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ABSTRACT

Economist and public policy analysts have devoted considerable research to examining the work and retirement decisions of employees. Much less effort has been spent on understanding the concerns and challenges of employers if their workers delay retirement and remain on the job until older ages. In this study, we report findings from three employer surveys with the objective of learning how organizations are responding to the aging of their workforces. The surveys provide several important observations. First, employer concerns about workforce aging vary considerably across the economy. To some firms, these demographic changes are of immediate concern and are viewed as a significant risk to the organization while other firms remain more concerned about potential productivity and cost effect of an older labor force. Second, most employers expect the importance of workforce aging to increase in the next five years. In response, a significant proportion of organizations are making changes to working conditions and compensation policies. Third, firms remain reluctant to adopt formal phased retirement policies but are more willing to offer part-time employment, return to work, and other policies on a case by case basis.

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I. Assessing the Organizational Risk of an Aging Workforce

As the national population ages so does the country's labor force. The aging of the workforce of individual employers is a function of past hiring patterns, turnover rates, compensation practices, employment policies, and the age productivity profile. As a result, the extent of aging varies over time and across companies and organizations. An important question is how the aging of a firm's workforce affects productivity, costs, and the overall culture of employees. Some companies are concerned about the loss of experience and company-specific knowledge if a significant proportion of the work force retires together while other employers may be more focused on the increase in labor costs and the potential decline in productivity if retirement is delayed. Very little is known about how employers are reacting to later retirement and an increase in the proportion of their labor force in the older age groups.[1]

The Bureau of Labor Statistics reports that the percent of the labor force aged 55 and older rose from 11.9 percent in 1994 to 21.7 percent in 2014 and the BLS projects that this trend will continue so that in 2024, 24.8 percent of the national workforce will be aged 55 and older (Toossi, 2015). The increasing share of the labor force age 55 and older is driven in part by the aging of the population which results in a higher percentage of the population at older ages;[2] however, another important component of the aging of the labor force is substantial increase in the labor force participation rate among older cohorts. The participation rate of individuals aged 55 and

[1] Clark and Morrill (2016) review issues that influence employer concerns associated with an aging workforce and delayed retirement.

[2] Similar statistics for the population show that 26.2 percent of the national population was 55 and older in 1994 and that this increased to 34.2 percent and is projected to increase to 38.2 percent in 2024 (Toosi, 2015).

older rose from 30.1 percent in 1994 to 40.0 percent in 2014 (Toossi, 2015). Thus, older workers have become more important to the productive capacity of the nation due to the aging of the population and increasing proportion of older workers who are delaying their departure from the labor force. Throughout the labor force, individuals are seeking to remain in the labor force until older ages. This trend reflects delaying retirement from career jobs but also an increase in second careers and bridge jobs (Quinn, Cahill, and Michael Giandrea, 2015).

These data illustrate that the nation's population is aging and as a result the American labor force is also aging. Aging implies that a greater proportion of workers will be age 55 and older and perhaps more significantly, a higher fraction will be 65 and older. Another important aspect of this demographic transition is that individuals are living to older ages. This is reflected in the increase in life expectancy at ages 60 and 65. Greater life expectancy implies that if workers continue to retire at traditional ages, they will have more years in retirement. In response, retirement ages have been increasing as has the labor force participation rates at older ages. Another aspect of labor force aging is that the number of individuals retiring in the coming years may increase which reflects the changing age structure of the workforce.

To learn more about whether firms and other organizations view these issues as a significant risk factor, we developed and fielded three surveys of senior managers in a diverse set of employers. The first survey was developed by the research team and fielded by Willis Towers Watson (WTW). This survey focused mainly on human resources managers at large employers and sought to ascertain how they viewed current and future workforce aging. The second survey was organized in conjunction with the Enterprise Risk Management program at North Carolina State University. This survey was sent to a wide range of chief risk officers at firms and nonprofit organizations. The objective of this survey was to determine whether risk managers viewed labor force aging as short and long risks to the success of the organization. Finally, we sent a more targeted survey to members of the Grocery Manufacturers Association to ascertain how firms in a particular industry are facing the challenges of an aging workforce.

