

COMPTROLLER GENERAL'S

FORUM



HIGHLIGHTS OF A GAO FORUM

Engaging and
Retaining Older
Workers

February 2007

GAO-07-438SP





Highlights of [GAO-07-438SP](#), a GAO forum.

Why GAO Convened This Forum

In the future, older Americans are expected to be a larger share of the U.S. population, live longer, and spend more years in retirement than previous generations, and by 2025 labor force growth is expected to be less than a fifth of what it is today. Without major increases in productivity or immigration, low labor force growth will ultimately lead to slower economic and federal revenue growth. This in turn will accentuate the overall pressure on the federal budget, which will face increased claims for Medicare and Social Security benefits while relatively fewer workers pay into the benefits systems. Moreover, the possible loss of many experienced workers as the baby boomers retire could lead to further adverse effects.

If older Americans were to remain in the labor force longer, it could ease some of the pressures on Social Security, supplement individual retirement incomes, and help finance health care. However, researchers have suggested that barriers may impede some older workers who want or need to work.

GAO convened this forum to address the issues surrounding engaging and retaining older workers. Participants included experts representing employers, business and union groups, advocates, researchers, actuaries, and federal agencies. These highlights do not necessarily represent the views of any one participant or the organizations that these participants represent, including GAO.

www.gao.gov/cgi-bin/getrpt?GAO-07-438SP.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barbara Bovbjerg at (202) 512-7215 or bovbjergb@gao.gov.

HIGHLIGHTS OF A GAO FORUM

Engaging and Retaining Older Workers

What Participants Said

Forum participants discussed obstacles, best practices, and lessons learned from programs to help those older workers who can to work longer and better prepare for retirement. Participants also considered strategies for encouraging organizations to implement practices that will result in more opportunities for older workers.

Key Obstacles

- Some employers' perceptions about the cost of hiring and retaining older workers are a key obstacle in older workers' continued employment; total compensation and training costs were seen as primary concerns.
- Workplace age discrimination, the mismatch of workers' skills and availability of jobs because of changes in the economy, as well as the need to keep skills up to date, are all challenges facing older workers.
- There is a more limited pool of interested workers because of financial incentives to retire as soon as possible, workers' desire to retire or change careers, and some jobs' requirements that make continued work unappealing or unfeasible because of health issues.
- Legal and regulatory requirements hinder hiring and retaining older workers.

Best Practices and Lessons Learned

Participants shared examples of best practices and lessons learned, such as

- Use nontraditional recruiting techniques such as partnerships to help identify and recruit older workers.
- Employ flexible work situations and adapt job designs to meet the preferences and physical constraints of older workers.
- Offer the right mix of benefits and incentives to attract older workers such as tuition assistance, time off for elder care, and employee discounts.
- Treat all employees in a fair and consistent manner and employ a consistent performance management system to prevent age discrimination complaints.
- Provide employees with financial literacy skills to ensure they have a realistic plan to provide for retirement security.

Strategies

- Conduct a national campaign to help change the national mindset about work at older ages.
- Hold a national discussion about what "old" is to help change the culture of retirement.
- Strengthen financial literacy education to help workers prepare to retire.
- Create a clearinghouse of best recruiting, hiring, and retention practices for older workers.
- Make the federal government a model employer for the nation in how it recruits and retains older workers.
- Create a key federal role in partnerships to implement these strategies.
- Consider specific legislation or regulations to increase flexibility for employers and employees to create new employment models.

Contents

Letter		1
	Introduction from the Comptroller General of the United States	1
	Key Obstacles to Engaging and Retaining Older Workers	4
	Best Practices and Lessons Learned	9
	Suggested Strategies	14
Appendix I	List of Participants	17
Appendix II	Agenda	20
Related GAO Products		21

Abbreviations

DB	defined benefit
DC	defined contribution
DROP	deferred retirement option plan
ERISA	Employee Retirement Income Security Act

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United States Government Accountability Office
Washington, DC 20548

Introduction from the Comptroller General of the United States

The aging of the baby boom generation, increased life expectancy, and declining birth rates have created a demographic tsunami that poses serious future challenges for individuals, employers, and the economy. In the 21st century, older Americans are expected to make up a larger share of the U.S. population, live longer, and spend more years in retirement than previous generations. At the same time, by 2025 labor force growth is expected to be less than a fifth of what it is today. Without a major increase in productivity or higher than projected immigration, low labor force growth will ultimately lead to slower growth in the economy and slower growth of federal revenues. These circumstances in turn will accentuate the overall pressure on the federal budget, which will be encumbered with increased claims for Medicare and Social Security benefits while relatively fewer workers are paying into the benefits systems.

