



Alabama Survey of Employers' Practices for Managing An Aging Workforce

August 2006



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Report Prepared by Anita Stowell-Ritter

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Background

Between 1990 and 2000, Alabama's population grew by over ten percent. These gains are expected to continue through 2025. Alabama's population has been aging and will continue to age through 2010 with the number of residents age 44 to 64 increasing most rapidly. After 2010, the fastest growing segment of Alabama's population will be age 65 and older. In 2004, 13 percent of the total population was age 65 and older, and it is projected that this segment of the state's population will increase to 20 percent by 2025. This trend is exacerbated by a weak net in-migration rate.¹ Alabama's aging population will have an influence on the state's labor force.

In June 2006, Alabama's civilian labor force totaled 2.1 million. The state currently experiences nearly full employment, with an unemployment rate of 3.6 percent.² The state's unemployment rate is a full point lower than the U.S. unemployment rate overall (4.7%). At the same time, Alabama's economy is out pacing that of the nation, and Alabama business leaders remain optimistic about the prospects for continuing growth in the state's economy.³

In 2004, older persons accounted for 14.9 percent of Alabama's labor force. Like the nation, the state's labor force is aging. As the baby boomer generation ages, the median age of Alabama's labor force will grow to about 40.6 by the year 2010. By then, more than half of the labor force will be age 40 and over. At the same time, the growth in the state's labor force is expected to decelerate as fewer women enter the labor force.

All areas of Alabama's labor market employ workers age 45 and older. In fact, employers in every occupation face the impending retirement of significant segments of their labor force. These retirements will result in a major loss in skilled and experienced workers in a relatively short period of time. This decline, coupled with falling fertility rates, could have adverse effects on the state's productivity and economic growth. Yet, according the Center for Business and Economic Research at the University of Alabama, the majority of Alabama's employers have not developed policies designed to keep mature workers in the labor force longer.⁴ To explore in more depth strategies employers are adopting to prepare for the aging of the Alabama labor force, AARP in conjunction with a broad array of state business trade associations and state agencies developed the Alabama Older Worker Survey.

¹ Trent, C. "Alabama's Aging Workforce," Alabama Business, Center for Business and Economic Research, The University of Alabama, March 2005, p. 10.

² U.S. Bureau of Labor Statistics, June 2006.

³ *Alabama Economy Continues to Outpace Nation*, Business Leaders Confidence Index, Center for Business and Economic Research, the University of Alabama, Third Quarter 2006, Volume 5, Number 3, p. 1.

⁴ *Most Companies Not Yet Organizing to Retain Older Workers*, Business Leaders Confidence Index, Center for Business and Economic Research, the University of Alabama, Second Quarter 2006, Volume 5, Number 2, p. 3.

This survey explores steps employers are currently using, options they would consider employing, and how well the characteristics of the mature labor force meet their current and emerging needs.

This report reflects the findings of this survey. In addition to the survey, AARP and partnering organizations are attempting to collect additional qualitative data from employers to provide a richer picture of what is currently being used and what can be done to prepare for the impending shifts in the labor force.

Methodology

The methodology employed to encourage employers to participate in the survey was a two-stage process. AARP contracted with Woelfel Research, Inc. to contact a sample of Alabama employers and solicit their involvement. The list of employers was purchased from Survey Sampling, Inc. The list included a total of 6,006 employers. Approximately 3,500 employers on this list were identified as eligible to participate in the study. Of these employers, 2,049 companies agreed to participate in the survey. This represents 59 percent of the eligible sample.

These employers were presented with several options for completing the survey. They could receive the survey by fax, email, or by mail or they could access the survey on the Internet. Of those agreeing to participate, 348 companies completed the survey. The data in the survey is representative of all segments of the labor market, all employer sizes, and diverse workforce planning areas.

Several factors are used to calculate the response rate. Under the most conservative estimate, the response rate is six percent; however, under the amended AAPOR recommended formula, a more liberal response rate is estimated to be 11 percent. The sampling error for the survey is +/- 5.49 percent.

When using these data, they should be considered a rich resource of information on the status of strategies used to manage Alabama's aging workforce. Due to the relatively low response rate, the data should not be used to project to all employers in the state.

