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Waterloo Wellington Training and Adjustment Board

Older Worker Retention Strategies

A Literature Review by Dane Rice



Introduction

As the population ages, more and more skills, knowledge and expertise are expected to be lost from the workforce through retirement. On the other hand, increasing skills shortages means that there is a greater need to retain and/or transfer knowledge to new or younger employees. This means that older workers are now being seen as much more of a resource than perhaps in previous times. Both employers and older workers are looking for ways to meet the needs of both.

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The Older Workforce

The trends in population growth and workforce participation that are leading Canada towards a labour shortage will heighten the importance of older worker retention. Employers concerned about retaining older workers must provide a work arrangement that suits their financial, intellectual, and social needs (Watson and Wyatt, 2001).

Older workers are a diverse group. Immigrants, individuals with a university degree and those who received an early retirement incentive were among the most likely to say that alternative working arrangements would have encouraged them to keep working. Retirees from health care, social services, and education were least likely to prefer continued employment (Morissette, Schellenberg, and Silver, 2004). This is particularly significant given the older age profile of these workforces.

With the end of mandatory retirement in 2006 and upcoming changes to employment and tax laws effecting phased retirements, there will be the opportunity to retain workers longer. Incentives to do so must be customized to the workforce they seek to retain or attract. This will come from listening to employees, or more challenging, prospective employees, to find out what they want in the later years of employment. The following are a variety of strategies that can be utilized in retaining older workers.

Job Redesign

Employers can keep valued knowledge and skills in their organizations longer by offering older employees some of the reduced stress and pursuit of leisure that would otherwise induce them to retire outright. Though physical and cognitive functions decline with age, this association differs amongst abilities. Multi-tasking, dealing with distraction, and working under time pressure are abilities more likely to decline with age than are accuracy of calculation and the recall of learned routines.

Having a framework in place reduces the burden to managers in judging who deserves a scale back in responsibility. A second career within a firm may be more appreciated if it is something expected and aspired to throughout a career (Robson, 2001). Often a threshold based on age or age plus years of service determines when an employee scales back responsibilities.

Flex Time

Rather than go to a part-time schedule, many workers who maintain full-time schedules may prefer some control over their work hours. Flexible work schedules can help employees meet elderly parent care responsibilities, coordinate personal chores with other family members, enjoy more free time, reduce commuting time, schedule medical appointments, out-of-town family travel, and other intermittent activities. Flexible schedules allow workers to determine the timing of the workday or workweek (flextime), or longer periods (compressed work schedules) with the consent of their employer. Typically, workers in flextime programs must show up during certain core hours (such as 10 a.m. through 3 p.m.) on days that they work, but otherwise can set the time they arrive and leave for the day. Workers on compressed work schedules may do all their work in eight 10-hour days instead of 10 eight-hour days, or, more typically, they can work nine days in a two-week period with an extra day off every other week (Bush, 1994). In addition to flexible hours, another possibility is for employers to allow employees to work extra hours ad hoc (at their mutual convenience), and then grant compensatory leave.

Organizing jobs into four-hour work modules is another option for older workers. This gives employees the flexibility to set schedules in units that allow serious tasks to be completed but short enough to permit a variety of work days and work weeks. Benefits to employers from such systems are more productive workers, less fatigue, and lower absenteeism. Having guidelines in place to manage such an arrangement will maintain a perception of fairness by all players (Robson, 2001).

Job Sharing

Job sharing arrangements can help older employees as they move from full-time work to part-time work. Employers may benefit from the enhanced skill sets that often result when two people share a single job. Some employers encourage job sharing as a way to extend the careers of older employees (Eyster, Johnson, and Toder, 2008).

However, employers may have more difficulty implementing job sharing than other flexible work options. It requires clear delineation of work responsibilities as well as frequent communication among the job sharers and their manager. If one job sharer leaves, the other may be forced to return to full-time work or lose his or her job unless another job sharer can be found. Nonetheless, both the company and the employees who share jobs can benefit if all parties have a long-term commitment to the arrangement.