An additional concern is the possible loss of many experienced workers as the baby boomers retire. Employers face challenges in engaging and retaining older workers, that is, recruiting seasoned workers, adapting job designs and making workplace accommodations, and keeping workers past the traditional retirement age. Some research has indicated that the impending retirements of the baby boom generation and the decline in the growth of the labor supply could affect certain industries and occupations more than others. These trends could create gaps in skilled workers and managerial occupations in particular, leading to further adverse effects on productivity and economic growth.

As older Americans live longer and spend more years in retirement, they will face several challenges that contribute to the growing insecurity of retirement income. First, while more older Americans are working, there is a cultural expectation that workers should claim Social Security benefits as soon as they become eligible; many workers claim them prior to reaching the full retirement age, resulting in lower monthly payments.¹ Second, workers bear greater risk and responsibility for their retirement

¹The full eligibility age (or normal retirement age) for Social Security benefits is being raised gradually from 65 to 67. When the full eligibility age was 65, the actuarial reduction for taking benefits at age 62 was 20 percent. When the age increase to 67 is fully implemented, in 2022, the reduction will be 30 percent. The reduction in monthly payments for claiming early Social Security retirement benefits takes account of the longer period of time over which benefits will be paid.

savings than in the past. About half of U.S. workers do not have a pension plan through their employer, and those who do are less likely than in the past to be covered by defined benefit (DB) plans, which pay a specified amount per month based on the workers' pay and job tenure. Employers have increasingly shifted from traditional DB to defined contribution (DC) plans, such as 401(k) plans, which are based on contributions and investment returns on individuals' accounts. DC plans place greater responsibility on workers to make voluntary contributions and prudent investment decisions. However, in 2005, the personal savings rate declined to the point at which Americans spent more than they received in disposable income. Rising health care costs have also made health insurance and anticipated medical expenses such as the potential need for long-term care increasingly important issues for older Americans. A long-term decline in the percentage of employers offering retiree health coverage has leveled off in recent years, but retirees face an increasing share of costs, eligibility restrictions, and benefit changes that contribute to an overall erosion in the value and availability of coverage. Thus, as older Americans face less secure retirements, many may need to continue working.

If a larger proportion of older Americans were to remain in the labor force longer, even on a part-time basis, it could mitigate some of the economic pressures on Social Security as well as supplement individual retirement incomes and help finance health care. However, researchers have suggested that age discrimination and pension statutes and regulations, among other factors, may present barriers that make it difficult for some older workers who want or need to work to do so.

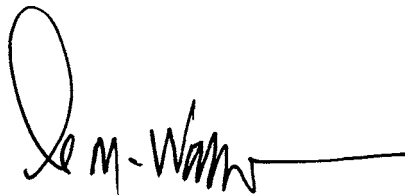
While many, including GAO, have reported on these trends and their likely consequences, not enough has been done to address them. Many employers are still unaware of these trends, and few have implemented programs to engage or retain older workers. Similarly, despite their increased risk, many workers are not adequately preparing for retirement. With the first baby boomers becoming eligible for Social Security retired worker benefits in 2008, the time to prepare for these challenges is running out, and employers and employees, as well as government, have a role to play.

GAO convened this forum on December 5, 2006, to address the issues related to engaging and retaining older workers. The forum brought together a diverse array of experts, including employers from AARP's "Best Employers for Workers Over 50" program and representatives from business groups, unions, advocates, researchers, actuaries, academia, and

federal agencies. Forum participants discussed obstacles, best practices, and lessons learned from programs to help older workers to work longer and better prepare for retirement. Participants also considered strategies for encouraging more organizations to implement these activities on a larger scale. (See app. I for a list of forum participants and app. II for the forum's agenda.) This forum was designed for the participants to discuss these issues openly, without individual attribution, in order to facilitate a rich and substantive discussion of these issues.

This report summarizes the ideas and themes that emerged at the forum, the collective discussion of participants, and comments received from participants based on a draft of this report. The highlights summarized in this report do not necessarily represent the views of any individual participant or the organizations that these participants represent, including GAO.

I want to thank all the forum participants for taking the time to share their knowledge, insights, and perspectives. We at GAO will benefit from these insights as we carry out our work for the Congress and the country. I look forward to working with the forum's participants on this and other issues of mutual interest and concern in the future.

A handwritten signature in black ink, appearing to read "D. M. Walker", with a long horizontal line extending to the right.

David M. Walker
Comptroller General
of the United States

February 28, 2007

Key Obstacles to Engaging and Retaining Older Workers

We presented the results of a survey participants completed prior to the forum that asked them to identify obstacles employers face in engaging or retaining workers who are past the traditional retirement age, factors that keep workers from working beyond the traditional retirement age, and any legal or regulatory requirements that impede hiring or retaining older workers. The key obstacles cited by participants in the survey and during the forum discussion focused on employer perceptions about the cost of hiring and retaining older workers, perceptions about older workers' skills and abilities relative to available jobs, skill gaps among older workers, and the limited pool of workers who want to work past traditional retirement age.

