforce used a computer at work in 2003, and that percentage is expected to increase.<sup>25</sup> While only 29 percent of Americans age 65 and older use a computer on at least an occasional basis, Internet usage among seniors is rising dramatically.<sup>26</sup> Older workers do have unique assets to attract employers, including the following:

- **Knowledge and Experience:** Many older workers have more institutional knowledge and a broader range of experience than their younger counterparts and can pass it on to other workers.
- **Productivity:** Older workers often have more productive work habits.
- **Safety:** Older workers are often more cautious on the job and are more likely to adhere to workplace safety rules and regulations.

## C. Access to Training

In comparison to younger workers, older workers are less likely to be unemployed, but are also less likely to receive training to improve their skills. One study found that the hours of training received decline with age: while workers ages 25 to 34 participated in an average of 37 hours of employer-provided training in a year, employees age 55 and older participated in 9 hours.<sup>27</sup> The reasons for this disparity in training remain unclear. Employers may offer fewer training opportunities to older individuals, or older employees may be reluctant to take advantage of available training. The lack of training offered by managers may be due to misperceptions about the ability or interest of older individuals to learn new things, or managers may place a low value on investing training resources in older workers whom they assume will leave the workplace soon. Older employees may not take advantage of available training because of perceptions that managers will not support them, beliefs that they need no further training in light of their work experience, doubts about their own abilities, or perceived competitions with younger co-workers. Some older workers may not receive training because they have experience

<sup>24</sup> Organisation for Economic Co-operation and Development, *Ageing and Employment Policies - United States* (Paris, 2005).

<sup>25</sup> Jennifer Cheeseman Day, Alex Janus, and Jessica Davis, "Computer and Internet Use in the United States: 2003," Current Population Reports P23-208 (Washington, DC: U.S. Census Bureau, 2005), <http://www.census.gov/prod/2005pubs/p23-208.pdf>.

<sup>26</sup> Pew Internet and American Life Project, *Older Americans and the Internet* (Washington, DC, March 2004).

<sup>27</sup> Kelly Mikelson and Demetra Smith Nightengale, "Estimating Public and Private Expenditures on Occupational Training in the United States," unpublished paper prepared by the Urban Institute and Johns Hopkins University for the Employment and Training Administration, December 2004. See also Harley Frazis, Maury Gittleman, and Mary Joyce, "Correlates of Training: An Analysis Using Both Employer and Employee Characteristics," *Industrial and Labor Relations Review* 53, no. 3 (April 2000) 443-62; and Harley Frazis, Maury Gittleman, Michael Horrigan, and Mary Joyce, "Results from the 1995 Survey of Employer-Provided Training," *Monthly Labor Review* 121, no. 6 June 1998: 3-13.

in jobs that do not require evolving skills over time, and therefore they do not need additional training to do their job.

Rates of training accessed through the public workforce investment system also decline with age, as older workers may be less inclined to utilize the system due to limited business contacts, lack of knowledge, or other barriers, such as health reasons.<sup>28</sup> Furthermore, key workforce programs serving adults, namely the Workforce Investment Act (WIA) Adult and Dislocated Worker programs, have had low levels of participants age 55 and older. This low participation may be due to the proclivity of some WIA One-Stop Career Centers' to refer mature workers to the Older Americans Act's Senior Community Service Employment Program (SCSEP) rather than serve them through WIA. SCSEP provides part-time community service jobs and training to low-income adults age 55 and older and places them in unsubsidized jobs. SCSEP, however, serves only about 1 percent of the eligible population. WIA services are intended to be available to a broader population, with core services universally accessible through One-Stop Career Centers. To ensure that One-Stop Career Centers will be a robust source of assistance for all older workers, the Department of Labor issued a "Protocol for Serving Older Workers."<sup>29</sup>

## D. Job Search Skills

To appeal to employers, older workers must identify and promote their strengths: professional maturity, years of experience, and work ethic.<sup>30</sup> Older workers also have a higher level of commitment and loyalty to employers, lower turnover and absenteeism rates, and fewer on-the-job accidents. But some older individuals lack the skills and self-confidence to promote these strengths or search for jobs. Both public and private sector resources, such as job banks and job-hunting Web sites, can aid older workers who are job hunting, changing careers, or thinking of starting a business; however, sorting through the myriad of options can be daunting for this population.<sup>9</sup>

## E. Age Discrimination

In a 2002 survey of workers ages 45 to 74, around two-thirds of respondents reported having witnessed or experienced age discrimination in the workplace.<sup>31</sup> An experimental study of hiring conditions for older women in entry-level jobs in Boston, Massachusetts, and St. Petersburg, Florida, found that younger workers were more than 40 percent more likely to be offered a job interview than older workers.<sup>32</sup>

<sup>28</sup> David W. Stevens, *Older Worker Flows Through Core, Intensive, and Training Services, and Employment Status and Earnings First Quarter After Exit* (University of Baltimore Jacob France Institute, April 2004).

<sup>29</sup> Training and Employment Notice No. 16-04, "Protocol for Serving Older Workers," Employment and Training Administration, Washington, DC, January 31, 2005.

<sup>30</sup> Stephanie Overton, *The Changing Face of Retirement*, Radford University News to Use, December 2003.

<sup>31</sup> AARP, *Staying Ahead of the Curve: The AARP Work and Career Study* (Washington, DC, 2002). See report of the Government Accountability Office, *Older Workers: Labor Can Help Employers Plan Better for the Future*, GAO-06-08 (Washington, DC, December 2005). (Survey respondents list age discrimination as the second largest obstacle to employment "later in life," behind lack of demand for their skills.)

<sup>32</sup> Joanna Lahey, *Age, Women, and Hiring: An Experimental Study*, National Bureau of Economic Research Working Paper No. 11435, Cambridge, June 2005, <http://www.nber.org/papers/w11435>.

Some employers have the view that older workers cost more and produce less than their younger counterparts. This view appears to be based on concerns about wage and benefit costs of older workers as well as age based stereotypes that older workers are unproductive, inflexible, and unwilling to learn. However, research is beginning to show that some employers may *overestimate* the costs associated with employing older workers while simultaneously *underestimating* the benefits.<sup>33</sup> Furthermore, little evidence supports the view that older workers are less productive.<sup>34</sup> Additional research may better measure the effect on production of increased experience.<sup>35</sup> Ageist stereotypes may subside as contrary empirical evidence mounts and employers need greater workforce contributions from older workers; however, to date, age discrimination remains a problem for older workers.

## F. Health and Disability

Some older workers may experience health problems, have disabilities, or have physical limitations that pose challenges to employment. While a disability can arise at any age, the likelihood of having a disability increases with age. Reported rates of disability double from 19.4 percent for ages 45 to 54 to 38.4 percent for ages 65 to 69.<sup>36</sup> As workers age, some begin to experience age-related health issues, including disabilities or physical limitations that may pose challenges to employment. Older workers' attitudes about their health status more readily correlates with their workforce participation and, in turn, their workforce participation positively affects their attitude and cognitive status. From 2000 to 2002, 73 percent of people age 65 and older rated their health as good or better.<sup>37</sup>

Even with a positive attitude, however, the job opportunities for older workers with health concerns may depend on the availability of critical health-related employee benefits. Access to these benefits—including health insurance, sick leave, short- and long-term disability, vision and dental care, and wellness programs—is highly variable. Access may also affect the type of employers to which older workers apply. Workers in smaller, private firms generally have less access to these benefits than those in medium to large companies or government entities. Workplace accommodations may affect the opportunities of older workers with health conditions, and some employers may not know how to make such accommodations. Other employers fear the expense of accommodating older workers, although these fears often are unfounded.<sup>38</sup>

<sup>33</sup> See, U.S. Government Accountability Office, *Older Workers: Demographic Trends Pose Challenges for Employers and Worker*, GAO-02-85 (Washington, DC, November 2001), 24–26 (outlining positive experiences of select employers with hiring and retaining older workers) and 32 (noting that while older workers do have increased health costs, it is often the employees, not the employers, who shoulder such costs to the extent that they exceed the costs for younger workers, and such cost shifting is legal under the ADEA's "equal cost" exception); Committee for Economic Development, *New Opportunities*, 35–36 (finding that older workers are not a poor investment for training and do provide value in institutional knowledge that employers frequently fail to consider when thinking only of external costs).