Highlights

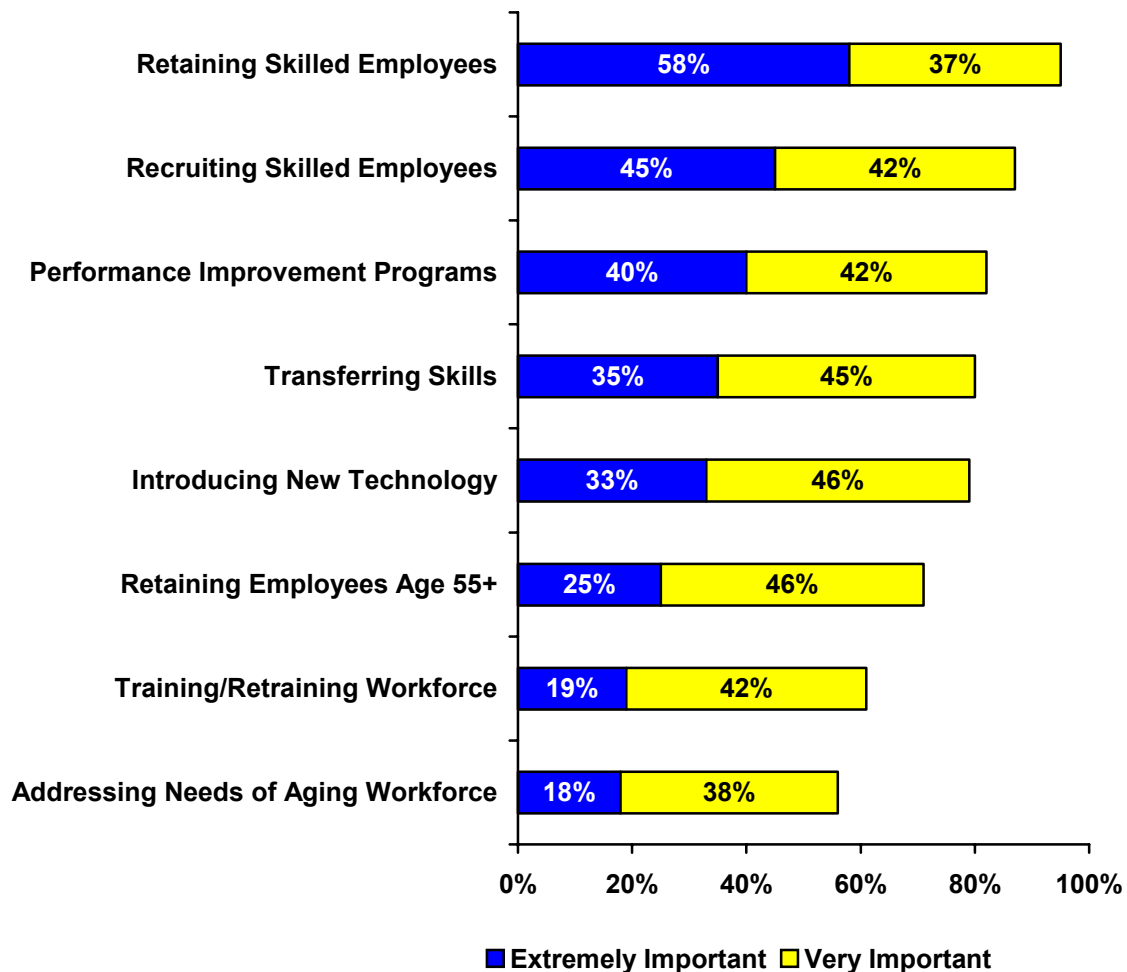
- More than nine in ten (95%) employers in Alabama report that it is no less than “very important” for their organization to retain skilled employees.
- About eight in ten respondents also indicate that recruiting skilled employees (87%), developing programs to improve employee performance (82%), transferring knowledge from skilled to unskilled workers (80%), and introducing new technology (79%) are at least very important to their organization.
- Employers rate workers age 55 and over at least very good on commitment to doing quality work (98%); solid experience in the job or industry (94%); ability to get along with co-workers (93%); and a reliable performance record (92%). Of all characteristics rated, willingness to learn new technology received the lowest rating with only about six in ten (59%) employers rating workers age 55 and older at least very good.
- About one in ten (11%) respondents report they have taken actions to prepare for the retirement of the baby boom labor force.
- More than four in ten employers report they are planning to use or would consider using four strategies to accommodate workers interested in working beyond normal retirement age: enabling employees to ease into retirement by reducing their work schedules (49%); hiring retired employees (47%); providing part-time work arrangements without continuation of benefits (45%); and providing upgrade training (43%).

Detailed Findings

More than nine in ten employers in Alabama report that it is no less than “very important” for their organization to retain skilled employees.

Employers were presented with a list of nine issues and asked to assess how important each was to their organization. More than nine in ten respondents indicate that retaining skilled workers is at least very important to their organization. Approximately eight in ten also report the following are at least very important to their organization: recruiting skilled employees; developing programs to improve employee performance; transferring knowledge from skilled to unskilled workers; and introducing new technology into their workforce.

