

## **HPC Paper March 2010**

### **Still Working After All These Years: Senior Workers and Elderpreneurs**

My gratuitous manipulation of Paul Simon's 1975 album title is actually my second title attempt. I first tried to surreptitiously lift the first line of the Beatles 1968 tune from the title of David Klooster's January paper and use it in mine. But, I was caught red-handed by the ever vigilant Rob Sligh. Forgive me, if my earlier title encouraged a focus on the superficial rather than the substantive. So I simply went with my second choice of Boomer song fare.

This paper is about the modifications occurring in our perceptions and actions relative to work and retirement. As a result of my chronological age and my developmental stage, I possess more than a passing interest in examining aspects of the retirement transition process. I also have been observing members of this august Professional Club who are at, near or past retirement age. Some of you have chosen to retire at 62 to 65; some have continued in your earlier vocations; others have chosen to change careers; and still others have returned to work after retirement. So, hopefully this paper will be of interest to you as well.

My own retirement misgivings and observing the behaviors of some HPC members have stimulated some questions I hope to exam this evening: 1) Are an increasing number of men continuing to work past the "usual retirement age?" 2) Why are these men still working? 3) What labor force participation issues and concerns do

older workers encounter? 4) What senior worker options and prospects are available or on the horizon? And finally 5) Are we seeing the beginning of the end of retirement?

I chose only to examine men for pragmatic reasons. There are far more available data and sources from scholarly research and popular media.

Before we examine these questions, let us briefly examine the modern concept of retirement. In the U.S., mass retirement was built on social security, company pensions, Medicare and Medicaid. Retirement first became a possibility in the late 1930's when the United States formed its own *Social Security System* and began cushioning workers' retirement years with monthly income beginning at age 65. (While a seemingly benevolent national act, we should also remember that at that time the average American did not live to age 65. Men expected to live into their late 50s and women into their early 60s.) This retirement concept was further realized in the 1940's when *company pensions* became more common. These pensions offered workers a secure and steady retirement income stream based on salary and years of service. Health insurance from *Medicare*, and long-term care insurance from *Medicaid* then came on the scene and provided further encouragement for workers to retire and adopt a lifestyle of leisure, relaxation, travel, recreation, hobby exploration and other activities that eased them into the final stage of life.

Though these government benefits and company pensions were not designed to support a long retirement, the times they are a changing. A National Vital Statistics Report released in April 2009 by the Centers for Disease Control indicates that the average American now lives 16 more years than in the late 1930's, now to age 77.7 from age 61.7. **Now, to the questions.**

## **ARE AN INCREASING NUMBER OF MEN CONTINUING TO WORK PAST THE USUAL "RETIREMENT AGE?"**

The answer should soon be obvious. Census Bureau data indicates that more than a third (38 percent) of Americans between the ages of 62 and 74 worked in 2008, up 39 percent since 1993. For men aged 55-64, *participation rates* rose from about 65 percent through the late 1990s to nearly 70 percent in 2006. Among men aged 65 and over, labor participation rates hovered at about 15 percent from 1984 until 1999 and then started rising gradually, reaching nearly 20 percent in 2008. Another government agency, the Bureau of Labor Statistics, reports that between 2000 and 2008, the number of workers 65 to 69 rose 25 percent. Even greater increases were cited for those ages 70 to 74 (32 percent), 75 to 79 (38 percent) and 80 and over (67 percent).

### **WHY ARE THESE MEN STILL WORKING?**

#### **Additional Income**

Americans are working longer for many reasons. Additional income is an important one. Allow me to bombard you with several reports supporting this income need. A September 2009 Center for Retirement Research at Boston College report indicates that the opportunity for those relaxed and lazy days of retirement may no longer be available to all. Their estimates suggest that 52 percent of boomers born between 1948 and 1954 are at risk of being unable to maintain their standard of living in retirement. And it will get worse. Sixty-four percent of boomers born between 1955 and 1964, and 71 percent of Gen Xers born between 1965 and 1974, may be unable to retire comfortably in their lifetime.

According to a July 2008 Ernst & Young report, even middle-income Americans are now entering retirement with savings that will allow them annual income equal to 59 to 71 percent of their preretirement wages. They will have to reduce their standard of living by an average of 24 percent to minimize the likelihood of outliving their financial assets. Those Americans seven years out from retirement are even less prepared, and the study estimates that they will have to reduce their standard of living by even more, an average of 37 percent.

