

Rehiring Retirees → Phased Retirement Options → Disability Benefits → Job Sharing
Targeted Education and Training Opportunities → Specialized Career Opportunities
Job Mobility → Mentoring → Knowledge Transfer → Employee Assistance Programs
On-Site Rehabilitation → Lifelong Learning Options → Professional Development
Partnering → Positive Corporate Culture → Financial Packages → Eldercare Services
Caregiving Support → Proactive Hiring Practices → Community Partnership Options
Prescription Drug Benefits → Workplace Flexibility → Long-term Care Insurance
Retention → Hiring Practices → Job Sharing → Profit Sharing → Volunteer Programs
Health and Wellness Programs → Flexible Schedules → Part-time Health Benefits
Career Management → Succession Planning → Workplace Redesign → Rehabilitation
Job Transfer Opportunities → Retiree Relations → Employee Attraction + Retention



Staying Ahead of the Curve 2004: **Employer Best Practices for Mature Workers**

Study Conducted for AARP by
Mercer Human Resource Consulting

September 2004



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CONTENTS

1. Executive Summary	1
The Future: More Focus on Business Issues that Drive Policy	7
Industry-Linked Business Issues	8
Looking to the Future	10
Recommendations	11
2. Introduction	12
Best Practices	13
Employer of Choice	13
Content of Report	14
3. Setting the Stage	15
Demographic Context	15
Challenges Facing Employers	17
Issues of a Maturing Workforce	18
Employee Perspective	19
Differing Needs and Situations Among Mature Workers	19
Differences in Employer/Older Worker Issues by Career Relationship to Employer	20
Addressing the Challenges	24
4. Creating Good Workplaces for Mature Workers	25
The Fundamentals	25
Core Programs	26
Programs of Significant Value	26
The Extras	27
5. Core Programs Important to Mature Workers	28
Best Practices in Core Programs	28
Job and Career Design	30
Workplace Design and Modification	34
Training, Lifelong Learning, and Professional Development	38
Culture and Communication	39
Benefits for Part-Time Workers	41
Recruiting Practices	42
Health and Productivity—An Opportunity	43
Summary	45

6. Programs of Significant Value	46
Best Practices in Programs of Significant Value	46
Retirement Benefits and Programs Beyond Cash	49
Promoting Health and Wellness	51
Workplace Flexibility Beyond Basic Career Options	53
Support for Caregiving	53
Other Emerging Ideas	54
Summary	55
7. Extras	56
Best Practices Among “Extras”	56
Other Unique Practices	57
Summary	58
8. Important Areas for Both Employers and Employees	59
Retirement and Retirement Security	59
Health and Healthcare	59
Flexibility	61
Phased Retirement	63
Talent Management	65
Tips for Successful Programs	66
Measurement of Success	66
Summary	68
9. Findings, the Future, and Recommendations	69
Overview of Findings	69
Industry-Linked Business Issues	70
Future Challenges for Business	70
Recommendations	71
Appendices	
1. Methodology	73
2. Case Examples	77
3. AARP Best Employers for Workers Over 50 Cited in this Report	79
4. All AARP Best Employers for Workers Over 50, 2001, 2002, 2003, 2004	80

Executive Summary

A major shift is taking place in the U.S. workforce. It is aging rapidly. In 2002, 14% of the workforce was aged 55 or older. By 2012, 19% of workers will be at least age 55, an increase of more than 10 million workers 55 or older from 2002 to 2012.¹ The number could be substantially higher if anticipated labor shortages materialize, employers implement strategies to attract and retain older workers, and/or if many of the boomers work in retirement, as they say they expect to do.

AARP's goal is to expand employment opportunities for older workers, helping both workers and employers in the process. Toward that end, it has established the AARP Best Employers for Workers Over 50 (AARP Best Employers) program. Launched in 2001, this program seeks to recognize employers for their exemplary policies and practices. Employers who wish to be considered for the AARP Best Employers honor complete an extensive application describing their practices in areas such as recruiting, workplace culture, training and development opportunities, alternative work arrangements, health benefits, pensions and retirement savings plans, and retiree benefits. A multi-tiered evaluation process

used to select the AARP Best Employers includes a detailed assessment of each company's application by an outside consulting firm under the supervision of AARP, a review by a panel of external judges, and a due diligence process designed to ensure that the honorees have practices and policies that are generally consistent with AARP's public policies.

In 2004, AARP engaged Mercer Human Resource Consulting (Mercer) to conduct an analysis of the workforce practices and policies of many of the most recent and former AARP Best Employers.² Through this analysis, based primarily on an extensive review of the applications submitted by

¹ Source: Mitra Toossi, "Labor Force Projections to 2012: The Graying of the U.S. Workforce," *Monthly Labor Review*, February 2004.

² The descriptions of the workforce practices and policies included in this report are based primarily on AARP Best Employers applications submitted by employers that received the AARP Best Employers designation in 2002, 2003, or 2004. In some cases, additional information was gathered through phone interviews or email communication with these companies. The information that the employers submitted, either on the applications or through subsequent communication, was assumed to be accurate and was not independently verified. Prior to publication of this report, the employers were given the opportunity to review content related to their practices. Certain case studies feature companies that have not received the AARP Best Employer designation but do have noteworthy practices. This information is based on sources other than the AARP Best Employers applications.

winning companies in 2002, 2003, and 2004, Mercer identified many employer programs that are used to support, attract, retain, and manage a mature workforce. In a number of instances, Mercer supplemented its analysis with information from telephone interviews with representatives of winning companies as well as from outside sources. This report highlights numerous examples of best practices implemented by the AARP Best Employers that can be adopted, perhaps with modifications, by other employers to create a workplace of choice that appeals to older workers. It may also encourage employers to identify and implement other policies, programs, and practices that meet the needs of mature workers and their employers.

The information highlighted in this project should prove of value to employers, employees, and society as a whole in light of the changes that are occurring in the workforce. Not only is the workforce aging, it is growing more slowly than it had been when the huge boomer cohort was entering the labor force. Those boomers will soon begin reaching retirement age. More than half of the workforce of one of the AARP Best Employers, **Deere & Company**, for example, is expected to retire within 10 years. Deere & Company is not alone. Other organizations in the public and private sectors particularly utilities and aerospace companies, universities and health care organizations, and the federal government will face similar high retirement rates. The pool of replacement workers may not be sufficient to meet employer needs. Many employers have not yet identified what the workforce changes may mean to their organizations.

Some employers, however, do seem better prepared to meet the staffing challenges that an aging workforce seems to promise, and some of them have become “AARP Best Employers.” The awardees have in place programs and policies that make their workplaces good for all workers, which means they are good for mature workers and younger workers. They may also have implemented programs and policies with an eye toward attracting and retaining mature workers.

Throughout this report, the term “employer of choice” is used to describe an organization whose policies, practices, and programs make it an attractive place to work. In some respects, the needs and priorities of mature workers may differ from those of other workers. Consequently, the mature workforce may find certain policies, programs, and practices more attractive or important than other programs. Also, they may find them more



important than the younger workforce does. Moreover, there is considerable diversity within the mature workforce, so not all older workers will want or need the same programs or practices.

This study focuses largely on practices that address mature worker needs and interests.

The main themes that emerged in the analysis of the AARP Best Employers are as follows, in order of prevalence:

- Attracting and retaining the right workforce are important to the companies chosen as AARP Best Employers.
- Newly implemented programs reported by winners that focused on mature workers usually required only a modest financial investment.
- A company's individual industry and market focus can in many cases be leveraged to offer programs to support the maturing workforce.
- Recently implemented programs are emerging to meet the workplace needs of the mature worker; the incidence of such programs has increased among the AARP Best Employers over the three years of the study.
- The AARP Best Employers in the healthcare sector appear to have more numerous and better developed mature worker programs than AARP Best Employers in most other sectors.

Each of these themes will be discussed in more detail in the context of a framework that categorizes mature worker programs based on whether they are:

- **Fundamentals:** These are the policies, programs, and management practices that an informed individual is likely to regard as basic requirements when choosing a long-term job.
- **Core programs:** These programs involve job and career design, workplace design, hiring and recruiting, methods of leaving the workforce, and formal workplace flexibility programs offering non-traditional work schedules and arrangements. They relate to the design and organization of a job.
- **Programs of significant value:** These programs create economic value but not career opportunity. They are also important in addressing the specific needs of mature workers and deal with their concerns about caregiving support, retirement security, and healthcare. These also include informal workforce flexibility practices and limited special purpose flexibility programs for caregiving. These programs give workers a better deal and are of economic value to them.
- **Extras:** These programs may be a big help to some people, but they do not speak to the essence of the jobs, or the employment relationship. They create nominal economic value for employees. They include retiree relations programs, eldercare referral services, and volunteer service opportunities.

This framework is used throughout the report to create a logical structure for thinking about the different types of employer programs and their significance.

The analysis identifies what is referred to by AARP as “best practices.” There is no universally accepted definition of “best practices.” For the purpose of this report, “best practices” are the practices implemented by winning companies in the AARP Best Employers for Workers Over 50 program that expand employment opportunities for mature workers, address their particular needs and interests, and generally make work more rewarding. More attention is paid to practices that are followed by a number of companies across several industries than to practices found in only one or two companies or one industry.

As mentioned above, several themes emerged from the analysis of the best practices among the AARP Best Employers. These themes, together with examples of how each theme manifested itself, are as follows:

Attracting and retaining the right workforce are important to the winning companies.

- Many of the best practices involve retention and focus on influencing the ways workers exit the labor force. A number of companies offer some form of phased retirement and/or rehire retirees. Examples of these include the programs of winners such as **Pinnacle West Capital Corporation**, Phoenix, AZ; **SSM Health Care**, St. Louis, MO; and **Bon Secours Richmond Health System**, Richmond, VA.
- Flexibility is a key theme in supporting retention, and the best practices include options about work schedules and location. Restructuring job content was



far less prevalent, although it likely will be a bigger issue in the future. Common options included job sharing, part-time work, and compressed work schedules. The case example of **Scripps Health**, San Diego, CA, illustrates a combination of job sharing and flexible scheduling.

- Retention was also fostered by efforts to help employees move to different jobs and access new opportunities within the company. Some winners had formal systems to support and enable workers to move to new jobs within their organizations. Many offered career counseling. Some winners offered special assignments to mature workers. Mentoring was a form of special assignment that also facilitated knowledge transfer. Employers with such programs include **The Principal Financial Group**, Des Moines, IA, and **Deere & Company**, Moline, IL.
- Some companies retain employees by restructuring the workplace to make work less physically demanding. There were very few examples of this, but it is a promising area for the future.

- Extra benefits such as 401(k) “catch-up” contributions (optional additional contributions allowed for workers age 50 or older) and time off to care for dependents beyond that required by the Family and Medical Leave Act (FMLA) were used to support retention efforts. Many winning employers featured this option.
- Comprehensive programs specifically designed to attract mature workers were found in organizations such as temporary agencies and healthcare, but not among other types of employers. The rehiring of nurses after an absence from the workforce by **St. Mary’s Medical Center**, Huntington, WV, is an example of such programs. What is happening at St. Mary’s Medical Center and in other healthcare institutions may be a precursor of what will happen elsewhere.
- Comprehensive talent management offers a way to deal with retention issues on a longer term and more comprehensive basis. Talent planning focuses on the talent that will be needed, where to get the talent, how to keep it, and how to manage its loss. This analysis uncovered little evidence of comprehensive talent planning among AARP Best Employers. Healthcare organizations appeared to have more talent management programs with multiple components than did the other winning companies. For example, these organizations often had talent management programs that included integrated recruiting, training, and retention elements, as opposed to companies that had few, if any, formal talent management programs.

Return on Investment (ROI) measures are mentioned in the case example of **Scripps Health** and examples from outside sources. Mercer’s experience is that most employers are not yet doing such planning.

Newly implemented programs focused on mature workers usually required at most a modest investment.

- Retirement planning and preparation programs were common. Through these programs, employers help workers plan and prepare for their retirement years, for which workers are shouldering more of the financial responsibility. Most of the AARP Best Employers in 2004 provided some sort of retirement planning.
- Added benefits such as 401(k) “catch-up contributions,” dependent-care spending accounts focused on elder care, long-term care insurance provide for tax breaks and group purchase, although employers seldom pay for the benefits. Such practices were very common among the 2004 AARP Best Employers.
- Workplace restructuring (changing the physical environment to make work easier) offers a good opportunity to increase productivity, but the AARP Best Employers applications provided few examples of this. This may be a big opportunity area.

Within the programs of significant value, retiree health is a major exception to the observation that programs do not cost much.

Many of the companies honored as AARP Best Employers leverage their areas of market focus to offer programs to support the maturing workforce.

- Financial service and insurance companies were most likely to offer financial planning programs to employees, including access to their service centers and support mechanisms. **The Principal Financial Group**, Des Moines, IA, and **Farmers Insurance Group of Companies**, Los Angeles, CA, are examples of this.
- Some hospital systems and healthcare providers offered healthcare services either at a substantial discount or at no cost to the employees covered under their health plans. Repeat winners **Scottsdale Healthcare**, Scottsdale, AZ, and **St. Mary's Medical Center** provide examples of this practice.

Recently implemented programs are emerging to engage the mature worker. The incidence of such programs among these companies has increased over the three years of the study.

- These include programs to reinforce messages and show appreciation for longer service employees, such as the Personnel Achieving Long-Term Service (PALS) Program at **Children's Health System-Birmingham**, Birmingham, AL.
- Programs recognizing mature worker issues help mature employees work more effectively and integrate these individuals with other workers who have different needs and issues. **The Vanguard Group**, Valley Forge, PA, and **Scripps Health**

both offer examples of these types of programs.

- Support for family care needs, the rehiring of retirees, phased retirement, and flexible work arrangements address some of the critical needs of mature workers. Examples of these were found in a number of winners, such as **First Horizon National Corporation**, Memphis, TN, and **Volkswagen of America, Inc.**, Auburn Hills, MI.

The AARP Best Employers from the healthcare sector appear to have better developed mature worker programs than most of the AARP Best Employers from other sectors.

The healthcare industry depends on many specialized workers in different occupational groups, and the issues it is facing may be a precursor of what is coming to organizations in other sectors that depend on a number of specialized occupations. Examples of mature worker programs that have been implemented by healthcare organizations include:

- Healthcare organizations that have worked with professional schools to encourage and support entry into nursing. The initiatives of **Loudoun Healthcare, Inc.**, Leesburg, VA, with George Mason University, Fairfax, VA is an example.
- Targeted recruiting programs that are being used to recruit professionals, particularly nurses, from as many sources as possible. Retirees and mature workers are clearly being targeted for these efforts. **St. Mary's Medical Center** and **Loudoun Healthcare** provide examples of these practices.

- Healthcare organizations that offer a wide variety of flexible work options.
- Hospitals that make the job of nurses less strenuous by, for example, installing hydraulically functioning hospital beds.
- Phased retirement and retiree rehire programs, which are more likely to be formalized within the healthcare industry than elsewhere.
- Specialized services that are provided at a discount to employees and/or retirees. **Scottsdale Healthcare** provides an example of this practice.

The Future: More Focus on Business Issues that Drive Policy

Given global competition and the expectations of investors, it is very important to tie all workforce management programs to the business case and document results. In this climate, Mercer's experience has shown that most organizations are reluctant to implement or keep programs without business case justification (positive return on investment). Business cases provide management an avenue to show to their boards that they are acting rationally. An important step in understanding the business issues is an analysis of the internal and external labor markets and the importance of finding a match between the two. The shift in the external labor market³ as the population ages and the



corresponding shift in the internal labor market⁴ mean that the solutions of the past often will no longer work. Some of the issues that employers will be confronting:

- Availability of talent generally; particularly needed are specialties such as nursing and nuclear engineering.
- Importance of maintaining intellectual capital and relationships so that as one group leaves, the business will continue to benefit, by maintaining its customer base and its relationships with other key contacts, such as suppliers, regulators, etc.

³ External Labor Market: The demand and supply of current and future labor outside of an organization's own workforce. It is generally accessed for specific skills or job groups. (Mercer Human Resource Consulting definition)

⁴ Internal Labor Market: An organization's three interrelated flows of employee attraction, development, and retention, and the effectiveness with which these flows are managed. (Mercer Human Resource Consulting definition)



- Costs of benefit programs.
- Retention of key employees.
- Potential changes in employee productivity (both increases and decreases).
- Rewards for performance suited to the maturing workforce.
- Careers and career progression.
- Market branding and customer perceptions.
- Work/family friendly (linked to employer of choice).
- Skilled worker shortages.
- Health and productivity.

Industry-Linked Business Issues

Some companies unwittingly exacerbated the effects of future demographic shifts when they slowed hiring and terminated younger workers during the economic slowdown in the early 1990s. As a result of

these decisions, their workforces now lack younger and mid-career employees that would be part of these groups.

Furthermore, entire industries are already feeling the pressure of the demographic shift. Aerospace and defense, utilities, healthcare, insurance and financial services, and public education, in particular, face some of the greatest threats of a “brain drain” as mature, experienced workers approach retirement and too few skilled replacements are available. The problem is not restricted to white-collar professions; the ranks of experienced blue-collar workers are already thinning, with implications for such industries as construction and heavy manufacturing that are heavily reliant on the skilled trades. Nor is this problem limited to the private sector: the federal government is highly populated by individuals nearing retirement age and faces substantial talent shortages in certain jobs as a result. Some examples of how these issues are linked to specific industries are described below.

Aerospace and defense. The defense budget cuts of recent decades caused workforce pruning in aerospace and defense companies, with cuts often focused on workers with lower seniority. Budgetary restrictions also severely limited new hiring. During recent decades, many experienced employees were offered attractive buyouts under early retirement incentives. As a result, the average age of workers in the defense sector of the industry is now 51. Engineers, mechanics, and many other skilled personnel in these businesses are nearing retirement age, and the industry’s traditional retirement

programs still encourage early retirement. Furthermore, the industry is not seen as very attractive by the best potential new entrants to the labor force.⁵ Much of the work requires security clearances, so options for getting work done offshore and/or using immigrants are not as readily available as they might be in other manufacturing businesses.

Utilities. Many utilities downsized their workforces in the face of deregulation and new types of competition. These businesses have skilled workers—nuclear engineers are one example—that are aging and in short supply in the labor market. The industry’s traditional retirement plans still offer attractive early-retirement options that accelerate the loss of seasoned workers with critical skills.



Healthcare. Hospitals use many skilled health professionals who are projected to become increasingly scarce. This is particularly true of nurses, who are already in short supply. The average age of nurses today is in the late 40s. As a result of healthcare cost controls, hospital re-engineering, and higher patient acuity levels as care of less-ill patients has shifted to out-of-hospital settings, nursing has become an increasingly difficult job. With many more professional options now available to women, for whom nursing was once one of the few occupations open to them, many women have left nursing for other jobs, and many who might have chosen nursing are making other choices. Retired nurses who still want to work often can find less demanding work in less stressful environments.