**Importance of Nine Employment Issues
(N=348)**

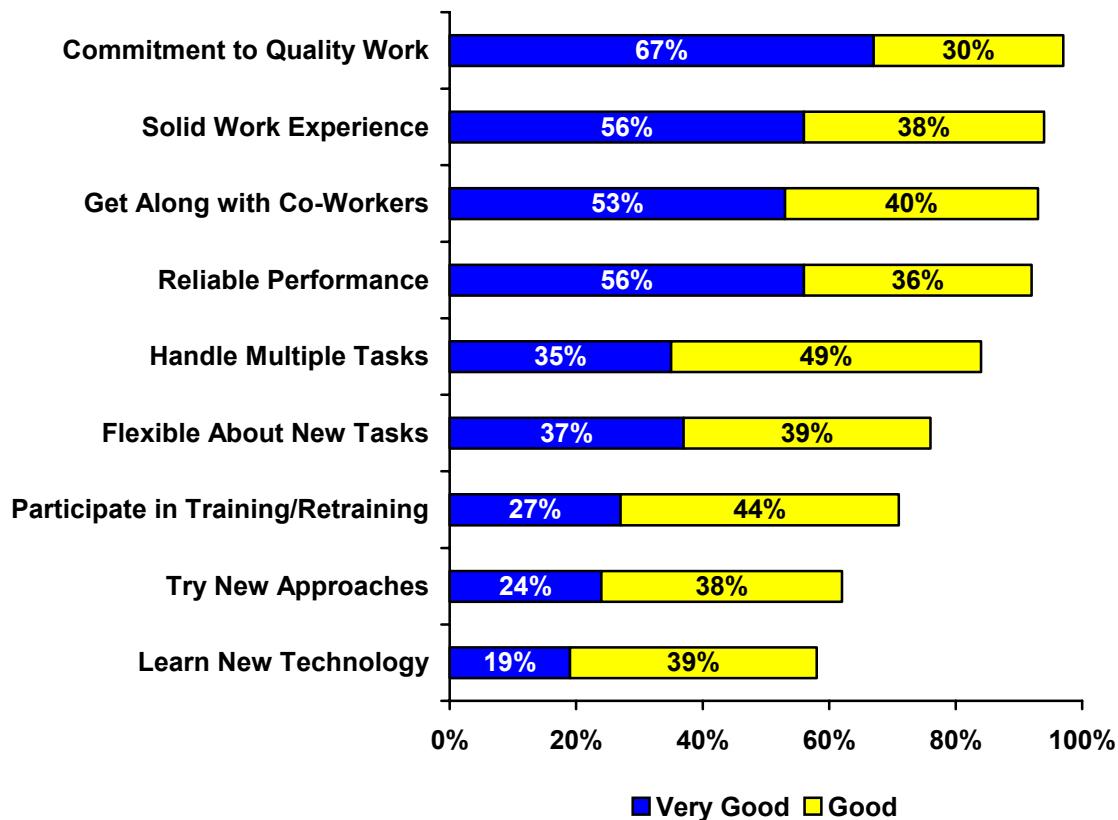


Between one half and seven in ten employers also rate issues related to managing an aging workforce as at least very important: retaining mature employees (71%); training/retraining your current (older workers specifically) workforce (62%); and addressing the needs of your aging workforce (56%).

More than nine in ten employers give high ratings to workers age 55+ on several employee characteristics.

Employers were presented with a list of nine employee characteristics and asked, based on their knowledge and experience, how they would evaluate employees age 55 and older on each of the characteristics. More than nine in ten employers report that workers age 55 and older are at least good on: commitment to doing quality work; solid experience in the job or industry; ability to get along with co-workers; and reliable performance record. Eight in ten also report they are at least good in their ability to handle multiple projects. Few employers rate workers 55+ as poor or very poor on any of the nine characteristics.

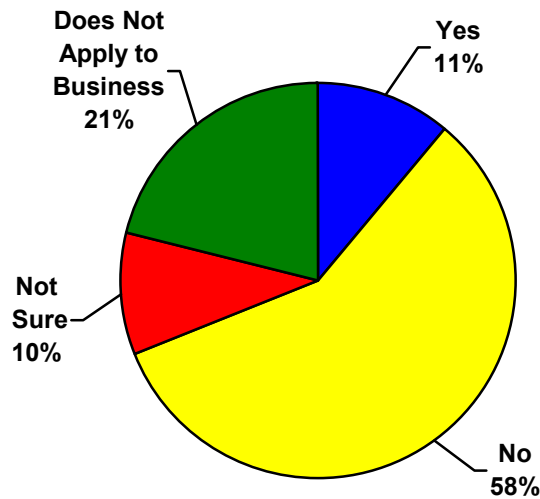
55+ Worker Ratings on Nine Employee Characteristics (N=348)



One strategy businesses have used to prepare for a potential labor shortage is improved technology.

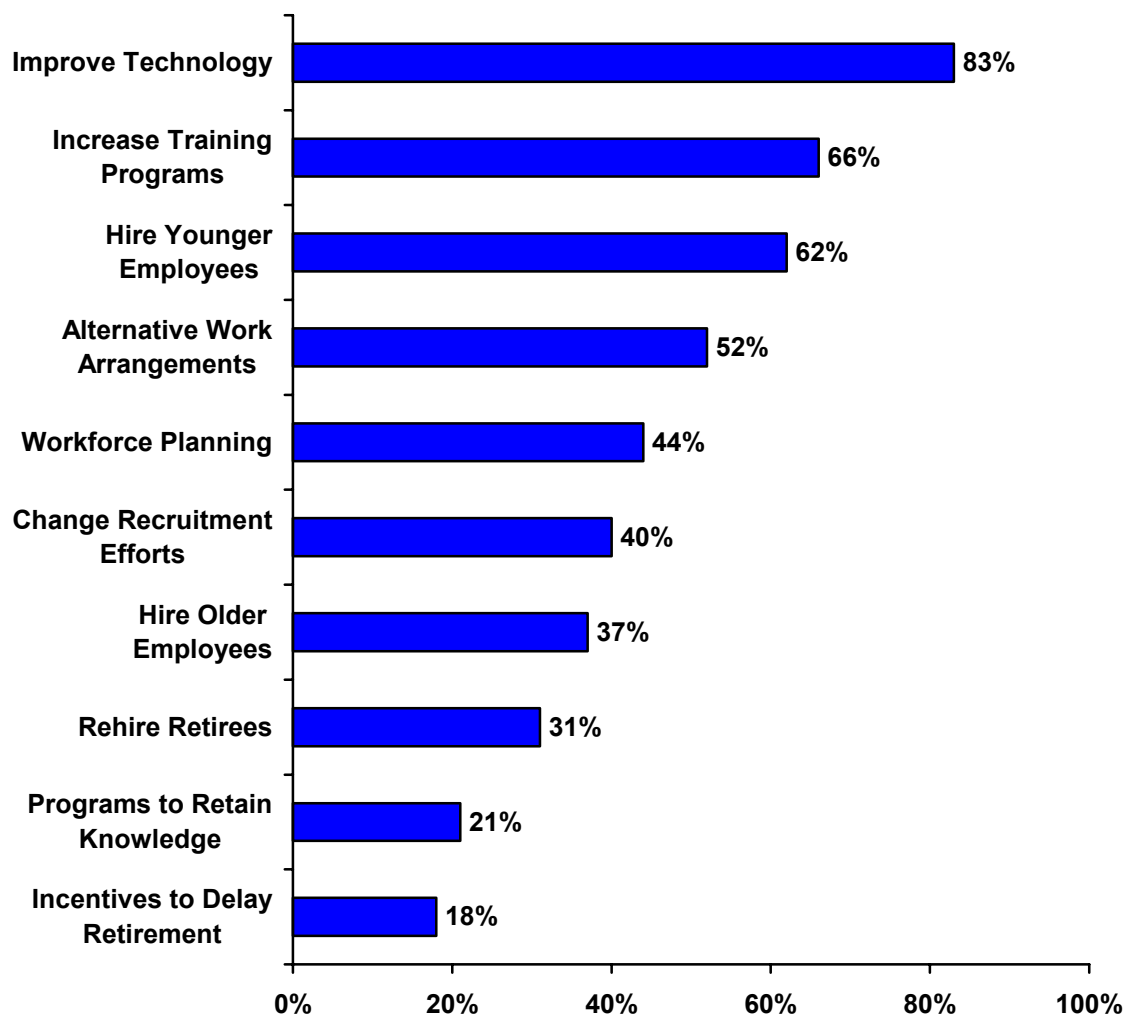
Employers were informed that baby boomers born between 1946 and 1964 are approaching retirement and that their retirement may create a shortage of employees since the generation of workers following them is much smaller. They were asked whether their organization has taken any steps to prepare for the potential shortage of workers resulting when workers born during the baby boom retire. Only slightly more than one in ten employers report they have taken steps.