<sup>34</sup> For example, Sara Czaja, "The Impact of Aging on Access to Technology," *ACM SIGACCESS Accessibility and Computing*, 83 (2005), 7-11 (noting "data on aging and actual work performance is limited, especially for technology-based jobs"); compare Stevens, *Older Worker Flows*, 2 ("It is difficult to estimate the productivity of the older individuals who will be available to work.").

<sup>35</sup> Committee for Economic Development, *New Opportunities*, 19–20 (noting that "the value of experience may be difficult to measure in individual firms, but it provides concrete and quantifiable benefits to the economy as a whole" and identifying that older workers demonstrate a higher degree of loyalty and are "more stable" than younger hires).

<sup>36</sup> E. Steinmetz, *Americans with Disabilities: 2000* (Washington, DC: U.S. Census Bureau, May 2006).

<sup>37</sup> Federal Interagency Forum on Aging Related Statistics, *Older Americans 2004, Key Indicators of Well-Being*, (Washington, DC, 2004), xv.

<sup>38</sup> The Job Accommodation Network (JAN), funded by the U.S. Department of Labor's Office of Disability Employment Policy, collects data on the costs of accommodations. One-fifth of job accommodations cost nothing and 50 percent cost less than \$500. Furthermore, employers reported an average return of \$3.60 in benefits for every dollar invested in accommodations.

## G. Workplace Flexibility and Customized Employment

Working conditions can be a key factor driving retirement decisions for many workers. As workers age, they may desire to work fewer hours or to have more flexibility in their work arrangements to facilitate improved work-life balance.<sup>39</sup> Many Baby Boomers, sometimes referred to as the “sandwich generation,” must balance the responsibilities of caring for aging parents as well as their children or grandchildren, with work responsibilities. Flexibility in work arrangements and “customized employment”—that is, individually tailored employment arrangements between the worker and employer that are beneficial to both—can encourage older individuals to remain in the workforce.<sup>40</sup> The lack of these flexible arrangements is often cited as a barrier to employment by older workers.

## H. Self-Employment for Older Workers

Driven by financial needs and social goals, the Baby Boomer generation will fuel small business formation over the next decade. Now accounting for more than 25 percent of the U.S. population, Baby Boomers are the single-largest population cohort. According to the Kauffman Foundation,<sup>41</sup> Americans ages 55 to 64 form small businesses at the highest rate of any age group—28 percent higher than the average for all adults. Further, those with disabilities are almost twice as likely to start their own businesses as the general population. In addition, the number of women-owned businesses grew 20 percent between 1997 and 2002, twice as much as the national average. According to the U.S. Census Bureau’s 2002 Survey of Business Owners, women owned 6.5 million businesses in 2002 and women 45 and older owned 16 percent of all businesses. Thus, they continue to comprise a significant population in terms of their economic impact.

Older workers have been impacted by of corporate downsizing, outsourcing, and job loss. For many aging boomers exiting out of corporate jobs prematurely, their most viable options have been working for small businesses or starting one of their own.

Barriers to entry into business ownership are lower than ever; but it is easy to romanticize self-employment without considering the realities of cash needs, time, and business know-how. The U.S. Small Business Administration (SBA) notes that 33 percent of start-ups fail after four years, because owners underestimated the skills needed or the expenses they would encounter, such as the cost of health insurance. Many public and private resources are available to help individuals start their own business, but some older workers (particularly those who have been dislocated or who have very low income) may not know how to access such services.

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<sup>39</sup> Flexible work arrangements may include flex time, reduced time (part-time or part-year work), flex leaves (personal time off to address family medical issues), flex careers (allowing leaves and sabbaticals), and flex place (telecommuting).

<sup>40</sup> Customized employment is not a program, but rather a set of principles and strategies that result in negotiated employment relationships. It can embrace all the types of flexibility options described above. Customized employment provides significant flexibility around hours and leave, but also the actual job tasks themselves, which are negotiated to meet the needs of both the individual and the employer.

<sup>41</sup> Robert W. Fairlie, *The Kauffman Index of Entrepreneurial Activity, 1996–2004*, The Ewing Marion Kauffman Foundation, Kansas City, MO, 2005.

## I. Financial Literacy

Many older workers lack knowledge about their financial needs for retirement. A better understanding of financial needs in retirement should enable older individuals to make more informed choices about work and retirement. The *2007 Retirement Confidence Survey*<sup>42</sup> found a number of false or misguided notions held by workers, including expectations about what retirement will cost, the benefits that will be available in retirement, and connections between retirement timing and these financial benefits.<sup>43</sup> A recent study found that notwithstanding the many initiatives aimed at fostering retirement planning in the 1990s, a large portion of early Baby Boomers (those ages 51 to 56 in 2004) still do not plan for retirement, even though most are close to it.<sup>44</sup> Furthermore, those who do not plan accumulate much smaller amounts of wealth—from 20 to 45 percent less, depending on the location in the wealth distribution.<sup>45</sup> Another study found that specific groups in the economy, particularly those with low education, low income, and black and Hispanic households, are at risk of not preparing adequately for their retirement.<sup>46</sup>

As defined benefit pension plans become less common, individuals are expected to decide how much to save for retirement through 401(k) plans or other types of defined-contribution (DC) pension plans. Furthermore, individuals must decide how to invest the contributions to those DC plans and how to convert pension assets at retirement into a stream of resources that will support them in retirement. As longevity continues to increase, it may become more important to turn more assets into annuities so that payments continue as long as the individual lives.

## J. Legal and Regulatory Barriers

With more Americans working into their 60s, 70s, and beyond, individuals, employers, and policy makers are discovering limitations in the legal and regulatory framework that governs retirement. The framework reflects a policy consensus on retirement forged in the mid-twentieth century, when complete retirement at earlier ages was encouraged to move workers through the workforce and make room for large numbers of Baby Boomers.<sup>47</sup> Those policies supported America's economic goals at the time, supplying a steady stream of workers for a growing industrial base. The large, young workforce easily supported the Social Security, health, and retirement needs of a comparatively small retiree population. Today, the workforce is older, on average, with fewer workers available to support a growing number of retirees who

<sup>42</sup> Employee Benefits Research Institute and Mathew Greenwald & Associates, *Retirement Confidence Survey* (Washington, DC, January 2007).

<sup>43</sup> Neil E. Cutler, "The Flashing Yellow Lights of Retirement Planning: False Expectations, Realities, and Some Good News," *J. of Fin. Serv. Profs.* 58, no. 37 (November 1, 2004).

<sup>44</sup> Annamaria Lusardi and Jason Beeler, *Savings Between Cohorts: The Role of Planning*, Working Paper: Dartmouth College, July 2006), [http://www.dartmouth.edu/~alusardi/Papers/Lusardi\\_Beeler\\_MRRC.pdf](http://www.dartmouth.edu/~alusardi/Papers/Lusardi_Beeler_MRRC.pdf), 12 (noting that "However, a still large fraction of EBB [Early Baby Boomers], 27.5 percent still does not seem to have given any thought to retirement, even though they are 5 to 10 years away.")

<sup>45</sup> Lusardi and Beeler, *Savings Between Cohorts*, [http://www.dartmouth.edu/~alusardi/Papers/Lusardi\\_Beeler\\_MRRC.pdf](http://www.dartmouth.edu/~alusardi/Papers/Lusardi_Beeler_MRRC.pdf).

<sup>46</sup> Annamaria Lusardi and Olivia Mitchell, *Baby Boomer Retirement Security: The Roles of Planning, Financial Literacy and Housing Wealth*, National Bureau of Economic Research Working Paper 12585 (Cambridge, October 2006), <http://www.nber.org/papers/w12585>.