Public education. A growing number of teachers in the public education system will soon be eligible for early retirement, which typical public-sector retirement programs make very attractive. The U.S. General Accounting Office (GAO) reports that as a way to deal with teacher shortages, some states now allow critical teachers to collect their pension benefits and continue working. Arkansas, California, Louisiana, and Ohio have all adopted incentives for older teachers to stay on the job rather than retire. Many public entities have installed Deferred Retirement Option Plans (DROPs) that allow workers to continue working beyond retirement age but with the provision that the benefits they would have collected are set aside in a special fund to be paid to them in a lump sum when

⁵ Source: Mercer Human Resource Consulting.

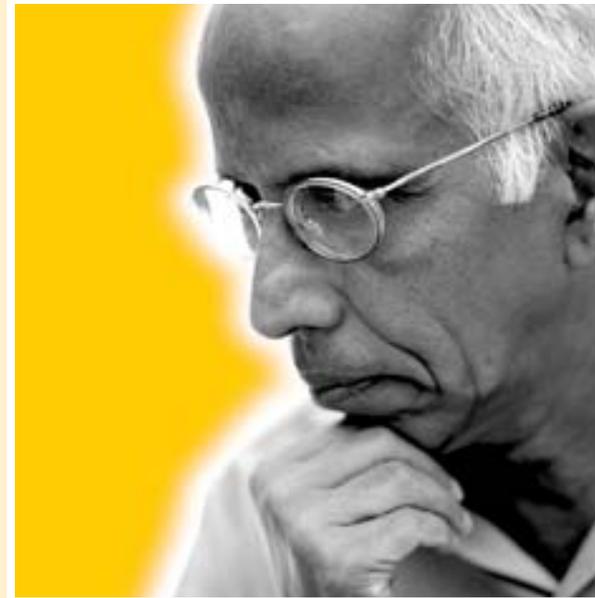
they retire.⁶ However, the degree to which such policies (which may not be legally available to private-sector employers) can stem the loss of experienced teachers and therefore meet the need for teachers is uncertain.

Looking to the Future

The general aging of the workforce in the United States and overseas is likely to lead to substantial shifts in the workforce. At a minimum, companies will experience major talent challenges in some occupations. Some observers are projecting major talent shortages nationwide, but there is less consensus about this. This study suggests to employers that a combination of a long- and short-term strategy is best. It also raises issues that require policy attention.

In the short term, employers will want to look at their current programs, identify problems and unmet needs, and think about how to improve what they are doing now. They will also want to make a first-round assessment of how the changing demographics will affect them and identify specific occupational groups where there may be problems and where a strategy is needed.

Over the longer term, employers will have several opportunities for more effective responses to mature workforce challenges and issues, such as recruiting, alternative job structures, and different options for phasing into retirement. Today's responses are often piecemeal rather than comprehensive. Addressing these challenges as a business issue and focusing on the business cases in



their responses will allow organizations to provide justification for new programs to managers and to boards of directors. In addition, employers can improve productivity through workplace and program redesign in ways that will respond well to mature worker issues. Finally, talent shortages will be a major problem for many employers. Talent planning is vital to understand where staffing gaps are likely to fall and to build job-specific strategies to fill them, particularly in scarce occupations. Organizations have many options to address all of these challenges; and by doing so in a comprehensive way, they can turn potential staffing liabilities into business opportunities.

Policy barriers to the expansion and implementation of best practices programs must be identified. In particular, policy issues around phased retirement and rehiring retirees should be examined.

⁶ Source: GAO-02-85, Nov., 2001, Demographic Trends Pose Challenges for Employers and Workers, page 27–29.

Recommendations

Companies will soon face the demographics of a changing talent pool, if they are not doing so already. These companies can use the following steps to define a process to address issues such as impending talent shortages, knowledge transference as the boomers retire, and skill development of the growing number of older workers:

- **Analyze workforce demographics:** In performing the workforce analysis, quantitative as well as qualitative approaches should be used. Talent issues are quite likely to be job specific—for instance, the healthcare industry is facing shortages in nursing.
- **Identifying potential solutions:** The best practices identified in the report provide some ideas, and many other solutions are available as well.
- **Assess the fit to the company:** As part of this step, most organizations will want to calculate the return on investment. Identification of methods of measuring success is an important step towards improving programs and keeping them in place. Based on the assessment of fit and resources available, an organization should select the types of programs to implement and set timing of when to introduce them.
- **Design the details of the specific program to fit the context:** Programs need to be tailored to each environment.

- **Pay particular attention to implementation:** Good implementation is vital to success. Many good ideas fail to live up to their potential not because they are bad, but because the implementation was not adequate.
- **Monitor results and utilization of programs implemented:** Predetermined success measures should be used to evaluate whether certain accomplishments have been met.
- **Evaluate:** The benefits and costs of the program should be identified. If the benefits do not justify the costs, resources should be moved to other areas.
- **Refine as necessary:** Many programs must be fine tuned and adjusted as the business context changes. Often, the plan is to expand them. Most organizations will want to start small and build later. Measurements of success for the earlier parts of the program help build the business case for future additions.



Introduction

A major shift is taking place in the U.S. workforce. It is aging rapidly. In 2002, 14% of the workforce was aged 55 or older. By 2012, 19% of workers will be at least age 55, an increase of more than 10 million workers 55 or older from 2002 to 2012.⁷ The number could be substantially higher if anticipated labor shortages materialize, employers recruit and retain more older workers, and/or if many of the boomers work in retirement, as they say they expect to do.

AARP's goal is to expand employment opportunities for older workers, helping both workers and employers in the process. Therefore, in 2001, AARP created the AARP Best Employers for Workers Over 50 (AARP Best Employers) program to recognize employers for their exemplary policies and practices in this area.

To be considered for the AARP Best Employers list, employers must complete an extensive application describing their practices in areas such as recruiting, workplace culture, training and development opportunities, alternative work arrangements, health benefits, pensions and retirement savings plans, and other retiree benefits.

An outside consulting firm assesses each company's application with AARP supervision. A panel of external judges reviews the

findings. AARP also considers whether candidates have practices and policies in keeping with AARP's public policies. Winners are selected based on these criteria.

In 2004, AARP asked Mercer Human Resource Consulting to analyze the workforce practices and policies of many of the most recent and former AARP Best Employers, especially those practices that are good for mature workers.⁸ While mature workers have many of the same abilities, priorities, and needs as the younger workforce, they also differ in some important ways.

The study objectives were to:

- Identify the best programs for meeting the mature worker's needs.
- Highlight some of the more innovative practices.
- Provide a framework for thinking about what it means to be a good employer.
- Provide models for other employers who are searching for new ideas.

The information should be valuable to employers, employees, and society as a whole in light of the changes occurring in the workforce. The workforce is not only aging but also growing more slowly than when the huge boomer population entered the labor force. Those boomers will soon begin reaching retirement age.

⁷ Source: Mitra Toossi, "Labor Force Projections to 2012: The Graying of the U.S. Workforce," *Monthly Labor Review*, February 2004.

⁸ For this study, "mature workers" are defined as employees aged 50 and older.

For example, one of the AARP Best Employers, **Deere & Company**, reports that more than half of its workforce is expected to retire within 10 years. Deere & Company, is not alone. Other organizations in the public and private sectors—particularly utilities and aerospace companies, universities, healthcare organizations, and the federal government—will face similar high retirement rates. The pool of replacement workers may not meet employer needs. Many employers have not yet identified what the impending workforce changes may mean to their organizations and what they might have to do to meet their workforce needs.

Some employers, however, do seem better prepared, and some of them have become AARP Best Employers. These employers have programs and policies that make their workplaces good for all workers, younger ones as well as more mature workers. They also have instituted programs and policies with an eye toward recruiting and retaining mature workers.

Mercer thoroughly analyzed information on the winning applications for the 2002, 2003, and 2004 AARP Best Employers awards. Information from the applications was used to determine “best practices.” This report describes these best practices in ways designed to give employers ideas for improving their own workplaces.

The study revealed numerous examples of best practices used by the AARP Best Employers that can be used by other employers to create a better workplace. Included in the report are descriptions of individual practices as well as explanations of the similarities and differences among the various practices.

This analysis of the winning applications has been supplemented in certain areas with information from outside sources. These additional sources are identified where appropriate.

Best Practices

For this project, a “best practice” is defined as an innovative and/or commonly implemented practice followed by AARP Best Employers in several industries that expands employment opportunities for mature workers, addresses their particular needs and interests, and generally makes work more rewarding.

Employer of Choice

Throughout this report, the term “employer of choice” is used to describe an organization whose policies, practices, and programs make it an attractive place to work. In some respects, the needs and priorities of mature workers may differ from those of other workers. Consequently, the mature workforce may find certain policies, programs, and practices more attractive or important than others or than younger workers do. Moreover, there is considerable diversity within the mature workforce, so not all older workers will want or need the same programs or practices.

Employers of choice usually have these attributes of a good workplace:

- Attention to the business so as to improve chances for job stability.
- Comprehensive performance evaluations.
- Career management and training programs such as computer-based training.
- Solid employee economic security packages,

including health and pension benefits, and employer-supported methods for building assets for retirement.

- Fair compensation appropriate for the job.
- Appropriate work options such as flexibility as to schedule, place, and job structure.
- Employee-friendly culture and communications.
- Family-friendly policies and programs.

Being an employer of choice means addressing employee needs in a manner that works for the business and fits the organizational mission.

Content of Report

The following outlines the remaining chapters of the report:

Setting the Stage. This chapter reviews key societal and business concerns of employers and provides a backdrop for the study of best practices. It includes a description of the demographic context, the challenges facing employers, the employee perspective, and differences among groups of mature workers.

Creating Good Workplaces for Mature Workers. This chapter defines employers of choice by looking at their policies and programs in four categories: fundamentals, core programs, programs of significant value, and extras.

Core Programs Important to Mature Workers. This chapter describes best practices among “core programs” and offers case studies and examples that feature former and most recent AARP Best Employers as well as selected other employers. It provides insight on workplace design and modification, career patterns, formal workplace flexibility

programs offering non-traditional work schedules and arrangements, hiring practices, and health and productivity.

Programs of Significant Value. This chapter defines “programs of significant value” and offers case studies and examples that feature former and most recent AARP Best Employers as well as selected other employers. It covers retirement support, informal workplace flexibility practices, health and wellness, limited special purpose flexibility programs such as for caregiving, and other forms of caregiving support.

Extras. This chapter includes information on practices deemed “extras” and features those of former and most recent AARP Best Employers. It focuses on volunteerism and retiree relations.

Important Areas for Both Employers and Employees. A number of topics warranted more in-depth treatment. This chapter contains information about measuring success, tips for success, and more discussion of retirement, health benefits, flexibility, phased retirement, and workforce planning.

Findings, the Future, and Recommendations. This chapter is a summary of the project’s results, what employers can expect in the future, and recommendations for dealing with the challenges of the workforce of the 21st century.

Appendix. The Appendix includes an overview of the framework for thinking about good workplaces for mature workers, a list of the case examples, a list of the former and most recent AARP Best Employers mentioned in this report, and a list of all former and most recent AARP Best Employers.

Setting the Stage

Today's business leaders depend on valid, reliable information to make workforce decisions that are in keeping with corporate values and business goals. The human resource professional's task is to establish a good workplace for mature workers by understanding the demographic context, identifying challenges, and finding ways to meet the workforce's needs, including those of mature workers. This chapter provides a backdrop for the study of best practices by describing current demographic trends and how these trends will present challenges for employers and employees.

The age mix of the population and labor force is shifting. The new demographics present challenges and opportunities for employers. The challenges are particularly great for employers whose workforces are maturing more rapidly than the population at

large. These employers face cost and competitive pressures as well as potential labor and talent shortages. In responding to the challenges, employers need to consider the characteristics, needs, and perspectives of mature workers.

Encouragingly, a recent AARP study on the needs of the mature workforce showed that many mature workers plan to remain in the labor force past traditional retirement age and are willing to work in the very industries that currently are experiencing labor shortages.⁹ Those industries include healthcare, education, financial services, and other professional and business services, to name a few. However, mature workers are a diverse segment of the population, and the discussion below looks at differences by career profile and age.

Demographic Context

In the last decade, the labor force aged 55 and older grew rapidly; it will grow even

Table 1
Growth in the Total Labor Force and the Labor Force Aged 55 and Older

Period	% Change in Total Labor Force	% Change in Aged 55+ Labor Force
1982–1992	16.3	-.2
1992–2002	11.3	34.4
2002–2012 (projected)	12.0	49.3

Source: Mitra Toossi, "Labor Force Projections to 2012: The Graying of the U.S. Workforce," *Monthly Labor Review*, February 2004.

⁹ Source: AARP, *Staying Ahead of the Curve 2003: The AARP Working in Retirement Study*, Washington, DC: AARP, 2003.

more rapidly in the next decade. While the total labor force is expected to grow by only 12% from 2002 to 2012, workers aged 55 and older will grow by nearly 50%.

Table 1 illustrates workforce growth and compares growth rates in the coming decade with the two prior decades. It shows that the demographic change in the decade ahead differs from what happened in the last two decades.

The impact of the changes will be far greater on some organizations than on others. Hardest hit will be businesses that encourage long service, have had relatively little hiring in recent years, and underwent major downsizing in the 1980s and 1990s. For example, the median age of the labor force

increased from 36.6 in 1992 to 40.0 in 2002.¹⁰ However, in the utilities sector it is not unusual to see an average employee age of 47-49.¹¹ This is an example of what can be expected in other industries with a culture of long tenure and slow growth or downsizing in the past two decades.

For decades after World War II, labor force participation rates for the older population declined. Around 1985, rates leveled off; they have been increasing since then. The Department of Labor projects further rate increases, as shown in Table 2.

In the future, organizations will employ more older workers. In some organizations, a very large percentage of the skilled labor force

Table 2
Labor Force Participation Rates by Age and Sex, 1982–2002 and Projected to 2012 (in percentages)

Rates for Men	Aged 55–64	Aged 65–74	Aged 75+
1982	70.2	22.5	8.5
1992	67.0	21.1	7.3
2002	69.2	25.5	7.6
2012 projected	69.9	29.1	8.2
Rates for Women			
1982	41.8	11.3	2.8
1992	46.5	12.5	2.8
2002	55.2	16.1	3.5
2012 projected	60.6	18.9	4.1

Source: Mitra Toossi, "Labor Force Projections to 2012: The Graying of the U.S. Workforce," *Monthly Labor Review*, February 2004.

¹⁰ Source: Mitra Toossi, "Labor Force Projections to 2012: The Graying of the U.S. Workforce," *Monthly Labor Review*, February 2004.

¹¹ Source: Mercer Human Resource Consulting, unpublished data.

will be mature. As current workers reach retirement age, there will be fewer replacement workers. Labor shortages will put recruitment and retention of employees in the forefront for many employers. These emerging trends will present employers with various challenges.

Challenges Facing Employers

Because of potential talent shortages, employers need to focus on talent management, recruitment and retention, and productivity. This report uses comments in the 2004 AARP Best Employers applications to highlight the challenges facing employers:

On the aging workforce, Deere & Company, Moline, IL, said:

We continue to value mature, experienced employees to fill the gap that exists from the lack of hiring that we saw during significant periods of the 1980s and 1990s. We find that we can leverage the experiences that these folks have had with other organizations. Our demographics are such that we will lose over half of our workforce in the next 10 years to retirement, so we continue to motivate our mature workers to remain, add value to our business, and pass on valuable information to new employees.¹²

The issues raised by Deere & Company are common in the heavy equipment manufacturing, utilities, and aerospace industries. These industries rely heavily on a skilled labor force and employ significantly more mature workers than other industries do.

Consequently, they face serious talent issues.

The age distribution of the workforce in these industries is a result of past hiring patterns related to general competition and business pressure, foreign competition for the manufacturers, deregulation for the utilities, and defense budget cuts in the aerospace industry. An added factor for some of these companies is low supply of new talent with the specialized skills they need. This is particularly true of the utility industry, which needs nuclear engineers.

The need to transfer expertise from experienced to newer employees is not a new issue and not one caused solely by demographics. However, current demographic projections make it increasingly important to address this issue. Other industries also will face this challenge.

On business pressures, Scripps Health of San Diego, CA, said:

The healthcare industry is a growth industry and is faced daily with the daunting challenge of finding and hiring skilled healthcare professionals from a limited talent pool and then retaining the highly skilled and trained employees.

The healthcare industry must be prepared to rapidly respond to changes in order to meet the needs of patients, customers, and employees. Elimination of positions occurs in healthcare as a result of budget constraints, reorganizations, outsourcing, cost containment efforts, consolidation of functions or other business reasons.

¹² Source: 2004 AARP Best Employers applications.

Unlike corporate enterprises in high-tech or other business sectors, the California not-for-profit healthcare environment is one where hospitals struggle just to keep their doors open. Rising costs, combined with low reimbursement from health insurance plans, unfunded government mandates, and steady reductions in federal and state assistance, make it difficult to balance employee needs with needs for medical equipment and investment in new facilities and technologies.¹³

The Scripps Health statement raises several key points:

- Business pressures related to constraints on payments from customers and payers.
- The need to recruit aggressively, retain employees (particularly those in hard-to-fill



positions), and eliminate some positions.

- Competition for resources to support employee programs and other needs.
- Increasing cost of equipment, pharmaceuticals, and labor.

These pressures apply not only in healthcare but also in many other types of businesses. Publicly owned companies face pressures from investors. Not-for-profits that depend on charitable contributions face pressures to raise revenue. Organizations that depend on government funds face pressures like those described by Scripps Health above.

Issues of a Maturing Workforce

In many cases, mature workers are no different from other workers. In other cases, they do differ and may offer special advantages and added challenges, as this analysis has shown. For example:

- Mature workers generally have more experience and wisdom. This can be very valuable at times, particularly in jobs requiring a great deal of firm-specific human capital.¹⁴
- Mature workers can be more patient and tolerant.
- Long-service workers have intellectual capital that is important to the business; it is not always institutionalized and may not transfer well.

¹³ Source: 2004 AARP Best Employers applications and subsequent communication with the employer.

¹⁴ Firm-specific human capital: The value of employee attributes and qualities that are unique to a single firm. (Source: Mercer Human Resource Consulting)

- Long-service workers may have important contacts and relationships with customers, suppliers, and others.
- The career futures of older workers tend to differ from those of younger workers. Older workers know they will be leaving, and some will want to do so in stages.
- Succession planning is particularly important with an aging workforce because more people will need to be replaced. The options for replacement need to be integrated with the options for those who would rather retire in stages.
- Financial and life planning needs differ by age of worker.
- Employees with inadequate resources and benefits may wish to retire but feel trapped into continued work.
- Health issues are different. There are no longer maternity claims, but there may be more claims for chronic illnesses.
- Some workers will have difficulty at jobs that require a great deal of strength and agility. The combination of greater experience and changing physical ability may mean greater productivity in some jobs and less in others.
- In jobs requiring technological skills, more training may be required for older workers.
- Costs, particularly for benefits, may rise.
- It is particularly important to have a good system of performance evaluations to ensure that workers of all ages are treated fairly, minimize the risk of lawsuits, and provide employers with employees capable of doing the job.