Worker self-reports also support this need for additional income. According to a May 2009 national survey by the Pew Research Center's Social & Demographic Trends Project, "just over half of all working adults ages 50 to 64 report that they may delay their retirement—and another 16% say they never expect to stop working. In a July 2009 poll of 500 older workers by Golden Gateway Financial in California, 50 percent said they would retire after age 70. More than half of Boomers in a Center for Work-Life Policy national survey plan to delay retirement by nine years as a direct result of savaged retirement savings.

## **Shifts in Government and Pension Incentives No Longer Favor Early Retirement**

### ***Changes in the Social Security Program***

When Social Security was established, the retirement earnings test conditioned the receipt of benefits on complete withdrawal from the labor force. Since then, the earnings test has been relaxed in stages, with substantial changes in 1972, 1978, 1983, 1990, 1996, and 2000. At this point, the earnings test applies from age 62 until the Normal Retirement Age (currently set at 66) and allows for roughly \$14,160 in annual

earnings before reducing benefits by \$1 for each additional \$2 in earnings. Studies indicate that the liberalization of earnings test rules significantly raised labor participation among older workers. The change in 2000, which eliminated the earnings test above the Normal Retirement Age, further encouraged workers under that age to postpone retirement. Most recently, the Delayed Retirement Credit (DRC), which applies from the Normal Retirement Age until age 70, increases the benefits resulting from postponing taking Social security until 70 years old. The gains in the DRC make it more lucrative for workers in their late sixties to remain in the labor force.

### ***Decline in Post-Retirement Health Insurance***

A great deal of attention has been given to rising health care costs and falling health insurance coverage over the last fifteen years. The spectacular increase in health care insurance costs represents a major source of uncertainty for most people, though one that is ameliorated by the provision of private insurance from employers and public insurance from Medicare. However, more and more employers have reduced or dropped health insurance coverage for retired workers, and most have boosted the cost of insurance for those who continue to be covered. Researchers have shown that a significant number of workers delay retirement until health insurance coverage is available at age 65 through Medicare.

### ***Changes in Employer Pensions***

Over the past quarter century, traditional *defined benefit* pensions have largely been eclipsed by 401(k) *defined contribution* plans. While the defined benefit pensions typically have strong financial incentives to retire by the plan's "normal retirement age," the 401(k) plans, contain no incentives to retire at any particular age. Workers also may

have incentive to work longer because 401(k) plans are exposed to market risk, as experienced in 2008 and 2009.

Multiple studies have documented that workers covered by 401(k) defined contribution plans retire a year or two later on average than similarly situated workers covered by a defined benefit plan. While the oldest workers still have relatively high rates of defined benefits coverage, this is changing rapidly as workers with defined contribution plans age, so further changes in aggregate retirement patterns of workers with pensions are likely. Therefore, the participation rates of older workers can be expected to rise as an increasing share of workers on the cusp of retirement are covered by 401(k)s defined contribution plans instead of defined benefit pensions and now bear the risks (and gain the potential rewards) of their investment choices.

## **Work Environment Changes Encourage Continued Employment**

### ***Abolition of Mandatory Retirement Laws***

Judicial and legislative action eroded mandatory retirement provisions in most occupations through the late 1970s and mid-1980s. Most senior workers are no longer forced by law or mandate to retire at a specific birth date.

### ***More Part-time Jobs***

Some evidence suggests that jobs have grown more flexible for older workers, as they tend to take more part-time and “bridge” jobs on their path to retirement. More recently, one study documents an increase in part-time work among older workers, although not for any other age group. This increase was particularly notable among relatively educated and well-off workers, suggesting an increase in demand for job

flexibility. These part-time and “bridge” positions offer an alternative to full-retirement. I will be mentioning more about this type of positions later in a discussion of phased retirement.

### ***Less Physically Demanding/More Rewarding Jobs***

Jobs demanding less physical strength and endurance allow older workers to continue working competitively even with decreases in physical prowess. Also, many senior workers are finding positions that offer higher non-financial rewards. More non-financial rewards raise the value of remaining at work thereby boosting the supply of labor. More on this later.

### **Specific Individual Attributes Associated With Longer Employment**

#### ***Senior Workers with Higher Education***

Older college and graduate school educated men look much like their younger counterparts educationally and therefore continue to be competitive for jobs.