<sup>47</sup> Rudolph G. Penner, Pamela Perun, and Eugene Steurle, *Legal and Institutional Impediments to Partial Retirement and Part-Time Work by Older Workers*, (November 20, 2002); Watson Wyatt, "Taking the Subsidy Out of Early Retirement: One Story Behind the Conversion to Hybrid Pensions," *Watson Wyatt Insider*, July 2000.

are spending many more years in retirement than they did a few decades ago. Many of the laws and regulations governing certain aspects of economic security—including pensions, Social Security, health care, and taxes—continue to encourage complete retirement at earlier ages, even though Americans’ retirement expectations are evolving along with the country’s demographics, labor force, and global economic position. As articulated by the GAO in its report, *Twenty-first Century Challenges: Reexamining the Base of the Federal Government*, America must find ways to retain the knowledge and experience of older workers to remain competitive and advance its economic interests in the world.<sup>48</sup> At the same time, America must address retirement security needs, including the sustainability of programs like Social Security and Medicare and the need for individual retirement savings. As noted by GAO in its report, “Encouraging older workers to extend their labor force participation can ... improve program solvency while contributing to overall economic growth.”<sup>49</sup> Individuals benefit from extending their labor force participation, as well, with: (1) increased resources available at retirement; (2) in some cases, continued health insurance until the individual becomes eligible for Medicare; and (3) improved physical health and emotional well-being. A comprehensive and reasoned legal and regulatory framework is integral to achieving these goals. Federal agencies may face different barriers with respect to recruitment and retention of their own workforces that may need to be addressed by separate legal or regulatory changes.

In light of evolving expectations regarding retirement as well as workforce and retirement security needs, some efforts have encouraged and implemented flexible retirement arrangements:

- In passing the Pension Protection Act of 2006, Congress sought to address concerns about the application of the Age Discrimination in Employment Act (ADEA) to certain types of pension plans. Signed into law by President Bush in August 2006, the Act provides that cash balance and other hybrid pension plans will not be considered to violate the ADEA, so long as they comply with specific rules set forth in the Act.<sup>50</sup>
- The Internal Revenue Service (IRS) issued proposed regulations in late 2004 that would provide a framework for employers to implement bona fide phased retirement programs.<sup>51</sup> The phased retirement programs would give workers the dual status of retired and active employees for purposes of accruing and receiving pension benefits.
- President Bush requested legislation that would make it easier for Federal employees to phase into retirement. The President proposed to change the requirements of the Civil Service Retirement System to allow participants to work part time without having their pension benefits reduced.<sup>52</sup>

<sup>48</sup> U.S. Government Accountability Office, *Twenty-first Century Challenges: Reexamining the Base of the Federal Government*, GAO-05-325SP (Washington, DC, February 2005), 54–57.

<sup>49</sup> *Ibid.*, 55.

<sup>50</sup> See Joint Committee on Taxation, “Technical Explanation of The Pension Protection Act of 2006,” August 2006, 150–67.

<sup>51</sup> In May 2007, the IRS finalized the portion of these regulations dealing with in-service distributions from defined benefit plans.

<sup>52</sup> Karen Rutzick, “Bush Seeks to End Retirement Penalty for Part Time Service,” *Government Executive Magazine*, February 13, 2006, [http://www.govexec.com/story\\_page.cfm?articleid=33385&dcn=todaysnews](http://www.govexec.com/story_page.cfm?articleid=33385&dcn=todaysnews).

- Many private employers are experimenting with phased retirement arrangements. In a recent survey of its members, the Society for Human Resource Management found that 10 percent of respondents have formal phased-retirement programs.<sup>53</sup>

Although the initial efforts directed at phased or gradual retirement represent progress, most policy makers recognize the need to address all issues affecting retirement security for Americans. As the GAO, Congress, and others have recognized, reform efforts in the area of retirement security policy necessarily affect Social Security, Medicare, pension policy, and tax policy. Consequently, experts and commentators from a variety of perspectives have proposed solutions to the legal barriers to workforce participation by older workers.<sup>54</sup>

Laws and regulations concerning Social Security, pensions, health insurance coverage, taxation, and, to some extent, age discrimination in employment affect older workers' decisions to work in the years surrounding traditional retirement age and employers' ability to offer opportunities to these older workers. Other Federal and state laws and regulations and institutional practices may influence the work decisions of older workers.

- **Social Security:** Social Security generally refers to Title II of the Social Security Act of 1935,<sup>55</sup> which covers retirement, survivor benefits, and disability benefits. Individuals may begin receiving monthly retirement benefits under Social Security at the early retirement age of 62, albeit in lower amounts than would be available at the "full retirement" age of 65 (which gradually increases to 67, depending on an individual retiree's birth date), and subject to a reduction for earned income. Individuals at or above the full retirement age do not have their benefits reduced by earned income.<sup>56</sup> Pronounced spikes in retirement occur at the early and full retirement ages set by the Social Security Act, suggesting that the structure of the Social Security system has a significant role in influencing retirement decisions.<sup>57</sup> Individuals who continue to work beyond retirement age continue to accrue benefits eligibility and continue to pay Social Security payroll taxes. Those with 35 years or more of work experience, however, realize few gains in benefits from continued employment.<sup>58</sup>
- **Medicare:** Medicare is the government health insurance program for older individuals and people with disabilities.<sup>59</sup> Enacted in 1964, Medicare funds health and hospital insurance

<sup>53</sup> Chantel Sheaks, Marcie Pitt-Catsouphes, and Michael A Smyer, *Legal and Research Summary Sheet: Phased Retirement*, Workplace Flexibility 2010 and the Center on Aging and Work at Boston College, May 2006 (citing M.E. Burke, 2005 *Benefits: Survey Report*, Society for Human Resource Management, Alexandria, VA, June 2005).

<sup>54</sup> See Penner, Perun, and Steurle, *Legal and Institutional Impediments*, 2002 (citing Gary Burtless and Joseph Quinn, *Retirement Trends and Policies to Encourage Work Among Older Americans*, Boston College Working Papers in Economics, 436, <http://fmwww.bc.edu.ED-P/WP436.pdf>); ERISA Advisory Council, *Report of the Working Group on Phased Retirement* (Washington, DC: U.S. Department of Labor, November 14, 2000); R.V. Burkhauser and J.F. Quinn, *Pro-Work Policy Proposals for Older Americans in the 21st Century* (Syracuse, NY: Maxwell School of Citizenship and Public Affairs, Center for Policy Research Policy Brief, 1997).

<sup>55</sup> 42 U.S.C. Section 401, *et seq.*, as amended. Title II – Federal Old Age, Survivors, and Disability Insurance Benefits (OASDI) is administered by the Social Security Administration (SSA).

<sup>56</sup> The earnings test for those at full retirement up through age 69 was eliminated by passage of the Senior Citizens Freedom to Work Act of 2000.

<sup>57</sup> Organisation for Economic Co-operation and Development, "Ageing and Employment Policies", 2005.

<sup>58</sup> Richard W. Johnson, Gordon Mermin, and Eugene C Steurle, *Work Impediments at Older Ages* (Washington, DC: Urban Institute, May 23, 2006). The SSA has reported the projected share of men and women with at least 35 years of earnings to be 47.5 percent for those born between 1926 and 1945, and 71.2 percent for those born between 1946 and 1960. The report may be found at <http://www.ssa.gov/policy/docs/rsnotes/rsn2000-02.html>.

<sup>59</sup> 42 U.S.C. Section 1395, *et seq.* The Medicare program is administered by the Centers for Medicare and Medicaid Services, a component of the Department of Health and Human Services (HHS).

and prescription drug coverage. Medicare's secondary payer rules generally require that an employer's group health plan function as the primary health insurer with respect to employees who are enrolled in Medicare, subject to certain exceptions. The rule may increase the cost of employing Medicare-eligible older workers and possibly affects employment opportunities for that group.<sup>60</sup>

- ERISA and the Internal Revenue Code: The Employee Retirement Income Security Act (ERISA) of 1974<sup>61</sup> and the Internal Revenue Code<sup>62</sup> (the tax code) govern the establishment and administration of employer-provided pension and health plans. ERISA, generally speaking, improves the security of the benefits offered by employers through employee benefit plans. The tax code sets forth special rules for the operation of employee benefit plans that provide tax benefits for employers and employees. The numerous tax code sections that apply to employee benefit plans are scattered throughout the code. Neither ERISA nor the tax code requires employers to establish pension and health plans for their employees. Many employers, however, establish plans as recruiting and retention tools and for the tax benefits they provide. For those employers that do elect to establish employee benefit plans, the tax code can make it difficult to design phased-retirement options, whereby qualified pension plans would allow older workers to reduce hours and begin taking distributions, while continuing to earn credit or contribute to the plan.<sup>63</sup> For example, the tax code requires distributions to begin no earlier than age 59.5 and no later than age 70.5, with little apparent flexibility for design innovations that may appeal to older workers.<sup>64</sup>

In addition, the tax code provides special rules that are intended to accommodate employer practices designed to discourage workers from continuing their employment when they are older, such as rules allowing early retirement subsidies that discourage continued employment after a stated age or number of years of service with the employer.