Employers' Concern about Costs Associated with Older Workers

Participants stated that some employers' perceptions about the cost of engaging and retaining older workers is a key obstacle in older workers' continued employment. Participants generally agreed that total compensation and training costs are among the most important concerns, although at least one participant challenged employers' perceptions that the costs of older workers exceed the return on investment.

- *Employers are concerned about older workers' total compensation costs relative to younger, less experienced workers.* In particular, participants cited concern about the rising cost of health insurance. However, at least one participant challenged the assumption that older workers cost more, citing the value that older workers bring to a business.
- *Employers perceive that older workers cost more from a training perspective.* For example, some participants stated that younger workers may have better computer and other technological skills. Also, employers are concerned about investing in training older workers because they may retire before the company recovers its training investment.

Perceptions about Older Workers

Perceptions about older workers' skills and abilities were cited as a key obstacle to engaging and retaining older workers. Participants generally agreed that workplace age discrimination is a key obstacle to older workers' continued employment.

- *Participants noted that workplace culture and employer perceptions can be unfriendly to older workers.* Participants stated that many companies have not learned to place high value on their experienced

workers, and they do not understand that much of their organization's intellectual capital and institutional memory can reside within their older employees. Perceptions held by employers include the idea that older workers will produce a lower quality and quantity of work, their poorer health will have an impact on productivity, they may be less flexible and more resistant to change, and have less capacity for training in new technology. Employers may also have the perception that as workers near retirement age, they disengage and await their retirement date. Employees may have their own perceptions about how they are valued. One participant said older workers may believe their life experiences will be disregarded. Another participant mentioned that older workers may not even apply for jobs because they often assume they will not get hired.

Skill Gaps among Older Workers

Changing industries and required job skills can be an obstacle for older workers. Participants said that layoffs due to changes in the economy, as well as the need to keep skills up to date or retrain for a new career, are all challenges facing older workers.

- *Layoffs may affect older workers more than younger workers.* Some participants expressed concern that employers may lay off older workers sooner than younger workers when downsizing. More specifically, one participant noted that declining older industries tend to employ older workers. Another participant mentioned that layoffs due to business restructuring in both manufacturing and professional service industries affect older workers disproportionately. Positions of some low-skill older workers may have been automated, eliminated, or outsourced, according to one participant. In many cases an employer may have changed the enterprise in which it had been engaged. For example, a computer hardware manufacturer who has matriculated to a software or service enterprise will no longer need the hardware engineers and other employees associated with manufacturing processes.
- *Older workers may lack training to keep skills up to date or make a career change.* In general, participants recognized the difficulties older workers sometimes have in finding employment that is comparable in skill level to their previous occupation. One participant stated that access to and financing of training is an issue, especially for career changers. Older workers may have no career adviser program to identify their skills and match them to a new position on a part-time basis that would benefit their organization. Yet another participant mentioned that there may be structural barriers to employers

identifying suitable applicants and high-skilled workers finding suitable employers. Finally, one participant stated that language barriers may be an issue for older legal immigrants in lower-skilled jobs who have limited English proficiency.

Strong Incentives for Older Workers to Retire

Participants generally agreed that there is a limited pool of workers interested in staying employed because of financial incentives to retire at the early retirement age, workers' desire to retire or change careers, and some jobs' requirements that make continued work unappealing.

- *Participants cited the structure of pension plans and Social Security as retirement incentives.*
 - The structure of traditional defined benefit retirement plans encourages retirement because some pension statutes and regulations have traditionally prohibited working for the same employer while receiving benefits.²
 - The Employee Retirement Income Security Act's (ERISA) anticutback rule prohibits employers from making amendments to their pension plans that would have the effect of eliminating or reducing an early retirement benefit. This may make it slow and complicated for employers to amend plans to raise retirement ages.
 - The availability of Social Security at age 62 and high effective tax rates on earnings may encourage some workers to retire. They may view the after-tax income from continued work as too little to compensate for the trouble and effort.
 - Workers who receive Social Security benefits and have not yet reached the normal retirement age may have their benefits reduced because of the "retirement earnings test." More specifically, if an early retiree worker's annual earnings exceed a certain threshold, \$1 of Social Security benefits will be withheld for every \$2 or \$3 earned, depending on whether or not the worker reaches the normal retirement age that year.
 - Disincentives also exist for workers with disabilities who generally must show that they cannot work in order to qualify for Social Security disability benefits.
- *Workers want to retire or change careers.* Participants expressed concern about a "culture of retirement" in the United States that leads

²However, the Pension Protection Act of 2006 permits employers to make in-service distributions to employees age 62 and older.

many workers to retire at the earliest available opportunity. Some of these workers think they have the means to retire, but may not. Also, the focus on wellness and healthy lifestyles has created a frame of mind that retirement is another phase to enjoy an active lifestyle but in a different setting. Many skilled workers are likely to want to venture into another career.