Employee Perspective

This study does not address what workers believe is important. An earlier AARP study includes a section on what workers say they want.¹⁵ Another AARP study looks at people's vision for retirement, and its findings reinforce the view that mature employees are changing how they look at retirement in the face of growing financial and demographic challenges. Nearly 70% of mature workers say they plan to work at least part-time in retirement or never retire.¹⁶

Increasingly, the responsibility for financial security in retirement is being shifted from employers and government to the employee. Working longer is one way to enhance that security.

Differing Needs and Situations Among Mature Workers

Not all mature workers are the same, and different subgroups within this population have different needs. The mature workforce differs by career profile, age, and relationship to the current employer as described here:

- **Career stage and relationship to employer.** Some mature workers are

¹⁵ Source: AARP, *Update on the Older Worker*, DD No. 97, 2003.

¹⁶ Source: AARP, *Staying Ahead of the Curve 2003: The AARP Working in Retirement Study*, Washington, DC: AARP, 2003.

career employees nearing retirement. Others were hired in mid-career and have short service. Still others are retirees of other companies who now seek work during retirement.

- **Type of job relationship.** Some mature workers are full-time employees, some are long-term employees reducing their schedules as they near retirement, some are part-timers, some are temporary hourly workers hired by the day, and some are contract workers hired by the project.
- **Entitlement to benefits (often related to age and/or service).** Workers collecting retirement benefits from Social Security and/or private pension plans but continuing to work have somewhat different needs and preferences from those who are not collecting benefits because their benefits provide a base level of income.
- **Type of job and the requirements of the job.** Some jobs have heavy physical demands and others have virtually none. Some work must be done on a very defined schedule or in a defined place, but others have considerable flexibility.

Differences in Employer/Older Worker Issues by Career Relationship to Employer

Mature workers differ in terms of their tenure and whether they have a career relationship with an employer. These differences relate to what is important in defining a good workplace for each group of employees. For employees having long relationships with an employer, the employer is usually very much involved with

employees' retirement security and identity as shown in Table 3.

A very long-term employee may offer increasing ability and experience over time but may also have changing needs and interests. These needs and interests are likely to differ from those of people hired later in their careers and those of temporary workers. The table summarizes how various aspects of the employer-employee relationship differ for workers with different career profiles.

Table 3 highlights important aspects of the relationship between the employer and the employee. There are also business issues related to diverse career profiles. Managing intellectual capital, a key business issue of this type, is discussed below.

Managing Intellectual Capital. As a consequence of the changing demographics, many workers who have key specialized knowledge and organizational history as well as important relationships are nearing retirement age. Their employers need to strengthen their organization's management of intellectual capital to ensure that the knowledge and relationships of older employees are not lost. Methods to do this include:

- Building formal systems that capture knowledge.
- Encouraging workers with key knowledge to stay and help other workers gain knowledge.
- Advancing other workers to the right positions.

Table 3
Needs of Maturing Workers by Career Relationship

	Long-Service Career Employees	Mid-Career Hires	Late-Career Hires (Including Retirees Returning to Work)	Temporary Workers
Earnings	<p>Fair compensation is important to both employer and employee</p> <p>Compensation should reflect current assignment and performance</p>	<p>Fair compensation is important to both employer and employee</p> <p>Compensation should reflect current assignment and performance</p>	<p>Fair compensation is important to both employer and employee</p> <p>Compensation should reflect current assignment and performance</p>	<p>Fair compensation is important to both employer and employee</p> <p>For temporary workers, pay is often at a daily or hourly rate</p> <p>The individual decides what is personally acceptable pay when choosing temporary work</p>
Career Progress with Firm	<p>Very important to both employee and employer</p>	<p>Probably hired into a position with a long-term career path similar to that of current position</p>	<p>Not often an issue</p>	<p>There is no opportunity to progress within individual temporary assignments, but an individual can seek a series of temporary assignments that provide for some progress</p>
Retirement Security	<p>Employer plays major role in retirement security—retirement-income and health programs are of great importance to employee</p> <p>Level of benefits helps define realistic retirement options</p>	<p>Asset accumulation programs likely to be important</p> <p>Important but not at same level as for career employee</p> <p>Level of benefits plus other resources help define realistic retirement options</p>	<p>One of the major motivations in relationship often is to supplement retirement package</p>	<p>The employer would not provide a retirement plan or benefit unless the work was covered by a multi-employer plan, so generally it is up to workers to provide for their own retirement security</p>

**Table 3
(continued)**

	Long-Service Career Employees	Mid-Career Hires	Late-Career Hires (Including Retirees Returning to Work)	Temporary Workers
Health Benefits	Current benefits are very important	Current benefits are very important	Unless health benefits are provided in a prior retirement package or through a spouse, they are important to employee	Although health coverage is very important to the worker, it is not generally provided
Flexible Work Options (including level of commitment, schedule, place, and duties)	Importance depends on individual situation	Importance depends on individual situation	May be key factor in choosing a job	Temporary work is a flexible work option
Training	Continued training is important to meeting changing workplace and needs	Continued training is important to meeting changing workplace and needs	Training, other than in company systems, is less likely for shorter duration employees	Training by employer is unlikely Some temp services offer training

Source: Mercer Human Resource Consulting.

These methods could apply to many long-service career employees and to some mid-career hires.

Some skills are hard to replace even though specific knowledge of the firm, its history, and products is not an issue. Industries with looming talent shortages include those employing nurses and other health specialists, nuclear engineers, machinists, and research scientists, as well as many other skilled workers, both professional and blue collar.

Matching Programs to Desired Career Profiles. Some organizations seek workers

who will spend their entire careers with the organization. They value long service and support it through programs and culture. These firms focus on retention and what is important to career employees. Many of the AARP Best Employers have such programs.

Workers such as temporary employees do not value long-term employment. For them, programs with more immediate payoff are most important.

Another way to look at variations in the mature workforce is by age. Workers at different ages can fit into any of the career profiles.

Applying the Framework to Different Groups of Employees by Age

The age 55 and older population is a heterogeneous group. Employment needs and interests in that population will vary, especially by age. In general, the older the worker, the greater the interest in reduced hours and plans for retirement.

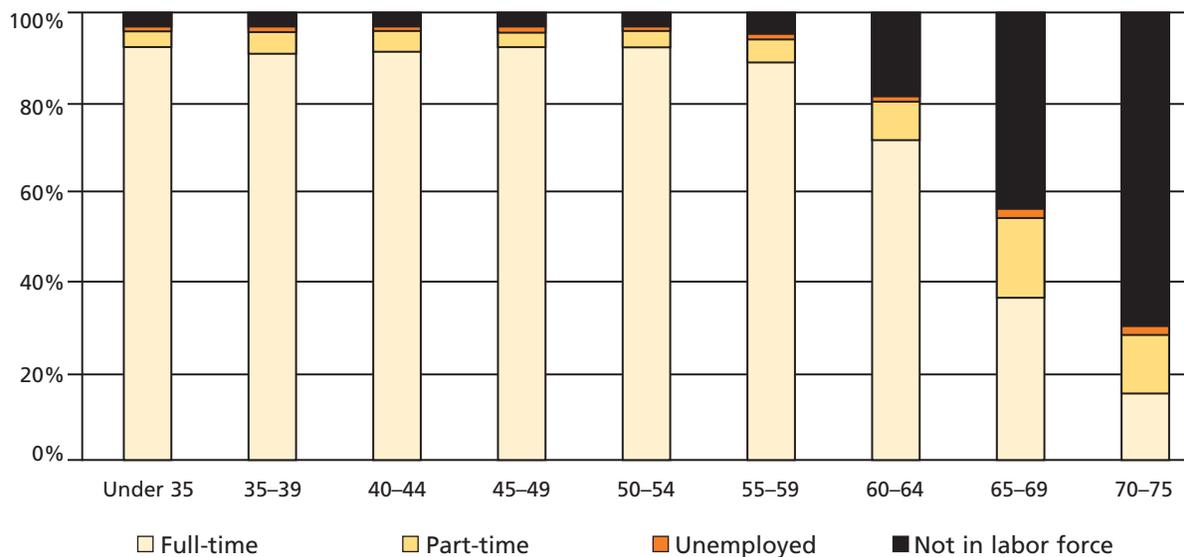
In some fields, however, labor force participation rates at even advanced ages remain high. Engineers and scientists often work quite late in life. Data for these workers provide insight on what people who are highly engaged and have very good options are likely to do. Exhibit 1 shows labor force participation of engineers and scientists with doctoral degrees by age group. About 25% of

scientists and engineers are still working on a part-time or a full-time basis at ages 70–75.

Retirement plans and other benefit programs influence decisions about work after retirement. Changes in resources can be gradual or can depend on the provisions of financial security programs. Eligibility is as follows for major programs:

- **Age 65.** Eligibility for Medicare.
- **Social Security normal retirement age.** The age at which a worker can collect full Social Security benefits and also continue working without losing benefits due to excess earnings.
- **Age 62.** Eligibility for actuarially reduced Social Security benefits as an early retiree.

Exhibit 1
Related Information: Phasing Out in Action
 Scientists and Engineers Working, by Age



Source: Robert P. Morgan, Older Doctoral Scientists and Engineers: Selected Labor Force Characteristics, National Science Foundation, 2002.

Employer programs also have eligibility criteria, such as a combination of age and years of service, that influence decisions by employees. These criteria may be associated with eligibility for the following benefits:

- Unreduced benefits under a company pension plan.
- Early retirement benefits.
- Full retirement benefits.
- Retiree health benefits.

Additionally, some workers may time their retirement to coincide with the date at which health benefits provided under COBRA will cover a person until he or she becomes eligible for Medicare.

The above factors link directly to the availability of Social Security, employer pensions, and retiree health benefits. They do not link to savings. They relate to work in that Social Security benefits may be received while continuing to work, depending on certain age requirements.

Changes in work status or schedule are sometimes linked to specific benefit eligibility points, but many are not. Certain work environments lend themselves well to gradually phasing out of work.

In family businesses, the owning family members may adjust their roles over time. In farming, the same thing is true—traditionally, people kept working in whatever role they could. In sales jobs, there is also a common pattern of phasing out.

Addressing the Challenges

This report describes best practices and provides examples of how organizations deal with a maturing workforce. It also points out some ways that organizations differ.

These are the most common challenges that many organizations will face:

- Competitive and market pressures from home and abroad.
- Customer and artificial constraints on what they can charge for their products and services.
- The need to manage intellectual capital much better.
- Major drain of some of their key talent as workers retire.
- Inability to meet talent needs simply by recruiting harder and faster.
- The need to manage talent better—identify needs, then recruit and retain the right people.
- The need to respond on a timely basis to continuous change.

Creating Good Workplaces for Mature Workers

The relationship between employer and employee is multifaceted. Employers of choice are those who create a good workplace. This report looks at the notion of what it is to be an employer of choice within a framework of four categories:

- **Fundamentals.** These are the policies, programs, and management practices that an employee is likely to regard as basic requirements when choosing a long-term job.
- **Core programs.** These programs involve job and career design, workplace design, hiring and recruiting, methods of leaving the workforce, and formal workplace flexibility programs offering non-traditional work schedules and arrangements. They relate to the design and organization of a job.
- **Programs of significant value.** These programs create economic value but not career opportunity. They are also important in addressing the specific needs of mature workers and deal with their concerns about caregiving support, retirement security, and healthcare. These also include informal workforce flexibility practices and limited special purpose flexibility programs targeted at caregiving. These programs give workers a better deal and are of economic value to them.

- **Extras.** These programs may be a big help to some people, but they do not speak to the essence of the jobs or the employment relationship. They create nominal economic value for employees. They include programs such as eldercare referral, retiree relations programs, and volunteer service opportunities.

An employer of choice will offer programs that are good for all workers, including mature workers. However, because mature workers may have different preferences and abilities, some offer programs that are particularly good for or of interest to mature workers.

The Fundamentals

Job seekers and employers of choice value these fundamentals of a long-term job:

- Long-term viability of the organization.
- A good economic security program with health benefits, accumulation of assets for retirement, and good disability benefits. More details on health and retirement are in a later chapter.
- Programs for fair pay, performance evaluation, and career management.
- Honest management. (For example, a job seeker would be reluctant to choose a company that had been charged with corporate accounting fraud.)



These fundamentals apply to workers at all ages and career stages; however, the degree of importance that workers attach to each will vary depending on career stage and employment relationship. The importance of the fundamentals is well known. They are discussed further in Chapter 8.

Core Programs

Core programs are the policies, programs, and management practices relating to opportunities in the job and movement between jobs. The main issues are:

- **Adaptation of the job and work environment to the needs and interests of mature workers.** This may include redesign of the physical

environment, the job and the schedule, and place options.

- **Formalized flexible work options.** Flexibility may mean things such as a different work schedule or place, work on a project basis, or a restructured job.
- **Different options for moving into retirement.** Phased retirement, a special form of flexibility, may include both phasing into initial retirement and the rehiring of retirees.
- **Hiring of mature workers.** Policies and actual practices related to hiring are a very important core program.

Programs of Significant Value

Programs of significant value in the workplace include:

- Customized retirement education and planning support.
- Retirement benefits greater than usual for the job classification and that go beyond the basics, including catch-up contributions in 401(k) plans and retiree health benefits.
- Employee Assistance Programs that focus on older worker issues.
- Eldercare with some company support and informal workplace flexibility practices that provide employees with extra time off and/or flexible schedule options to care for other family members.

- Opportunity to purchase long-term care insurance with an employer subsidy or through a group purchase discount.
- Fitness and wellness opportunities.

There is some overlap in programs of significant value and core programs. They can both address the same issue, but programs of significant value address the issue on a smaller scale. These scaled-down initiatives support but do not enable job, career, and mobility options for mature workers. For example, formal phased retirement is considered a core program, and informal rehire programs are considered programs of significant value. Programs that allow workers to move between jobs are considered core programs whereas added time off for elder care is considered a program of significant value. See Appendix 1 for mapping of best practices to categories.

A note about retiree health insurance: This benefit is extremely valuable to employees at retirement. For most employees, though, it is not a factor when choosing a job prior to mid-career, in part because it is usually provided only to workers who remain with an employer until they are eligible for retirement. Retirement benefit eligibility is usually a combination of age and period of service, such as age 55 with 15 years of service.

The Extras

Extras in the workplace may include:

- Retiree relations programs.
- Generic retirement education that is not customized to the needs of particular employee groups.
- Eldercare referrals.
- Programs that encourage volunteer service in the community.
- Opportunity to purchase long-term care insurance through a payroll deduction, but without the advantages of either an employer subsidy or a group discount.

Core Programs Important to Mature Workers

This chapter describes the best practices in job and career design, workplace design, work options, hiring and recruiting, methods of leaving the workforce, and maintaining health and productivity on the job.

It also includes ideas for improving programs that respond directly to mature workers' needs, interests, and capabilities and that are central to jobs and career progress as well as good business practice.

The areas most common among winning AARP Best Employers were phased retirement, rehiring retirees, and educational and career opportunities. These activities support recruitment and retention. Programs encouraging retention included phased retirement, modified workplaces, on-site rehabilitation, health benefits for part-timers, special assignments, job transfer opportunities, and training to help employees qualify for new jobs or stay up to date.

In addition to findings from the winning AARP Best Employers applications, this chapter contains data from outside sources.

Best Practices in Core Programs

Best practices in core programs for mature workers are in four main categories: rehiring retirees, phased retirement, educational opportunities, and specialized career options. What unified these categories is their relative prevalence among winning companies as well as how they advance the careers and work/life interests of mature workers to a notable extent.

Rehiring Retirees.¹⁷ While several companies offered informal programs to rehire retired employees on a temporary basis, partly as an informal phased retirement option, certain companies offered formal retiree rehiring programs. In some cases, retirees were informed of employment opportunities through retiree temp pool programs that kept track of their availability, skills, and eligibility, while others were contacted through more informal networks. These programs allowed companies to tap a highly experienced group of retirees during times of greater workforce need on short notice. The advantages of such programs are clear to both the companies and the retirees.

As an alternative, several companies maintained worksite temporary employment

¹⁷ Mercer Human Resource Consulting comments: There are significant legal issues with respect to benefit payments from defined benefit plans and the rehiring of retirees. Tax rules require that before the plan can pay benefits, there must have been a bona fide termination of employment. Statutes and regulations do not provide a specific definition of when a bona fide termination has occurred, and opinions from legal counsel on this issue vary. An employer must consider these legal risks before implementing any rehire program. The information from this research cites practices reported by the AARP Best Employers. The aforementioned practices were taken at face value and are described as they were reported in the program applications. Phased retirement is discussed further in Chapter 8.

agencies and placed employees with more generalized skills in clerical and administrative positions on a contract basis. Some companies used community service organizations (such as AARP's national hiring partnerships) to recruit mature workers who were not their retirees.

Comprehensive Phased Retirement.¹⁸ In contrast to companies offering informal phased retirement programs, some winners had instituted comprehensive phased retirement programs with fairly widespread availability. They allowed employees to work as regular employees in the company at reduced hours while receiving their retirement benefits. The most elaborate of these programs also took into account a key element of the retirement process—the transition of knowledge to replacement workers. In these programs, employees being phased out were paired with their replacements. For the remaining transition period, prospective retirees were encouraged to mentor their successors.

Educational and Training Opportunities for Mature Workers. A common trait of winning companies was their commitment to training. Some companies targeted training, either refresher training or comprehensive

training programs, specifically to mature workers.

Refresher training was most common for engineers and nurses, who were given opportunities to learn new developments in their fields or review previous training and practices after being away from the workforce.

The second category of training, comprehensive training programs, included full reimbursement for post-secondary training and professional development for senior leaders and managers.

Career Opportunities for Mature Workers. A few companies, including several professional service and healthcare firms, have created special career opportunities for mature workers. These opportunities were typically crafted to take advantage of the experience characteristic of mature workers. Off-site “community” assignments for older workers, such as working in local charities to enhance the public image of the company, were one example of such opportunities. Another was to offer mature workers “team leader” responsibilities on the assumption that they would be a steadying influence on junior employees. Dovetailing with these career opportunities were mentoring programs with

¹⁸ Mercer Human Resource Consulting comments: There are significant legal constraints affecting the payment of retirement benefits to phased retirees. For example, under a defined benefit plan qualified under the Internal Revenue Code, in-service distributions are prohibited prior to a plan's normal retirement age. More flexibility is possible with respect to some defined contribution plans. The employer must consider these and other legal issues before implementing any phased retirement program. It should be noted that the information provided by the AARP Best Employers about their phased retirement practices did not provide enough detail to understand how the payment of pensions is managed. Some organizations are believed to have had only defined contribution plans. This was investigated further for some companies and cited in the case studies. The information from this research cites practices reported by the AARP Best Employers. These practices have not been independently verified. Phased retirement is discussed further in Chapter 8.

financial incentives for long-service workers to “pair up” with junior employees to help with their transition into the workplace.