#### ***Joint Decision-Making in Couples***

A growing number of studies suggest that husbands and wives like to retire together. Since husbands are, on average, three years older than wives, the increased labor force participation of wives can be expected to lead to later retirement for their husbands.

#### ***Increases in Health and Life Expectancy for Some Groups***

Some American men are not just living longer but living healthier. A September 2008, Boston College Center for Retirement Research, report states that between 1970 and 2000, men’s disability-free life expectancy had increased by almost three years and

has allowed them to work longer. Unfortunately, most of these gains in health status and life expectancy have only been made by college-educated whites. For other groups disability-free life expectancy over a 30 year period has remained virtually unchanged or worsened for each group.

***“I Enjoy Working and Have a Lot Left To Give”***

When asked why he didn't retire, a 73 year-old man stated, “I believe I still have many contributions to make to my field. I need the challenge, demands and intellectual stimulation of my job to stay mentally, physically, and socially healthy.”

Obviously, the growing desire of an aging but healthy population is to stay active well into the later years of life. A recent nationwide survey by the Pew Research Center's Social & Demographic Trends found that a majority (54%) of workers ages 65 and older say the main reason they work is that they want to. Just 17% of this group of 65 plus workers report that the main reason is the need for a paycheck. An additional 27% say they're motivated by a mix of desire and need. When asked to identify specific reasons for working, older workers emphasize psychological and social factors: "to feel useful"; "to give myself something to do"; "to be with other people."

These same sentiments are being repeated by Boomers. As Sylvia Ann Hewlett states “Boomers, as much as their Gen Y children, yearn for a lifelong odyssey, a fluid journey in search of meaning, stretched by challenges and stimulated by constant learning. They rate four other forms of compensation—a range of new experiences, a great team, challenging assignments and recognition for a job well done—as at least as important as money.” Recent data from a 2009 Center for Work Life Policy study found



that even with increasing economic pressure and rising job insecurity, Boomers continue to prize psychic satisfaction over money.

## **WHAT LABOR FORCE PARTICIPATION ISSUES DO OLDER MEN ENCOUNTER?**

### **Reduced Job Availability**

Carole Fleck writing in the December 2009 *AARP Bulletin Today* reviewed Labor Department statistics for workers age 55 and older. Along with the rest of the population, the unemployment rate in the past several months is increasing though it is just above 7%. If unemployed, older workers were unemployed for a longer period—36 weeks in November, compared with 33.5 weeks in October. Similarly, the percentage of older unemployed workers in long-term unemployment—those who were out of work for 27 or more weeks—spiked to 51.4 percent in November, up from 46 percent in October. The number of people age 55-plus who want to work but are so discouraged that they've stopped looking also rose considerably in November to 199,000, up from 130,000 in October. At the start of the recession in December 2007, only 53,000 older workers were in that category.

### **No Longer Protected from Layoffs**

The conventional wisdom has long held that older workers are less likely to be displaced than their younger counterparts due to such factors as seniority and experience. But this is no longer true. Data from the Displaced Worker Survey show that the difference in displacement rates between younger and older workers has disappeared

because of a decline in the tenure of older workers and a sharp increase in the displacement of older workers employed in manufacturing.

### **Worker Attributes**

Individual characteristics of the older worker do determine whether older men continue to work according to Boston College research published in September 2008. Worker attributes of a college degree, being white, being a married man and being a homeowner are associated with a higher probability of being employed. So, men who do not have one or more of these characteristics are less likely to continue in the labor force.

## **WHAT SENIOR WORKER OPTIONS AND PROSPECTS ARE AVAILABLE OR ON THE HORIZON?**

### **Full or Part-Time Continuation in Current Position**

As we would expect, some of these senior workers will continue to be employed in their long-term career or vocational positions.

### **Job and Career Change**

In addition to these traditional positions, the work environment and employer/employee preferences are stimulating the development of new options on the senior employment scene. Career employment is no longer the norm. An alternative to retirement is an employer or occupational change. Using several years of the Current Population Survey and the Displaced Worker Survey, Urban Institute researchers examined employer and occupational transitions that occurred between 1992 and 2006 for workers employed full time and ages 51 to 55 in 1992. They found that most workers left their 1992 employers by 2006 (when they are ages 65 to 69). Only about 14 percent

remained with their baseline employer and these were more often employees with college or graduate degrees. Of those 86% who left their 1992 employers, the reasons given for leaving a job include: 24% experienced layoffs or business closings by 2006, 12% left for health reasons, 48% chose to retire and 16% left for other reasons. Of those who found work elsewhere, nearly two-thirds (63 %) moved into different occupations. This group was more often composed of those with high school degrees or less. The one-third who continued in the same occupational area were more those with college or graduate degrees. So, higher education was associated with staying in the same occupational area or staying with one's original employer.