**Have Steps Taken to Prepare for Future Labor Shortages
(N=348)**



Those employers who answered “yes” or “unsure” to this question (n=74) were presented with a list of ten management strategies and asked if they had employed any of them to prepare for a potential labor shortage. Two thirds say they have increased training programs, and slightly more than six in ten report they have hired younger employees. Only about one in five employers, however, have implemented programs to retain institutional knowledge when employees retire or have offered incentives to delay retirement.

Management Strategies To Prepare For Potential Labor Shortages (n=74)



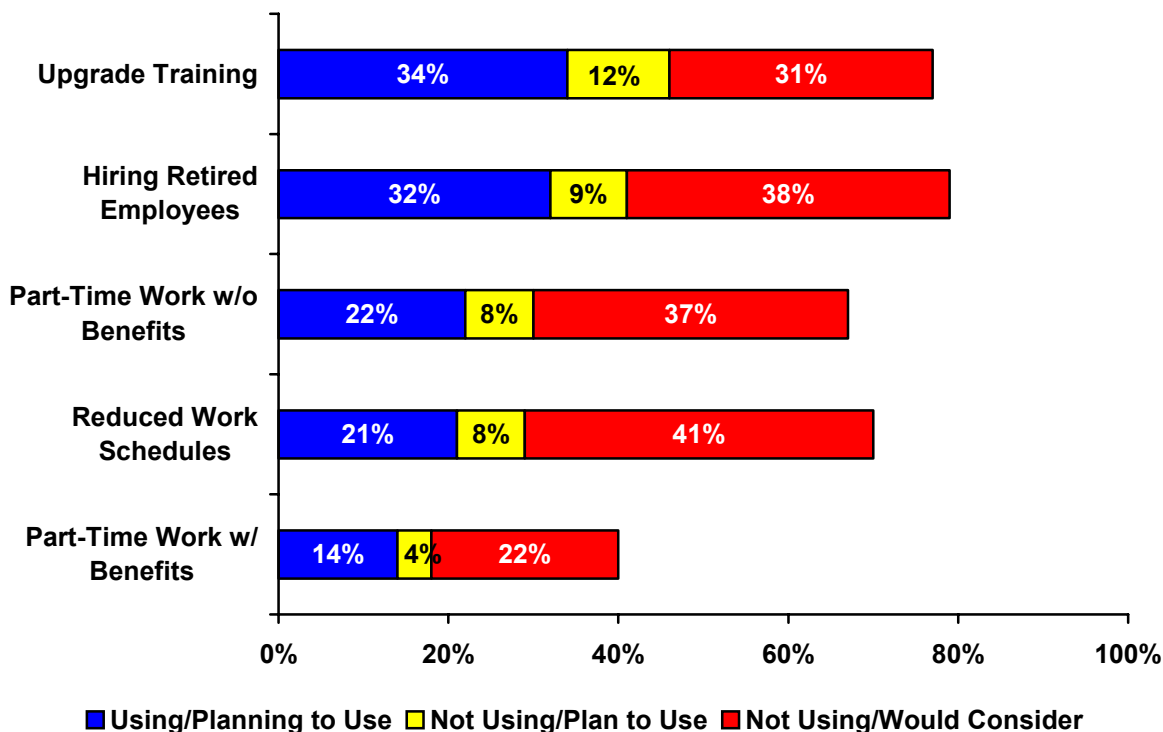
Employers report they use or are planning to use skills training to accommodate employees who wish to work past traditional retirement age.