- *Participants listed job requirements, such as inflexible work schedules, lack of suitable work, physically demanding work, and family needs, such as caregiving, as other disincentives to continued work.*
 - Lack of employer flexibility with regard to hours and vacations and phased retirement was one of the most frequently cited concerns.
 - The availability of jobs that match workers' preferences is another issue. While one participant noted that older workers often do not want to learn new skills, many participants mentioned the unavailability of work that is suitable to being part-time labor, the challenge of generating and managing consulting assignments for high-skilled workers, and limitations of human resource and pension systems that do not facilitate shifting to a less stressful role in the company as potential barriers. Participants also mentioned job location as influencing a job's desirability. Some older workers look toward relocation later in life or desire geographic mobility to spend more time with family.
 - Most participants agreed that jobs that are too physically demanding encourage retirement. One participant noted that work capacity changes as people age and that health problems are realities for those over the age of 40. As a result, employers need to consider and address functional work capacity issues like cancer and back pain. Managing chronic diseases is critical to and can help hold health care costs down.
 - Family caregiving responsibilities frequently compete with work past traditional retirement age. Participants noted that caregiving can be a particularly big issue for workers who, whether for financial or cultural reasons, take care of their relatives or spouses at home.

Other Factors Also Limit Older Workers

- *Legal and regulatory requirements hinder hiring and retaining older workers.*
 - Employers fear age discrimination lawsuits related to hiring and firing decisions based on the Age Discrimination in Employment Act. One participant stated that nondiscrimination laws create a disincentive to hire older workers or implement phased retirement.

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- Medicare’s Secondary Payer rule prohibits employers of a certain size from terminating employees’ health benefits when they become eligible for Medicare at age 65. This means that older workers continue to be entitled to the same health benefits as workers under age 65 and the employer’s plan continues to be the primary health insurer and payer. In these cases, Medicare becomes the supplementary insurer.
 - The tax code and Internal Revenue Service regulations permit employers to offer early retirement windows, provided certain conditions are met, that give employees an incentive to retire early.
 - The Fair Labor Standards Act limits most employers’ ability to provide compensatory time off, in lieu of paying for overtime, and therefore reduces employers’ incentive to provide flexible work arrangements to hourly workers.
 - Mandatory retirement ages in certain professions, such as law enforcement officers and airline pilots, have made it difficult for employers to retain older workers.
-
- *Succession planning may conflict with retaining older workers.* One participant noted that workforce management is generally geared toward replacing older workers with younger workers. Another participant stated that employers often view lower-skilled older workers as “expendable,” and therefore do not place high value on their retention or training and promotion. Finally, one participant noted that employers seek the flexibility to engage and retain those workers capable of performing the job at hand as well as learning new skills for the long run.
 - *Employers may not perceive a need to engage or retain older workers, or may not place a high priority on the issue.* Participants disagreed about whether or not companies are aware of the need to engage or retain older workers. One participant stated that some companies may not yet realize that the population is aging and that there are fewer younger workers to hire. Another participant cited an example of one manufacturer that actively retains older workers. A few participants observed that while companies are becoming more aware of the growing need to hire older workers, the issue as a whole is a nonpriority for them. Businesses have generally been reluctant to commit to doing something about the issue. One participant stated that employers understand these complex issues, but those in decision-making roles may be avoiding the responsibility because they won’t be around to deal with the problem in the future. Also, officials in human resources departments of small and midsized companies are so busy that they cannot address these issues. Another participant stated that

corporations are only able to focus on one crisis at a time, and that they will not act until there is a crisis.

- *Obstacles differ by industry and type of worker, but are treated uniformly in legislation and regulations.* Participants agreed that the types of problems facing organizations and employees differ depending on the industry and that it is important to talk about these issues in terms of different industries and different types of workers. Although these problems are different for different industries, the legislative and regulatory environment generally does not distinguish among industries regarding older worker issues. One participant cautioned against policies that promote downward mobility or have unintended consequences for younger workers or those with low incomes.

