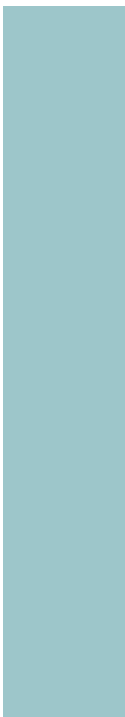
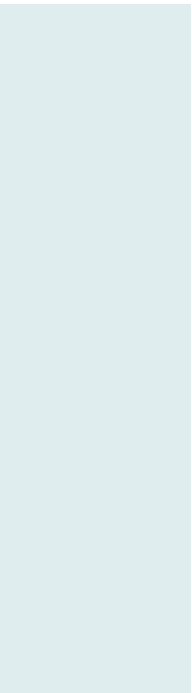
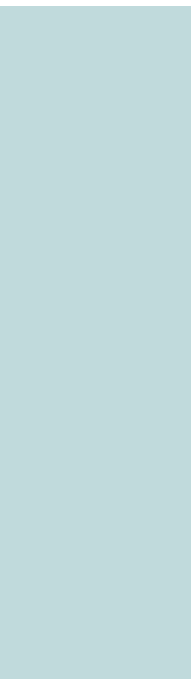
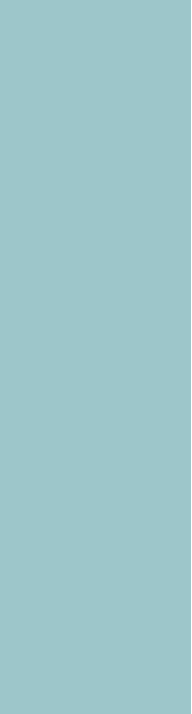


Baby Boomers and the Bottom Line:



How to Leverage Your Mature Workforce for Business Success

This research was conducted by the Council for Adult and Experiential Learning (CAEL) with funding from The Conference Board



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The composition of the U.S. workforce is changing. The Bureau of Labor Statistics projects that by 2014 workers who are aged 55 and older will comprise 21.2% of the labor force—compared to 15.6% in 2004 and 11.9% in 1994. More corporations are beginning to pay attention to this trend and have begun to assess the needs and potential of older workers. One reason for paying attention to this demographic shift is that there is a corresponding departure of institutional knowledge that could threaten a firm’s ability to remain competitive. Another reason is that some firms are concerned about their ability to find workers skilled enough to replace those who retire. In either case, corporate strategies to address a maturing workforce are emerging. While some companies approach the aging of the workforce as a problem they have to solve, others have begun to see it as an opportunity they might be able to leverage in a way that benefits the bottom line.¹

In 2007, The Council for Adult and Experiential Learning (CAEL)—with support from The Conference Board—conducted research on corporate approaches to the mature workforce. The companies we examined for this study —Blue Cross Blue Shield of Illinois (BCBSIL), Main Line Health System (MLH), and IBM—have begun to recognize the potential business opportunity in helping their older workers, and they are therefore making an investment in training these employees, envisioning new roles for them, and developing innovative strategies for knowledge transfer.

CAEL examined the programs that these companies have put in place for their mature workforces. At the time of our examination, the three companies were at different stages of the process. BCBSIL was considering new human-resources policies in response to the stated needs of its maturing workforce, MLH had just launched a new program to capture and transfer the knowledge of its mature workers, and IBM had a well-established program for workers considering an “encore career” in teaching. This brief documents the mature-worker strategies developed by these three leaders, the business needs that led to the change, the business value of those investments, and the impact of the initiatives on company practices more generally.

¹Lynne Morton. *Managing the Mature Workforce: Implications and Best Practices*. The Conference Board, Research Report R-1369-05-RR, 2005.

The Changing Views and Expectations of Mature Workers

The aging of the workforce can have very different implications for different employers and/or industries. While the energy industry and the public sector are currently expecting a mass retirement of their aging workforce, other industries are seeing an increase in the number of older workers who want to work beyond the traditional retirement age for personal or financial reasons.

This is a trend that has been growing in recent years. The 2006 Merrill Lynch New Retirement Study, for example, reported that adults in the U.S. are expecting to retire later than the traditional 65-year milestone age. Today, the average age at which people expect to stop working completely is 70 or beyond, and almost half (45%) say they do not plan to ever stop working. The average survey respondent expects to officially retire at age 61 but then work in some capacity for an average of nine years in retirement.²

It is important to note that some workers are eager to continue in their current professions, working either part-time or full-time. Others—especially those whose jobs lack flexibility or require physical exertion or extended periods of travel—may need to transition into a new role in a similar field or even a new career path entirely. Such transitions may require some education and training.