Important questions included in the surveys focused on how firms view the aging of the labor force. Are they concerned about the loss of talent associated with projected large number of retirements? Are they concerned about the increasing proportion of their work force at older ages? Does the change in the age structure of employees require employers to modify employment and compensation policies? This paper presents the findings from these three surveys and assesses the importance of the information provided in the surveys.

II. WTW Survey of Human Resource Managers

In July 2018, a survey of the impact of an aging workforce was sent to human resources managers by the Research and Innovation Center of Willis Towers Watson. The objective of the survey was to determine how firms are responding to the aging of their workforce. Responses were received from 143 HR leaders representing firms and organizations of varying sizes and industries. The organizations included in the survey employed 2.9 million employees. Table 1 presents sample means for the respondents' type of firm. The largest number of organizations represented in the survey were from the manufacturing sector (24 percent) and employers in energy and utilities (21 percent). HR leaders from health care organizations represented 20 percent of the overall sample while firms from the financial services sector composed an additional 12 percent of the responses. Over half of the responses were from individuals employed by for-profit, publicly-traded companies. The sample also included responses from for-profit, private companies (18 percent) and non-profit organizations (18 percent). In terms of the number of employees, the sample was rather evenly split by 4 size categories with 28 percent of organizations having less than 5,000 employees, 24 percent having between 5,000 and 9,999 workers, 25 percent employed between 10,000 and 24,999, and 23 percent had a workforce composed over 25,000 employees

[Table 1]

The surveys consisted of a series of questions requesting information on the degree of concerns that firms have associated with the aging of their workforces and how they are responding to the changing age composition of the labor force. Most questions allowed the respondents to indicate the degree of concern on a scale from one to five with one indicting little or no concern and 5 indicting a great concern. In the following discussion, we often group levels 1 and 2 together as indicating little concern and levels 4 and 5 together as indicating significant concerns while level three is assumed to be a more moderate level of concern.

a. ***Retirement Trends***

Firms in our sample report that they have an average retirement age of 63; however, almost half of the respondents (48 percent) indicated that the average age of retirement in their organization had increased over the past five years. Further changes are expected as 58 percent indicated that expected retirement ages would increase over the next five years. The average age of retirement (age 63) aligns with the average desired age reported by employers (age 63), which suggests that employers are effectively managing the retirement patterns at their workplaces.

However, 31 percent of respondents indicate employees retiring later than the desired retirement age was a high level of concern to their organization and an additional 34 percent of HR managers report that their organization is facing moderate challenges with employees retiring later than the desired age over the last five years (Table 2). In contrast slight over one-third report no issues with later retirements. Looking ahead, the challenges of later retirements are expected to increase with 36 percent of employers facing significant challenges and the same percentage facing moderate challenges representing nearly three-quarters of respondents.

[Table 2]

Employers report fewer concerns with employees retiring earlier than the desired age. In fact, only 13 percent report significant challenges over the last five years with employees retiring earlier than expected and 29 percent report moderate challenges which accounts for 42 percent of respondents. Overall concerns about early retirements over the next five years is expected to increase slightly to 46 percent. There are two important observations associated with concerns about retirement ages: the level of concern varies across firms and the degree of concern is expected to increase over the next five years.

HR managers in our survey expressed the view that employees who wanted to delay retirement had a preference for remaining with their company (see Chart 1). Over three fourths of respondents (76 percent) said that they agreed/strongly agreed with the statement "*Most older employees would like to remain with our organization, even if a comparable job opportunity was available elsewhere.*" One reason that workers might delay retirement is that they do not believe that they have sufficient resources to retire. In general, respondents did not feel that their employees had insufficient resources to retire at their desired age (44 percent disagreed with this statement while only 29 percent agreed). The HR managers were also asked *"Most older workers at our organization are likely to work into their 70s for financial reasons."* While 52 percent of the respondents disagreed with this statement 23 percent agreed with it.