Employers were told that organizations could use different approaches to accommodate employees who want to work past traditional retirement age. They were then presented with five different strategies and asked if they were currently using each strategy and were planning to continue using it; if they were not currently using it, but are planning to use it; if they were not currently using it, but would consider using it; or if they were not currently using it and would not consider using it in the future.

Only about a third or fewer of the employers indicate they are currently using any of the strategies and plan to use them in the future. The two most frequent strategies employed are

providing training to upgrade skills for employees and hiring retired employees as consultants or temporary employees.

Employer Strategies Used/Plan to Use to Encourage Employees to Work Past Traditional Retirement Age (N=348)



More than four in ten employers report they are planning to use or would consider using four of the strategies: upgrade training; hiring retired employees; providing part-time work arrangements without continuation of benefits; and enabling employees to ease into retirement by reducing their work schedules.

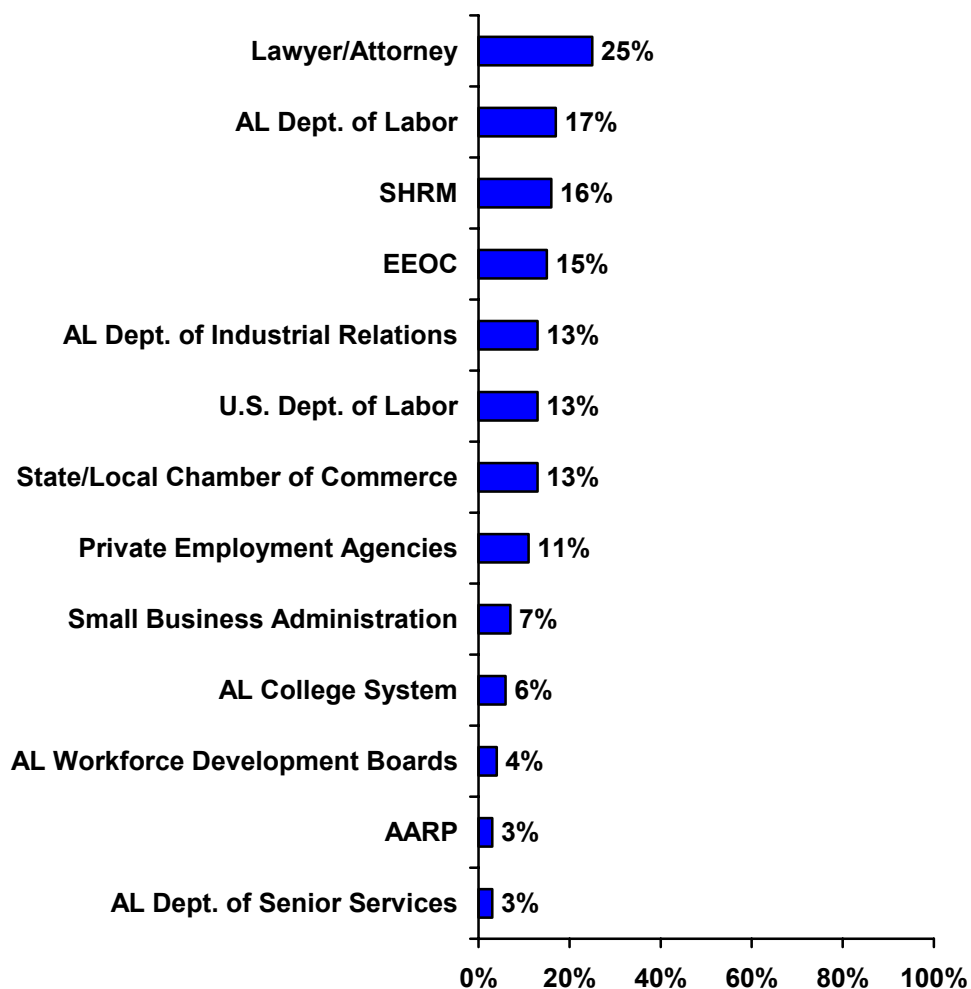
Fewer than one in four employers express an interest in organizational training on four issues.

Employers were presented with a list of four training options and asked if their organizations would be interested in training on any of the issues. About one in four says they would be interested in training on cross-generational management issues (23%); age discrimination in employment (19%); or strategies for recruiting workers age 55+ (19%). Only one in eight (12%) express interest in training on strategies for managing an aging workforce.

One in four employers have sought information from a lawyer or attorney on older worker issues.

Employers were asked if their organization has sought information from a list of 13 different types of organizations or individuals on older worker issues such as age discrimination, phased retirement, alternative career tracks, retraining, retirement planning, or part-time work with benefits. One in five says they have consulted a lawyer or attorney. Fifteen percent or more also report they have contacted the Alabama Department of Labor, SHRM, and the EEOC.