While workers are beginning to change their views of work in retirement, employers may not yet fully understand how this may affect their business and the ways in which they can take advantage of this trend. A survey conducted by the Center for Retirement Research at Boston College found that while employers expect that many employees will not be able to afford to retire immediately upon hitting retirement age, most employers are not set up to accommodate the needs of all the employees who will want to stay on.³

Corporate Leaders

Some employers, however, are ahead of the curve and have recognized the value of addressing the needs of their mature workforce as a component of a broader talent-management plan. Companies are taking a wide variety of approaches, depending on their business needs and the goals of their mature employees. While some focus on increasing retention through offering phased retirement or other flexible work arrangements, others emphasize knowledge transfer and create opportunities for older employees to serve as mentors to younger talent.

Interviews with senior executives at the three pioneering employers considered here provide insight into these trends. The companies are at different stages of planning and implementing older-worker programs:

- **BlueCross BlueShield of Illinois (BCBSIL)**, a large health insurance company, conducted a survey of mature workers to identify their plans and interests. Results showed that workers were most concerned with quality-of-life issues such as flexible scheduling and stress reduction. Based on the results, BCBSIL piloted a program that expands employees' options to work from home and has increased wellness programming. These policy changes apply to all employees, not just older workers, and therefore have the potential for a broader impact.

²2006 Merrill Lynch New Retirement Study: A Perspective from Individuals and Employers. Available online at <http://www.ml.com/media/66482.pdf>.

³Andrew D. Eschtruth, Steven A. Sass, and Jean-Pierre Aubry. *Employers Lukewarm about Retaining Older Workers*. Center for Retirement Research at Boston College, Research Report Series 10, May 2007.

- **Main Line Health System (MLH)**, a mid-sized health care system, developed the Wise Moves pilot program, which creates new part-time positions for mature workers in an effort to retain talented employees and transfer their knowledge to younger employees. The new positions, which include patient discharge counseling and mentoring of younger employees, were designed to capture both the clinical skills and institutional knowledge of older workers and to facilitate knowledge transfer.
- **IBM**, a Fortune 100 global technology company, was concerned about high turnover in the coming years and convened workgroups to learn more about the plans, goals, and desires of their employees who were part of the baby-boom generation. IBM found that many of these employees did not intend to pursue traditional retirement, but were interested in second careers. Quite a few of these employees mentioned teaching as a second career of particular interest. Realizing the importance of ensuring a pipeline for the future workforce, IBM was already involved in math and science education in colleges and universities. In response to the findings of the workgroups, IBM expanded this programming and developed the Transition to Teaching program, which helps IBM employees with ten or more years of tenure become certified math and science teachers.

Blue Cross Blue Shield of Illinois	• Illinois-based health insurance provider
	• 6,400 employees
	• 2006 annual revenue of \$7 billion
Main Line Health System	• Pennsylvania-based mid-sized health care system
	• Almost 10,000 employees
	• Annual revenue of approximately \$1 billion
IBM	• Global technology firm
	• 350,000 employees
	• Annual revenue of approximately \$90 billion

The programs developed by BCBSIL, MLH, and IBM differ so much because they were designed to address the specific business needs of each company. Each company began by assessing its needs. From there, leaders developed programming that would best achieve their goals, with attention to return on investment. Companies that have implemented a program are now reviewing the outcomes.

The Need

Companies often need to reexamine their approaches to human resources in response to changes in workforce demographics and the marketplace. BCBSIL, MLH, and IBM recounted issues related to talent management and workforce shortages as prime motivators in their decision to consider or implement older-worker retraining and phased retirement programs. According to an Ernst & Young survey, this is in line with companies nationwide, with almost 40% of human-resources executives saying that their primary concern is the availability of talent over the next five years, with other highly ranked areas of concern being retention of key employees and talent management.⁴

⁴MetLife Foundation/Civic Ventures. *New Face of Work Survey*. June 2005.

At MLH, both short-term and longer-term shortages were the impetus for new programming. In 2001, facing a growing shortage of nurses, MLH created a Nursing Summit—a group of nursing executives, human-resources personnel, and nurse educators—to tackle the issue internally. Since its creation, the Summit has recommended and implemented a number of policy and programmatic changes, including offering retention bonuses to older nurses who agree to stay on for three years, revising the tuition assistance policy, and implementing a Lunch and Learn program where staff spend their lunch learning about topics such as stress management, work/life issues, communication, nutrition, cyber bullying, and planning for retirement. The Summit created its mature-worker initiative Wise Moves out of a desire to supplement these short-term measures with a longer-term intervention that would build on the contributions of older employees while addressing some of the older workers' preferences and needs.