[Chart 1]

Yet, what do employees say when responding to similar questions? Results from Willis Towers Watson's Global Benefits Attitudes Survey indicates that more than half of older workers are facing some sort of financial struggle (either short-term worries and/or long-term retirement readiness concerns). Even more, one-third of older workers report feeling "*stuck in their job and would retire if they could*". This suggests the financial challenges facing older workers are likely more significant than what HR mangers responding to the survey realize. In fact, this could push the average retirement age even higher, as older employees report their expected retirement age is 67 compared to 63 today.

An important observation from these responses is that workforce aging varies considerably across firms. As a result, employment and compensation policy changes are much different among firms that are concerned about delayed retirement compared to those that do not think workforce aging is a significant problem for their organization.

b. Are Organizations Concerned about Retirement Trends?

The aging of the labor force implies that a relatively large proportion of employees are now approaching retirement which creates the potential for a significant loss in talent and knowledge. The magnitude and importance of increases in annual retirements will vary across employers. Respondents were asked a series of questions about the impact of aging and delayed retirement policies at their firm. Chart 2 indicates the proportion of firms that stated they agree or strongly agree with a series of statements about older workers. In response to the statement *"Our organization has a significant number of employees at or approaching retirement age",* 83 percent of the HR managers agreed or strongly agreed with this statement. This observation reflects the aging of the national population and the resulting increase in the proportion of the American labor force aged 55 and older described above.

[Chart 2]

Older employees have become a valued asset at many organizations. In fact, 80 percent of employers view older employees as significant contributors to their company's success. As such, a similar number of HR managers also say that managing the timing of employees' retirements is an important business issue. However, 75 percent of organizations indicate that they are not effectively managing the pace and timing of employee retirements today – only 25% say they are effectively doing so. This clearly indicates that the greying of the workforce is an important business issue with obstacles that many employers have yet to overcome.

When asked to identify the main reasons that managing the orderly retirement of employees is important to the *business strategy*, talent management issues and productivity concerns topped the list (Chart 3). Notably, 83 percent indicated knowledge transfer was a key concern. Workforce aging and delayed retirement raised concerns about the promotion of younger employees (35 percent) and impact on productivity (60 percent). From a business strategy perspective, costs were less of a concern as fewer respondents mentioned the impact of delayed retirement on pay (18 percent) and benefit costs (24 percent). But as we show below, costs become a greater concern in the context of managing business operations.

[Chart 3]

The respondents were then asked to compare this risk of talent and knowledge loss to other labor market risks facing the firm over the last five years, such as turnover of younger workers, attracting new employees, etc. On this issue, respondents were rather evenly split with 34 percent of the respondents indicating that the concern about retirements was more significant than other labor market risks to their organization compared to 32 percent who felt it was a less significant risk relative to other labor market concerns and 35 percent thinking it was of similar importance (Table 3). When considering the next five years, there is a considerable increase in concerns about the loss of critical skills and talent at organizations relative to other labor market risks; 54 percent of employers indicate this is a significant concern for their organization over the next five years.

[Table 3]

In a series of related questions, respondents indicated their opinion on whether their organization had encountered challenges in the following areas associated with increased retirements (Table 4). One fifth stated that over the past five years they had faced an issue of a large number of retirements coming at the same time while 39 percent worried about the loss of company specific knowledge due to retirements, and 44 percent reported having difficulty finding workers with similar knowledge and skills relative to retirees. Across the all of these areas, respondents expressed more concern about these challenges over the next five years.

[Table 4]

Beyond the talent management issues, 44 percent of employers identified rising benefit costs and 35 percent flagged increased salary costs as a concern they have been dealing with due to employees delaying retirement (Table 5). This too is not expected to subside as rising costs of benefits and wages are a growing concern for employers over the next half decade. Concern over the relatively large number of retirements and the associated loss of talent was expressed by many respondents. Most HR leaders thought that the importance of the potential loss of experience workers would increase in the next five years. Once again the survey indicates the considerable differences across organizations.