Training

Older workers are collectively more loyal to their given employer than younger ones (Robson, 2001). So although older workers naturally have less time to amortize training costs to employers, they are less likely to take the investment in human capital to a competitor. Employers will be better able to utilize older workers if their skills are kept as up to date as younger workers. This higher skill level in turn allows older workers to feel more current and valuable in the workplace.

Training targeted to an older workforce is often not necessary or attractive and as such many employers who once delivered it have discontinued such practice. Most older workers can learn new skills as well as younger ones. Age targeted training can alienate generations. Older workers may feel condescended to while younger workers may feel excluded from the training opportunity (Robson, 2001). A better practice is to make training a normal and regular activity for all employees. Enhancing skills of workers in step as they advance into later stages of work makes for a smoother transition than attempting to remediate gaps once they develop.

Customized Benefits

Older workers may begin to value different benefit options as their needs change. As life insurance needs decrease for example, the appeal of extended healthcare and long term care benefits may increase. Tailored benefit packages for older workers could be a competitive advantage since a majority of employers do not have such policies in place.

New Positions

Some employers allow employees to change jobs within the company. This option can offer new opportunities to older employees who have become less motivated in their existing position and are seeking new challenges. It can also enable employees to shift to new positions better suited to their changing capabilities or preferences. A new position within a company is a good reason for retraining and keeps people in the workforce when the prospect of further work in the same position would make them want to retire all together.

A new role as a mentor can be a valuable experience for all involved. The mentor's experience and knowledge can be passed on to younger workers prior to retirement and the mentor enjoys a new role and feels valued.

Several companies have utilized their older workers as ambassadors in partnerships with affiliated non-profit organizations. These positions give the company a stronger connection to their supporting causes, and provide a way to monitor the effectiveness of donations, as well as enhancing public relations.

Pre-retirement Leave and Vacations

Pre-retirement leave or vacations can help aging employees prepare for retirement and facilitate the work-to-retirement transition, by providing them with a "retirement rehearsal" before leaving their jobs. This practice varies greatly, ranging from granting regular vacation entitlements for the final calendar year of service to granting a one-year paid leave of absence. Some include various schemes involving such benefits as vacation entitlements, sick leave credits, sick pay gratuities as well as superannuation allowances (HRSDC, 2008). Eligibility usually depends on the employee's age, years of service or a combination of both.

Shift Selection and Special Shift Schedules

Some employers give their senior employees preference in the selection of shifts or may even grant them special schedules or exemptions. This is advantageous to older workers, at least those with many years of service.

Shift exchange is a form of flexibility that can be accommodating to workers wishing to exchange shifts with each other. This measure can be useful for those older workers who wish to take time off but would prefer not having to rely on existing leave provisions. Some employers approve shift exchanges as long as the quality and the safety of the work performed are not affected (HRSDC, 2008).

Dual Worksite Programs

Arrangements that allow workers to work out of different locations seasonally are economically viable for businesses in such sectors as retail and health care services in which the customer base also migrates from north to south in the winter months. The programs would likely not work in other sectors, such as manufacturing or software development, as it would be costly to maintain multiple facilities that stay idle for much of the year (Eyster, Johnson, and Toder, 2008). This system is an innovative solution for firms with regionally shifting employment needs during the year, allowing them to meet their staffing needs while accommodating the preferences of many older workers who no longer wish to remain in a single location for the entire year.

Telework

Under telework arrangements, employees work either from home or from teleworking centers closer to home than their normal workplace. The main benefit of teleworking is the saving of commuting time. It is also a way of accommodating workers with difficulty commuting because of physical impairments that affect driving or those who wish to conduct personal chores or schedule appointments during the workday.

To be successful, telework arrangements require that employees have appropriate workplaces free from distractions and interruptions with necessary communications equipment. Teleworking centers may be appropriate for employees without suitable workspaces at home or for those whose work requires sophisticated office equipment or secure communications that cannot be efficiently provided to a large number of separate residences.