The above discussion provided an overview of the best practices among the core programs. The discussion below expands on some of these areas and provides examples and case studies in order to provide employers with more concrete and actionable ideas.

Job and Career Design

Job and career design are important to employee and employer alike. This section contains case examples illustrating best practices in several areas, including work options, movement between jobs, mentoring, and moving into retirement.

Flexible Work Options and Environment.

Alternative work options include alternatives for schedule, place, and assignment. Employee research reveals that flexibility is an important priority for mature workers. Most of the companies in the study offer part-time and alternative work options. Alternative assignments are less common. Some companies also allow transferring between jobs and shifting assignments. For a longer discussion on flexibility and how it can be applied in different settings, see Chapter 8.

Case Example 5-1: Outside Opportunities for Mature Workers at The Principal Financial Group, Des Moines, IA

The Principal Financial Group, a repeat winner, reported two programs that provide

temporary transfer opportunities for managers and other senior-level employees so that they could work at the local offices of a charity, the United Way, and in international assignments. While posts at the United Way are for 2–3 months, the international assignments are for 2–3 years. Unlike management training programs that aim to cycle newer employees through a broad range of positions, these programs target more experienced and therefore older workers. They receive job and transfer opportunities that would not otherwise be available to them. The posts in charities also serve to promote the company.

Source: AARP Best Employers applications and subsequent communication with the employer.

Case Example 5-2: Job Mobility at Deere & Company, Moline, IL, and The MITRE Corporation, Bedford, MA/McLean, VA

Deere & Company, a repeat winner, reports that in 2004 it launched “a self-nomination process for job openings for career movement.” The company has “many team and special assignments that are provided for development, along with task forces, presentations and steering committees.” As part of the annual performance review process, managers are encouraged to seek opportunities for movement with employees. The advantage is that mature workers receive opportunities for mobility and skill-building that are institutionalized in the company, something that is fairly uncommon in other organizations.

MITRE Corporation, another repeat winner, allows employees to “change jobs without changing employers.” This initiative is designed to encourage internal transfers. Similar to Deere & Company, MITRE encourages managers to offer 8–10% of staff an opportunity to transfer to a new internal job each year. While not explicitly aimed at mature workers, this policy allows workers of all ages opportunities to move laterally and to gain a broader set of experiences. Such policies can lead to higher job satisfaction, greater employee commitment, and a broader knowledge base. There is a risk, however, when employees are transferred to new roles too often. It could reduce their ability to efficiently complete longer-term projects.

Source: AARP Best Employers applications.

Mentoring.¹⁹ Mentoring increases opportunities to transfer skills while creating special assignments and preserving important knowledge. Mentoring is included in core programs because it can be important in creating and expanding opportunities. Mentoring helps an organization transfer knowledge and advice that are not always conveyed through normal training. It also helps companies solve problems that could otherwise block productivity. Mentoring is important to employees being mentored because it helps their career growth. It also

can be a very satisfying experience for the mentor. In some cases, it can help a mentor use skills that otherwise might not be used.

Case Example 5-3: Mentoring Programs at Adecco Employment Services, Melville, NY; Baptist Health South Florida, Coral Gables, FL; and Farmers Insurance Group of Companies, Los Angeles, CA

Several winning companies reported mentoring programs. These programs provide ways to leverage the institutional knowledge of older workers to the benefit of themselves, junior employees, and the company as a whole. These practices may be formal or informal.

Adecco Employment Services matches mature and experienced branch managers with new branch managers to counsel them on strategies and tactics for success. This program also brings new office supervisors together with more experienced supervisors for career counseling and mentoring.

Baptist Health South Florida goes a step further with its Preceptor (mentoring) Program. It gives financial incentives to senior nursing staff who provide guidance to assigned junior colleagues.

At **Farmers Insurance Group of Companies**, more experienced workers can be matched with less experienced employees to help

¹⁹ Mercer Human Resource Consulting comments: Caution is needed in planning and managing mentoring programs. Mentoring can be very important to individual growth. However, formal programs may not work. The mentor-mentee relationship is hard to force. Some mentoring programs are ineffective and others are primarily window dressing. Another pitfall is to ask people to mentor others but not offer any reward or credit for doing so. “Extra duties” assigned to people are often ignored if they do not carry rewards.

them meet personal and professional goals. For the mentor, this is an opportunity to have meaningful interaction with someone who may not be in the same work unit.

These programs have a range of financial, social, and professional benefits for the older worker. They also recognize the value that older employees bring to the workplace. In addition, the programs benefit employers and other employees by facilitating the exchange of company-specific and professional knowledge on the job.

Source: AARP Best Employers applications and follow-up communication with the employers.

Moving into Retirement. For many people, the move to retirement is gradual. The following examples illustrate three approaches to moving into retirement: phased retirement, phased retirement and knowledge transfer, and rehiring retirees. For more about phased retirement and rehire policies, including some cautions about the legal uncertainties, see Chapter 8.

Many of the AARP Best Employers offered some form of phased retirement. However, the institution of phased retirement and ways for employees to take advantage of these options differed widely. Phased retirement benefits both the employee and the employer. Employees get to move gradually into retirement, while employers avoid the sudden loss of valuable experience and company-specific knowledge. Ideally, phased retirement options allow departing employees to transfer firm-specific knowledge and relationships from older workers to younger replacements.

Case Example 5-4: Phased Retirement Options

Of the AARP Best Employers with phased retirement programs, several allow employees to collect full retirement benefits and receive health and ancillary benefits while continuing to work on a part-time basis or at reduced hours. This is especially true among healthcare organizations. **SSM Health Care**, St. Louis, MO, and **Bon Secours Richmond Health System**, Richmond, VA, allow their long-tenured employees to do this once they qualify for retirement. Other winners, such as **St.**



Mary's Medical Center, Huntington, WV, adjust pension calculations to allow workers in their final years of employment to reduce hours without decreasing their final pension benefit. St. Mary's notes that these options are typically taken by mature workers who have not yet reached retirement age. It allows mature workers to cut down on their hours without risking loss of retirement benefits in the final years of their employment. This particular program, in fact, was influenced by employee demand.

A different aspect of phased retirement deals with work schedules only, as opposed to pension calculations. Some companies allow long-tenured and older employees to stagger or reduce their work hours, often to part-time or per-diem status, without jeopardizing non-pension benefits that otherwise would not be available to part-time workers. Several winning companies had formal programs that fit this profile, while others had informal arrangements that were implemented at the discretion of individual managers.

Additional practices encourage work after retirement but not through formal phased retirement options. These practices encourage the hiring of retired workers in part-time and contracting positions. These workers have jobs that are similar to what they had before retirement, but they receive the pay and benefits of part-time employees. Such arrangements offer flexibility in work options as employees begin retirement and

can be attractive to smaller firms where elaborate phased-retirement planning is unrealistic. Examples of these arrangements were reported by several winners, including Adecco Employment Services and Baptist Health South Florida.

Source: AARP Best Employers applications and follow-up communication with the employers.

Case Example 5-5: Knowledge Transfer Paired with Phased Retirement at Pinnacle West Capital Corporation, Phoenix, AZ

One of the objectives of a phased retirement program is to aid in the "passing on" of important knowledge that many mature employees have. One winner, **Pinnacle West Capital**, has a knowledge-transfer program whereby a soon-to- retire employee trains his or her replacement within a certain time and has considerable flexibility during this time to arrange his or her work schedule. Employees do not have formal rules or guidelines about what to share and how, but they are strongly encouraged to let others know when they are departing and what knowledge they wish to transfer beforehand. Pinnacle West Capital attributes, in part, its very high customer satisfaction scores to its programs of knowledge sharing and employee transition. Through these programs, both the company and the employee reap benefits during the retirement process.

Source: AARP Best Employers applications and follow-up communication with the employer.

Case Example 5-6: Rehiring Retirees at AARP Winners Hoffmann-La Roche, Inc., Nutley, NJ; The MITRE Corporation, Bedford, MA/McLean, VA; and St. Mary's Medical Center, Huntington, WV

Several winning companies target retirees in their recruitment efforts. Their programs include hiring retirees as temporary and replacement workers and creating pools of retirees to call on in times of increased labor demand. Other programs reintroduce retirees as full-time participants in the workforce.

Hoffmann-La Roche places former and retired employees in temporary jobs. **MITRE Corporation's** "Reserves at the Ready" program established a "part-time on call" group from company retirees. In this program, employees are connected to the department from which they retired and may be called back to work on a part-time basis. MITRE Corporation has found rehiring particularly useful for large projects, mentoring new employees, and staffing short-term and one-time tasks. **St. Mary's Medical Center** targets nurses to encourage re-entry training and rehiring with a flexible work schedule. The program is intended to meet the personal work/life situation of retired employees and employees returning to the workforce after a long absence. St. Mary's Medical Center reports particular success with this program, noting that many returning workers prefer the part-time work option. In addition, returning mature workers bring a wealth of experience to the job that new entrants do not have.

The many advantages of rehiring retired employees include their proven job skills and familiarity with the existing culture, norms, and practices. It makes business sense to do so. Programs such as these benefit all parties and take advantage of an otherwise untapped resource.

Source: AARP Best Employers applications and follow-up communication with the employers.

For more discussion about phased retirement and rehire policies as well as tips for implementation of a program and some cautions about the legal uncertainties, see Chapter 8.

Workplace Design and Modification

Just as jobs are important to workers, so is the workplace. Workplaces vary. In some cases, the workplace is inconvenient for all but even more so for mature workers. For example, some workers may have some vision problems. Their employers can make sure the lighting is adequate and set standards for larger type on company documents and on computer screens.

Main considerations include lighting, noise and sound levels, and lifting or standing required for jobs.

Work environments can be modified for all or special modifications can be made to fit the needs of individual workers, sometimes in response to an individual request or disability.

General Modifications in the Workplace.

More comprehensive programs look at the workplace and the way work is done. As processes and manufacturing become more



automated, workplaces are modified on a regular basis. Although workplace modification has not yet been a common response to the maturing workforce, it may make the workplace much less demanding with regard to physical work. Two case studies follow.

Case Example 5-7: Workplace Redesign at Baptist Health South Florida, Coral Gables, FL

One winner took considerable action to help long-service nurses avoid muscular or skeletal injury when moving patients. **Baptist Health South Florida** installed new patient beds throughout its hospital system to “minimize the constant stresses and strains nurses endure by lifting and moving their patients.”

These beds, which fold into a sitting position so patients can get out of bed more easily, were purchased with donated funds. Workplace redesign such as this is an example of changing the workspace to accommodate mature workers in a way that benefits both workers and employers. Redesign often reduces worker injuries, improves patient care, and avoids the cost of workers’ compensation claims and replacement of injured workers.

Workplace modification allows Baptist Health South Florida to keep using a key group of talented employees who otherwise would have trouble doing their jobs. It is an important source of productivity improvement.

Source: AARP Best Employers applications.

Case Example 5-8: Ergonomics: An Investment in Safety and Productivity

International Truck and Engine Corporation turned its manufacturing process upside down, literally, to create a safe and comfortable environment for employees. To start the manufacturing process for their two new lines of trucks, International set up a task force of employees from various departments. The task force concluded that the awkwardness of building trucks from underneath caused frequent work-related injuries.

Their solution: turn the chassis upside down and replace heavy hand-held tools with more ergonomic suspended tools. International employees are much happier in the safer work environment, and a happy worker

means a more productive worker. Work-related injuries are down, and management is thrilled by the increase in productivity. Now the Springfield plant is one of the most efficient plants in the nation, manufacturing over 150 trucks in an eight-hour shift. International has proven that resolving ergonomic issues to employees' satisfaction can be an inexpensive way to improve the company's bottom line. Such changes also enable workers who otherwise would find specific jobs too physically demanding to continue with these jobs and be productive.

Source: Mercer information on good workplace practices and information from International Truck and Engine Corporation.

General workplace modification is important to employees because it enables them to do jobs that they could not do otherwise or that they would find stressful. Individual modifications do the same, but for one employee at a time.

Modifications Responding to Focused Needs. Individual accommodations are also important to the employer and employee. They enable the organization to retain valued talent. For some employees, continued work is possible only with accommodations. For others, continued work would be possible, but it is much more attractive with modification.

Such modifications can be as simple as a change in lighting, a different kind of chair, or larger type on their computer screen. Changes may be more difficult to accommodate workers who become

disabled. Options include rehabilitation and return to work or remaining on disability. Job and workplace design have an influence over whether employees can return to work. Examples in this category follow.

Case Examples 5-9: Individual Accommodations

- **Massachusetts Institute of Technology (MIT), Cambridge, MA.** MIT's Disabilities Services helped a mature employee who had developed repetitive strain injury and vision impairment. They gave her an ergonomic chair, text-enlarging software, voice-recognition software, and an ergonomic keyboard and mouse.
- **MITRE Corporation, Bedford, MA/McLean, VA.** MITRE installed voice-activated software for an employee who had developed carpal tunnel syndrome. This software allowed the employee to continue working.
- **The Principal Financial Group, Des Moines, IA.** The Principal purchased a magnicam to help an employee with vision difficulties. The employee can place paper documents under a camera and view the documents on a TV monitor. The company also supplied a special chair to an employee with Parkinson's disease. The chair has glides instead of wheels because the employee's movements caused the wheels to move.
- **Thomson West, Eagan, MN.** The company purchased an electric scooter for an employee who had walking problems.

The employee is now able to move through the building more easily.

- **Pitney Bowes, Inc., Stamford, CT.** The company offered to retrain a mature employee with a chronic heart condition. The employee had previously worked a strenuous job and then successfully moved to a less strenuous job that required computer skills.
- **DentaQuest Ventures, Inc., Boston, MA.** For an employee with carpal tunnel syndrome, DentaQuest Ventures provided a new computer mouse and armrests that helped the employee perform effectively.
- **Adecco Employment Services, Melville, NY.** A blind IT help desk analyst was given special hardware and software as well as a workstation large enough for his dog. A buddy system helps him navigate the building.

Source: AARP Best Employers applications.

With jobs that require strength, lifting, and dexterity, modification may not only enable mature workers to continue working longer but also reduce injuries and increase productivity for all workers. Modification can be combined with rehabilitation. Best practices call for tailoring rehabilitation to each job situation.

Rehabilitation: Going Beyond Job Modification. Job-site rehabilitation services can be a very effective way to help employees with short-term disabilities get back to work in the right settings. The advantages are both physical and psychological. The therapist first gains a

detailed understanding of the employee's specific job requirements. The therapist can then work with the supervisor to see if simple modifications will make rehabilitation easier.

Case Example 5-10: Returning to Work: Healthy and Fit for Work

Employees at International Truck and Engine Corporation can retire healthier than they were on their first day on the job. That's because the company provides worksite physical therapy services for employees suffering from work and non-work related illnesses and injuries. The company benefits through facilitating a return-to-work program. After being off work for an average of nine months, 63% of employees in the transitional return-to-work program improved their health during the program and were able to return to work on a full-time basis three months later. The secret, according to International, is that the physical therapist works with the employee and the work environment. Because of variations in individual work environments and job requirements, the therapist's critical eye in observing the employee's interaction with the job requirements leads to a tailored treatment plan for each patient. An on-site physician enhances the team approach to care management for rehab patients. While rehabilitation services are similar to offerings outside the workplace, the level of care in the company program is comprehensive. Ongoing monitoring is facilitated by encouraging rehab patients to continue using the state-of-art fitness facility, which is run by the physical therapy staff. Seven out

of 10 fitness center members are former and/or current rehab patients actively maintaining their post-rehabilitation health.

Source: Mercer information on good workplace practices and information from International Truck and Engine Corporation.

Many companies promote safety on the job as part of their injury management programs. Modifications to make the workplace friendlier for employees with physical limitations are part of this. By teaming with the risk manager and industrial medicine specialists, the human resource manager can meet several goals at once.

Training, Lifelong Learning, and Professional Development

In this area, the most common changes faced by employers relate to

- The structure of businesses as they merge or enter new lines of business.
- Operations of businesses as they automate and restructure processes.
- Job requirements as people move into new roles.

These changes challenge employers. The majority of AARP Best Employers make training available to their workers. However, training directed at mature workers is fairly rare: few companies showed examples of training that targeted this group. Some do however; these examples follow.

Case Example 5-11: Lifelong Learning at The Principal Financial Group, Des Moines, IA, and Educational Opportunities at The Ohio State University Medical Center, Columbus, OH

One winner, **The Ohio State University Medical Center**, is exceptional in this regard, which may not be surprising given its setting within an educational institution. The Medical Center cited two programs for the career enhancement of mature workers. First, "Program 60+," allows anyone over the age of 60 (at the Medical Center or in the community) to audit any college class free of charge. Second, the center offers the "Bridge Program," for mature workers who have been out of school for some time or who have anxieties about returning to or beginning college.

In another example, **The Principal Financial Group** created a program called "Lifelong Learning." Its employees are encouraged and, in fact, held accountable for upgrading their knowledge and skills throughout their careers. Rather than focusing the training programs on new hires and younger workers, The Principal advocates a career-long learning process. It enhances the educational opportunities of long-service and older workers. An example of this is its Managing Diversity course, which includes examples and a case study that focus on the need and value of developing older workers. As part of its overall commitment to employee development, The Principal is revising its entire core curriculum. The revised program will address leadership and

management, high performance, engaged employees, business and financial acumen, corporate responsibility, and improved productivity (including wellness). The Principal expects all employees to have an individual development plan supported through the company's development consultants and human resource generalists.

Source: AARP Best Employers applications and follow-up communication with the employers.

Case Example 5-12: Partnering with Local Colleges at Loudoun Healthcare, Inc., Leesburg, VA

One strategy for developing needed skills in scarce specialties is to collaborate with local educational institutions. This option brings the classroom to the workplace, making it convenient for current employees to receive training and to upgrade their skills. This is especially true for technical and clinical skills that are not easily taught through online offerings.



Loudoun Healthcare, a recent winner, designed this type of program with George Mason University in Fairfax, VA. The University held classes in its Master of Science in Nursing program at Loudoun Healthcare facilities. Current employees are encouraged to join the program through a tuition forgiveness program funded through the hospital. The organization reports that this opportunity to pursue continued education is a terrific retention and recruiting tool. Since the program began in 2001, dozens of nurses have furthered their studies. Through this best practice, Loudoun Healthcare furthers the careers of all workers, including mature workers, while addressing the need for more trained nurses.

Collaborating with local colleges will become increasingly important in areas with scarce skills in the future. Examples are industries that employ machinists, carpenters, electricians, and other technicians. Traditionally, apprentice programs were used to train workers for these jobs. However, many of these jobs are not favored by today's entrants into the workforce.

Source: AARP Best Employers applications and follow-up communication with the employer.

Culture and Communication

A positive workplace culture, particularly one that values employee feedback and encourages open communication, can be the key to success when instituting new programs. Such programs work in large part because people make them work.