[Table 5]

c. Employer Policies in Response to an Aging Workforce

It is important to have a better understanding of whether firms are responding to the changes in retirement patterns and the aging of the workforce. The HR managers provide useful information about what programs their organizations have adopted and what additional policies they are considering for the future. Table 6 shows the proportion of respondents who indicated whether their firm had already adopted various policies, were planning to implement the policy in 2019, or considering the policy for 2020. Survey responses indicated that 20 percent of firms had offered shorter hours for retirees and 27 percent had instituted part-year employment options for older workers. Another 17 percent of respondents indicated that their employer planned to offer each of these programs in 2019 or were considering them for 2020.

[Table 6]

Several other policies have been adopted by firms to make the transition from a career job into retirement smoother. Policies include modifying working conditions for older workers (adopted by 36 percent of firms), providing additional training to help older workers maintain their productivity (offered by 40 percent of employers), allow workers to change positions and reduce management responsibilities (30 percent), and create job assignments that blend work with volunteer hours (11 percent).

One policy that does not seem to be gaining popularity is the use of formal phased retirement programs. Only nine percent of respondents indicated that their firm had adopted a formal policy; however, 14 percent of employers indicated that they either plan to adopt a phased retirement program in 2019 or were considering one for 2020. When asked why their firm did not offer a phased retirement plan (see Table 7), 26 percent indicated concern about compliance challenges, 42 percent stated that these programs were not aligned with the firm's workforce strategy and 32 percent indicated that they were difficult to administer. Interestingly, 11 percent reported a lack of employee interest in having a phased retirement program. Among the few firms (11 total companies) with a formal phased retirement plan, all reported that less than 10 percent of eligible employees enrolled in the plan.

[Table 7]

Instead, employers have opted to use more informal approaches to phased retirement. Chart 4 shows that more than half of respondents (55 percent) indicate that employees frequently (14 percent) or sometimes (41 percent) phase into retirement following an informal approach on a case by case basis. This varies widely by company type with employers in the health care and IT and Telecom industries using this approach the most while it is less common in the public sector or retail industry. Half of employers are frequently (10 percent) or sometimes (40 percent) having retirees return to work after retirement either as an employee (49 percent) or as contract workers (51 percent). Most frequently, retirees who asked to return held a professional role, as a manager or technical expert; it's less common among retirees who had a sales role or performed manual tasks.

[Chart 4]

In addition to these policies to make working conditions better suited for older employees, Table 6 also shows the incidence of firms offering services to make retirement easier and perhaps more attractive. Policies include providing financial wellbeing and retirement planning programs (66 percent), opportunities for post-retirement hours of work as a consultant or contingent worker (49 percent) and social benefits to assist individuals in the transition to retirement (11 percent).

Some respondents indicated that their firms continue to attempt to encourage workers to retire by increasing retirement benefits (19 percent) and offering early retirement windows (13 percent).

d. Summary of Findings from HR Managers

The survey of human resource managers asked respondents to provide an assessment of the aging of their workforce and whether they expect this aging to continue. The objective of the survey was to determine whether individual employers are observing an aging of their labor force and whether the firm has responded to this trend by adopting new employment and compensation policies. The key observations from the survey are:

1. *Knowledge transfer and improving employee productivity is a key reason that managing orderly retirement is important to business strategy*
2. *Almost 60 percent of employers expect their retirement age to increase over the next five years. Employers are concerned about the rising benefit and salary costs of an aging workforce and the impact of delayed retirement on succession planning.*
3. *Many organizations are attempting to adopt programs that allow retired employees to keep working and to provide greater flexibility in their working environment.*
4. *Few employers offer a formal phased retirement program while more firms offer informal approaches to older workers to remain on the job.*
5. *There is considerable diversity across large employers concerning the pace and impact of an aging workforce and delayed retirements. Thus, there are substantial differences in how employers are responding to the aging of the workforce.*
6. *HR managers expect that workforce aging will continue over the next five years and the challenges associated with delayed retirement will increase.*

III. Survey of Risk Managers[3]

To learn more about whether firms and other organizations view these issues as a significant risk factor to their success, we surveyed risk officers to ascertain how they viewed the risk of current and future work force aging to their organization. Will this loss of talent put the organization at risk as knowledgeable older workers leave and are replaced by younger, less experienced employees? If so, are they modifying employment and compensation policies in an effort to provide incentives for older workers to delay retirement and remain on the job? This report describes the key findings from a 2018 survey of risk managers in the U.S. economy. The key finding is that the potential that an organization will lose talented older workers in the coming years is viewed as both a short and long run risk by many organizations.