- ADEA: The Age Discrimination in Employment Act of 1967<sup>65</sup> prohibits age discrimination in employment and employee benefits against persons age 40 and older. Although it has been prohibited for 40 years, age discrimination persists in the workplace. When faced with age discrimination, or what they perceive to be age discriminatory behavior, some employees may choose to move on or retire rather than challenge the illegality through a lengthy and uncertain process.<sup>66</sup> Some employers and commentators contend that the ADEA is a barrier to the implementation of flexible benefit programs because of uncertainty over whether those benefit programs will violate the statute by treating older workers less favorably than younger workers. To support this theory, they cite recent litigation

<sup>60</sup> Johnson, Mermin, and Steurle, *Work Impediments*.

<sup>61</sup> 29 U.S.C. Section 1001, *et seq.*

<sup>62</sup> 26 U.S.C. Section 1. *et seq.*

<sup>63</sup> See "Internal Revenue Code sections Affecting Employee Benefit Plans," <http://benefitslink.com/taxcode/index.html>.

<sup>64</sup> A worker's pattern of Individual Retirement Account (IRA) withdrawals may significantly affect his or her tax liability. For example, if individuals fail to take their initial minimum withdrawal during the tax year that they turn 70 1/2, they must take two withdrawals in the following year and pay the resulting double taxes on these withdrawals (Bill Bischoff, *Understanding the IRA Withdrawal Rules*, SmartMoney.com).

<sup>65</sup> Public Law 90-202.

<sup>66</sup> Committee for Economic Development, *New Opportunities*, 33 (noting that workers may sense that "the employment deck is stacked against them," and withdraw from the workforce entirely).

over conversions of defined benefit pension plans into cash balance plans.<sup>67</sup> Nonetheless, a well-crafted phased-retirement plan that is voluntary and has no age cap will not violate the ADEA. Furthermore, a final rule on revisions to the ADEA regulations, published on July 6, 2007, by the EEOC, responds to a decision by the U.S. Supreme Court that the Act does not prohibit employers from favoring an older employee over a younger one. The rule thus allows companies to tailor benefit plans and job ads to older workers.

## K. Employer Barriers to Employing Older Workers

The external barriers faced by older workers in obtaining employment, whether related to health, skills, or financial matters, may negatively affect employers' efforts to find qualified older candidates for work. Furthermore, while some experts propose new definitions of retirement that create more flexible approaches to allow people to continue contributing well into their 60s and 70s,<sup>68</sup> employers must operate within current legal and regulatory schemes that may impair their ability or inclination to design flexible benefit options that attract older workers. Some employers may avoid developing an older workforce because of concerns over the costs of older workers.<sup>69</sup> For example, employers may have concerns about the following:

- **Benefits and Pensions:** Employers fear the expense of older workers' health benefits and pension requirements even though the ADEA's equal cost defense allows employers to spend no more on older than on younger workers.<sup>70</sup> Additionally, older workers may expect more paid time off than newly hired employees based on previous employment benefit packages.
- **Salaries:** Employers fear they cannot meet the salary expectations of workers who have been in the workforce for a long time.
- **Flexibility Demands:** Many older workers are asking for more flexible hours, schedules, or assignments; employers are wary of the costs involved and potential "equity" issues across their workforce.
- **Workplace Accommodations:** Employers fear that workplace accommodations required to hire or retain older workers will be costly.<sup>71</sup>

A recent study found that employers are lukewarm about retaining older workers. The employers surveyed were only slightly more likely than not to accommodate even half their employees who will want to continue working in their job two to four years longer than workers have in the past. The study found that companies are more likely to accommodate

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<sup>67</sup> Benefit planners designed cash balance plans for a variety of reasons. Proponents note that cash balance retirement benefits accrue more evenly over a career than the benefits earned in a traditional pension plan, and they typically are "portable," unlike traditional pension benefits. Critics contend that cash balance plans were instituted to save money by reducing an employer's pension obligations, especially to its older employees, and that as a result, the plans are age discriminatory. Congress resolved this debate with the Pension Protection Act of 2006, which provides that cash balance plans do not violate the ADEA.

<sup>68</sup> Ken Dychtwald, Tamara Erickson, and Bob Morison, "It's Time to Retire Retirement," *Harvard Business Review*, March 1, 2004.

<sup>69</sup> Robert M. Hutchens, *Employer Surveys, Employer Policies, and Future Demand for Older Workers* (The Brookings Institution, March 31, 2001).

<sup>70</sup> See Overton, *The Changing Face of Retirement*.

<sup>71</sup> The Job Accommodation Network (JAN), funded by the U.S. Department of Labor's Office of Disability Employment Policy. According to JAN, study results to date show that almost half of the accommodations needed by employees and job applicants with disabilities cost nothing. Of those accommodations that do cost, the typical expenditure by employers is around \$500.

older workers if they expect employment growth, value older workers' institutional knowledge, or have older workforces. Employers that view older workers as costly or operate in an environment in which the pace of technical change is slow are less likely to accommodate older workers' desire to remain employed.<sup>72</sup>

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<sup>72</sup> Andrew D. Eschtruth, Steven A. Sass, and Jean-Pierre Aubry, *Employers Lukewarm About Retaining Older Workers* (Boston: Boston College Center for Retirement Research, May 2007).

### III. STRATEGIES

The Taskforce has developed strategies to address the most significant issues related to the aging of the American workforce. These strategies fall into seven categories:

- A. Legal and Regulatory Issues
- B. Expanding Knowledge on Older Workers
- C. Outreach and Education Efforts
- D. Facilitating Self-Employment for Older Workers
- E. Flexible Work Arrangements and Customized Employment for Older Workers
- F. Tools and Technical Assistance to Support Older Worker Employment
- G. Retirement and Financial Literacy Education

#### A. Legal and Regulatory Issues

##### *Policy Exploration of Legal and Regulatory Issues*

- *Create an interagency group to inventory the legal and regulatory barriers and disincentives to employment of older workers and identify the pros and cons of specific approaches to addressing each barrier.*

Recognizing that most Americans want to work beyond traditional retirement age, employers wish to consider ways to hire such employees, and the American economy could benefit from increased labor force participation of older workers, the Taskforce believes that there is value in continued government examination and discussion of the legal and regulatory issues regarding work and retirement. Accordingly, the Taskforce will establish an interagency group to: (1) inventory the legal and regulatory barriers and disincentives to employment of older workers; and (2) identify the pros and cons of specific approaches to addressing each barrier. The interagency group may determine that further research is needed on specific issues. This is addressed in Section B. Expanding Knowledge on Older Workers.

It will be important to evaluate the impact that these approaches could have beyond the stated purpose of each approach. For example, a desire to reduce disincentives for aging workers to remain in or return to the workforce could lead to the consideration of policies that would adversely impact the sustainability of Social Security and Medicare or increase the national debt. Other policies could actually encourage individuals to retire from full-time work in favor of part-time work, which could adversely affect America's ability to meet its workforce needs. It is therefore important to consider the cost implications of any proposed legal or regulatory change and possible effects on individuals, employers, retirement security programs, and the U.S. economy.

Statutory and regulatory changes would not be proposed without sufficient discussion and exploration. Following are a few examples of the types of areas that will be explored by the interagency group:

- **Consider developing comprehensive legislation amending ERISA, the tax code, and other Federal law, as appropriate, to facilitate phased retirement.** Many employees may want to phase into retirement, for example, by working part time and receiving pro rata retirement benefits. Section 507 of the Pension Protection Act of 2006 allows employees, beginning in 2007, to receive distributions from pension plans during employment after age 62, but comprehensive legislative action on the issue could provide a uniform treatment of flexible retirement arrangements to allow employees to phase into full retirement and thereby stay in the workforce longer. Current data on retirement suggest that many workers who retire from full-time employment before age 60 or 62 might continue working if flexible arrangements were available, including the ability to receive a pro rata portion of retirement benefits. While comprehensive legislation is under consideration, the Taskforce recommends that the secretaries of the Departments of Labor, Treasury, and Health and Human Services, as well as the commissioners of the IRS and EEOC, analyze existing law under their respective jurisdictions to determine how existing law can be implemented to reduce the impact of impediments (or perceived impediments) to continued labor force participation by older workers. Furthermore, proposed Treasury regulations were published in November 2004 that would allow employers to create phased-retirement programs, permitting employees over age 59.5 to reduce their hours by at least 20 percent and voluntarily begin receiving a pro rata share of their retirement benefits. The Taskforce suggests that evaluation and consideration of Treasury's proposed rule should continue.
- **Consider innovative approaches to unemployment insurance for older workers.** Because older job seekers are more likely to remain unemployed for longer periods of time, the Department of Labor might encourage more states to eliminate the reduction of unemployment insurance benefits due to receipts of Social Security payments. States could be encouraged to make the change through a pilot program. This would allow dislocated older workers additional income to adjust to new and often difficult circumstances.
- **Evaluate aspects of the Social Security system that affect the workforce participation of older individuals.** The interagency group will further explore the statutory and regulatory requirements relating to the Social Security system that may act as incentives or disincentives for older individuals to remain in or re-enter the workforce, and the pros and cons of specific approaches to changing any incentive or disincentive effects.