Case Example 5-13: Corporate Cultures Promoting Long Service: The PALS (Personnel Achieving Long-Term Service) Program at Children's Health System-Birmingham, Birmingham, AL

Long service and age go hand in hand. Many organizational cultures that put a premium on long service directly acknowledge the contributions of mature workers. While most companies have programs that celebrate anniversaries through award and recognition programs, a number of AARP Best Employers stood out in their culture of promoting long service. **Children's Health System-Birmingham** has the PALS (Personnel Achieving Long-Term Service) program for long-term employees. The group meets monthly for breakfast to discuss issues such as retirement and wellness. It also sponsors philanthropic activities.

While on the surface, programs such as the above offer few explicit career-enhancing benefits, they do provide material benefits (such as additional time off) as well as a broader recognition by the organization that older workers are valued for their skills and contributions to the company as a whole.

Source: AARP Best Employers applications.

Case Example 5-14: Corporate Cultures that Value the Mature Worker

AARP Best Employers view their mature employees as a resource to be cherished rather than a liability to be minimized. They therefore gear their programs and practices toward enhancing and enriching the careers of mature workers. Several examples of such programs and practices can be cited.

- **Bon Secours Richmond Health System, Richmond, VA**, included the Director of Senior Services on its diversity team specifically to address senior employee issues.
- **The Vanguard Group, Valley Forge, PA**, provides diversity training on age issues for its managers.
- **Scripps Health, San Diego, CA**, trains managers as to the motivators, demotivators, and communication preferences and strategies for various age groups, including mature workers as well as new entrants into the workforce. This training is called "Crossing the Generation Chasm."
- **Baptist Health South Florida, Coral Gables, FL**, made a commitment to mature workers through its "Employee Advisory Groups." Besides diversity classes, this program deals with age-related issues and gives mature workers an opportunity to offer feedback.

Programs like these foster diversity awareness and give mature workers a chance to present their concerns. These programs communicate to all employees that the organization and its leaders value mature workers and recognize their needs.

Source: AARP Best Employers applications and follow-up communication with the employers.

Understanding Organizational Culture.

Some organizations have a culture in conflict with the changes that an aging workforce may require. Because an organization's culture cannot change overnight, it is very important to create a plan to foster a culture that supports demographic changes and the

company's strategies for addressing them. To begin with, organizations need to understand current cultural perceptions of all age groups in areas that will become increasingly important in the new workplace. Companies need to ask:

- Is the organization “friendly” to employees of all ages?
- Does the organization view all workers, including mature workers, as potential important contributors to business success?
- Is it “safe” for more experienced workers to share their knowledge?
- Does the organization have spoken or unspoken values that support or undermine the effectiveness of its more experienced workers?
- Is the organization attractive to long-service, mid-career, and late-career employees and recruits?
- Is the environment conducive to alternative work arrangements?
- Do rewards, including compensation, align well with the culture?

When change is needed, organizations can answer these questions using both qualitative and quantitative tools such as employee surveys, focus groups, and targeted interviews along with demographic analysis. Then the organization can pinpoint problem areas, target actions to change values and attitudes, and measure progress.

Benefits for Part-Time Workers

Employees consider many factors in deciding whether to work on a part-time basis. Employer-provided health benefits are often a key consideration.

Case Example 5-15: Changing Benefit Requirements for Part-Timers at Massachusetts Institute of Technology (MIT), Cambridge, MA, and Stanley Consultants, Inc., Muscatine, IA

Because mature workers have different needs, not all mature workers will find part-time work attractive. A major reason is benefits eligibility, especially for health care coverage. Some mature workers may desire to work part-time but may be reluctant to do so if such a change in status would lead to a loss of health insurance. Several of the AARP Best Employers have found ways to address this issue by making their part-time staff eligible for benefits. Levels of coverage and required employee contributions vary by employer. For example, at **MIT**, employees who work at least half time are eligible for the same benefits at the same cost as full-time employees. At **Stanley Consultants**, part-timers pay pro-rated benefit premiums that are based on the number of hours that they work. In these cases, employers promote expanded benefit options to part-timers in order to recruit older workers.

Source: AARP Best Employers applications.

Providing health benefits for part-time workers is difficult for some businesses because health insurance can be expensive. For employers, offering health benefits can be a mixed blessing, even without the cost considerations. Doing so helps attract mature workers, but it also may enable some full-timers to switch to part-time work. Such programs can either support or hurt the talent management objectives of a firm, depending on the situation.

Recruiting Practices

A focus on mature worker hiring is found in temporary agencies, in the rehiring of retirees, and in specialized programs for mature-worker hiring. Among the AARP Best Employers, those with specific skill shortages, such as healthcare organizations, were more likely to focus on rehire of retirees generally. Most of the companies hire from a variety of places, but only a few target mature workers. Case examples follow.

Case Example 5-16: Attracting Older Workers with the “Bridgement of Service” Policy at Baptist Health South Florida, Coral Gables, FL

As companies in tight labor markets seek ways to expand their pool of potential employees, repeat winner **Baptist Health South Florida** devised a way to make returning to employment more attractive for long-service employees who had left. It instituted a “bridgement of service program” giving rehired employees credit for previous service at the company. The credit can be applied toward benefits eligibility, service awards, and time off. Employees who



returned within five years of leaving were able to pick up where they left off in terms of accrued service. Baptist Health South Florida reports that many mature workers have already taken advantage of this program. Practices such as these favor the mature worker, who tends to have longer service, while providing added inducement for recruiters seeking difficult-to-find skilled workers.

Source: AARP Best Employers applications.

Case Example 5-17: Creative Hiring at Adecco Employment Services, Melville, NY

Adecco Employment Services, another repeat winner, uses creative hiring practices to attract and place older people in temporary jobs. Called the Renaissance Program, it begins with special recruitment materials to inform workers about the training and employment opportunities open to them as temporary employees. Adecco also offers recruits extra benefits. The program helps mature workers who want to enter the workforce on a temporary basis, and it creates a larger pool of potential recruits for Adecco.

Source: AARP Best Employers applications.

Case Example 5-18: Community Partnerships that Create Opportunities for Mature Workers

On February 6, 2004, The Home Depot and the AARP Foundation launched a national partnership to recruit and employ experienced people in various positions in Home Depot locations across the country. As part of that partnership, The Home Depot collaborates with the AARP Foundation Senior Community Service Employment Program (SCSEP). The National Hiring Partnership is an integral part of SCSEP's employer-based philosophy. SCSEP learns about Home Depot's job opportunities, training requirements, application procedures, hiring trends, and work environment. SCSEP then makes referrals and trains participants to become more qualified applicants.

AARP Foundation SCSEP is a work-training program funded by the U.S. Department of Labor and administered by the AARP Foundation for low-income people aged 55 and older. It helps people in need restore their self-confidence and find a job. Today AARP SCSEP is one of 10 national sponsors of these programs. In the year ending June 30, 2002, 49% of enrollees nationwide were minorities and 13% were disabled.

Partnerships such as the one with Home Depot help mature workers re-enter the workforce and provide employers with access to a growing population of potential employees. The AARP Foundation is expanding this model to provide information to all mature job seekers, even those that do

not qualify for SCSEP. The Foundation will soon be seeking applications from other corporations interested in such hiring partnerships.

Source: AARP and Home Depot Web sites.

Locating jobs is a major concern for mature workers. Many are displaced through downsizing, mergers, and offshoring of work. Others find their retirement savings to be inadequate and decide to seek work after retirement. Although some, such as nurses, have skills in high demand and many options, many other groups have difficulty finding work.

Health and Productivity— An Opportunity

This analysis of the applications showed good employers providing health benefits, and in some cases supporting wellness. However, the applications provided little information on the link between health and productivity. Added research showed that there is such a link and that capitalizing on it represents a great opportunity for the future. A factor relating to productivity may be the use of prescription drugs by older workers. Prescription drugs often have side effects and cause adverse reactions. Some people suffer from interactions when taking several drugs at the same time. In some cases, less than optimal prescription drug use can be disabling and can reduce work performance. The following cases describe how some companies address these issues.

Case Example 5-19: The Burden of Allergies in Heavy Manufacturing

The impact of seasonal allergies on the health, safety, and productivity of workers may be overlooked, according to a recent study by International Truck and Engine Corporation. The Allergy Project study sought to improve the management of allergies and understand the effect of allergies on productivity. The project included a variety of educational components to improve the management of allergies. For example, the company distributed articles on allergies, posted information on company billboards, and called in a consulting allergist. It also told employees about the advantages and disadvantages of different medications and the benefits of taking medications as directed.

The study also looked at how allergies affected productivity. Productivity levels dropped as spring and fall approached and rose again when summer and winter arrived. The study revealed that employees diagnosed with allergies and taking sedating medications were 4.2 times more likely to have an accident at work. Looking beyond the direct costs of pharmacy benefits proved to be valuable for both the employer and the employee by leading to better worker management and greater health awareness, which may result in increased productivity.

Source: Research published by International Truck and Engine Corporation. W. Bunn. "Burden of Allergies in Manufacturing Environment," Journal of Occupational and Environmental Medicine, vol. 45, September 2003.

The case studies above and below show how making prescription drug coverage more

generous and improving compliance with directions for taking prescription drugs can improve productivity.

Case Example 5-20: Improving Prescription Drug Benefits at Pitney Bowes, Inc., Stamford, CT

A number of years ago, **Pitney Bowes, Inc.**, restructured its prescription drug benefit program to a three-tier model and moved from co-payments to coinsurance rates of 10%, 30%, and 50%. (Employees now have different levels of coinsurance rates: 10%, 25%, and 35%.) The highest tier of coinsurance applies to brand-name drugs that have a generic alternative. This structure has encouraged employees to purchase generic drugs, saving both the employee and employer money.

After seeing some success with the move to the three-tier model, Dr. Jack Mahoney, the firm's medical director, had a new idea. He noticed that one consequence of increasing healthcare costs was that patients were less likely to take medications as often as directed. Dr. Mahoney modified the prescription drug formulary and moved some drugs to Tier One (10% coinsurance) to reduce the cost for employees needing to purchase these drugs. The goal was to increase medication compliance by reducing medication costs and thereby improve health outcomes for patients with these conditions. Interim results show a decrease in median healthcare costs for asthma and diabetes of 9 to 15%.

Source: Wall Street Journal, May 10, 2004, and follow-up communication with the employer.

Injury management also can affect health and productivity. As people age, the incidence of chronic illness increases. Chronic illness can lead to workplace injuries. However, the experience with workplace injuries may be quite different across companies. In companies with good injury and accident prevention programs, mature workers learn how to avoid injuries and may have lower accident rates than younger employees. Accident prevention occurs through employee education and job and workplace design.

Summary

The AARP Best Employers offer many commendable formal programs to support flexible career and retirement options for mature workers. These options include many programs that respond directly to mature workers' needs and interests, such as phased retirement, rehiring retirees, mature worker-focused recruiting programs, restructuring job environments, special assignments, mentoring, and training programs. The AARP Best Employers have been creative as they developed these workplace alternatives.

However, there is room for further improvement and innovation in core programs related to productivity.



Programs of Significant Value

Unlike the “core programs” in Chapter 5, programs of significant value do not relate to job design and do not create career opportunities. Their economic value goes beyond the basics of good and fair compensation and standard employee benefits. These programs give mature workers a better than average deal, especially when they include retiree health benefits.

For employers, these programs are important because they help recruit and retain mature workers, an advantage in many ways, especially with a growing shortage of skilled workers and the impending retirement of boomers.

Best Practices in Programs of Significant Value

The five main categories of programs of significant value are highlighted below. More practices relate to recruiting and retaining mature workers than to making mature workers more productive.

Compared to the AARP Best Employers recognized in previous years, the 2004 honorees appeared to be more focused on age and age-related issues. Such programs were conspicuously absent in earlier years. This suggests that employers are recognizing the importance of having a mature workforce. Many employers also realize that they will face different issues over the next few years as the workforce ages than they did in the 1990s.

Preparing for Retirement. Many AARP Best Employers offer programs that help workers prepare for retirement. Some are informal, phased retirement programs and others offer education on retirement-related issues.

As discussed in Chapter 5, phased retirement can take many forms, and different companies have different programs. Some employees create informal phased retirement arrangements using the flexible work options that are available to all or most employees. This chapter describes these informal phased retirement arrangements, which are often less comprehensive than those that would be considered core programs. Some of these less comprehensive phased retirement programs allow employees to work reduced hours without drawing from retirement benefits. In these cases, employees are still regular employees and are usually covered under ongoing employer-provided benefit programs for active employees, including retirement programs, health benefits, life insurance and disability. They just work reduced hours, at reduced pay, as they move toward full retirement. Often the same work and benefit options are available to all employees, so they are not exclusively for mature workers.

In other cases, employees are allowed to retire and begin collecting retirement benefits. They then are rehired on a temporary or informal basis (without receiving employee benefits that are provided to active employees). Rehired retirees not

returning to the status of a regular employee receive retirement benefits according to the company's benefit plans and the pay or consulting fees specified by the contract for service between the company and the individual. These informal types of arrangements are rarely available to all employees; rather, they tend to be offered on an individual-by-individual basis.

In addition to the informal and discretionary forms of phased retirement, several employers educate mature employees on their retirement options and the changes to expect as they prepare for retirement. Most of these practices consist of financial management classes and training, with a scattering of training and education on retirement issues such as healthcare options, wellness issues, and family-related issues. In most cases, these classes align with the organization's business (e.g., financial services, pastoral care, and healthcare). They usually are single or half-day seminars for all employees, regardless of age. Notable exceptions are described below in separate case examples below.

Expanded Benefit Offerings. This category centers on particularly generous benefits offered by some companies for mature workers. Most involve finances. The most common was allowing "catch-up contributions" to 401(k) plans, legally available only to workers aged 50 and older; the company may match the employee's

contribution. Some companies offer long-term care insurance at a group purchase discount or at rates subsidized by the employer as well as flexible spending accounts for eldercare.²⁰ In one exceptional case, the employer allowed employees to claim a "legally domiciled adult" such as a parent as a dependent eligible for healthcare coverage.

What unified this category was the targeting of benefit spending on mature workers. This indicates a conscious choice by the employer to provide benefits of importance to this group in order to attract more workers or encourage current workers to stay longer.

Workplace Flexibility. Workplace flexibility was a repeated theme among best practices of value to mature workers. Examples include job sharing, paid time-off banks, flextime, and work-at-home options. Unlike the formal programs that were categorized as "core" programs, these programs tended to be more informal and at the discretion of managers and supervisors. They also tend to be limited, special purpose flexibility programs for caregiving.

- Job sharing allows two workers to share the same job, thus giving mature workers, including those reentering the workforce, a reduced work-hours option.
- Paid time-off banks allow employees to "donate" unused paid time-off to a central "bank" that employees in need

²⁰ A Flexible Spending Account is a benefit arrangement that allows pre-tax dollars to be deposited in a special account for use for specified purposes. These accounts are authorized under Section 125 of the U.S. Internal Revenue Code.

can draw on. Mature workers with family concerns such as caring for elderly parents may benefit greatly from this practice.

- Flextime gives mature workers greater options as to the timing of their work day, allowing them to choose the start and stop times for their work day within established limits. This option also can serve as a stepping stone to retirement. This type of workplace flexibility can be seen as an additional work/life perk to persuade employees considering early retirement to stay employed longer.
- The option to work from home some or all of the time is available at a number of service-related companies. Like flextime, this practice gives mature workers greater scheduling options. It also helps persuade employees considering early retirement to stay longer.

Best Practices in Age-Related Employee Issues. These types of best practices come in two subgroups: training and education and policies and practices that address mature worker concerns.



Several 2003 and 2004 AARP Best Employers offer programs to educate employees about eldercare and other issues of concern, and to train managers about age discrimination, workplace accommodations, and other matters related to managing mature workers. Many such programs are half-day seminars and workshops for certain groups in the company. Less common is education such as age diversity training required for all employees.

Some employers created Employee Advisory Groups, Policy Councils, and Inclusion Task Forces to hold forums on a broad spectrum of issues, including diversity. Winning companies provided concrete examples of the roles these forums play in advocating the needs and concerns of mature workers.

Work-Related Training. Although work-related training was infrequently mentioned by the AARP Best Employers, a few winning companies demonstrated a commitment to work-related training. In most cases, companies with training programs in this category offered them to all employees, including mature workers. Programs in this category do not differentiate between different employee groups and, consequently, represent more generalized training than the mature worker-targeted training opportunities described in Chapter 5. Because training programs in this category target all employees, they are of greater benefit to mature workers than programs geared to entry-level workers, who are typically young. As a best practice, several winning companies pointed out that their training programs were open to all workers

regardless of age. These companies said that they encouraged all employees to upgrade their training as part of their yearly performance review.

The above discussion, which was based on the analysis of the AARP Best Employers applications, provided an overview of the best practices among the programs of significant value. The sections below expand on some of these best practices and provide examples and case studies in order to provide more concrete and actionable ideas.

Retirement Benefits and Programs Beyond Cash

As mentioned above, many winning companies enable their mature employees to prepare for a secure retirement financially. Examples follow.

Preparing for Retirement. Retirement planning education is important. Retirement without adequate planning can lead retirees to unpleasant surprises such as the inability to maintain their pre-retirement standard of living and dependence on government programs or family. Without good planning early enough, some employees may discover they cannot afford to retire. To help with an orderly retirement process that meets the needs of employers and employees, many organizations offer fairly sophisticated financial planning seminars. Not surprisingly, the most comprehensive financial planning support was offered by employers in the financial services and banking sectors. Companies that do not have such obvious internal expertise tended to bring in experts on a regular basis to counsel employees.

Case Example 6-1: Employee Financial Advice at The Principal Financial Group, Des Moines, IA; The Charles Stark Draper Laboratory, Inc., Cambridge, MA; and Thomson West, Eagan, MN

At one end of the spectrum is the very comprehensive offering of **The Principal Financial Group**. The Principal has an employee financial center that makes the firm's services available to all employees. While The Principal provides the same services to customers, employees pay lower fees.

As of 2002, **Thomson West** hosted quarterly one-hour group information sessions for employees. After the sessions, employees may meet one-on-one with a financial planner. This benefit is available to all employees, presumably on an elective basis.

At **The Charles Stark Draper Laboratory**, employees may attend ongoing seminars on retirement planning, college savings, transitioning to retirement, healthy lifestyles, and estate planning. The financial planning covers a range of topics instead of just mature worker issues such as retirement.

The foremost benefit of these programs is education of the workforce. Informed employees make informed choices, and they presumably draw greater personal and economic security from these choices. For The Principal, the program details what the organization does as part of its core business: retirement planning. Therefore, employees get a better sense of the company's offering and the benefit to potential customers.

The trend away from traditional pension plans to retirement plans that shift the responsibility for retirement security from the employer to the employee has increased the importance of retirement planning.

Source: AARP Best Employers applications and subsequent communication with the employers.

Added Cash Benefits. In addition to planning services and work options, companies also provide some benefits that either target mature workers or focus on issues more likely to confront them. Two such benefits are “catch-up” contributions in 401(k) plans and flexible spending accounts for eldercare. With these benefit programs, employees use their own money in a more tax-efficient way to improve their personal financial situation.