In June 2018, a survey of the impact of an aging workforce was sent to the leading risk managers by the North Carolina State University Enterprise Risk Management Initiative. The objective of the survey was to determine whether risk managers thought an aging labor force and its impact on retirement decisions of older workers posed significant risks to the operations of their organization. We received responses from 142 risk officers representing firms and organization of varying sizes and industries.

Table 8 presents sample means for the respondents' type of organization. Slightly over one third of the respondents were employed by publicly-traded companies and not –for-profit organizations respectively with just over one quarter of the respondents representing privately-

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[3] The authors thank Mark Beasley and his Enterprise Risk Management Initiative, North Carolina State University for providing access to their list of key risk managers at organizations across the country. You can learn more about the ERM program at https://erm.ncsu.edu/

held for profit enterprises. In terms of the number of employees, 27 percent of organizations had less than 500 employees while 25 percent had more than 10,000 workers. As measured by annual revenues, 36 percent of the respondents were employed by organizations reporting annual revenues of less than $500 million while 25 percent had annual revenues that exceed $5 billion. The largest number of organizations represented in the survey were from the financial sector (33 percent) and non-profit organizations (30 percent) while an additional 11 percent came from the manufacturing sector.

[Table 8]

a. Are Risk Managers Concerned about Talent Loss Due to Retirements?

The aging of the labor force implies that a relatively large proportion of employees are now approaching retirement which creates the potential for a significant loss in talent and knowledge. The magnitude and importance of increases in annual retirements will vary across employers. The risk managers were asked to state their agreement or disagreement with three statements concerning their view of the risk associated with this trend and its impact in the coming years. The first statement was:

"The risk of losing talent and knowledge due to anticipated increases in employee retirements is a significant risk concern for our organization in the near term (one to two years).

Respondents were given the option to indicate whether they strongly disagree, disagree, neither disagree or agree, agree, or strongly agree with the statement. The first row of Table 9 shows the distribution of responses to this statement. The observation from these responses is that 57 percent of the respondents either strongly agreed/agreed with this statement while only 26 percent disagreed/strongly disagreed with the statement.

[Table 9]

The importance of talent lost to risk managers varies substantially across industries. Among our respondents, 81 percent of those in manufacturing along with 67 percent in mining and not-for profit organizations agreed or strongly agreed that the loss of talent was a significant concern in the near term while only 33 percent of risk managers in retail and 37 percent of those in service expressed a similar level of concern. The level of concern over the loss of talent also varied by the size of the organization with over 70 percent of those with over 10,000 employees indicating that they thought the loss of talent was a risk concern while only half of those with fewer than 10,000 employees reported a similar level of concern.

Next, the statement was repeated but the time frame was increased to the next three to five years and then to over five years. As the time period is increased, risk managers become more concerned about the risk of losing talent due to increases in retirement. For example, over 70 percent of surveyed risk managers reported that they agreed/strongly agreed with the statement about risk in the next three to five years and also for the longer term, over five years. In contrast, the proportion of respondents who disagreed/strongly disagreed fell as the time frame for concern lengthened.

The respondents were then asked to compare this risk of talent and knowledge loss to other labor market risks facing the firm such as turnover of younger workers, attracting new employees, etc. Table 10 indicates that thirty percent of the risk managers indicated that the concern about retirements was more significant than other labor market risks to their organization compared to 18 percent who felt it was a less significant risk to other labor market concerns.

[Table 10]

The survey indicates that individuals in organizations whose focus is on the risks that influence the sustainability of the organization and its long run success are concerned about the loss of talent and knowledge of increased retirements associated with the aging of the labor force. The level of concern increases in the upcoming years as the nation and the labor force continue to age. Thirty percent of risk managers ranked this loss of talent risk as more significant than other labor market risks with 53 percent indicating that this risk was similar to other labor market concerns. Thus, the survey supports the conclusion that many risk managers have recognized the potential adverse effect that the loss of talent through labor force aging and increased retirements will have on organizations in the next five years. The responses also show the diversity across organizations as they confront the aging of the workforce.

b. Are Employers Responding to the Risk of Talent Loss?