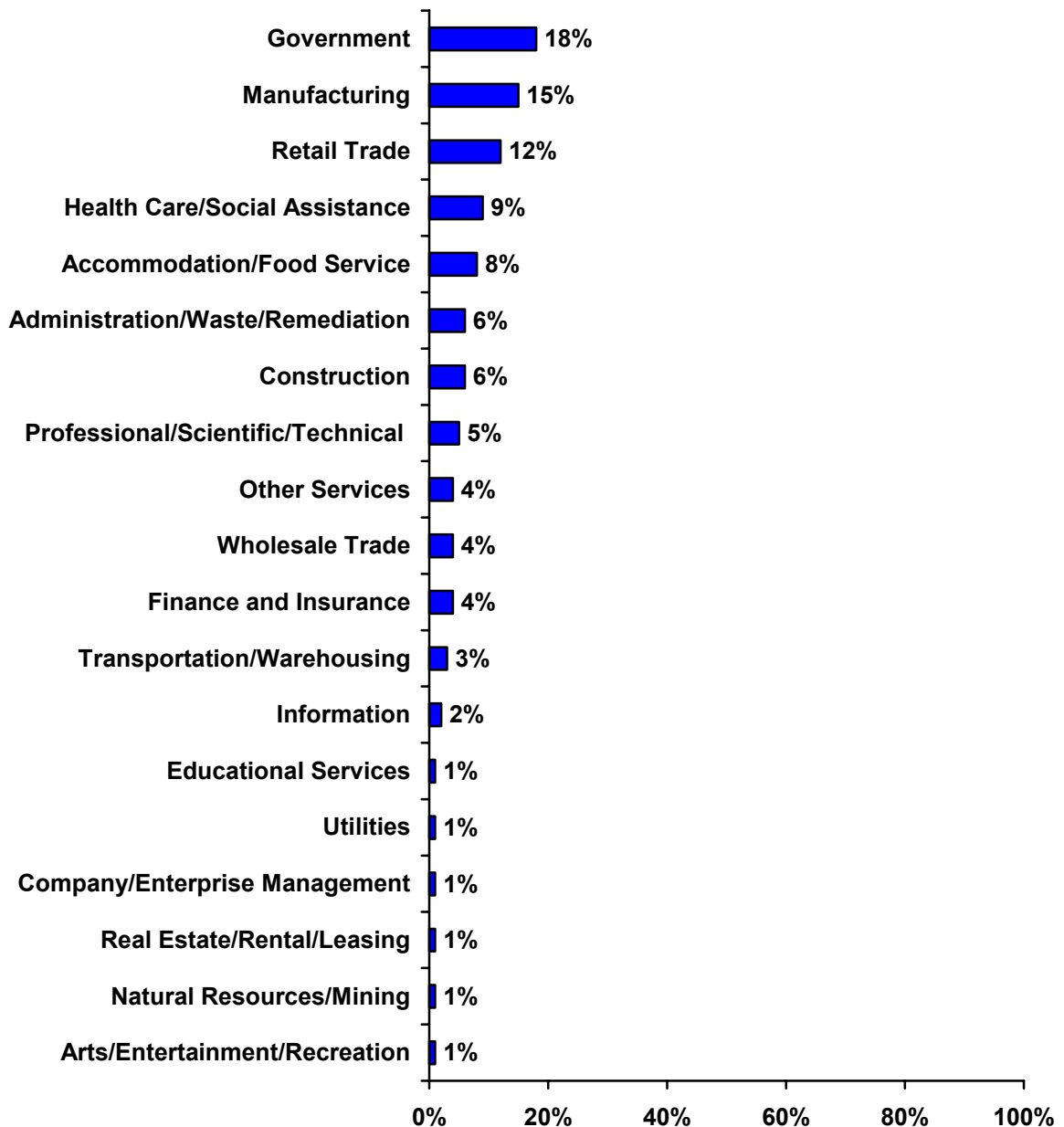
Organizations Contacted About Older Worker Issues (N=348)



Organizational Demographics

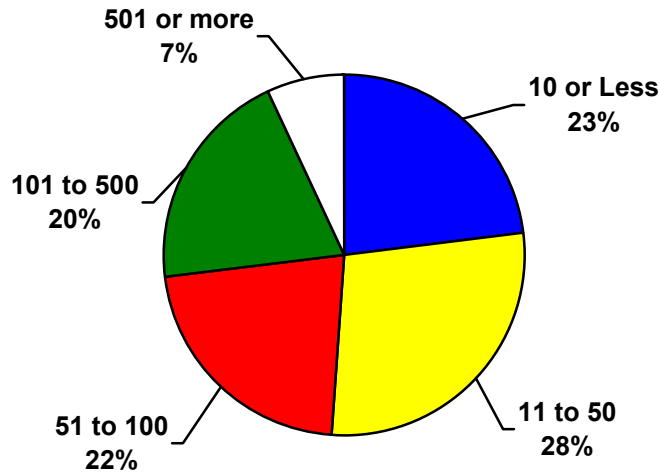
More than nine in ten (92%) of the organizations participating in the survey have their headquarters in Alabama. The twenty-eight organizations not headquartered in Alabama do business in a myriad of counties in Alabama, and one in five (20%) report they do business statewide. Participating businesses also represent all Alabama NCIS business categories.

Business Industries (N=348)



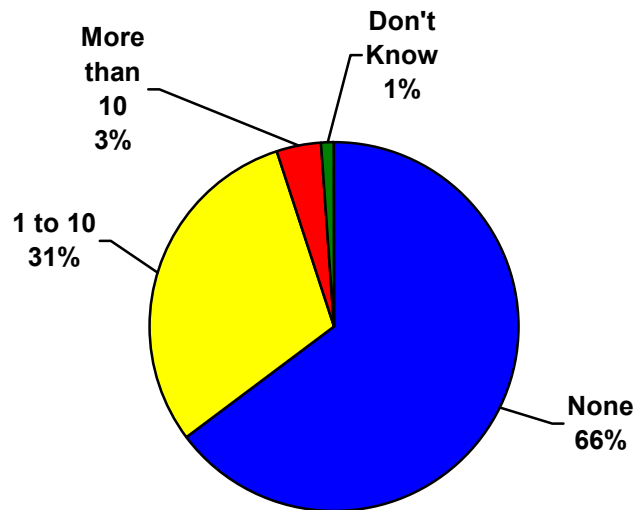
There is considerable diversity among employers responding to the survey relative to the size of their full-time labor force. About half have 50 employees or fewer.