Pension plans are permitted to include special provisions to allow employees aged 50 or over to make additional contributions up to a limit (catch-up contributions). While these provisions have been available in 401(k) plans only since 2002, parallel provisions have been possible for many years in other types of plans, such as in those offered by not-for-profit organizations. AARP Best Employers who allow employees to make such catch-up contributions are: **Lincoln Financial Group**, Philadelphia, PA; **Children's Health System-Birmingham**, Birmingham, AL; **Deere & Company**, Moline, IL; and **The Principal Financial Group**, Des Moines, IA.

Case Example 6-2: Flexible Spending Accounts for Eldercare at Volkswagen of America, Inc., Auburn Hills, MI

An added benefit in several winning applications was flexible spending accounts for eldercare. In many instances, companies had set up flexible spending accounts so employees could put away money for eldercare on a pre-tax basis. While a company rarely matches the contributions to these accounts, it does bear the cost of administering the program. **Volkswagen of America** allows workers to allocate \$5,000 in pre-tax earnings to such accounts. Although most employees use this program for childcare, Volkswagen also directs this program to mature workers who may need it to care for aging dependent parents. By steering funds into a mature worker-focused benefits program, Volkswagen sends a message to the employees that the company values them.

Source: AARP Best Employers applications and follow-up communication with the employer.

Retiree Health Benefits. The availability of health benefits is an important factor in the employment decision. Unless coverage is available through another family member, most people will not choose jobs without health benefits. Healthcare coverage is one of the most valuable benefits in the retirement package, although it is not available to many people.

Health benefits are also a critical issue for retirees, particularly those not yet eligible for Medicare. The U.S. healthcare system is based heavily on employer coverage. Retirees

who are not yet eligible for Medicare and have no employer coverage, particularly those in poorer health, often face few coverage options and extremely high prices.

The Employee Benefit Research Institute (EBRI) provides a perspective on future coverage. EBRI says:

Very few retirees are expected to be eligible for retiree health benefits in the future. Retiree health coverage generally is offered only by large employers, as very few small employers ever offered the benefit and more than half of private-sector workers are in firms with fewer than 500 employees. In 2000, only 11% of all U.S. private establishments offered retiree health benefits to Medicare-eligible retirees and only 12% to “early” retirees under age 65.²¹

Employees working in firms with this coverage usually need to satisfy eligibility requirements by working to retirement age and for a minimum number of years.

In spite of the value of this coverage, retiree health benefits tend not to be a significant consideration when workers choose a job because:

- Health benefits for retirees are usually available only to those who stay to retirement age and have long service at retirement. Many workers hired before mid-career will move on to another employer before qualifying for the benefit.
- Plan offerings can be changed at the will of the employer: virtually all retiree health



plans include the right to change or terminate the plan.

- Retiree health benefits are seldom provided by small or even mid-sized employers. These benefits are also rare in many industries.

People working in organizations offering this coverage often consider it when making plans about how and when they will leave. For mid-career employees choosing a job or considering a job change, retiree health coverage can be a very important consideration.

Promoting Health and Wellness

Some employers believe in offering preventive health services and workplace education to improve workforce health and productivity. Workers benefit through improved health, and employers benefit through improved business results. Depending on the situation, improved business results can come in the form of lower injury rates, increased productivity, lower absences, better morale, and fewer or

²¹ Source: EBRI *Issue Brief* No. 254, Executive Summary, February 2003.

less costly health claims. Programs can be comprehensive or fairly simple. Flu shots are a straightforward way to reduce absenteeism. Health fairs offer a variety of screenings. More complex programs include in-house medical facilities and/or fitness centers.

An additional discussion of how health fits into the total picture appears in Chapter 8. Below are some best practice examples in this area.

Case Example 6-3: Health and Wellness Programs at St. Mary's Medical Center, Huntington, WV, and The Principal Financial Group, Des Moines, IA

A challenge for companies with mature workforces is contending with medical problems related to the aging process. Many companies promote wellness and healthy lifestyles among both current employees and retirees. **The Principal Financial Group's** Forever Young program focuses on retired employees. Few wellness programs, however, are as comprehensive as those of **St. Mary's Medical Center**. St. Mary's makes many diagnostic and preventive services available free to mature female employees (e.g., screening for breast cancer and skin cancer and cervical exams). St. Mary's also provides a range of services to all employees. Examples include free annual checkups, year-round wellness activities such as yoga, nutritional counseling, smoking cessation, and a discount on membership in the YMCA's senior wellness program. All of these programs serve a dual purpose—increasing the health and wellness of employees and

retirees through preventive care while decreasing the healthcare costs associated with an aging workforce.

Source: AARP Best Employers applications and follow-up communication with the employers.

Case Example 6-4: Wellness Programs at The MITRE Corporation, Bedford, MA/McLean, VA

At **The MITRE Corporation**, an engineering research firm, over one-third of the workforce is considered mature—aged 50 or over. In addition, approximately one-quarter of its yearly hires are in this demographic category. As outlined elsewhere in this report, as a workforce ages, it is important to maintain levels of health and wellness. Doing so not only decreases the cost of healthcare for the employer but also leads to greater levels of wellness among employees, higher morale, work satisfaction, and productivity. These increases in productivity then can translate into wage- and performance-linked rewards and can create gains for the employee population. For a small investment in health and wellness, everybody wins.

The MITRE Corporation operates a health service program for mature workers. It also offers a low-impact cardiovascular program as well as on-site fitness centers for employees and retirees. In addition, the company sponsors health fairs, smoking cessation programs, weight programs, and health checkups. The company cites anecdotal evidence that these programs have contributed to steep drops in the employee attrition rate.

Source: AARP Best Employers applications.

Case Example 6-5: Employee Benefit Research Institute (EBRI) Study on Investing in Employee Health

EBRI studied six firms (Bank One, Dow Chemical Company, Elkay Manufacturing, Sherman Health, Union Pacific Railroad, and one anonymous employer) who believe that health affects employee performance on the job. They also believe that their health programs have a positive impact on health status and behaviors as well as care utilization. All acknowledged that line management support is critical to the effectiveness of these health programs. Together, these six companies had more than 246,000 employees.

Source: EBRI Issue Brief No. 267, March 2004.

Workplace Flexibility Beyond Basic Career Options

As mentioned in Chapter 5, workplace flexibility is very important to mature workers. This section contains examples of flexibility that go beyond those that affect basic career options.

Case Example 6-6: Flexible Schedules and Job Sharing at Scripps Health, San Diego, CA

Workplace flexibility comes in many forms. **Scripps Health** has addressed the issue in two complementary ways: job sharing and flexible work options.

Job sharing at Scripps Health is an option for all employees, especially those who want to work part-time or fewer hours. Two employees in the same job position can share

the same job, working fewer hours yet keeping their skills competitive. This is in addition to the flexible work options for employees phasing into retirement, compressed work weeks, telecommuting, and specific individual accommodations. The value of this approach is that it is not a “one size fits all” solution. Rather, it offers a broad range of options, including home office equipment and training. These options give employees the freedom to choose what works best for them.

Source: AARP Best Employers applications and follow-up communication with the employer.

Support for Caregiving

Many workers at all ages are under personal pressure because caregiving and family responsibilities combined with work requirements take much of their time and energy. Sometimes these family needs are temporary, but they are often ongoing. Temporary crises can turn ongoing needs into major problems. Special programs for eldercare and care for grandchildren provide additional options that go beyond the flexible scheduling options cited earlier. Examples follow.

Case Example 6-7: Eldercare Back-up Program at Scottsdale Healthcare, Scottsdale, AZ; New York Life Insurance Company, New York, NY; and Stanley Consultants, Inc., Muscatine, IA

Many popular and academic studies highlight the role of the “squeeze” generation—people who are taking care of children while

dealing with aging parents. Companies can help by instituting eldercare programs as part of the benefits available to their employees. This benefit specifically targets mature workers and gives them financial and scheduling alternatives for eldercare. The range of benefits is quite large. Some companies, such as **New York Life** and **Stanley Consultants**, address eldercare options through their employee assistance programs; however, these options do not provide a financial benefit. In certain cases, Stanley Consultants also allows extended time off and family leave to take care of parents. At the far end of the spectrum, a **Scottsdale Healthcare** program allows staff members to have a Certified Nurse Assistant stay with elder parents if their regular caregiver is unavailable and they need to come to work. Staff members are allowed up to a maximum of 18 visits per year; each visit costs \$12.

These options vary according to the type of company, and the primary nature of its business. What unifies them, however, is the recognition of an issue especially relevant to older workers: eldercare.

Source: AARP Best Employers applications and follow-up communication with the employers.

Case Example 6-8: Access to Childcare for Grandchildren

An increasing number of grandparents are caring for their grandchildren. Some organizations have on-site childcare facilities. These facilities can be company run or outsourced, at the employer's location or

nearby. These facilities may be offered at the retail price for childcare, but often they are subsidized so employees have access to them at a lower price. There is often more demand for these facilities than there are places available. A good childcare center can be a very important benefit for employees who use it. Some employers, such as **Bon Secours Richmond Health System**, Richmond, VA, allow grandparents to use these centers for their grandchildren.

Source: AARP Best Employers applications.

Other Emerging Ideas

Several programs cited by the AARP Best Employers in 2001–2004 were infrequently mentioned but are still sufficiently noteworthy to merit inclusion in the list of best practices because they add value to the work experience of mature workers. In most cases, these programs were available to all employees, not simply those over age 50. Here are examples:

- **Career counselors at The Principal Financial Group, Des Moines, IA.** Career counseling, with specific interventions designed to help these employees with their later-stage career needs, is available to employees over age 50.
- **Flexible benefits at First Horizon National Corporation, Memphis TN.** Employees receive funds to purchase benefits. The funds are based on length of service and pay level as well as wellness level (as a reward for healthy lifestyles).
- **Eldercare services fair at The MITRE**

Corporation, Bedford, MA/McLean, VA.

The health fair was hosted by 35 senior agencies to answer employee questions on eldercare issues. It included seminars on Alzheimer's and eldercare services.

- **Caregiver leave at The Principal Financial Group.** This benefit allows employees to take time off to care for younger and older family members. To provide the care and continue working, employees can work part-time, take extra time off, or take leaves of absence without losing full benefits.
- **Succession planning at The Principal Financial Group.** The succession planning program “provides a framework for deployment within and across the company based on current and future organizational needs.” It consults with leaders yearly to give the company a better picture of its “bench strength,” develop talent, and inform high performers of potential career opportunities.
- **Long-term care insurance at the Massachusetts Institute of Technology, Cambridge, MA.** Insurance is available to employees, retirees, and other family members to help deal with the cost of long-term care as well as the cost of care services provided in their own homes, adult day care facilities, and alternative care facilities. Insurance is purchased on a group basis to give employees a better deal than they would get by purchasing insurance on their own. Employees can take this benefit with them when they leave the organization.

Summary

Many of the programs discussed in this chapter help employees plan for and move toward retirement more effectively. Some have tax advantages. The health programs help employees address personal health and in so doing become better and more productive employees. Other programs help employees meet the demands of combining work and caregiving. Some of them do not require major financial investments. Others, such as retiree health benefits and some of the health and wellness centers, can be quite expensive.

Extras

Extras are things that are positive and beneficial for employees but are neither central to the job nor of significant economic value to employees. They may make the workplace a better environment for mature workers and send positive messages to employees and the community, but their economic value is limited.

For employers, extras are helpful because they enhance the workplace culture and communications. They may be a plus in recruiting and retaining employees. For employees, extras are usually perks that do not determine employment or career decisions.

Best Practices Among “Extras”

Best practices defined as “extras” include retiree relations programs and some of the more esoteric perks offered by companies that make life much easier for employees. In this area, there were no discernible changes in practices over the years of the AARP Best Employers program.

Extra Best Practices and Benefits

Targeting Mature Workers. The majority of employers who won the AARP Best Employers award had a service award program of some sort, although there were many variations. At one end of the spectrum, employees received tangible rewards such as cash at a gala dinner. At the other end, some employee service milestones were recognized through company communications such as an employee newsletter.

Extra Best Practices and Benefits

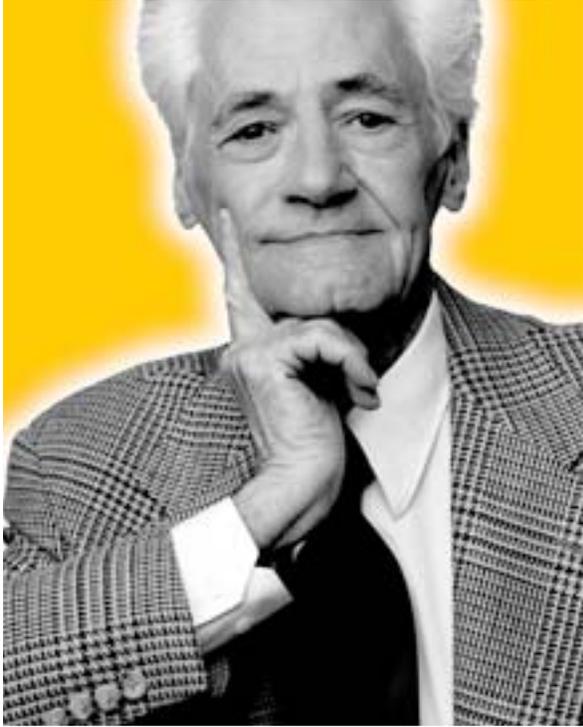
Directed at All Employees. Many practices directed to mature workers are beneficial to all workers. Examples are health and wellness activities ranging from occasional classes on nutrition to full-scale, on-site health club facilities with a dedicated instructor staff. Other programs include modest tuition reimbursement, Employee Assistance Programs, and unpaid leave beyond that required by the Family and Medical Leave Act.

Retiree Relations and Fringe Benefits for

Retirees. Retiree relations efforts ranged from actual “clubs” with a physical location and staff assigned to retiree needs to more informal arrangements such as periodic social events such as dinners or picnics. Some companies also offer retiree newsletters. The strongest retiree relations programs offered a number of fringe benefits usually aligned with the main business of the employer.

St. Mary’s Medical Center, Huntington, WV, for instance, allows retirees to purchase pharmaceuticals at cost from the hospital’s pharmacy as part of its retiree program.

Frills. This category includes items such as free tickets to sporting events, theater and concerts, laundry and meal services, and errand services. Some employees offer worksite massage for sore muscles and items such as free beverages for employees. While practices such as these are considered “extras” in creating a workplace that appeals to mature workers, they can contribute to higher morale and a better working atmosphere, especially for employees who



particularly value community involvement. In addition, some of these practices can increase the profile and good will of companies in their communities.

Other Unique Practices

Several practices do not fall into the above-mentioned categories but merit discussion because they are fairly unique cases and may address issues applicable to all employees.

Employer Support for Volunteerism.

Several organizations, including **Loudoun Healthcare**, Leesburg, VA, and **The Charles Stark Draper Laboratory, Inc.**, Cambridge, MA, support volunteerism. Some provide volunteer opportunities inside the organization and/or support volunteerism in the community. **First Horizon National Corporation** gives employees time off to do volunteer work in the community.

Case Example 7-1: Supporting Volunteerism at First Horizon National Corporation, Memphis, TN

First Horizon is committed to volunteerism and supports volunteer activities on two levels: grants to organizations that have First Horizon employees in leadership positions and recognition of employees who volunteer their time in the community. In 2002, First Horizon gave grants of \$46,000 to over 100 organizations in which its employees held leadership roles. That amount grew to \$103,000 in 2003. In addition, employees spent tens of thousands of hours in community volunteer activities coordinated by the company; outstanding volunteers were recognized by the company.

Source: AARP Best Employers applications.

Retiree Relations. Examples are as follows:

- Some organizations had company newsletters directed to former employees, while others gave retirees opportunities to question the CEO on any topic.
- **Pinnacle West Capital Corporation**, Phoenix, AZ, provided retiree lounges so former employees could come in and socialize.
- **Minnesota Life**, St. Paul, MN, has a NorthStar 25 club for retirees and long-service employees so the two groups can mix and socialize. Members attend an annual dinner and retirement celebrations.

Other “Extras.” Examples are as follows:

- Several organizations allowed employees to “donate” unused time off to

co-workers needing extra time to take care of family or for other extenuating circumstances.

- **Hoffmann-La Roche, Inc.**, Nutley, NJ; **Thomson West**, Eagan, MN; and **Children's Health System-Birmingham**, Birmingham, AL, offered a shuttle bus from their parking lots to their main headquarters either on a regular basis or on request.
- **Augusta Health Care, Inc.**, Fishersville, VA, and the **Freeport Health Network**, Freeport, IL, each offered "benefits fairs," in which employees learn about the various programs available to them.

Summary

Extras alone have limited value in recruiting and retaining mature workers, but they reinforce a culture that is positive and can support other programs in efforts to recruit and retain mature workers.

Volunteerism is important to many individuals, and the volunteer support programs can help people move into what may be very meaningful roles in their lives.

Important Areas for Both Employers and Employees

Many programs help the mature worker and, in turn, the organizations that employ them. This chapter outlines the areas that are most important for employers to consider when addressing the needs of older workers. It describes the importance of flexibility in employment options, reviews the advantages of phased retirement, and discusses mature worker career planning.

This chapter also contains tips for successful programs and ways to measure their success. Measurement of success is essential for demonstrating a positive return on investment and building the business case justification for programs. A good business case justification is critical for long-term success of these programs.

Retirement and Retirement Security

For employees, the assets they build for retirement security are critical and often play an important role in determining when they will retire or whether they will accept employment with lesser compensation or decide to remain longer in a full-time job. Most Americans depend heavily on Social Security and employer-sponsored plans. Without employer-sponsored pension plans, many do not save enough. Employers assume different roles when it comes to workers' retirement security as described in Table 4.

The employer's role in providing for retirement is most important for the long-service

employee. However, the person hired later in his or her career may be working to supplement or increase a retirement benefit or assets accumulated while in a prior place of work.

Health and Healthcare

The availability of health benefits is an important factor in both the employment and retirement decisions. Unless coverage is available through another family member, many people will not choose jobs without health benefits. Healthcare coverage after retirement is one of the most valuable benefits in the retirement package and is critical for retirees not yet Medicare eligible. However, it is not available to many people. The U.S. healthcare system is based heavily on employer coverage. Before people become eligible for Medicare, they typically have employer-sponsored benefits or must rely on personal savings and individual insurance when retiring. Individuals, particularly those in poorer health who need to purchase health insurance on their own, often face few coverage options and extremely high prices. Many Americans are left without coverage. Health benefits drive work decisions and options. For example, many workers would be interested in part-time work but need health insurance, which is generally not provided to part-time workers.