### *Research on Legal and Regulatory Issues*

- *Based on the deliberations of the interagency group referenced above, conduct research on specific legal and regulatory issues to determine whether changes are needed to current laws and regulations and the impact of such changes.*

While considerable work has been done on the issue of legal and regulatory barriers to work for older individuals, these issues should be more closely examined to develop evidence regarding whether changes are needed to current laws and regulations. Moreover, research should be done to identify those regulatory and legal changes that can be expected to have a measurable and positive impact on the opportunities for older workers to fully participate in the workforce. For example, data from longitudinal surveys like the Health and Retirement Study could be used to: (1) further support the case that certain laws and regulations impede workforce participation among older workers; and (2) to identify precisely which regulations affect the decisions of older workers and employers. With such information, policy makers could better select and target regulatory changes.

Research should focus on the possible consequences or impact of particular statutory or regulatory changes. For example, what effect would relaxing rules related to defined benefit plan distributions have on older worker workforce participation? In particular, considerable need exists for research, consultation, and evaluation of the best approaches to comprehensive legislative and policy strategies for phased retirement. Legislation and regulations allowing for phased retirement might be best addressed as part of the larger issue of retirement security for all workers. The aging of America's workforce is a long-term demographic trend, rather than a short-term challenge. Research and recommendations for legislative approaches to phased retirement should reflect this reality by identifying and thoroughly evaluating policy proposals that respond to the needs of older workers and employers for phased-retirement options and to the need for workers to build and maintain sufficient financial security.

## B. Expanding Knowledge on Older Workers

### *Coordinated Research and Demonstrations on Older Worker Employment*<sup>73</sup>

- *Expand knowledge about the most effective strategies for serving older workers. Taskforce agencies would coordinate their research and demonstration agendas so that the most useful projects are funded. An interagency group would be formed to oversee and coordinate agency research and demonstration agendas and make recommendations to address the full range of critical issues associated with the aging workforce.*

An interagency group composed of representatives from the research arms of the respective Taskforce member agencies (in consultation with leading researchers in the area of older worker employment field) will develop and oversee research and demonstration agendas and projects. Proposed research projects would receive peer review before being funded. This effort would be conducted in coordination with the Interagency Forum on Aging Related Statistics, which evaluates existing age-related data resources and limitations, stimulates new database development, encourages cooperation and data sharing among Federal agencies, and prepares collaborative statistical reports.

Possible areas for research could include the following:

- Improved measurement of outcomes around employing older workers
- Impact of employing older workers on organizational effectiveness and professional development of younger workers
- How the ability to learn new skills and adjust to different lines of work varies as a function of age
- Assessment of the productivity of older workers versus younger workers
- Determination of whether older workers are less likely than other workers to be offered training or whether they are less desirous of it
- Assessment of current programs for older workers and implications of the aging of the American workforce for those programs
- Identification of older workers' unique safety risks and costs
- Overview of labor market characteristics of older workers, including education levels, work experience, diversity, and occupational distribution
- Relationship between the incidence of disabilities among older workers and their likelihood to work, as well as the availability of work suitable for these individuals
- Best practices of disability insurance companies and small to mid-size employers that are engaged in return-to-work efforts to move older workers with disabilities back into the workforce

<sup>73</sup> This recommendation is in addition to the "best practices" study that the Taskforce has already contracted with the Urban Institute to prepare. The best practices study will discuss and comment on programs and initiatives in the public and private sectors to hire and retain older workers. It will be based on a national scan to identify strategies and practices that show success in engaging and helping older workers and the businesses that employ them.

- Effectiveness of financial incentives, such as tax credits, for employers to hire or train older workers
- Relationship between older employees' access to and use of specific benefits (e.g., health insurance, flexible benefit plans, wellness programs, employee assistance programs, and short-term and long-term disability) and the resulting effects on employment, employee health status, retention, turnover, productivity, and satisfaction, as well as associated employer costs for small to mid-size companies

Demonstration projects could be considered around categories that align with the challenges and opportunities related to older worker employment the Taskforce has identified. For example, projects could focus on one or more of the following categories:

- **Effective Training Techniques:** Different training techniques may be more effective for older individuals than for their younger counterparts. This category would focus on the development and distribution of training techniques targeted at mature audiences, such as contextualized learning or methods for technology-based training.
- **Innovative Service Strategies:** This category would focus on testing effective strategies for delivering training and employment services to older workers. One example might be establishing affiliate One-Stop Career Centers associated with senior centers or community-based and faith-based organizations that specialize in serving older workers. These affiliate centers could provide a “one stop” source of information, resources, and referral to the various programs and activities of One-Stop partner programs. The required One-Stop partners could be supplemented by participation of additional partner programs specializing in services to seniors (e.g., Social Security).
- **Targeted Industries:** Although the labor market in general will be affected by the aging of the workforce, certain industries are facing the loss of a large proportion of their workers because of retirement. Demonstration projects could be funded that focus on efforts to hire or retain older workers in these targeted industries.
- **Older Worker Subpopulations:** Projects could focus on providing training and employment services to specific segments of the older worker population that face significant barriers to employment, such as displaced workers, older workers with disabilities, and low-income or low-skill workers.
- **Customized Employment:** Customized employment demonstrations funded by the Department of Labor's Office of Disability Employment Policy (ODEP) have shown the feasibility of tailoring employment to meet both workers' and employers' needs through flexible employment policies and customized employment strategies.<sup>74</sup> Projects could test the impact

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<sup>74</sup> Research data on customized employment for 535 individuals with disabilities and encompassing a population of varied ethnic diversity and types of disabilities, previously considered unemployable, validate the fact that customized employment produces high-quality employment with increased wages, benefits, and integration into the community. The preliminary findings show that (1) 96 percent were earning above minimum wage, with an average hourly income of \$8.60; (2) 40 percent were earning more than \$8.15 per hour; (3) one-third obtained full-time employment (more than 35 hours a week); (4) 63 percent obtained employment offering future advancement potential; and (5) 30 percent were receiving at least one fringe benefit, such as health insurance, paid sick and vacation time, and pension or retirement plans (U.S. Department of Labor, Office of Disability Employment Policy, Evaluation of Disability Employment Policy Demonstration Programs—Task 11, “Outcomes Analysis Project: Summary of Preliminary Findings from Phase III of the Independent Evaluation—Interim Progress Report,” Westat, Rockville, MD, January 2006).

of flexible workplace strategies on the employment of older workers, including such strategies as alternative work schedules, part-time work, customized strategies around job tasks, rehiring retirees, phased retirement, and mentoring programs.

### *Current Population Survey Data*

- *Work with the BLS and the Census Bureau to add specific questions about older workers and their participation in the labor force to a supplement to the CPS.*

The CPS is a monthly survey of about 60,000 households conducted by the Bureau of the Census for the BLS. The survey has been conducted for more than 50 years. The CPS is the primary source of information on the labor force characteristics of the U.S. population. The sample is scientifically selected to represent the civilian noninstitutional population and provides estimates for the nation as a whole.

To better inform the Taskforce member agencies about the extent and reasons for participation and nonparticipation in the labor force of older workers, Taskforce representatives will work with BLS and Census to develop appropriate questions to be added to the CPS. Despite the wealth of demographic data currently available from the CPS, information on work preferences and attitudes of older workers is limited. A new CPS supplement might gather additional information on older worker's reasons for participating in the labor market. For example, while CPS data show that more older workers are participating in the labor force, information is not available on why that rate has gone up.