Size of Full-time Labor Force (N=348)



The majority of employers report that none of their employees retired in the past year. Slightly more than one in three say they had between one and ten employees retire. Only one percent of employers report they had more than 100 employees retire during the past year.

Number of Employees Retiring in Past Year (N=348)



Notably, more than three in four (76%) participating employers indicate that none of their workers are age 55 and over. Fifteen percent report that between 26 and 50 percent of their workforce is age 55 and older. Only six percent indicate that more than half of their workers are age 55 and over.

More than four in ten respondents report they are a human resources professional, a human resources manager, or human resources director (42%). More than three in ten say they are a manager, director, or officer (31%). One in five respondents indicate they are a key executive, president, CEO, Chairman, or an owner of the company (20%). Eight percent say they hold some other position in the company.

Conclusion

Alabama's workforce is growing older, and, over the next decade, the number of workers age 55 and older will grow significantly. Few employers, however, have taken steps to prepare for the aging of their workforce. Only slightly more than one in three say they have taken actions to prepare for the retirement of the baby boomer labor force. Further, only about one in three or fewer respondents report they are currently using or planning to continue to use management approaches to accommodate workers who want to work past the traditional retirement age.

More than four in ten employers report they are planning to use or would consider using four management strategies to encourage workers to remain in the labor force longer. Those strategies most attractive to those employers include enabling employees to ease into retirement by reducing their work schedules, rehiring retirees as consultants or temporary employees, providing part-time work arrangements without continuation of benefits, and providing upgrade training.

More could be done in the state to encourage a dialogue among employers about the graying of the labor force and its impact on their bottom line. Incentives could be designed to encourage employers to adopt practices and policies to adjust to the changing labor market.

Those employers participating in this study report that older workers have numerous valuable attributes such as commitment to quality, solid work experience, and a reliable performance record. Workers age 55 and older also share the responsibility to prepare for the future job opportunities. They need to embrace new technology, be willing to try new approaches to problem solving, and to participate in upgrade training.

Business, their trade associations, and state agencies need to begin to plan for the demographic shift in the labor force. They can join together to explore a range of educational options and workforce development strategies that can better prepare them for imminent opportunities and challenges.

Appendix I

Annotated Questionnaire

Alabama Workforce Survey

Sample = 348 Employers (weighted)

1. In your opinion, how important are the following issues to your organization?

	Extremely Important ▼ %	Very Important ▼ %	Somewhat Important ▼ %	Not Very Important ▼ %	Not At All Important ▼ %	No Answer ▼ %
a. Addressing the needs of your aging workforce	18	38	34	10	0	0
b. Recruiting skilled employees.....	45	42	10	3	0	0
c. Retaining skilled employees	58	37	4	1	0	0
d. Retaining employees age 55+	25	46	23	7	0	0
e. Training/retraining your current workforce	19	42	28	11	0	0
f. Transferring knowledge from skilled to unskilled workers	35	45	16	4	0	0
g. Introducing new technology into your workplace.....	33	46	18	3	0	0
h. Developing programs to improve employee performance.....	40	42	15	4	0	0

2. Based on your knowledge and experience, how would you generally evaluate employees age 55 or older on each of the qualities listed below?

	Very Good	Good	Fair	Poor	Very Poor	No Answer
	▼	▼	▼	▼	▼	▼
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
a. Commitment to doing quality work	67	30	2	0	0	0
b. Ability to get along with co-workers.....	53	40	6	1	0	0
c. Willingness to be flexible about doing different tasks	37	39	22	2	1	0
d. Solid experience in the job or industry.....	56	38	6	0	0	0
e. Ability to handle multiple projects	35	49	14	3	0	0
f. A reliable performance record.....	56	36	7	*	0	0
g. Willingness to learn new technology.....	19	39	33	7	1	0
h. Willingness to try new approaches to problems	24	38	33	5	1	0
i. Willingness to participate in training or retraining programs	27	44	26	3	*	0

* Less than .05%

3. Baby boomers born between 1946 and 1964 are approaching retirement. Their retirement may create a shortage of employees since the generation following them is much smaller. Has your organization taken any steps to prepare for the potential shortage of workers as a result of baby boomers retiring?

<u>%</u>	
11	Yes
58	No ► GO TO QUESTION 5
10	Not sure
21	Does not apply to my organization ► GO TO QUESTION 5

4. Has your organization done any of the following to prepare for the potential shortage of workers as a result of baby boomers retiring? (n=81, respondents who indicated “yes” or “not sure” to question 3.

	Yes	No	Not Sure	No Answer
	▼	▼	▼	▼
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
a. Hire younger employees	62	23	14	0
b. Hire older employees	37	50	14	0
c. Increase training programs.....	66	25	10	0
d. Change recruitment efforts	40	47	14	0
e. Conduct workforce planning.....	44	37	19	0
f. Improve technology	83	13	4	0
g. Rehire your retired employees.....	31	50	19	0
h. Offer incentives to delay retirement	18	64	18	0
i. Implement programs to retain institutional knowledge when employees retire.....	21	49	30	0
j. Offer alternative work arrangements such as part- time work, job sharing, or telecommuting.....	52	37	11	0

5. Organizations use different approaches to accommodate employees who want to work past traditional retirement age. For EACH of the following approaches, please indicate whether your organization is...