In the previous section, we saw that many risk managers believe that impending increases in retirement are a significant risk to their organizations. In a series of statements, we asked these same managers whether their organization has responded to the perceived risks of talent loss due to retirements by adjusting compensation, modifying benefits, or introducing new employment policies. In general, the risk managers expressed more concern about the importance of the risk than they report that their organization has responded to this risk with specific policy changes (see Table 11).

[Table 11]

When asked to comment on the statement "*Our organization is adjusting compensation (e.g., wages and salary to entice employees to stay longer"* 32 percent agreed/strongly agreed with the statement but 45 percent either strongly disagreed/disagreed. Similarly when asked to comment on the statement *"Our organization is modifying benefits (other than wages and salary) to make it more attractive to stay longer"* 27 percent agreed/strongly agreed and 45 percent disagreed/strongly disagreed. Finally, when asked to comment on the statement *"Our organization is introducing new employment policies that increase flexibility and incentives for employees to stay longer"* 35 percent agreed/strongly agreed while 40 percent disagreed/strongly disagreed. Once again, we observe considerable diversity across the employers represented by the risk managers in our survey; however, on balance the concern about loss of talent by the risk managers seems not to be reflected by compensation and policy changes. We posed one final statement on this seeming contradiction, *"Our organization is not making any adjustments to impact the pace and timing of employee retirements."* The responses follow those about specific actions described above as 47 percent agreed/strongly agreed with this statement.

c. Summary of Findings from Risk Managers

The primary objective of our survey of risk managers is to ascertain whether those responsible for reviewing risks to their organizations perceive aging and its related effects as a significant risk to the future success of the organization. The respondents indicate that aging and the loss of talent is viewed as a significant risk to many organizations and that the importance of this risk will increase over the next five years. Recognizing that the aging of the workforce is a risk factor does not necessarily lead to employers modifying employment and compensation policies to alter the impact of associated with retirement decisions. It is clear from our survey that labor market risk associated with aging varies substantially across employers by size and industry.

The key observations from the survey are:

1. *The potential that an organization will lose talented older workers in the coming years is viewed as both a short and long run risk to organizations.* Over half (57 percent) of the risk managers agreed/strongly agreed with the following statement "The risk of losing talent and knowledge due to anticipated increases in employee retirement is a significant risk concern for our organization in the near term (one or two years)." When asked the same question about the risk in the next 3 to 5 years or over five years, over 70 percent of the respondent indicated that the risk of losing talent and knowledge was a significant risk.
2. *One third of risk managers believe that loss of talent in the coming years is a significant risk to their organizations.* Thirty percent believe that this risk was more significant than other labor market risks for their organization while another 53 percent replied that this risk was similar to other labor market risks for their organization.
3. *Concern over this labor market risk is leading about a third of organizations to modify their compensation and employment policies to encourage older workers to remain on the job.* Around 30 percent of the respondents agreed/strongly agreed with the statements that their organization was adjusting compensation to entice employees to stay longer, modifying benefits to make it more attractive to stay longer, and are introducing new employment policies that increase flexibility and incentives for employees to stay longer. In contrast, 47 percent agreed/strongly agreed with the statement that their organization was not making any such adjustments.
4. *Over two thirds of the risk managers report that their organizations believe that older workers are an important component of their labor force.* Almost three quarters (71 percent) of the risk managers agreed/strongly agreed that their "organization views older employees as significant contributors to our company's success" and 41 percent thought

that their organization views older employees as an important part of their business/workforce strategy. In contrast to these positive assessments, one fifth thought that their "organization views the aging workforce as a liability that may increase costs or reduce productivity more than a talent loss risk" and 18 percent agreed/strongly agreed with the statement that "our organization views older employees remaining in the workforce longer as an inhibitor to our company's success."