Telework is not suitable for all workers. It does not work, for example, for jobs that require equipment that cannot be placed in an individual home or that entail face-to-face interaction with customers or fellow employees. Telework requires that employers be able to monitor worker performance based on tangible work product, without the need to observe them at work. Nonetheless, off-site work possibilities are increasing as the number of workers in such sectors as financial services, information technology, and communications rises (Eyster, Johnson, and Toder, 2008).

Work Reduction

Part time work can be desirable for older workers because of additional personal obligations such as the need to care for aging parents, spouses or help with grandchildren. Others may opt for it due to health issues, declining energy, or simply a preference to sacrifice some income for more control over their time without giving up paid employment entirely. Older workers may have accumulated enough savings or gained full or partial access to pension benefits and employer-sponsored health benefits so they can maintain their living standards with lower earnings while still having some labor income (Eyster, Johnson, and Toder, 2008).

One of the advantages of voluntary work reduction plans in comparison to finding a part-time job elsewhere is that workers may maintain and continue to accrue seniority and years of service while also contributing to pension plans. In contrast, a change to part-time employment status may entail a loss of benefits as well as lower job security. Voluntary work reductions do however leave the door open for older workers to return to full-time work if desired (HRSDC, 2008).

Defined benefit plan payout formulas that refer to earnings in the last few years of employment present a problem to the reduced hours of phased retirement. A solution to this is the linking of the pension to another reference period, such as the best three to five years of earnings, the best three of the last ten years, the last full-time year, or conversion of the part time years to a full time equivalent. Such arrangements may seem expensive to employers, but must be weighed against the cost of hiring and training new employees.

There are still some regulatory barriers involved with phased retirement that restrict part-time workers from receiving a partial pension. These prohibit “double-dipping”, wherein an older worker can not accrue a defined benefit pension while he or she is receiving a defined benefit pension under the same plan.

Of course new pensioners are free to work anywhere other than with their original employer and continue to receive a full pension, while possibly accruing a new pension under the new employers plan. As workforce participation rates of older people rise, firms increasingly lose their older workers to competitors. Employers need to design packages that will keep that advantage to themselves.

Contract Work

Many employers have programs in place to bring back their recent retirees as temporary help or as consultants. (Watson and Wyatt, 2001). This method circumvents current provisions against customizing pension and benefit plans to a reduced work load. It is important in this situation to sufficiently alter the employer-employee relationship to an employer-consultant relationship for regulatory and tax purposes.

Replacing temporary agency workers with a pool of recent retirees can reduce the agency fees and absenteeism. Some firms have joined forces to develop a common labour pool of retirees looking for occasional work.

Changing Legislation

The pension system is in the midst of adjusting to more varied patterns of contribution and more flexible and ambiguous patterns of retirement (Government of Ontario, 2007). Just as pensions helped to lower the age of retirement in the past, modifications to existing practices and legislation could help to raise it again in the future (Robson, 2001).

A small portion of Canada's workforce falls under federal employment legislation, though the proposed changes at this level will likely lead to similar changes at the provincial level. The 2007 Federal budget outlined a plan to provide more flexibility to employers to offer phased retirement programs and to increase the reward to older workers from full-time work. Amendments to the Income Tax Regulations will allow an employee to receive pension benefits from a defined benefit RPP and simultaneously accrue further benefits, subject to certain constraints.

Specifically, the new regulations will allow employers to offer qualifying employees up to 60 per cent of their accrued defined benefit pension, while accruing additional pension benefits in continued employment. This will be limited to employees who are at least 55 years of age and who are otherwise eligible to receive a pension without the plan imposing an early retirement reduction. It will, for example, permit employers to offer 40 per cent of an accrued pension based on a reduction in work time of two days per week, and 60 per cent of salary based on working three days a week. It will also permit an employer to increase the reward from full-time work by offering a partial pension to those wishing to continue in employment on a full-time basis (Canadian Department of Finance, 2007).

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