Best Practices and Lessons Learned

Forum participants offered a range of insights, views, and examples from their experience and expertise in educating employers and in helping older workers to work longer and better prepare for retirement. Many of our forum employer participants, who have been recognized as best employers for older workers, have found that new approaches and incentives may be needed to engage and retain older workers. Other participants from business groups, unions, advocates, researchers, actuaries, academia, and federal officials also shared their experiences and knowledge of best practices and lessons learned. One key thread that emerged throughout the discussion was that treating employers and older workers with a one-size-fits-all approach would be a mistake for policymakers, as there are a variety of employers with different needs and a variety of workers with different knowledge, skills, abilities, and goals. In order to effectively engage older workers, participants noted the need for new recruiting approaches, workplace flexibility, the right mix of benefits and incentives, a consistent performance management system, and the need for older workers to feel they are valued. There was also general agreement that there is a need to improve the financial literacy of workers and help them better prepare for retirement.

Educating Employers about Older Workers

Participants discussed methods they are using to educate employers on why they should care about engaging and retaining older workers. One participant's organization is using community-based solutions in working to educate small employers about the need to hire older workers and assists them in addressing the issue. For example, this organization has been working with another organization in four communities to develop a local curriculum on hiring and retaining older workers. Using employer

panels and other tools, this organization educates businesses about what is going on in their areas.

Engaging and Retaining Older Workers

New Approaches Being Used to Engage Older Workers

One participant said that it is important to recognize that employers cannot all rely on the same recruiting techniques if they want to reach older workers. Another participant found that traditional recruiting mechanisms—job boards and newspapers—only find workers who are actively looking for work. To enhance their recruiting efforts, this and another participant have been using partnerships with other organizations to help advertise themselves as employers of older workers, for example, working with the National Council on Aging and the AARP to recruit older workers. The AARP’s Featured Employer Program lists 30 national employers who hire older workers on its Web site.

Information sharing can also be useful in engaging older workers. One participant’s organization maintains an Employer Resource Center Web site with information on best practices for hiring and retaining older workers, while a second also has resources available for its members on this topic. Another participant works with other human resource officials to locate work for older workers. In spite of these resources, one participant cautioned that it can be complex for retirees to be rehired and that some types of employers are not used to hiring retirees.

Many participants look to their own retirees as a source of seasoned workers or knew of other employers who do so. One participant’s organization encourages and recruits retirees from positions at all levels to come back and work for short stints. One benefit of this program is that it helps to retain institutional knowledge. A second participant agreed, saying its clients seek out their retirees for their organizational knowledge and expertise. Another participant knew of an employer that allows its retirees to come back after 6 months of retirement to take part-time jobs, whether it is to work for 1 week or 9 months. A fourth participant knew of an employer with a program called “Reserves at the Ready,” which signs up its retirees for availability for specific short-term assignments.

Flexible Schedules and Workplaces Needed to Attract and Retain Older Workers

Participants agreed that flexible work situations were crucial to attracting and retaining older workers. For example, one participant said it is important for employers to be creative in terms of how they design jobs they are looking to fill, and to allow for flexible work locations away from

the traditional office. Another participant stated that people in the health care industry over age 50 leave work for three key reasons: (1) elder care responsibilities, (2) physical constraints, and (3) desire to pursue other interests. To address these concerns, this employer allows employees to have 10 days to use for elder care, flexible work schedules, and for employees working at least 15 hours per week, benefits such as medical benefits and tuition reimbursement. This employer alleviates the physical burden of lifting through the use of patient-lifting teams and supports its employees' desire to pursue outside interests by bringing outside experts in to speak on various topics such as art. The importance of flexible elder care policies was also raised by another participant, who noted that older female workers are more likely to use family medical leave for elder care. As a result, allowance for elder care is critical for retaining these older workers. Another participant's organization highlights opportunities for workers to use flex-time, work part-time, and tele-work in job announcements.

Further corroborating the need for flexibility, another participant noted that there is a whole portfolio of different work models that can help employers engage and retain older workers. For example, the private sector could emulate the emeritus status universities use for their retired faculty to offer opportunities for retirees to continue working.

Adapting the way jobs are designed is also important for retaining older workers. One participant cited two examples of adaptive job design practices from a report on best practices. In the first example, a hospital installed hydraulic systems in all its beds so patients could fold into a sitting posture, a change that assisted older staff in moving patients. In the second example, an employer modified an assembly line so that cars on the line could be rotated to grant easier access for mechanics who were unable to lie down to work on cars as required by the old assembly line system. Another participant stated that the issue of workplace flexibility was common to both older workers and disabled workers, suggesting a need for more dialogue between the two groups.

Adapting workers to fit new jobs is also an important but uncommon practice. One participant mentioned an organization that actively retrains its older workers for new positions. For example, it will retrain staff from the legal department to work in sales or retrain a secretary to work as an assistant on a project.