5. *The importance of workforce aging varies substantially across sectors in the economy and across firms in each sector. Risk managers believe that this risk and its importance to their firm will increase in the coming years.*

IV. Survey of Grocery Manufacturers[4]

In July 2018, a survey of the impact of an aging workforce was sent to the senior HR leaders for member firms in the Grocery Manufacturers Association. (GMA). The GMA is comprised of consumer goods firms that manufacture products available in grocery stores. The objective of the survey was to determine whether HR leaders in this industry thought an aging labor force and its impact on retirement decisions of older workers posed significant risks to the operations of their organization. We received responses from 11 of the 35 HR leaders who received the survey for a response rate of 31 percent. The respondents were split evenly between private and publicly-traded firms with the majority having annual revenues between $1 billion and $5 billion. In terms of number of employees 55 percent of the firms employed less than 10,000 employees, 18 percent employ between 10000 and 20000 employees and 27 percent of the entities employ greater than 20,000 employees.

a. *Are HR Leaders Concerned about Talent Loss Due to Retirements?*

The HR leaders were asked to state their agreement or disagreement with three statements about their view of the risk associated with this trend and its impact in the coming years. The first statement was:

> *"The risk of losing talent and knowledge due to anticipated increases in employee retirements is a significant risk concern for our organization in the near term (one to two years."*

[4] The authors thank the Grocers Manufacturers Association for providing access to their member firm's Human Resources contacts across the country.

Respondents were given the option to indicate whether they strongly disagree, disagree, neither disagree or agree, agree, or strongly agree with the statement. The first column of Table 12 shows the distribution of responses to this statement. The observation from these responses is that 64 percent of the respondents agreed with this statement while 28 percent disagreed/strongly disagreed with the statement.

[Table 12]

Next, the statement was repeated but the time frame was increased to the next three to five years and then to over five years. As the time period is increased to three to five years, HR professionals become more concerned about the risk of losing talent due to increases in retirement. 86 percent of surveyed HR leaders in the GMA reported that they agreed/strongly agreed with the statement about risk in the next three to five years but as the time period increased to over five years that same percentage of agreed/strongly agreed decreased to 54 percent. A majority of professionals agreed it is a significant risk but there is less agreement in the longer term greater than five years view.

The respondents were then asked to compare this risk of talent and knowledge loss to other labor market risks facing the firm such as turnover of younger workers, attracting new employees, etc. The majority of HR professionals (55 percent) indicated that the concern about retirements was the same as other labor market risks to their organization compared to 18 percent who felt it was a less significant risk compared to other labor market concerns.

Considering a different perspective, we transition from an overall talent assessment to a specific talent concern perspective. We asked respondents about their concerns for white collar talent and for hourly skilled talent. For this group, over 90 percent of respondents agreed/strongly agreed that their organization views the loss of skilled hourly talent as their largest aging workforce concern. When considering the loss of skilled white collar talent 27 percent indicated it was their largest aging workforce concern.

The survey indicates that individuals in organizations whose focus is on talent management in organizations are concerned about the implications of the aging of the labor force. The survey supports the conclusion that many Human Resources professionals have recognized the potential adverse effect that the loss of talent through labor force aging and increased retirements will have on organizations specifically in the next five years and for specific segments of their workforce.

b. *Are Employers Responding to the Risk of Talent Loss?*

For this group, concern over this labor market risk has not resulted in these organizations making modifications to their compensation and benefit plans to encourage older workers to remain on the job. Over 80 percent of HR leaders disagreed that compensation plans were being adjusted to entice employees to stay longer and over 72 percent indicated that benefits plans were not being modified. Lastly, 9 percent agreed that they were introducing new employment policies that increase flexibility and incentives for employees to stay longer.

An approach that is being discussed to slow the loss of talent is to allow employees to reduce their time commitment, scheduled hours or responsibility and still remain with their organization. When our responding HR professionals were asked if their firms already have policies that allow a full-time associate to transition to a reduced hour status or a role of less responsibility over 45 percent indicated that yes, they do offer this flexibility. Those that do offer this flexibility described their policies this way:

"We have no policies, but the practice has happened."

"We offer part time employment and engagement of former employees in consulting roles post retirement."