While current workforce shortages provide a strong impetus for action, we found that *projected* workforce shortages can also be a powerful driver for designing innovative strategies for developing a pipeline. This was the case at both BCBSIL and IBM. At BCBSIL, for example, human resources leadership recognized that, with the anticipated retirement of the older workforce, the company was at risk of losing some of its most senior and experienced employees within the next five to ten years. Given the changing nature of the health care industry, BCBSIL's first step was to learn about older workers' intentions through a company-wide survey to help inform a possible strategy to address the issue.

IBM has long been a pioneer in thinking about its future labor force and has a history, for example, of working with colleges and universities on the design and development of IT-related curriculum and degree programs. It has done this to ensure that its own future skill needs would be met. Prior to developing Transition to Teaching, IBM had anticipated a diminished pipeline of well-trained science and math graduates, a shortage that has implications for all firms working in technology fields. To address this need, IBM had created programs to encourage employees to serve as math and science mentors in schools. In 2004, predicting high turnover when the baby boomers begin to retire, IBM embarked on a process to gather employee input through workgroups that met over the course of two years. Through these specially convened groups, IBM executives learned that traditional notions about retirement might not apply to the aging baby-boomer generation. Many mature employees had no plans to stop working. Some employees did not think they could afford to retire because they did not have adequate savings. Many were concerned about staying employed in order to maintain access to company health insurance. Others reported that they are physically and mentally able to work into their 60s and 70s and still make professional contributions.

One trend identified through these workgroups was the interest among mature workers in exploring second careers. According to Maura Banta, a corporate community-relations manager who was involved in a workgroup, "We conducted surveys and focus groups and learned that many of our employees want to do something that has a positive impact on the world, but still earn some money. Many of them talked about the possibility of becoming teachers." These findings led to the creation of Transition to Teaching.

Designing and Implementing an Initiative or Program

Despite the variety of challenges companies face, relatively few companies have ventured beyond the planning or review phase to implement older-worker initiatives. The limiting factors of time, money, and available personnel are only part of the potential considerations. Some companies are not sure how to proceed. Others look at the issues and see an array of hurdles and restrictions that might limit the possible courses of action. Still others worry that creating programs that specifically target older workers—even if they are intended to help the entire business—could be seen as discriminatory.

As noted, BCBSIL has been concerned about the impact on knowledge management of large numbers of retiring workers. For this reason, BCBSIL sees retention of its most talented and valued employees as a key strategic goal. At the company's request, CAEL conducted a survey of its workforce to learn more about the retirement and pre-retirement plans and interests of employees over 50. The survey results revealed that 83% of the older employees planned to work full-time after reaching the company's retirement age of 55. This conveyed to company leaders that BCBSIL is not facing immediate worker shortages. However, other results of the survey emphasized the importance of continuing to implement programs targeting quality of life for all of its employees, such as increasing flex time, expanding its work-from-home opportunities, and creating incentives for its employees to focus on wellness and reduce stress. Based on the survey results, BCBSIL set an intermediate goal of decreasing stress and increasing wellness among all its employees. To achieve this goal, the company began to develop initiatives that create incentives for participating in health/risk assessments and employee physicals. As such, the results of the survey have led to changes in BCBSIL's policies and programs for all workers, with an expected benefit of encouraging the older workforce to keep working.

In addition, the survey results related to stress also have led leadership at BCBSIL to wonder about the stress levels of the larger workforce that makes up its client base. The company is actively exploring programs that would have a wider community benefit. For example, BCBSIL is considering a program that would provide clients with a personal counselor to assist with medical bills—to alleviate stress and frustration. Leaders at BCBSIL believe that many of their mature employees have strong interpersonal skills and experience with billing, which would make them ideal candidates for this role, and that the job would provide them with an opportunity to give back to the community. Such a program would respond to the preferences expressed by many of the employees who completed the survey about their retirement plans; at BCBSIL, 61% of the respondents to the survey noted interest in volunteering with community, civic, or special interest groups during retirement. This is in line with national statistics, as the MetLife Foundation/Civic Ventures *New Face of Work Survey* found that “a majority of Americans between the ages of 50 and 70 want to benefit their communities by helping the poor, elderly, those in need, and children, or helping to improve quality of life through the arts or the environment.”⁵

The MLH Wise Moves program has the dual goal of lessening the workforce shortage and retaining the company's most talented and experienced workers. This program creates new roles and expands the number of positions in existing roles for older workers to fill on a part-time basis. Jobs include nurse mentoring and training, evaluation of patient files, and patient discharge counseling. The part-time nature of the jobs reflects the older workers' preferences for flexible schedules, while the jobs fill critical roles designed to meet MLH's needs. In this way, the pilot aligns the needs of workers with the needs of the health care organization. MLH also expects to see positive impact on the community through improved patient care and services.