### *Older Worker Data Tool*

- *Request a special tabulation of census data on older workers designed to match workforce investment areas. This data could be the basis for an "older worker data tool" that would enable One-Stop Career Center staff and others to determine the number and characteristics of older workers in their jurisdiction.*

Extensive data exist on older workers, but this information does not correspond to local workforce investment areas, which are the governance and geographical structure established by WIA for the One-Stop Career Center system. A special tabulation of census data on older workers designed to match workforce investment areas could provide the basis for an older worker data tool. This data tool could enable One-Stop staff and other people who deal with mature workers to determine the number of individuals in certain age groups in the area, as well as other educational and demographic information, such as incidence of disabilities. The data tool could be modeled after the Limited English Proficiency data tool developed by the Census Bureau and the Employment and Training Administration (ETA), which has been useful and informative for workforce professionals.

## C. Outreach and Education Efforts

### *Awareness and Outreach Activities*

- *Develop a blueprint for awareness and outreach activities concerning older workers that provides public awareness leadership to their respective constituencies, promotes employment opportunities for older Americans, and encourages businesses to hire and retain older workers.*

Taskforce agencies would coordinate their awareness and outreach activities to focus on the following:

- Promoting the competencies that older individuals bring to the workforce and the benefits to employers of hiring and retaining mature workers, including those who may have had limited employment (such as stay-at-home mothers) and those with disabilities
- Providing information on the aging population and workforce and the consequences of possible worker shortages
- Dispelling the misconceptions of employers and the public regarding older workers and addressing age stereotypes in the workplace
- Highlighting the benefits of offering flexible and customized employment options to older workers as an incentive to hire, retain, and retrain them, and promoting these options and resources to older individuals who seek such opportunities
- Creating incentives to improve corporate and organizational behavior related to employing older workers
- Assessing the needs and resources available for low-income, low-skilled, English language limited, and migrant older workers.

Awareness and outreach could include the following elements:

- A Web site that would serve as an information access portal for employers and older workers (responsibility for maintaining the Web site would be determined by Taskforce agencies in consultation with OMB)
- Promotional and educational materials, such as posters and brochures, targeted to One-Stop Career Centers, aging organizations, and others focused on hiring older workers
- Fact sheets, brochures, case studies, and Web resources on the benefits of hiring and retaining older workers—for example, the Department of Education’s “Disability Employment 101 for Your Business” can be used as a brochure template
- Conferences, publications, Web postings, etc., that highlight results of all demonstration projects, studies, technical assistance, educational materials, and training of Taskforce agencies
- A focus on One-Stop Career Centers as the location for older individuals to receive assistance in finding employment and employers to find mature workers

- A focus on “National Employ Older Workers Week,” which occurs every September and is promoted by national sponsors of the Department of Labor’s SCSEP
- Events and campaigns that incorporate the Department of Health and Human Services (HHS) “America’s Oldest Worker” annual public awareness campaign
- A focus on Centers for Independent Living and local Vocational Rehabilitation field offices for older workers with disabilities to receive assistance
- A focus on “The 2005 Surgeon General’s Call to Action to Improve the Health and Wellness of Persons with Disabilities”

Awareness and outreach activities would be designed to avoid duplicating existing governmental and non-governmental efforts and to utilize partnerships with a variety of non-governmental organizations, such as the Society for Human Resource Management, the Chamber of Commerce, and AARP.

### *Educate Employers and Workers on Opportunities and Requirements under Current Laws*

- *Design, deliver, and coordinate education programs and materials for employers and workers concerning opportunities and requirements under current laws, including how to design flexible retirement programs and rights and responsibilities under age discrimination and related laws.*

While the real and perceived legal and regulatory barriers merit review and consideration, certain flexible arrangements may be available to employers and workers in the current regulatory environment. Moreover, some employers may believe that current law prohibits flexible retirement programs or that the effort of designing such programs would not be worth the return they would get in productivity. For example, employers are concerned whether the ADEA bars phased-retirement programs when this is not the case. Well-designed phased-retirement plans that are voluntary and contain no age caps will not implicate the ADEA. In addition, many aging workers do not fully understand their options for continued work or may have misperceptions regarding the impact of work on their retirement benefits.

Therefore, it is recommended that Taskforce agencies—including the EEOC; HHS; the Social Security Administration (SSA); and the Departments of Treasury, Education, and Labor—use existing resources to design, deliver, and coordinate education programs and materials for employers and workers concerning flexible retirement programs and explain how to design such programs under current law. Workshops and educational materials would inform older workers of their rights to be free from age discrimination and would educate employers about their obligations under laws that prohibit age and disability discrimination. The workshops and educational materials could be developed in consultation or partnership with the Chamber of Commerce or the Conference Board to ensure that they were designed to most effectively reach employers.

### *Training Materials for Human Resource Professionals*

- *Develop training materials for human resources (HR) professionals about how to best respond to an older workforce.*

Develop training materials to educate HR professionals about how to best respond to an older workforce, including an understanding of the advantages of employing older workers, the value and challenges of a multigenerational workforce, and opportunities to create flexible work arrangements and customized employment opportunities when hiring older workers. The curriculum would be based on the best practices for training and employing older workers stemming from the research projects outlined by this Taskforce. The training materials could contain specific strategies to tap into the older worker labor pool, design flexible work arrangements, and develop appropriate accommodations. These materials could be developed and promoted in partnership with HR-related organizations such as the Society for Human Resource Management and the American Society for Training and Development.

## **D. Facilitating Self-Employment for Older Workers**

### *Project GATE Replication*

- *Consider replication of Project GATE (Growing America Through Entrepreneurship) at One-Stop Career Center sites.*

In 2002, ETA funded Project GATE, a demonstration project designed to assist individuals in creating or expanding their own businesses. Participants in the demonstration were provided assessments, classroom training, and one-on-one technical assistance to develop their businesses and apply for business financing.

Although Project GATE was not targeted to older workers, approximately 30 percent of its participants were over the age of 50. An initial evaluation of Project GATE found that it was implemented as planned and could be replicated on a wider scale.

To directly assist older workers who wish to start their own business, Project GATE could be replicated at One-Stop Career Center sites, targeted specifically to workers age 50 and older. The design of this replication could be guided by the results of Project GATE sites that are already funded and by an inventory and analysis of existing programs and services in local communities. A special focus of the new projects could be on dislocated workers who are near retirement age, but who are not yet eligible for retirement. The replication could be evaluated, and based on results, the workforce investment system in all states and other appropriate organizations working with older Americans could be encouraged to offer self-employment assistance to older workers. Existing information on Project GATE could be widely shared to stimulate similar projects.

### *Targeted Web Information and Services for Older Workers*

- *Utilize SBA's Web site to provide targeted information for older workers and drive 50-plus entrepreneurs to appropriate programs and services at SBA.*

SBA delivers counseling and training services through its resource partners, Small Business Development Centers, SCORE® (Counselor's to America's Small Business), and Women's Business Centers in communities nationwide. Each year, more than 1.1 million entrepreneurs receive services from these programs in areas such as business planning, assessment, capital formation, and market analysis.

Partnerships could be established to extend the reach of SBA's programs and services to this 50-plus workforce. SBA should utilize all of its program networks and its Web presence to target these potential entrepreneurs.

Targeted Web information for older workers (Baby Boomers) can be positioned on the SBA's Web site to drive 50-plus entrepreneurs to appropriate programs and services of the SBA, including local resources, online counseling, training, and assessment tools. SBA's Web site can act as a portal to other organizations and resources that would be of interest to 50-plus entrepreneurs.

### *SBA Services Targeted Toward the 50-plus Workforce*

- *Encourage access and referrals to SBA resources at One-Stop Career Centers.*

One-Stop Career Centers and SBA resource partners should be encouraged to work together to provide entrepreneurial development services to the 50-plus workforce customers of the One-Stop Career Centers. Specific collaborative arrangements would be determined at the community level.

## **E. Flexible Work Arrangements and Customized Employment for Older Workers**

### *Resources for Workplace Accommodations*

- *Promote available resources and technical assistance for providing accommodations to both recruit and retain older workers (those with disabilities and those who develop limitations as they age) through the Job Accommodation Network (JAN).*

Taskforce member agencies will promote JAN's services. JAN is a free consulting service funded by the Department of Labor's ODEP, which is designed to increase the employability of people with disabilities by providing individualized workplace accommodations solutions. Promoting the low median cost and ease of implementing job accommodations through JAN can help employers recruit and retain older workers with disabilities or other limitations.