### **Phased Retirement**

As baby boomers near traditional retirement ages, many express intent to work longer. But some older workers are interested in greater flexibility that would allow them more time for non-work activities. Not surprisingly then, the notion of phased retirement—where an older full-time worker remains with the same employer and gradually reduces work hours—has considerable appeal for employees.

For the worker, the phased retirement offers a transition from full-time work to something less stressful. The worker may “try out” activities that could eventually be part of full retirement. Moreover, phased retirement allows for age-related changes in stamina or ability without sacrificing social networks, earnings, and a sense of being productive. Perhaps because of these potential benefits, large numbers of older workers express an interest in phased retirement.

Phased retirement may help employers as well by allowing them to keep experienced and productive workers. Employers retain experienced workers who are

reliable, hardworking, have specialized knowledge of their job as well as of the larger organization. Perhaps because of these worker attributes, phased retirement is frequently tied to mentoring; the phased retiree is not only there to do a job, but also to pass on knowledge and values to younger coworkers.

From the perspective of the larger society, phased retirement could help extend work lives and thereby reduce pressure on employer-sponsored pensions and Social Security. In addition, society gains when labor is allocated to its highest and best use. If the highest and best use of the worker's full-time labor was with a long-time employer, then a part-time job with the same employer is likely to be the highest and best use of the person's part-time labor. And, since phased retirees continue to use the training and skills that made them valuable full-time workers, society thereby gains from an efficient allocation of human resources.

But before we conclude that phased retirement is without problems, we must understand that the economic environment and government policy may cause concerns. Robert Hutchens points out four problems that may influence the employer's willingness to offer phased retirement: 1) pensions; 2) selection of eligible workers; 3) health insurance; and 4) flexible hours. Pension plans impede phased retirement in two ways. First, benefits sometimes depend on earnings in years just before retirement, so an older person who chooses to work half time at half pay could lose as much as half of all future pension benefits. Second, in deciding whether to allow workers to take phased retirement, employers must implicitly or explicitly decide how selective they wish to be. If employee A is permitted to take phased retirement, then will employee B have a similar opportunity? Another difficulty that employers face when arranging phased retirement

concerns health insurance. If an employer provides health insurance to full-time employees, what happens to health insurance when some of these employees take a phased retirement? Perhaps the barrier is less one of legal restrictions and more one of cost and morale. Understandably, employers may refuse to provide health insurance coverage to older part-timers while not doing the same for younger part-timers. Rather than bear the cost of covering all part-timers with health insurance, the employer may simply decide to cover no part-timer — phased retiree or otherwise. Yet another problem for employers concerns the flexible hours implicit in phased retirement. For some jobs, employers neither need nor want part-time workers. When flexible hours are a problem, one way that employers can accommodate phased retirement is to reassign the older employee to a different job, which could involve new skill requirements, different work relationships, a change in status, or a change in location.

In summary, phased retirement offers potential benefits for employees, employers, and society in general. But, to date, phased retirements are rare in part as employers confront the problems of pensions, selectivity, health insurance, and flexible hours. Hopefully, as employers and employees continue to examine the potential problems and benefits, phased retirements will become more prevalent.

### **Second or Encore Careers**

Erik Erikson, twentieth-century thinker and psychologist who developed a theory of identity development concluded that each successive stage of life involved the letting go of concerns and responsibilities that attended earlier stages. In doing so you're able to assume new challenges, and only after many years of continually developing as a

person can you attain true wisdom. For Erikson, one of the final challenges (the generativity vs. stagnation phase) is to give something back—contribute to community, society or the greater world for the greater good. Erikson asserted the most actualized, or fully developed, adults reach the point where their greatest satisfaction in life is giving. He felt that this stage of life afforded the special opportunity to complete nature's life cycle by allowing each individual to contribute what he or she has learned to society. He wrote, "We can look back over a long past, and so doing helps us understand our lives and the world we live in." Erikson's ideals reflected his mounting concern about the growing potential uselessness of elders in modern society. He felt strongly that the whole society suffers, not just the individual, when mature adults are removed from the tapestry of intergenerational life."