- Currently using and planning to use it in the next five years
- Not currently using but planning to use it in the next five years
- Not currently using but would consider using it in the next five years with more information
- Not currently using and would not consider using in the next five years

	Currently and Planning to Use ▼ %	Not Currently But Planning to Use ▼ %	Not Currently But Would Consider Use ▼ %	Not Currently and Would Not Consider Use ▼ %	Not Sure ▼ %	No Answer ▼ %
a. Hiring retired employees as consultants or temporary employees	32	9	38	9	12	0
b. Enabling employees to ease into retirement by reducing their work schedules	21	8	41	15	15	0
c. Providing training to upgrade skills of employees ..	34	12	31	6	17	0
d. Providing part-time work arrangements <u>without</u> continuation of benefits	22	8	37	16	17	0
e. Providing part-time work arrangements <u>with</u> continuation of benefits	14	4	22	32	28	0

6. Would your organization be interested in training on any of the following issues?

	Yes ▼ %	No ▼ %	Not Sure ▼ %
a. Strategies for managing an aging workforce.....	12	55	32
b. Cross-generational management issues.....	23	51	27
c. Age Discrimination in Employment	19	50	31
d. Strategies for recruiting workers age 55+	19	45	36
e. Other. Please specify:.....	1	65	34

7. Has your organization sought information from any of the following organizations on older worker issues such as age discrimination, phased retirement, alternative career tracks, retraining, retirement planning, or part-time work with benefits?

	Yes ▼ %	No ▼ %	No Answer ▼ %
a. Alabama Workforce Development Boards.....	5	95	0
b. Alabama Department of Labor	17	84	0
c. Alabama College System.....	6	94	0
d. Alabama Department of Senior Services.....	3	97	0
e. Alabama Department of Industrial Relations	13	87	0
f. Small Business Administration.....	7	93	0
g. State or local Chamber of Commerce.....	13	87	0
h. U.S. Department of Labor	13	87	0
i. AARP.....	3	97	0
j. Equal Employment Opportunity Commission (EEOC)	15	85	0
k. Society for Human Resource Management (SHRM)	16	84	0
l. Private employment agencies	11	87	0
m. Lawyer or attorney.....	25	75	0

About Your Organization

The following questions are for classification purposes only and will be kept entirely confidential.

8. Is your organization headquartered in Alabama?

%
92 Yes ► GO TO QUESTION 10
8 No

9. In what Alabama county or counties does your organization have employees working? (Please list the names of each county.) (n=28, organizations not headquartered in Alabama)

%
15 Statewide
6 Calhoun
7 Etowah
12 Jefferson
24 Madison
4 Montgomery
9 Mobile
2 Tuscaloosa
6 Colbert
6 Cullman
15 Blount
6 Winston
1 Morgan
13 Marshall
9 DeKalb
4 Fayette
4 Marion
4 Walker
4 Pickens
3 Shelby
2 Chambers
2 Coosa

Continued: In what Alabama county or counties does your organization have employees working? (Please list the names of each county.) (n=28, organizations not headquartered in Alabama)

%

- 2 Lee
- 9 Limestone
- 1 Pike
- 4 Baldwin
- 1 Coffee
- 4 Dale
- 1 Barbour
- 6 Not Sure

10. Which of the following best describes the primary nature of your organization's business in Alabama?

%

- 1 Natural Resources and Mining
- 6 Construction
- 15 Manufacturing
- 4 Wholesale Trade
- 12 Retail Trade
- 3 Transportation and Warehousing
- 1 Utilities
- 2 Information
- 4 Finance and Insurance
- 1 Real Estate and Rental and Leasing
- 5 Professional, Scientific, and Technical Services
- 1 Management of Companies and Enterprises
- 6 Administration & Waste & Remediation
- 1 Educational Services
- 9 Health Care and Social Assistance
- 1 Arts, Entertainment, and Recreation
- 8 Accommodation and Food Service
- 4 Other Services Except Public Administration
- 18 Government

11. In 2005, about how many people worked permanently, either full-time or part-time, and temporarily as seasonal or contract employees for all locations of your organization in the state of Alabama only? (Estimate Full Time Equivalent positions)

<u>%</u>	
23	10 or less
28	11-50
22	51-100
20	101-500
3	501-1,000
4	More than 1,000

12. Approximately how many employees retired from your organization last year?

<u>%</u>	
66	None
31	1-10
2	11-30
1	31-100
1	More than 100
1	Don't know

13. In the past year, about what percentage of your workforce was age 55 years or older for all locations of your organization in the state of Alabama?

<u>%</u>	
76	0%
0	1% - 25%
15	26% - 50%
4	51% - 75%
2	76% - 100%
4	Not sure

14. Which of the following best describes your position in the organization?

%

- 20 Key Executive/President/CEO/Chairman/Owner
- 42 Human Resources Professional/ Human Resources Manager/Human Resources Director
- 31 Other Manager/Director/Officer
- 8 Other [SPECIFY] _____

Thank you for completing this survey. Please use the postage-paid envelope and return it to State Member Research, AARP, 601 E Street, NW, Washington, DC 20049, by July 3, 2006.

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