### *Telework Research Project Results*

- *Provide information on best practices, strategies, and policies for promoting telework that relate to older workers and other populations.*

The Department of Labor, through ODEP, has funded three multiyear telework research projects. These projects expand the understanding of the full dimensions of telework as an employment option for people with disabilities, as well as others, with an emphasis on newly returning service members with disabilities and individuals on workers compensation.

### *Workplace Flexibility for the Federal Workforce*

- *Serve as models for the public sector by adopting and promoting flexible employment policies to facilitate the recruitment and retention of older workers. Such policies would embrace and be coordinated with several current Office of Personnel Management (OPM) initiatives related to workplace flexibility.*

A recent OPM report expects that 40 percent of the Federal workforce will retire between 2006 and 2015 and that a new mind-set is needed in the Federal government to recruit and retain the talent that will be needed in the twenty-first century. This strategy embraces the new approach proposed by OPM by encouraging agencies that are members of the *Taskforce on the Aging of the American Workforce* to adopt and promote policy changes that facilitate the recruitment and retention of older workers. The Taskforce would work collaboratively to develop action steps, including the following four initiatives:

- Taskforce member agencies could implement contracting flexibilities to “purchase” the expertise of older or retired workers, for example, consider modifying contracting requirements to allow project-based contracts or competency-based contracts with former Federal employees. These arrangements would allow agencies to supplement their existing organizational expertise for specialized or shorter duration projects. Former employees could receive special consideration based on their extensive program, technical, or organizational knowledge. Alternatively, consider creating a “quasi-employed” status that allows former employees to be easily deployed for specific projects. Such employees could be pre-qualified for a competency-based registry to more easily reactivate their employment status on a temporary basis.
- Taskforce member agencies could promote and implement the Federal telework initiative. Under the auspices of the Federal telecommuting initiative, and guided by OPM and the General Services Administration through the Interagency Telework Web site ([www.telework.gov](http://www.telework.gov)), Taskforce member agencies could expand their existing telework programs to ensure telework opportunities are available to their workforces, including older Federal workers. In addition, they could explore current positions in their agencies that could be fully virtual.
- Taskforce member agencies could promote within their respective agencies the general employment policies recommended in OPM’s *Career Patterns—A 21st Century Approach to Attracting Talent: A Guide for Agencies*. Such policies can be effective in increasing and retaining the number of older workers in the Federal workforce. Taskforce member agencies would work in partnership with OPM to provide information, technical assistance, and support on identifying best practices within the Federal government for improving and increasing flexible and customized work options for older workers.

- Taskforce member agencies could take additional steps to review their respective agencies' policies, programs, and regulations to identify barriers to flexible and customized employment opportunities for older workers and would propose changes as appropriate to ensure such opportunities are available.

## F. Tools and Technical Assistance to Support Older Worker Employment

### *Products from High Growth Job Training Initiative*

- *Disseminate products from the High Growth Job Training Initiative to address skills shortages faced by older members of the workforce.*

The President's High Growth Job Training initiative, as implemented by ETA, prepares workers for new and increasing job opportunities in high-growth/high-demand and economically vital industries of the American economy. Through the initiative, ETA works with industry leaders to identify their critical workforce challenges, and invests in demonstration projects that help ensure individuals gain the skills they need for successful careers in these expanding or transforming industries. The initiative involves partnerships between the publicly funded workforce investment system, business and industry representatives, economic development entities, and education and training providers.

Some examples of products stemming from these partnerships include curriculum, research, and toolkits that could be distributed to states for use at local One-Stop Career Centers, community colleges, and other aging organizations to train older workers for jobs in high-growth industries. As ETA distributes these products, the agency can identify organizations that provide training in areas needed by older workers or that may be more relevant to the types of jobs that older workers are likely to explore.

### *Resource Guide on Work Supports*

- *Identify information on available and potential work supports relevant to older workers and develop a resource guide on such supports.*

Many work supports are available to older workers with targeted needs from Federal agencies (e.g., the OPM, SSA, and the Departments of Housing and Urban Development, HHS, Education and Transportation). However, no single source of information is available on such supports, and subpopulations of older workers may not be aware these supports exist or that they are eligible for them. One example is access to public transportation and assistance programs funded by the U.S. Department of Transportation and state departments of transportation. These programs can be used by older workers to travel to and from their places of employment, as well as medical, social, education, and recreation sites. Another example is caregiver support resources available to older workers who are representative of the "sandwich generation" (that is, they are responsible for aging parents, adult children, and/or grandchildren). A contractor could be engaged to identify work supports available to subpopulations of older workers across

Federal agencies and prepare a resource guide for distribution at One-Stop Career Centers, Aging and Disability Resource Centers (ADRCs), Centers for Independent Living, community colleges, and other venues.

The resource guide could include information from selected programs and demonstrations providing work supports to other targeted populations. For example, the National Work Advancement and Support Center Demonstration is intended to build the capacity of the workforce and welfare systems to provide employment retention and advancement services, as well as a full package of financial work supports, to low-wage workers and low-income, reemployed dislocated workers.

### *Older Worker On-line Coach*

- *Develop an On-line Coach that walks older workers and workforce professionals step-by-step through employment Web resources on the CareerOneStop Web site ([www.careeronestop.org](http://www.careeronestop.org)), as well as other sites designed for older job seekers.*

Online coaches have proven successful in providing assistance to target populations that may have limited proficiency with Web search engines and navigating Web sites. CareerOneStop is a Web site portal sponsored by ETA that provides a range of employment-related information for job seekers and workforce professionals. It is recommended that a coach assist older workers in their navigation of sites, not only in the Career One-Stop portal but also for general employment and job placement Web sites that are geared to recruiting older workers.

Although CareerOneStop and other Web sites contain many resources that are useful for older workers, the tools may not be easy to use by those who are less experienced in computer usage. Developing an Older Worker On-line Coach would address this issue by facilitating access to the resources available on the Internet that focus on part-time employment, volunteer opportunities, work supports, and other professional resources. The coach would also be used to guide workforce professionals to information and resources that would be helpful for their older-worker job seekers.

### *Inventory of Labor Market Intermediary Services*

- *Identify and create an inventory of labor market intermediaries serving older workers (e.g., senior job banks) and use this information to develop a brochure for older workers seeking career transitions.*

A number of resources (governmental and nongovernmental) are available for older workers who are job hunting, changing careers, or thinking about starting their own business, including Internet sites where older job seekers can search job listings for part-time, temporary, and full-time positions; post resumes; and register for e-mail job search agents. The inventory of labor market services would describe the intermediary and provide any available information on its effectiveness. The brochure of services could help workforce professionals connect mature workers with employment opportunities and could be made available at employment offices, libraries, community colleges, and other venues. Information about the Older Worker On-line

Coach could be incorporated into the brochure of services. The brochure would include a disclaimer making clear that the Federal government is not endorsing any of the non-governmental services or products.

### *Aging and Disability Resource Centers and the One-Stop System*

- *Explore the possibility of increasing the employment focus of Aging and Disability Resource Centers (ADRCs) and increasing collaboration with One-Stop Career Centers.*

The HHS Administration on Aging (AoA) funds ADRCs in 43 states. The primary function of the ADRCs is to provide a single portal through which the long-term care needs of adults with disabilities, including the elderly, can be met. A number of the ADRCs have established relationships with the One-Stop Career Center system, including centers located in Rhode Island, Illinois, Minnesota, and Montana.

In 2004, a technical assistance conference call was held with several ADRCs to provide an overview of the employment-related programs and services available for people with disabilities. According to the most recent annual data compiled by AoA, approximately 6 percent of total ADRC referrals were made to employment services. The majority of ADRC users who are seeking employment are believed to be younger individuals with disabilities, but no information is available on the age composition of ADRC users seeking employment support.