Participants also offered other suggestions for providing workplace flexibility. In order to retain older workers, two participants' organizations

Benefit Packages Help to Attract and Retain Older Workers

offer their “snow bird” employees flexible work locations. Under this program, workers can work for the same employer in different parts of the country, depending upon the season. Another participant’s organization uses its retirees as substitute teachers and temporary workers. These arrangements are typically flexible and allow older workers to make their own schedules. Finally, one participant suggested that employers think about flexibility in terms of shorter or longer phased retirement options in addition to schedules and workplaces.

Many participants noted the importance of benefit packages in attracting and retaining older workers. Some participants were offering benefits to both full- and part-time workers along with additional benefits such as tuition reimbursement and employee discounts. One participant’s organization uses a combination of benefits including tuition assistance, performance bonuses, and financial literacy resources that it feels is effective in attracting older workers. However, not every employer can offer full benefits to the older workers it tries to recruit. One participant mentioned an employer who cannot afford to offer older workers the same level of benefits as most of its full-time employees and, as a result, tends to hire older workers on a part-time rather than a full-time basis.

Making pension systems more flexible is also a way to attract and retain older workers. One participant’s organization offers its employees a deferred retirement option plan that allows workers to retire and return to work after 1 month.³ Another employer is considering making itself a more desirable workplace by matching a greater percentage of older workers’ DC plan contributions, thereby appealing to older workers who may not have been with the company for a very long time.

³Deferred retirement option plans (DROP) are largely limited to the public sector. Under a DROP plan, instead of paying a pension benefit directly to the participant, it is placed in a separate account in the individual’s name. This individual account is also invested so that when the participant ceases employment and accepts retirement, he or she receives the accumulated account balance in addition to the ongoing pension benefit. DROPs allow a pension participant, generally for a fixed maximum period, to have his or her pension benefits start on a particular date even though he or she continues to work with the employer providing the pension. By allowing a pension participant to gain access to or be credited with pension benefits while still working, DROPs remove a key incentive for older workers to retire.

Consistent Performance Management and Placing High Value on Older Workers Are Needed to Avoid Litigation Issues

As discussed previously, many participants were concerned that engaging and retaining older workers could increase their exposure to age discrimination litigation. To avoid such exposure, one participant said a consistent performance management system is essential for dealing with all workers. Besides treating all employees in a fair and consistent manner, participants agreed it is also important to show older workers that they are valued. One participant's organization studied mature workers and found that they wanted to be recognized for their contributions, and to feel that they are making a difference. In addition to its companywide commitment to encouraging its employees to stay with them in their later years, this organization encourages its older workers to mentor school-age kids toward a career in this company's industry. Another participant's organization uses its retirees as mentors and as resources for teaching leadership courses. A third participant's organization sponsors a program that brings together different generations of workers to help them better understand each other and work better together.

Improving Employee Financial Literacy and Helping Employees Better Prepare for Retirement

With older Americans living longer and spending more time in retirement, employees will have to ensure they have a realistic plan to provide for retirement security that may include working past the traditional retirement age. The shift from defined benefit plans to defined contribution plans also means that employees will have to improve their financial literacy if they hope to have a secure retirement. Proper preparation can help employees to achieve their retirement goals.

Financial Literacy Is Crucial for Retirement Security

Participants discussed the lessons learned concerning the need for financial literacy among employees. Many participants agreed that increasing financial literacy would help employees better prepare for retirement by giving them the tools to assess whether or not they have sufficient funds to achieve their retirement goals. One participant also noted that many employers have moved from defined benefit plans to defined contribution plans. This change has placed the burden of financial management on employees who may lack the financial literacy skills to effectively manage the investment of their pensions. However, it was further noted that financial literacy education alone is not going to help people who have insufficient resources to support themselves. Another participant said special attention needs to be paid to those groups that are disadvantaged. A third participant, whose group has promoted financial literacy among its members, has found from experience that financial literacy alone has limited impact. They have found that automatic enrollment in retirement savings plans is more effective than financial literacy efforts at increasing savings. According to this participant, once

these savings plans are begun, it is also important to help people regularly manage and rebalance their investment portfolios. Another participant noted that automatic enrollment is particularly effective when the level of contributions automatically increases over time.

Educating workers about future health care costs is also part of financial literacy. Participants said educating and encouraging workers to save to fund future health care and disease management is essential to retirement security. One participant said their organization has undertaken a few initiatives related to helping Medicare recipients become informed about the need for long-term care and options for financing long-term care. The initiatives exist because many people are under the false impression that Medicare pays for these expenses.

Preparation Can Help Employees Reach Their Retirement Goals

Helping employees understand what they need to do to attain their retirement goals can help employees formulate their plans. One participant's employer offers a retirement-planning program for employees over 50 years old. The program teaches employees how to plan financially for this next phase by learning such things as how to put together a budget for their retirement. The program also offers individual counseling to help employees determine how much and how long they need to work to reach their goals and allows program participants to determine what sort of flexibility they may need in terms of their continuing work arrangements. A panel of retirees then discusses with program participants the lessons they have learned about transitioning to retirement. Another participant's organization has developed retirement simulation models to help its employees plan for their financial future.