Some employers may play a very active role in employee health by providing benefits, helping employees assume responsibility for their own health, promoting workplace

Table 4
How Retirement Support and Benefits Fit In

Types of Employer Responsibility	Fundamentals	Core Programs	Programs of Significant Value	Extras
Provider of Funds for Retirement	Basic pension, savings, or other wealth accumulation programs common in the same industry		Added benefits such as catch-up contributions in 401(k) plans	
Risk Protection and Added Benefits			Retiree health Retiree life insurance Indexed benefit in defined benefit pension plan Long-term care insurance with employer subsidy or group purchase discount	Long-term care insurance, without discounts or subsidy, available as a voluntary purchase
Options About How to Retire		Phased retirement programs, including formal rehire programs	Ad-hoc rehiring and rehiring through an outside agency	
Retirement Education	Basic required information about company benefit plans and how to participate in the plans		Custom counseling and planning	Added education beyond the basics, but not tailored to the needs of the individual

safety, and addressing the links between health and organizational performance.

Other employers may simply provide health benefits without taking an active role in promoting healthy behavior. Still, other employers may do nothing.

The reasons for taking an active approach include the following:

- Individual health behaviors have an impact on personal health status.
- Workplace injuries can be expensive.
- Health has an impact on performance in the workplace.
- The cost of health benefits keeps rising dramatically.

Flexibility

Flexibility is very important to almost all workers. It is therefore important to organizations, particularly those employing mature workers with critical skills. Flexibility tailored to these workers may make the difference between their retention, retirement, or move to a competitor.

Flexibility can mean different things: adjustable work schedules, options as to where the work is done, and the ability to restructure job responsibilities.

Flexibility also helps employers keep skilled employees, thereby maintaining the workplace culture, productivity, knowledge base, and overall competitiveness in the marketplace. Examples are described below:

Scheduling Options. Employers offer a variety of work schedule alternatives.

Flextime allows workers to choose the start and stop times of their workday as long as they are present during a core time of the day when all employees are expected to be available. Total work commitment, however, generally does not change under flextime.

A different type of scheduling option, total schedule flexibility, allows employees to vary the total amount worked. Overall commitment may be set on a weekly, monthly, annual, or some other basis. Scheduling options may be combined with flextime. A common arrangement is for employees to work three or four days a week, regardless of whether they work reduced or full schedules. Another option allows people to work a 70% or 80%

schedule on certain days and a 120% or 130% schedule on other days with the expectation that it will balance out periodically, maybe on a monthly basis.

Under other alternatives, employees can reduce the total work schedule by taking extra vacation time.

In the healthcare industry where service is needed every day, 24 hours a day, many different work schedules may be available, including working three 12-hour days per week or long hours on weekends. Once accepted, these schedules must be followed to meet the customer service requirements of the healthcare organization. Retailing is like healthcare in that employees are needed for long days. Many scheduling options may be available, but once a schedule is adopted, it must be strictly followed.

This is different from the work of many professional employees who are able to schedule some of their time as they wish, as long as the work gets done. It is also different from tasks like home repair where the service provider and the customer can schedule projects at a mutually convenient time.

Workplace Options. Another type of flexibility relates to place of work. Some employees telecommute on a regular basis and have no office at the employer's business location. Others telecommute one day a week or occasionally. Some employees telecommute part of the year. Generally work done on a computer or over the phone by someone working alone at least part of the time can be done at different locations.

Job Structure Options. Flexibility also may relate to duties and allow redesigning of jobs to fit with employees' specific talents and value to the firm.

Case Example 8-1: Illustrations of Flexibility

The different types of flexibility can be applied in combination. In a hypothetical example, Susan (age 60) has more than 25 years of experience with a firm. She has excellent Washington and outside contacts. She works on a reduced schedule with five extra weeks of vacation, which is equivalent to 90% of a full-time schedule. She telecommutes for two months during the winter. During the rest of the year she usually works from the firm's office, but works from home occasionally. Her duties capitalize on her outside contacts, and her job has been redesigned to fit the areas of greatest value to her employer.

Richard is another example. Richard retired from a senior executive position in a major insurance organization. After retirement, Richard contracted with his former employer to handle a variety of government relations' functions, working an agreed number of days a year and using his extensive contacts.

These examples combine information uncovered during research on phased retirement.

Source: Mercer Human Resource Consulting research on phased retirement (unpublished).

Employment Arrangement Options. Some employers allow workers to leave regular employment but continue working as temporaries to fill in when needed. Employees may become independent consultants. These forms of flexibility are particularly well suited to retirees who wish to continue with some work. The case studies on temporary work and rehire after retirement illustrate this work option.

The types of flexibility that work for an organization relate directly to the type of business and customer service needs. Healthcare, retail, and banking employers have workplaces where many employees have face-to-face contact with customers. These employees must be there at fixed times. In manufacturing, employees work together in teams or assembly lines and must be there at fixed times. In professional service firms, client-serving employees spend some time with external customers and other time doing the work needed by clients. In such firms, there is more flexibility in arranging schedules. The situations vary considerably, so the potential for flexibility depends on the business. Many organizations allow some type of flexibility.

Some employers have formal policies that support a range of flexible work options. This is preferable to making individual arrangements with different employees, although many employers do this as well. When making individual arrangements or contracts, the employer should define job responsibilities, compensation, schedule options, and the limits of the authority of supervisors.



Implementing Flexible Work Programs.

The following are essential elements of a successful flexible work program:

- A method of redefining job duties, work arrangements, and schedules.
- Criteria for program participation, including eligibility requirements and potential time limits.
- Approval processes.
- Adjustments in pay and benefits plan provisions.
- Training and support.
- A culture that recognizes the value of these roles and arrangements to the business.

Many companies already manage alternative work arrangements such as flextime, job sharing, part-time work, and contractor work. The challenges, then, will be to manage a larger number of such arrangements and to make these options better known to mature workers as part of career and retirement planning.

Actions to keep experienced mature workers on the job longer should be integrated with the company's overall career planning process. New or changed roles for mature workers can affect the advancement and development opportunities of younger workers. A formal career planning program linked to the company's overall workforce plan is the best way to meet the needs of all employees while considering business needs.

Phased Retirement

A number of companies formally or informally support phased retirement. Available research reveals a great interest in it as well as great frustration about some of the legal requirements, uncertainties, and barriers to a full range of options.

In the future, many more employers will want to adopt a comprehensive approach to dealing with an aging workforce. Considering the demographics along with employee preferences and abilities, employers are now seeing an opportunity to address the labor shortage by cultivating the fastest-growing segment of the population—mature workers—through flexible phased retirement programs.

Employers also benefit from being able to continue tapping people with a great deal of institutional knowledge and specialized skills. They boost productivity by keeping highly experienced workers rather than hiring lower-skilled ones. This also reduces their hiring and training costs.

For employees, phased retirement provides a greater sense of control over their transition from work to retirement. Additionally, when employees participating in phased retirement programs remain in the workforce longer than they would have otherwise, the benefits of phased retirement include a lower risk of economic insecurity and continued relationships with coworkers with whom they might not have contact once fully retired.

Recent public policy changes support phased retirement programs. For example, amendments to the Social Security Act in 2000 allow workers over the Social Security normal retirement age²² to collect full Social Security benefits while continuing to work. However, many laws and regulations that pertain to employer-sponsored retirement programs are in conflict with the goals of phased retirement. Some examples of the challenges include:

- Prohibition on the payment of defined benefit plan benefits to employees who remain at work unless they have reached the plan's normal retirement age.
- Uncertainty about what qualifies as a bona fide termination of employment and how

to treat pension payments to those who are rehired. The rules on rehiring defined benefit plan retirees can be interpreted in different ways.

- Concerns about the implications of the Age Discrimination in Employment Act for phased retirement programs.

Types of Phased Retirement

Arrangements. There is no commonly accepted definition of phased retirement. From the individual perspective, phased retirement may include moving from full-time work to full-time retirement in stages, either with the same employer or another employer. For example, phased retirement can mean part-time work prior to full retirement, being rehired by the same employer after retirement, or retiring from one employer and working for another. It can also refer to a formal employer-sponsored program that allows partial collection of retirement benefits and a reduced work schedule before retirement. A phased retirement program can include:

- Changes in work hours, work schedule, or duties. A specific arrangement could include any one of these or all of them. A change in workplace might occur as well.
- The possibility of using accumulated assets or collecting partial pension benefits to supplement reduced income from work.
- Formal employer-sponsored programs or arrangements established on a case-by-case basis.

²² The Social Security normal retirement age is gradually being increased from 65 to 67. It will be age 67 for employees born in 1960 and later.

Clearly, employers who address the changing demographics as a strategic human resource issue will have an advantage over those who ignore these demographic changes.

Talent Management

Employers should begin to explore talent management options by assessing the impact of projected demographic and labor market changes on their own workforces. By understanding future needs, companies can identify areas of vulnerability and make plans for addressing them. An important aspect of this planning will be in-depth understanding of the current talent base by key factors such as age, career level, and skill area. Some questions to answer are:

- What are the short- and long-term needs of the organization?
- How does the present workforce line up with business needs?
- Does the organization have adequate supplies of talent at different career stages? Where are the gaps and why?
- Is the organization having difficulty recruiting and retaining top talent?
- Is the organization experiencing, or will it experience, talent shortages? If so, in which areas? Is there an adequate external supply of needed talent?
- Will retirements or turnover create gaps in

talent, and if so, where? Is there an adequate supply of people with needed skills ready to step in?

- Does the organization have intellectual capital in its mature workers that should be recognized and transferred to other workers?
- Will specific individuals be very difficult to replace because of their skills, relationships with key outside contacts or customers, institutional memory, knowledge of the product line, or role in research? Are they vulnerable to external recruitment? Are they approaching retirement age?

An examination of the external labor supply should be done in conjunction with an analysis of the internal labor market.²³ Interventions become important when the two are mismatched. External labor force analysis²⁴ can include assessing the supply of needed skills, degree of labor market penetration, and the likelihood of attraction and retention within the local or regional labor market. Where talent is not available locally, options include importing talent, automating the work, or moving the work.

It is possible to determine statistically when and why people stay, move through, and exit the organization. Such an analysis can provide tremendous insight on employee retention by age. This in turn enables an organization to take actions that maximize

²³ Internal Labor Market: An organization's three interrelated flows of employee attraction, development, and retention, and the effectiveness with which these flows are managed. (Mercer Human Resource Consulting definition)

²⁴ External Labor Market: The demand and supply of current and future labor outside of an organization's own workforce. It is generally accessed for specific skills or job groups. (Mercer Human Resource Consulting definition)

positive employee movement and minimize negative movement.

This analysis of the internal and external labor markets should lead to a comprehensive talent plan based on business strategy and a thorough understanding of both external and internal talent pools. This in turn should lead to accelerated talent development, targeted retention of key talent, and other action to keep the talent needed well into the future.

Tips for Successful Programs

Great ideas do not always work in practice. More often than not the problem is implementation. To implement a program successfully, an organization should:²⁵

- **Secure the support of senior and local management.** Getting support means more than saying the words. People respond to what they are paid for and to the factors recognized in their performance reviews.
- **Pay attention to the business case for the program.** In many organizations, nothing will work without a strong business case. A business case should be presented in a structured proposal that shows the financial return on the investment in any program, as well as the improvements that the program will make to the business as a whole.
- **Measure results.** What is measured and rewarded commands attention.

- **Keep the program simple.** If a program is too complex, neither management nor employees will understand it and they will focus on other things.
- **Publicize support for the program.** Publicity will help show employees that management supports a program. Publicity also sends a message to middle managers and rank and file employees that senior management is serious about an initiative.
- **Align basic pension and compensation policies with the program.** This is especially important if job structures or work arrangements are involved. Both the employer and employees must find the policies fair.

Measurement of Success

Why is measurement important? Given the limited resources available to employers, decisions about spending on human resource programs should be grounded in fact rather than based on intuition or anecdote.

Employers can decide what they want to achieve from their programs, but without the ability to measure these outcomes—and control for extraneous factors—there is no way of knowing whether the expenditures are effective.

When managers are asked to justify the expense of human resource programs, they need quantifiable measures of effectiveness. Otherwise, they would have to rely on anecdotal and/or spurious measures to provide the rationale for keeping programs.

²⁵ Source: Mercer Human Resource Consulting.

The following three case examples show how companies have used effective measurement to implement and reinforce programs geared to mature workers. Case 8-2 describes how **First Horizon National Corporation**, Memphis, TN, estimates it can boost business outcomes after analyzing the influence of long-service employees on productivity. Cases 8-3 and 8-4 show how companies such as **Scripps Health**, San Diego, CA, and those cited by the Employee Benefit Research Institute have found ways to evaluate success and calculate a program's return on investment.

Case Example 8-2: Measuring the Value of the Long-Service Employee at First Horizon National Corporation, Memphis, TN

First Horizon National Corporation is known for its commitment to mature workers. As a result of its human capital strategy research, First Horizon National Corporation discovered how to make the right investment in its people by paying close attention to its long-service workforce.

Through market research, First Horizon revealed customer service quality "as the foundation of its competitive position." Management recognized that service quality depends on the interaction between employees and customers. However, it wanted to develop a more precise understanding of which workplace attributes and management practices have the biggest impact on customer value and financial performance. First Horizon therefore used statistical modeling techniques to analyze its

human resource and operations databases. It found that length of service dominated other factors influencing performance. Specifically, at the location level, financial centers with the longest-serving employees had—controlling for other factors—the best customer retention, growth of premium accounts, net earnings, and market share.* Recognizing the value of these long-service employees, the company focused on programs to keep them employed. The firm estimates that increasing the average length of service of such employees by one year could yield a financial gain of over \$40 million a year.

By using its knowledge of which employee characteristics drive value, First Horizon is better able to spend its human capital budget. It has launched initiatives that were proven to be effective. Measurement practices such as these can provide the rationale for hiring and retaining long-service workers, who often are mature workers. These practices also give employers a quantifiable return on the investment.

* Factors controlled for included other location-specific characteristics, employee trends, and time-specific economic indicators. First Horizon National Corporation used Mercer's Business Impact Modeling for this analysis.

*Source: H. Nalbantian, R. Guzzo, D. Kieffer, and J. Doherty, *Play to Your Strengths: Managing Your Internal Labor Markets for Lasting Competitive Advantage*, New York, McGraw Hill, 2004.*

Case Example 8-3: Measuring Program Results and Return on Investment at Scripps Health, San Diego, CA

In its AARP Best Employers application, **Scripps Health** described how it evaluated its Career Transition Program (CTP). For Scripps Health, which is in an industry facing a talent shortage, the CTP is both a retention and an attraction device. Scripps Health allows displaced employees “to enroll in the CTP and receive pay and benefits at their current base rate for up to 12 weeks while they look for positions they are qualified for both internally and externally.” The program has a high success rate in placing mature workers both within and outside of the organization. Scripps Health reported reliable measures of the success of this program: “from October 2002 through March 4, 2004, the CTP has realized total savings of \$684,451 by placing employees internally and externally.” The advantages of this approach extend beyond the retention effect and cost savings. Rigorous tracking of results as well as a quantifiable return on investment allow program administrators to make informed decisions about potential changes in the program. They are not forced to rely on “gut instinct” and guesswork when it comes to evaluation and potential modifications.

Source: AARP Best Employers applications and follow-up communication with the employer.

Case Example 8-4: Measuring the Impact of Healthcare Interventions

In its March 2004 issue brief, the Employee Benefit Research Institute documents several examples of companies that used a measurement-based approach to determine the impact of healthcare interventions. The brief describes how Sherman Health targeted interventions to a specific population after finding that 50% of health claims were generated by 5% of the employee population. In another example, Dow Chemical used its employee data warehouse to track the impact of health initiatives on the company, integrating health program participation with employee demographics.

Programs such as these provide valuable data so that managers can make informed decisions. With good data, companies can save money by allocating their benefit spending more effectively. In the Sherman Health example, the organization experienced a 22% drop in per-employee healthcare costs during the 1994-2001 period, while similar costs at peer organizations increased 31%.

Source: EBRI Issue Brief No. 267, March 2004.

Summary

The information above can prove useful in designing and implementing programs for mature workers while educating them about available options. These practices are considered “best practices.” Knowledge of these programs and how they operate led to the recommendations and findings of this report.

Findings, the Future, and Recommendations

This report describes practices implemented by the AARP Best Employers. For this report, best practices—drawn from lessons learned and practices followed by winning companies—are those that expand employment opportunities for mature workers, address their particular needs and interests, and generally make work more rewarding.

Overview of Findings

The study of best practices highlighted many commendable programs and workplaces for mature workers. Some employers have comprehensive programs that address a range of mature worker issues and others offer various individual programs that focus on a specific issue or need. Some programs were much more targeted toward mature workers than others. An employer may, however, provide a good workplace for all workers without having special programs for mature workers.

What Was Not Found. The applications analyzed did not include much data evaluating the effectiveness of the programs or how widely they were used. Follow-up interviews with some winning companies provided additional information. Chapter 8 contains information on program effectiveness and insight on the business advantages of the programs.

Other research by Mercer Human Resource Consulting shows that the business issues related to mature workers are tied largely to employing people with specific talents and skills. In response to an anticipated loss of talent, some mature worker programs are focused on recruiting and retaining workers with specialized or otherwise valuable skills.

The AARP Best Employers study does not address longer-term talent issues.

Main Themes. The main themes that emerged in this study of best practices are as follows, in order of their prevalence:

- Attracting and retaining the right workforce were important to the AARP Best Employers.
- Newly implemented programs focusing on mature workers usually required only a modest financial investment.
- A company's individual industry and market focus can in many cases be leveraged to offer programs that support the maturing workforce.
- The incidence of recently implemented programs to meet the workplace needs of the mature worker has increased among the AARP Best Employers over the three years of the study.
- The AARP Best Employers in the healthcare sector appear to have more numerous and better developed mature worker programs than those of AARP Best Employers in most other sectors.

Industry-Linked Business Issues

Some companies slowed their hiring and terminated the employment of younger workers during the economic slowdown in the early 1990s. As a result of these decisions, they unwittingly caused future changes in the age distribution of their workforces. They will have fewer younger and mid-career employees.

Furthermore, entire industries are already feeling the pressure of the aging of the population. Aerospace and defense, utilities, healthcare, insurance and financial services, and public education, in particular, face some of the greatest threats of a “brain drain” as mature, experienced workers approach retirement and too few skilled replacements are available. The problem is not just in white-collar professions: the ranks of experienced blue-collar workers are already thinning, with implications for industries such as construction and heavy manufacturing and others that rely heavily on the skilled trades.

This problem is not limited to the private sector: the federal government employs many people nearing retirement age and faces substantial talent shortages in certain jobs as a result.

Future Challenges for Business

Given global competition and investor expectations, all workforce management programs are very important. In this climate, most organizations are reluctant to adopt or keep programs that cannot show a positive return. An important step in understanding the business issues is to analyze internal and



external labor markets and find a match between the two.

The shift in the external labor market as the population ages and the corresponding shift in the internal labor market mean that the solutions of the past often will not work today. Employers are or will be confronting issues such as:

- Availability of talent generally, as well as particular needs in specialties such as nursing and nuclear engineering.
- Loss of important knowledge as mature workers retire, causing problems with continuity in dealing with customers, regulators, and others.
- Increasing cost of employee benefit programs.