Many older people are launching a new stage of work that combines social impact with personal meaning and continued income. In describing these encore careers, I would like to use the words of an HPC member Charlie VanderBroek from the Resthaven Care Community website on the 2009 *ENCORE! Lakeshore Award Winners*: "Today, thousands of people in the second half of life have opened up new chapters of creativity, productivity, and leadership, and in the process have transformed our communities and our country. They prove to all of us that aging can be a time of continuing growth and contribution to others. Our older adults represent an extraordinary collection of social and human capital."

The 2008 MetLife Foundation/Civic Ventures Encore Career Survey estimates that between 6 percent and 9.5 percent (5.3 and 8.4 million) Americans ages 44 to 70 are already in their encore careers. The survey asked 3,500 Americans between the ages of

44 and 70 about their current and future work plans and preferences. The results indicate that a majority of people in that age group want to use their skills and experience to help others. Of those already in encore careers, 84% derive a good deal of satisfaction from their career and 94 % said they have seen positive results and know they are making a difference. Fifty-two percent come from professional or managerial careers, and an additional 28 percent come from other white-collar occupations. But nearly one in five (18%) come from blue-collar jobs. Over half in encore careers work 40 hours per week or more, with three quarters saying that they have the flexibility they need and want, and eighty-five percent saying they have the time to do the things outside of work that are important to them. The researchers found that attitudes toward retirement matters. Seven in 10 of those already in encore careers and those interested in encore careers say retirement is a time to begin a new chapter in life, compared to 43 percent of those who say they are not interested in encore careers. According to the study, nearly half of those not already in encore careers have a strong desire to move into such jobs.

As Marc Freedman, CEO of Civic Ventures, states, "If even a small fraction of baby boomers go into encore careers, it could have a transformative effect on industries that are so dependent on human resources to be effective." The research indicates that while 13% of these men are in for-profit positions, most are in the non-profit sector. Thirty-one percent of men are entering education, 23% in government agencies, 18% in health care, 15% in the nonprofit sectors all of which already are experiencing critical labor shortages. A study by the Bridgespan Group—a Boston-based management consulting group for the nonprofit sector—reported that nonprofit organizations will need some 640,000 new senior leaders over the next 10 years, and that number could rise as

high as 1.2 million. "The people who are pursuing encore careers are true pioneers," said Sibyl Jacobson, president and CEO of the MetLife Foundation. "They are blazing not only their own path but also one for those just behind them – workers who share their aspirations but have not taken the plunge." Marc Freedman's 2007 book, *Encore: Finding Work that Matters in the Second Half of Life* states that pre-retirees should think long and hard about their own motivations and what makes them happy. He suggests that the best way to find an "encore" career is to ask some basic questions:

- a. How would you like to spend the next five or 10 or 20 years?
- b. What community or national or global problems motivate you to act?
- c. How much income do you need to earn?
- d. Do you want to stay in the same field or explore something new?
- e. Do you want to start your own organization or work for an existing one?
- f. Are you willing and able to go back to school or get other training?

### **ARE WE SEEING THE BEGINNING OF THE END OF RETIREMENT?**

Are we on the cusp of the end of retirement? Richard Johnson, a senior fellow who specializes in older-worker issues at the Urban Institute, believes that given our extended life expectancy and better health, our years in the workforce may be greater. With rising drug and health care costs, people carrying debt into their retirement years, Social Security and Medicare covering less of our expenses, defined benefit pensions decreasing, increasing vulnerability of retirement savings to market conditions, the years of retirement may be less-- but still will be substantial.



Of course, not all those employed senior workers are doing it for economic reasons. A number of them wish to continue because they receive personal and professional fulfillment, intellectual and social stimulation, and wish to contribute or “give back” to the community and society.

For senior workers, there may be some guarded but good news. Later life employment may or may not be full-time, these positions may not protect one from layoffs, they may pay less, they may lack benefits and they may not be with the employer or in the field where the worker spent his earlier work years. But, some job opportunities are still likely to be available especially for those more highly educated or highly skilled. The forms of these available jobs may include continued full-time employment, part-time employment or phased retirement, and new or “encore careers. All of these options will provide needed income. Some will also offer workers the opportunity to use their skills, wisdom and experience for meaningful work that combines earning an income with fulfillment, stimulation and making a contribution to society.

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