Before using the ADRC concept to target older workers, the Taskforce should determine the extent to which older participants are using the ADRC program to find employment support, rather than to seek aid with medical care issues. In addition, the current level of coordination between ADRCs and One-Stop Career Centers could be systematically assessed and additional steps could be taken to promote that coordination. After this fact-finding is conducted, possible actions that could be taken if an increased focus on employment and greater joint ADRC and One-Stop coordination is warranted would include the following:

- Working with ADRCs and others to develop content on employment supports for the ADRC Technical Assistance Exchange
- Holding a national teleconference or Webinar among ADRCs, SCSEP grantees, and One-Stop Career Center representatives on current and emerging employment support practices that enhance employment prospects among older individuals
- Establishing access to employment and training services available through One-Stop Career Centers for ADRC customers interested in employment

### *Resource Guide on Work Supports*

- *Identify information on available and potential work supports relevant to older workers and develop a resource guide on such supports.*

Many work supports are available to older workers with targeted needs from Federal agencies (e.g., the OPM, SSA, and the Departments of Housing and Urban Development, HHS, Education, and Transportation). However, no single source of information is available on such supports, and subpopulations of older workers may not be aware these supports exist or that they are eligible for them. One example is access to public transportation and assistance programs funded by the U.S. Department of Transportation and state departments of transportation. These programs can be used by older workers to travel to and from their places of employment, as well as medical, social, education, and recreation sites. Another example is caregiver support resources available to older workers who are representative of the “sandwich generation” (that is, they are responsible for aging parents, adult children, and/or grandchildren). A contractor could be engaged to identify work supports available to subpopulations of older workers across Federal agencies and prepare a resource guide for distribution at One-Stop Career Centers, Aging and Disability Resource Centers (ADRCs), Centers for Independent Living, community colleges, and other venues.

The resource guide could include information from selected programs and demonstrations providing work supports to other targeted populations. For example, the National Work Advancement and Support Center Demonstration is intended to build the capacity of the workforce and welfare systems to provide employment retention and advancement services, as well as a full package of financial work supports, to low-wage workers and low-income, reemployed dislocated workers.

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Online coaches have proven successful in providing assistance to target populations that may have limited proficiency with Web search engines and navigating Web sites. CareerOneStop is a Web site portal sponsored by ETA that provides a range of employment-related information for job seekers and workforce professionals. It is recommended that a coach assist older workers in their navigation of sites, not only in the Career One-Stop portal but also for general employment and job placement Web sites that are geared to recruiting older workers.

Although CareerOneStop and other Web sites contain many resources that are useful for older workers, the tools may not be easy to use by those who are less experienced in computer usage. Developing an Older Worker On-line Coach would address this issue by facilitating access to the resources available on the Internet that focus on part-time employment, volunteer

opportunities, work supports, and other professional resources. The coach would also be used to guide workforce professionals to information and resources that would be helpful for their older-worker job seekers.

### *Inventory of Labor Market Intermediary Services*

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A number of resources (governmental and nongovernmental) are available for older workers who are job hunting, changing careers, or thinking about starting their own business, including Internet sites where older job seekers can search job listings for part-time, temporary, and full-time positions; post resumes; and register for e-mail job search agents. The inventory of labor market services would describe the intermediary and provide any available information on its effectiveness. The brochure of services could help workforce professionals connect mature workers with employment opportunities and could be made available at employment offices, libraries, community colleges, and other venues. Information about the Older Worker On-line Coach could be incorporated into the brochure of services. The brochure would include a disclaimer making clear that the Federal government is not endorsing any of the non-governmental services or products.

### *Aging and Disability Resource Centers and the One-Stop System*

- *Explore the possibility of increasing the employment focus of ADRCs and increasing collaboration with One-Stop Career Centers.*

The HHS Administration on Aging (AoA) funds Aging and Disability Resource Centers (ADRCs) in 43 states. The primary function of the ADRCs is to provide a single portal through which the long-term care needs of adults with disabilities, including the elderly, can be met. A number of the ADRCs have established relationships with the One-Stop Career Center system, including centers located in Rhode Island, Illinois, Minnesota, and Montana.

In 2004, a technical assistance conference call was held with several ADRCs to provide an overview of the employment-related programs and services available for people with disabilities. According to the most recent annual data compiled by AoA, approximately 6 percent of total ADRC referrals were made to employment services. The majority of ADRC users who are seeking employment are believed to be younger individuals with disabilities, but no information is available on the age composition of ADRC users seeking employment support.

Before using the ADRC concept to target older workers, the Taskforce should determine the extent to which older participants are using the ADRC program to find employment support, rather than to seek aid with medical care issues. In addition, the current level of coordination between ADRCs and One-Stop Career Centers could be systematically assessed and additional

steps could be taken to promote that coordination. After this fact-finding is conducted, possible actions that could be taken if an increased focus on employment and greater joint ADRC and One-Stop coordination is warranted would include the following:

- Working with ADRCs and others to develop content on employment supports for the ADRC Technical Assistance Exchange
- Holding a national teleconference or Webinar among ADRCs, SCSEP grantees, and One-Stop Career Center representatives on current and emerging employment support practices that enhance employment prospects among older individuals
- Establishing access to employment and training services available through One-Stop Career Centers for ADRC customers interested in employment

## G. Retirement and Financial Literacy Education

### *Educational Resources on Retirement and Financial Literacy*

- *Make educational resources on retirement and financial literacy available to older workers in One-Stop Career Centers, local SSA offices, aging service providers, and other appropriate venues.*

Individuals decide when to stop working or retire based on a number of factors. Some of those factors demand financial literacy and reflect decisions made well before retirement, such as how much to save for retirement or whether and how much to contribute to a DC pension plan, if available. Other factors become even more pertinent at older ages, such as ability to work, the availability of health insurance, the amount of income received if retired compared with income if still working, and whether to continue working after claiming Social Security benefits.

Many older workers lack knowledge about the financial implications of retirement, as well as their financial needs in retirement. Becoming better informed could lead some of these workers to postpone their decision to retire and others to plan for or seek second career opportunities. Having One-Stop Career Centers, as well as aging service providers and other appropriate organizations, provide such information is a natural complement to other services available at these sites.

A successful precedent for such an effort exists under the Money Smart initiative, through which ETA partnered with the Federal Deposit Insurance Corporation to offer financial literacy information and workshops to target populations outside the financial mainstream. Another successful program to build on is the Department of Labor's Employee Benefit Security Administration's (EBSA) Retirement Savings Education Campaign—the Taking the Mystery Out of Retirement Planning initiative—which focuses on those near retirement (approximately 10 years away or less) and provides information and worksheets to assess savings, expenses in retirement, additional savings needed, and the ability to make savings last through retirement. To reach workers with this material, this initiative pulled together the varied expertise of EBSA, the Society of Actuaries Foundation, the North American Securities Administrators

Association, and AARP, as well as the Society for Human Resource Management, the American Institute of Certified Public Accountants, and the Federal Citizen Information Center. The popular workbook will shortly be complemented by an online interactive calculator and nationwide outreach plan to help would-be retirees complete the worksheets. This builds on EBSA's Savings Fitness publication, a retirement planning guide for all ages, developed with the Certified Financial Planner Board of Standards and also translated in Spanish. This effort could be coordinated with other related administration activities,<sup>75</sup> as well as with ongoing efforts in the non-profit and private sectors.

Older workers should be made aware of existing financial incentive programs for workers. These include the Earned Income Tax Credit for low-income workers and employer-focused tax credits such as the Work Opportunity Tax Credit, which offers incentives for hiring people with low income and individuals with disabilities. Individual Development Accounts (IDAs) are another potential financial resource for older workers. IDAs are matched savings accounts that enable low-income American families to save and build assets.

#### **IV. Conclusion**

The Taskforce on the Aging of the American Workforce brought together agencies from across the Federal government to address the workforce challenges posed by an aging population. Although the Taskforce agencies individually affect the lives of older workers, the impact of the aging population and the retirement of the Baby Boomer generation on the labor market warrant a collective response. Over the past year, Taskforce agencies have worked collaboratively to develop strategies that would facilitate the increased participation of older Americans in the labor market and enable businesses to take full advantage of this skilled labor pool. In moving forward, this model of interagency collaboration will continue. The strategies recommended by the Taskforce will be multi-agency efforts, implemented by all Taskforce members or by an appropriate sub-group of agencies. Together, these Federal government agencies—working in partnership with private employers, nonprofit organizations, and older workers—can address the challenges and take advantage of the opportunities posed by the aging of the American workforce.

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<sup>75</sup> Many of these are identified in the National Strategy for Financial Literacy 2006, a report of the Financial Literacy and Education Commission.