- Potential changes (both increases and decreases) in employee productivity.
- Compensation and performance issues related to the maturing workforce.
- Careers and career progression.
- Market branding and customer perceptions.
- Work/family concerns.
- Skilled worker shortages.
- Health and productivity of the workforce.

Overall, the AARP Best Employers have many programs that make the workplace attractive to mature workers. Many of these programs are good for workers of all ages, and an organization that is an employer of choice will generally be good for mature workers. However, some needs and priorities of mature workers differ from those of the workforce in general. In addition, there is considerable variation within the mature workforce. This study focused largely on practices that address mature workforce needs and issues.

The aging of the population is likely to produce substantial shifts in the workforce. At a minimum, companies are likely to experience major talent shortages in some occupations. Some observers predict major talent shortages nationwide, although there is less consensus about this.

Employers will need to review barriers to the expansion and adoption of programs that address phased retirement and rehiring of

retirees. These barriers include a prohibition on payment of defined benefit plan benefits before retirement except after normal retirement age, the lack of clarity as to the permissible rehire of employees, and concerns about how the Age Discrimination in Employment Act may affect such programs.

Recommendations

Organizations will soon face a changing talent pool, if they are not doing so already. The following recommendations address issues such as impending talent shortages, knowledge transference as the boomers retire, and the skill development of the growing number of older workers:

- **Analyze workforce demographics.** In performing the workforce analysis, employers should use quantitative as well as qualitative approaches. Talent issues are quite likely to be job-specific—for instance, in healthcare, shortages exist in nursing.
- **Identify potential solutions.** The best practices described in the report provide some ideas, and many other solutions are available as well.
- **Assess the fit for the company.** As part of this step, most organizations will want to calculate the return on investment. Measuring success is an important first step toward improving programs and keeping them. The assessment will also help a company select the types of programs to implement and help determine when to introduce them.

- **Design the details of each specific program to fit the context.** Programs need to be tailored to each organization's specific needs.
- **Pay particular attention to implementation.** Good implementation is vital to success. Many good ideas fail to live up to their potential not because they are bad but because the implementation was not adequate.
- **Monitor the results and utilization of programs.** Compare outcomes with predetermined success measures.
- **Evaluate.** Determine what benefit goals are being met and whether they justify the cost. If not, move resources to other areas.
- **Refine as necessary.** In the short term, employers will want to look at their current programs, identify problems and unmet needs, and think about how to improve what they are doing now.

Companies will also want to assess how the changing demographics will affect them, especially with respect to specific occupational groups where there is likely to be a shortage of skilled labor.

Talent shortages will be a major problem for many employers. Talent planning is vital to understanding where staffing gaps are likely to occur and to building job-specific strategies to fill them, particularly in scarce occupations. Organizations have many options to address all of these challenges. By addressing these challenges in a comprehensive way, they can turn potential staffing liabilities into business opportunities.

Over the longer term, employers will have many opportunities to more effectively respond to aging workforce challenges and issues by designing alternative job structures, recruiting retirees, and offering different options for phased retirement. Today's responses are often piecemeal and focused on particular problems rather than comprehensive. Addressing these talent shortages will allow organizations to justify new programs to managers and their boards of directors.

APPENDIX 1: Methodology

In 2004, AARP engaged Mercer Human Resource Consulting (Mercer) to conduct an analysis of the workforce practices and policies of the AARP Best Employers. The descriptions of the workforce practices and policies included in this report are based primarily on AARP Best Employers applications submitted by employers that received the AARP Best Employers designation in 2002, 2003, or 2004. For employers that received the designation in multiple years, all of the employer's winning applications were included in the analysis. A total of 75 applications from 56 companies were coded. Over 500 practices were coded. In some cases, additional information was gathered through phone interviews or email communication with these companies.

The information that the employers submitted, either on the applications or through subsequent communication, was assumed to be accurate and was not independently verified. Prior to publication of this report, the employers were given the opportunity to review content related to their practices. Certain case studies feature information about companies that have not received the AARP Best Employers designation but do have noteworthy practices. This information is based on sources other than the AARP Best Employers applications. A framework was constructed for grouping the information into four categories as described in Chapter 4. For some areas of activity, there are practices that fit into two or more categories. The exhibit below shows how specific practices were classified.

Classification of Various Types of Employer Programs

	Fundamentals	Core Programs	Programs of Significant Value	Extras
Alternative Roles for Older Workers		Special projects; redesigned jobs		
Caregiving			Counseling and support for placement	Information only; unpaid leave
Caregiving Time Off Beyond What Is Required by FMLA ¹			Access to additional time off on paid basis	
Disability Benefits	Disability benefits for full-time employees			
EAP ²			EAP with special features for older workers	
Eldercare (as part of EAP or separate)			Eldercare options with company financial support	Eldercare referral or other options without financial support
Employee Leave Banks in Place of Other Time-off Programs			Depends on generosity; could be something of value if liberal program	
Health Benefits	Health Benefits Health benefits for full-time employees	Health benefits for active part-time employees	Retiree health benefits	
Hiring	Non-discriminatory hiring in general, as required by law	Special focus on hiring older workers for a variety of jobs	Special programs for semi-volunteers or recruiting in locations frequented by seniors	Volunteer placement in community

Classification of Various Types of Employer Programs (continued)

	Fundamentals	Core Programs	Programs of Significant Value	Extras
Long-Term Care Insurance			Long-term care insurance with employer subsidy, or through a group purchase discount	Long-term care insurance available for voluntary purchase without group discount or employer subsidy
Mentoring and Working Together for Smooth Transition		Programs where experienced and newer employees work together over period of time to preserve knowledge and build up the newer employee's capabilities; gives important role to experienced worker	Organized program with effective use of knowledge basis; helps to integrate workplace for all workers	
Part-time and Other Flexible Work Options	Flexible work options	Significant formal programs that offer non-traditional work schedules and arrangements	Informal programs targeted to mature workers, and limited special purpose flexibility programs for caregiving	
Pensions	Basic pension benefit consistent with industry practice		Employer-provided benefits that exceed market norms; added benefit such as catch-up contributions in 401(k) plans	
Phased Retirement		Company offers formal program to enable phased retirement, either phasing out before retirement or for rehiring of retirees (see next page for more details on rehire)		

Classification of Various Types of Employer Programs (continued)

	Fundamentals	Core Programs	Programs of Significant Value	Extras
Prevention Strategies and Wellness Programs	Health plan pays for reasonable diagnostic tests for full-time employees	Injury prevention can lead to job requirement changes and/or environment modification; conditioning workers leads to reduced chance of injury Health plan extended to part-time workers	Worksite fitness facility or significant access to wellness and prevention programs; worksite health facilities; flu shots; screenings beyond basic health benefits	Education and information
Rehabilitation Programs for Disabled Employees	Some coverage of rehabilitation	Tailored program linking specific job requirements to rehabilitation and return to work criteria On-site physical therapy (can be occupational or comprehensive)	Company participation in physical therapy at a less intense and less tailored level Combined focus on emotional and physical issues	Education
Rehiring Retirees		Organized program Recruitment from retiree pool	Ad hoc rehiring and rehiring through an outside agency	
Retiree Relations Programs				Retiree clubs, newsletters, periodic social events, etc.
Retirement Preparation Programs			Personalized	General information
Service Awards			Service awards that include something of monetary value	Service awards with no significant monetary value
Training		Major focus on lifelong learning leading to more career options	Average training with some special feature for older workers	

¹ FMLA = Family and Medical Leave Act.

² EAP = Employee Assistance Programs.

APPENDIX 2: Case Examples

- 5-1 Outside Opportunities for Mature Workers at The Principal Financial Group, Des Moines, IA
- 5-2 Job Mobility at Deere & Company, Moline, IL, and The MITRE Corporation, Bedford, MA/McLean, VA
- 5-3 Mentoring Programs at Adecco Employment Services, Melville, NY; Baptist Health South Florida, Coral Gables, FL; and Farmers Insurance Group of Companies, Los Angeles, CA
- 5-4 Phased Retirement Options
- 5-5 Knowledge Transfer Paired with Phased Retirement at Pinnacle West Capital Corporation, Phoenix, AZ
- 5-6 Rehiring Retirees at Hoffmann-La Roche, Inc., Nutley, NJ; The MITRE Corporation, Bedford, MA/McLean, VA; and St. Mary's Medical Center, Huntington, WV
- 5-7 Workplace Redesign at Baptist Health South Florida, Coral Gables, FL
- 5-8 Ergonomics: An Investment in Safety and Productivity
- 5-9 Individual Accommodations
- 5-10 Returning to Work: Healthy and Fit for Work
- 5-11 Lifelong Learning at The Principal Financial Group, Des Moines, IA, and Educational Opportunities at The Ohio State University Medical Center, Columbus, OH
- 5-12 Partnering with Local Colleges at Loudoun Healthcare, Inc., Leesburg, VA
- 5-13 Corporate Cultures Promoting Long Service: The PALS (Personnel Achieving Long-Term Service) Program at Children's Health System-Birmingham, Birmingham, AL
- 5-14 Corporate Cultures that Value the Mature Worker
- 5-15 Changing Benefit Requirements for Part-Timers at The Massachusetts Institute of Technology (MIT), Cambridge, MA, and Stanley Consultants, Inc., Muscatine, IA
- 5-16 Attracting Older Workers with the "Bridgement of Service" Policy at Baptist Health South Florida, Coral Gables, FL
- 5-17 Proactive Hiring at Adecco Employment Services, Melville, NY
- 5-18 Community Partnerships that Create Opportunities for Mature Workers
- 5-19 The Burden of Allergies in Heavy Manufacturing

- 5-20 Improving Prescription Drug Benefits at Pitney Bowes, Inc., Stamford, CT
- 6-1 Employee Financial Advice at The Principal Financial Group, Des Moines, IA; The Charles Stark Draper Laboratory, Inc., Cambridge, MA; and Thomson West, Eagan, MN
- 6-2 Flexible Spending Accounts for Eldercare at Volkswagen of America, Inc., Auburn Hills, MI
- 6-3 Health and Wellness Programs at St. Mary's Medical Center, Huntington, WV, and The Principal Financial Group, Des Moines, IA
- 6-4 Wellness Programs at The MITRE Corporation, Bedford, MA/McLean, VA
- 6-5 Employee Benefit Research Institute (EBRI) Study on Investing in Employee Health
- 6-6 Flexible Schedules and Job Sharing at Scripps Health, San Diego, CA
- 6-7 Eldercare Back-up Program at Scottsdale Healthcare, Scottsdale, AZ; New York Life Insurance Company, New York, NY; and Stanley Consultants, Inc., Muscatine, IA
- 6-8 Access to Childcare for Grandchildren
- 7-1 Supporting Volunteerism at First Horizon National Corporation, Memphis, TN
- 8-1 Illustrations of Flexibility
- 8-2 Measuring the Value of the Long-Service Employee at First Horizon National Corporation, Memphis, TN
- 8-3 Measuring Program Results and Return on Investment at Scripps Health, San Diego, CA
- 8-4 Measuring the Impact of Healthcare Interventions

APPENDIX 3: AARP Best Employers for Workers Over 50 Cited in this Report

Name	City	State	Year(s) Honored as one of the AARP Best Employers for Workers Over 50
Adecco Employment Services	Melville	NY	2002, 2003, 2004
Augusta Health Care Inc.	Fishersville	VA	2003
Baptist Health South Florida	Coral Gables	FL	2001, 2002, 2003
Bon Secours Richmond Health System	Richmond	VA	2003, 2004
The Charles Stark Draper Laboratory, Inc.	Cambridge	MA	2004
Children's Health System-Birmingham	Birmingham	AL	2003
Deere & Company	Moline	IL	2003, 2004
DentaQuest Ventures, Inc.	Boston	MA	2004
Farmers Insurance Group of Companies	Los Angeles	CA	2003
First Horizon National Corporation	Memphis	TN	2003, 2004
Freeport Health Network	Freeport	IL	2003
Hoffmann-La Roche Inc.	Nutley	NJ	2003, 2004
Lincoln Financial Group	Philadelphia	PA	2003, 2004
Loudoun Healthcare, Inc.	Leesburg	VA	2004
Massachusetts Institute of Technology	Cambridge	MA	2003
Minnesota Life	St. Paul	MN	2004
The MITRE Corporation	Bedford/McLean	MA/VA	2001, 2003
New York Life Insurance Company	New York	NY	2002
The Ohio State University Medical Center	Columbus	OH	2003
Pinnacle West Capital Corporation	Phoenix	AZ	2003
Pitney Bowes, Inc.	Stamford	CT	2004
The Principal Financial Group	Des Moines	IA	2002, 2003, 2004
Scottsdale Healthcare	Scottsdale	AZ	2003, 2004
Scripps Health	San Diego	CA	2004
SSM Health Care	St. Louis	MO	2003, 2004
St. Mary's Medical Center	Huntington	WV	2003, 2004
Stanley Consultants, Inc.	Muscatine	IA	2002, 2004
Thomson West	Eagan	MN	2003
The Vanguard Group	Valley Forge	PA	2004
Volkswagen of America, Inc.	Auburn Hills	MI	2003, 2004

APPENDIX 4: All AARP Best Employers for Workers Over 50, 2001, 2002, 2003, 2004

Name	City	State	Year(s) Honored as one of the AARP Best Employers for Workers Over 50
Adecco Employment Services	Melville	NY	2002, 2003, 2004
ABN AMRO North America, Inc.	Chicago	IL	2001, 2002
The Aerospace Corporation	El Segundo	CA	2002, 2003
Augusta Health Care Inc.	Fishersville	VA	2003
Avis Rent A Car System, Inc.	Parsippany	NJ	2001
Baptist Health South Florida	Coral Gables	FL	2001, 2002, 2003
Beaumont Hospitals	Southfield	MI	2004
Bon Secours Richmond Health System	Richmond	VA	2003, 2004
Brethren Village	Lancaster	PA	2003, 2004
CALIBRE	Alexandria	VA	2002
Camping World	Bowling Green	KY	2001
Centegra Health System	Woodstock	IL	2004
The Charles Stark Draper Laboratory, Inc.	Cambridge	MA	2004
Children's Health System-Birmingham	Birmingham	AL	2003
DaVita, Inc.	Torrance	CA	2002
Deere & Company	Moline	IL	2003, 2004
Delaware North Companies Inc.	Buffalo	NY	2004
DentaQuest Ventures, Inc.	Boston	MA	2004
Farmers Insurance Group of Companies	Los Angeles	CA	2003
First Horizon National Corporation	Memphis	TN	2003, 2004
Foley's Department Stores	Houston	TX	2001
Freeport Health Network	Freeport	IL	2003
Gemini, Incorporated	Cannon Falls	MN	2004
Giant Eagle, Inc.	Pittsburgh	PA	2001
The Hartford Financial Services Group, Inc.	Hartford	CT	2002
Hoffmann-La Roche Inc.	Nutley	NJ	2003, 2004
Howard University	Washington	DC	2002
Hyatt Hotels Corporation	Chicago	IL	2001
Lee County Electric Cooperative	North Fort Myers	FL	2004
Lincoln Financial Group	Philadelphia	PA	2003, 2004

Name	City	State	Year(s) Honored as one of the AARP Best Employers for Workers Over 50
Loudoun Healthcare, Inc.	Leesburg	VA	2004
Massachusetts Institute of Technology	Cambridge	MA	2003
The Methodist Hospital	Houston	TX	2004
Minnesota Life	St. Paul	MN	2004
The MITRE Corporation	Bedford/McLean	MA/VA	2001, 2003
Mitretek Systems	Falls Church	VA	2002, 2004
New York Life Insurance Company	New York	NY	2002
New York University Medical Center	New York	NY	2004
North Memorial Health Care	Robbinsdale	MN	2004
The Ohio State University Medical Center	Columbus	OH	2003
Oregon Health & Science University	Portland	OR	2001
Pinnacle West Capital Corporation	Phoenix	AZ	2003
Pitney Bowes, Inc.	Stamford	CT	2004
The Principal Financial Group	Des Moines	IA	2002, 2003, 2004
Prudential Financial	Newark	NJ	2001, 2002
QUALCOMM, Inc.	San Diego	CA	2002
RESTART Temps, Inc.	Camp Hill	PA	2001
Scottsdale Healthcare	Scottsdale	AZ	2003, 2004
Scripps Health	San Diego	CA	2004
Smurfit-Stone Container Corporation	Clayton	MO	2004
Sonoco	Hartsville	SC	2004
SSM Health Care	St. Louis	MO	2003, 2004
St. Mary's Medical Center	Huntington	WV	2003, 2004
Stanley Consultants, Inc.	Muscatine	IA	2002, 2004
Thomson West	Eagan	MN	2003
Ultratech, Inc.	San Jose	CA	2002, 2003
The Vanguard Group	Valley Forge	PA	2004
Volkswagen of America, Inc.	Auburn Hills	MI	2003, 2004
WELBRO Building Corporation	Maitland	FL	2004
West Virginia University Hospitals	Morgantown	WV	2004
Westgate Resorts	Orlando	FL	2004
Whirlpool Corporation	Benton Harbor	MI	2003
Zurich North America	Schaumburg	IL	2004

AARP is a nonprofit, nonpartisan membership organization dedicated to making life better for people 50 and over. We provide information and resources; engage in legislative, regulatory, and legal advocacy; assist members in serving their communities; and offer a wide range of unique benefits, special products, and services for our members. These include *AARP The Magazine*, published bimonthly; *AARP Bulletin*, our monthly newspaper; *AARP Segunda Juventud*, our quarterly newspaper in Spanish; *NRTA Live & Learn*, our quarterly newsletter for 50+ educators; and our Web site, www.aarp.org. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.

Rehiring Retirees → Phased Retirement Options → Disability Benefits → Job Sharing
Targeted Education and Training Opportunities → Specialized Career Opportunities
Job Mobility → Mentoring → Knowledge Transfer → Employee Assistance Programs
On-Site Rehabilitation → Lifelong Learning Options → Professional Development
Partnering → Positive Corporate Culture → Financial Packages → Eldercare Services
Caregiving Support → Proactive Hiring Practices → Community Partnership Options
Prescription Drug Benefits → Workplace Flexibility → Long-term Care Insurance
Health and Wellness Programs → Flexible Schedules → Part-time Health Benefits
Career Management → Succession Planning → Profit Sharing → Volunteer Programs
Job Transfer Opportunities → Retiree Relations → Employee Attraction + Retention
Workplace Redesign → Lifelong Learning → Job Sharing Programs → Profit Sharing
Rehiring Retirees → Phased Retirement Options → Disability Benefits → Job Sharing
Targeted Education and Training Opportunities → Specialized Career Opportunities
Job Mobility → Mentoring → Knowledge Transfer → Employee Assistance Programs
On-Site Rehabilitation → Lifelong Learning Options → Professional Development
Partnering → Positive Corporate Culture → Financial Packages → Eldercare Services
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Career Management → Succession Planning → Profit Sharing → Volunteer Programs
Job Transfer Opportunities → Retiree Relations → Employee Attraction + Retention
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