Suggested Strategies

Participants suggested a number of strategies to encourage older workers to remain in the labor force and to encourage employers to engage and retain older workers. These strategies include creating a national campaign to promote employment opportunities, beginning a national discussion of the definition of "old," increasing financial literacy, and creating a national clearinghouse of best practices. In addition, participants stated that the federal government should become a model employer in engaging and retaining older workers.

Create a National Campaign to Promote Older Workers

Participants generally agreed that what is needed is a change in the national mind-set about work at older ages. To that end, the idea of creating a national campaign to promote older workers was suggested. Such a campaign could highlight the different types of work older people

are engaged in, the positive attributes of older workers, and the business case, i.e., the benefits to employers, for engaging and retaining older workers.

Begin a National Discussion to Change the “Culture of Retirement”

Many participants talked about the need to think differently about life at older ages. To change the “culture of retirement,” one participant suggested the need for a national discussion to reconsider what “old” is and what the new retirement age should be or whether there should be a “retirement age” at all. Another raised the question of what our national norm is on work and lifelong learning.

Increase the Financial Literacy of Workers

Participants agreed that strategies that increase financial literacy may help workers better plan for their futures and know when to retire. Participants suggested that both public and private efforts may be needed to promote financial literacy, including teaching financial literacy as early as grade school, promoting the discussion of retirement planning much earlier in workers’ careers, and using faith-based organizations as a conduit for financial planning such as homeownership counseling.

Establish a National Clearinghouse of Best Practices in Engaging and Retaining Older Workers

In addition to encouraging older workers to remain in the labor force, participants agreed that employers need information about the best practices in engaging and retaining older workers. One strategy discussed was the establishment of a national clearinghouse of best practices, such as the different kinds of work structures, recruiting techniques, benefit packages, and workplace flexibilities—such as part-time work, flexible hours, and phased retirement—used by some employers to attract and retain older workers.

Federal Government Should Be a Model Employer and Provide Leadership

Participants discussed a number of ways that the federal government could be a leader on the issue of keeping older workers in the workforce. First, one participant noted that as an employer of millions, facing its own demographic wave, the federal government should be a role model for the nation in terms of how it engages and retains older workers. Second, it can be a key player in the kinds of public/private partnerships that would promote the national campaign, begin a national discussion, or create the national clearinghouse discussed above. Another participant stated that the public sector in general has a role to play, in cooperation with the private sector, in helping displaced older workers who need new skills to remain in the workforce. And third, through specific legislation or

regulations that would increase flexibility for employers and employees, the federal government can help create new models of employment for older Americans. For example, one participant suggested offering tax credits to employers as a way to motivate them to hire older workers and to workers as a way to motivate them to work longer. Some participants discussed the need for safe harbors in the tax code and ERISA that would make it easier for people to return to work after retirement. Others suggested that age discrimination laws may have had some unintended consequences, such as creating disincentives for hiring older workers and preventing employers from taking incentive actions, and that these laws should be re-evaluated or amended to encourage employers to hire older workers rather than discourage them.

Appendix I: List of Participants

Moderator

David M. Walker Comptroller General of the United States
U.S. Government Accountability Office

Participants

Larry E. Anderson President and Chief Executive Officer
National Older Worker Career Center

Martha C. Artiles Chief Diversity Officer
Manpower Inc.

Linda Barrington Principal Director, Maturing Workforce Program and
Research Director, The Conference Board

Charles P. Blahous Special Assistant to the President for Economic Policy
The White House

Barbara Bovbjerg Director, Education, Workforce, and Income Security
U.S. Government Accountability Office

Bradford P. Campbell Acting Assistant Secretary, Employee Benefits Security Administration
U.S. Department of Labor

Barbara Peacock-Coady Consultant, Aging Workforce
Massachusetts Institute of Technology

Craig Copeland Senior Research Associate
Employee Benefit Research Institute

Lynn Dudley Vice President, Retirement Policy
American Benefits Council

Maria Kniesler Flynn Administrator of Office of Policy Development and Research,
Employment and Training Administration
U.S. Department of Labor

Steve Grossman Vice President, Human Resources
Hoffmann-La Roche, Inc.