⁵ MetLife Foundation/Civic Ventures. *New Face of Work Survey*. June 2005. p.10.

After determining from the responses in the workgroups that there was sufficient interest to initiate a program, IBM calculated the financial and staffing implications of a Transition to Teaching program. The company already had tuition reimbursement and leaves of absence built into its employee benefits and was able to repackage these benefits and reallocate money from the existing HR budget. Responsibility for administration was decentralized and dispersed so that no new personnel were needed to staff the program. The program had no impact on the company's budget, allowing IBM to offer this program to all qualified employees—not just its older workforce. In the future, IBM hopes to expand it across the country and possibly create similar programs abroad as well.

Key Considerations

In designing their older-worker initiatives, BCBSIL, MLH, and IBM each carefully considered the benefits and costs associated with the proposed ideas. Based on the experiences of these three companies, CAEL developed the following list of questions that businesses can use to consider the return on investment of potential initiatives:

- Value Proposition
 - To what extent can strategic business challenges be reasonably addressed through an older-worker initiative?
 - How would an older-worker initiative benefit our employees?
 - Are the expected benefits limited to older workers only or would they affect all employees?
 - How would such an initiative benefit our customers?
 - Would fostering a reputation for corporate citizenship translate to increased customer satisfaction?
- Employee Interest Level
 - Are our employees interested in older-worker initiatives?
 - What percentage of employees would be eligible to take part?
 - How many employees would decide to participate?
- Operations
 - What staffing is needed to implement a program?
 - How much would an older-worker initiative cost?
 - Do we have senior management support for an older-worker initiative?
 - Are there alternate resources that could be diverted?
 - What are the relevant legal and regulatory concerns?
 - Are there external factors that could alter the expected benefits?
- Future Outlook
 - How will the demographic composition of the workforce change in the future?
 - What effect will demographic shifts have on access to talent?
 - How might demographic changes affect the company's strategic goals?

In addition, a variety of regulations have implications for older-worker programs. As MLH and IBM began designing their initiatives, they had to pay attention to the numerous regulations related to pension, health care, retirement, and age discrimination that can influence older workers' ability and willingness to work. IRS tax laws currently restrict options for partial retirement, although some important changes have been proposed.⁶ Company policies can also pose barriers. For example, MLH's Wise Moves pilot program, which targets people who have already retired, had to comply with company policies mandating limits on the number of hours that older employees may work while maintaining both health and retirement benefits.

Outcomes and Results

While programming is still in its infancy at BCBSIL and MLH, IBM launched Transition to Teaching in 2005. To date, over 100 employees have participated. Companies and governments have begun initiatives modeled after the IBM program, and IBM recently created a similar program to connect employees to second careers at nonprofits.⁷ IBM was surprised to find that Transition to Teaching not only served as a recruiting, retention, and engagement tool for employees, and a pipeline strategy for the future workplace, but also had an immediate impact on the company's reputation among its customers. The program highlighted IBM's ability to respond quickly to societal trends and to transform business models to meet fast-changing business needs. According to Stan Litow, President of the IBM International Foundation, "IBM's clients can see that we are using our technological tools and our existing systems to start something completely new that can make a big difference."

Conclusion

Devising strategies to retain and capitalize on the talent and knowledge of mature employees has led the three organizations interviewed to reexamine how people work, to enhance the quality of their services, and to position their businesses to prepare for changes in their industries. In some cases, older-worker initiatives have also offered these businesses an opportunity to contribute to the broader needs of their industries and communities and to enhance their corporate citizenship. Although BCBSIL, MLH, and IBM vary widely by size and sector, and are at different stages in the process of implementing mature-worker initiatives, they have all aligned the assessment of their older workforce with other strategic goals.

⁶"The Tax Code has restricted in-service receipt of benefits before the NRD [normal retirement date]. But the IRS, giving a boost to the phased retirement movement, recently proposed easing these rules to allow workers older than 59 to draw a partial pension and hold a part-time job with the same employer." Morton, Lynne. *Managing the Mature Workforce: Implications and Best Practices*. The Conference Board, Research Report R-1369-05-RR, 2005.

⁷"Encore Pathway: IBM shows employees the way to nonprofit careers." August 1, 2008. Available online: <http://www.encore.org/node/4197>



CAEL

The Council For Adult & Experiential Learning

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