Karyne Jones	President and Chief Executive Officer National Caucus and Center on Black Aged, Inc.
Carol A. Kelly	Director, Office of Policy Centers for Medicare and Medicaid Services
Nancy H. Kichak	Associate Director, Strategic Human Resource Policy Division U.S. Office of Personnel Management
Jan Magill	Director of Workforce & Education Programs U.S. Chamber of Commerce, Institute for a Competitive Workforce
Dawn Malone	Administrative Director, Work and Family Services Bon Secours Richmond Health System
Susan R. Meisinger	President and Chief Executive Officer Society for Human Resource Management
Steven T. Miller	Commissioner, Tax Exempt and Government Entities Division U.S. Internal Revenue Service
Kenneth Mitchell	Vice President UnumProvident Corporation
Sigurd Nilsen	Director, Education, Workforce, and Income Security U.S. Government Accountability Office
Pamela Perun	Fellow Aspen Institute, Initiative on Financial Security
Jane McDonald-Pines	Workforce Issue Specialist, Department of Legislation AFL-CIO
Anna M. Rappaport	President Anna Rappaport Consulting
W. Thomas Reeder	Benefits Tax Counsel, Office of Tax Policy U.S. Department of the Treasury
Deborah Russell	Director, Workforce Issues AARP

Susan G. Standley	Director of Compensation and Benefits Brevard County School Board
Marlon Sullivan	Senior Director of Staffing The Home Depot
Sue Suter	Associate Commissioner, Office of Employment Support Programs U.S. Social Security Administration
Mark J. Ugoretz	President The ERISA Industry Committee
Stephen M. Wing	Director of Government Programs CVS Corporation

Appendix II: Agenda

8:30 a.m.

Check-in

9:00 a.m.

**Opening session
Welcome and introductions**

Setting the stage—presentation by the Comptroller General

9:45 a.m.

Session I: Key Obstacles

Presentation of presurvey results regarding the obstacles facing older workers and their employers, including a discussion of the types of jobs available to older workers and the pay and benefits associated with them.

10:45 a.m.

Coffee Break

11:00 a.m.

Session II: Best Practices and Lessons Learned

Discuss activities or programs now in place to help older workers to work longer and better prepare for retirement. We will hear from participants about employment best practices and lessons learned regarding topics such as recruitment, retention, rehiring, workplace flexibility, training, financial planning, health benefits, pension plans, and phased retirement for both lower-skilled and higher-skilled jobs and workers.

11:50 p.m.

Lunch will be distributed and Session II continues

12:30 p.m.

Break

12:45 p.m.

Session III: Strategies

1. What can government do to encourage more organizations/people to implement these types of activities on a large scale?
2. On what topics should GAO focus its work to help facilitate these solutions?
3. What can employers do to retain or recruit workers who are near or past traditional retirement age among a variety of industries and skill levels?
4. What can employee groups do to facilitate work for those who wish to work longer?

1:45 p.m.

Wrapup

2:00 p.m.

Adjournment

Related GAO Products

Human Capital: Retirements and Anticipated New Reactor Applications Will Challenge NRC's Workforce, [GAO-07-105](#). Washington, D.C.: January 17, 2007.

Senior Community Service Employment Program: Labor Has Made Progress Implementing Older Americans Act Amendments of 2000, but Challenges Remain, [GAO-06-549T](#). Washington, D.C.: April 6, 2006.

Older Workers: Labor Can Help Employers and Employees Plan Better for the Future, [GAO-06-80](#). Washington, D.C.: December 5, 2005.

Private Pensions: Information on Cash Balance Pension Plans, [GAO-06-42](#). Washington, D.C.: November 3, 2005.

Social Security: Societal Changes Add Challenges to Program Protections, [GAO-05-706T](#). Washington, D.C.: May 17, 2005.

Redefining Retirement: Options for Older Americans, [GAO-05-620T](#). Washington, D.C.: April 27, 2005.

21st Century Challenges: Re-examining the Base of the Federal Government, [GAO-05-325SP](#). Washington, D.C.: February 2005.

Highlights of a GAO Forum: Workforce Challenges and Opportunities For the 21st Century: Changing Labor Force Dynamics and the Role of Government Policies, [GAO-04-845SP](#). Washington, D.C.: June 2004.

Older Workers: Policies of Other Nations to Increase Labor Force Participation, [GAO-03-307](#). Washington, D.C.: February 13, 2003.

Older Workers: Employment Assistance Focuses on Subsidized Jobs and Job Search, but Revised Performance Measures Could Improve Access to Other Services, [GAO-03-350](#). Washington, D.C.: January 24, 2003.

Older Workers: Demographic Trends Pose Challenges for Employers and Workers, [GAO-02-85](#). Washington, D.C.: November 16, 2001.

Private Health Insurance: Declining Employer Coverage May Affect Access for 55- to 64-Year-Olds, [GAO/HEHS-98-133](#). Washington, D.C.: June 1, 1998.

Retiree Health Insurance: Erosion in Employer-Based Health Benefits for Early Retirees, [GAO/HEHS-97-150](#). Washington, D.C.: July 11, 1997.

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