"We offer exactly that, reduced work hours and responsibilities."

"We offer phased retirement."

"We have very flexible policies for reduced hours over an extended period of time that result in corresponding reduced pay and benefit eligibility. These have been well-received by all parties."

A final question asked of the Human Resource leaders was if early retirement incentives have been part of their talent strategies in the past one, five or ten years. 36 percent of the respondents indicated that their firm had offered an early retirement incentive as part of a reduction in force in the last year five years.

c. *Summary of Findings for GMA Member Human Resource Professionals*

The objective of the survey was to determine whether HR leaders in the grocers manufacturing industry thought an aging labor force and its impact on retirement decisions of older workers posed significant risks to the operations of their organization. We received responses from 11 HR leaders completing the survey. The key observations from the survey are:

1. *The potential that an organization will lose talented older workers in the coming years is viewed as both a short and five year risk to organizations.* Nearly two in three or 64 percent of the leaders agreed with the following statement "The risk of losing talent and knowledge due to anticipated increases in employee retirement is a significant risk concern for our organization in the near term (one or two years)." When asked the same question about the risk in the next 3 to 5 years, over 81 percent of the respondents agreed/strongly agreed that the risk of losing talent and knowledge was a significant risk.
2. *The majority of HR leaders believe that the risk of loss of talent due to an aging workforce is the same as other labor market risks.* 55 percent replied that this risk was similar to

other labor market risks for their organization, while 27 percent believe that this risk was more significant than other labor market risks for their organization. Of significance to consumer goods manufacturing group is the loss of skilled hourly talent.

3. *Over two thirds of the HR leaders report that their organizations believe that older workers are an important component of their labor force.* 81 percent of the leaders agreed/strongly agreed that their "organization views older employees as significant contributors to our company's success. In contrast to these positive assessments, only 27 percent thought that their organization views retaining older employees as an important part of their business/workforce strategy, 18 percent thought that their "organization views the aging workforce as a liability that may increase costs or reduce productivity more than a talent loss risk", but none agreed with the statement that "our organization views older employees remaining in the workforce longer as an inhibitor to our company's success."

V. Concluding Observations

The population of the United States is aging so that a larger proportion of Americans are aged 55 and older. The aging of the population is causing a corresponding increase in the proportion of older workers. A major cause of the aging of the population is the increase in life expectancy at older ages. The increase in the number of years of expected life means that if individuals leave the labor force at traditional retirement ages they must be prepared to finance additional years of retirement. The increase in life expectancy is one factor that is driving the increase in labor force participation rates of older workers. In response to these trends, the proportion of the labor force aged 55 and older is increasing because of the changes in the population age structure and because workers are choosing to remain in the labor force until older ages.

Economist and public policy analysts have devoted considerable research to examining the work and retirement decisions of employees. Much less effort has been spent on understanding the concerns and challenges of employers if their workers delay retirement and remain on the job until older ages. In this study, we report findings from three employer surveys with the objective of learning how organizations are responding to the aging of their workforces. Is this a cause for concern or should employers be attempting to develop new policies and reorganize working conditions to facilitate older workers remaining on the job?

The surveys provide several important observations. First, employer concerns about workforce aging vary considerably across the economy. To some firms, these demographic changes are of immediate concern and are viewed as a significant risk to the organization while other firms remain more concerned about potential productivity and cost effect of an older labor force. Second, most employers expect the importance of workforce aging to increase in the next five years. In response, a significant proportion of organizations are making changes to working conditions and compensation policies. Third, firms remain reluctant to adopt formal phased retirement policies but are more willing to offer part-time employment, return to work, and other policies on a case by case basis.

Workforces are aging but delayed retirement does not seem to be a significant problem for the majority of firms; however, the continued aging of the national labor force and expected further aging of firms could lead to further problems. A few policy themes are apparent in the survey results indicating that further research is needed to better understand the importance of these issues.

The cost of employee benefits for older workers is an important concern for many firms. Many employers point to the high cost of health insurance as a concern of retaining older workers and HR Managers believe that some workers are staying at work longer to keep access to employer provided medical benefits. Considering the strong connection between employment and medical coverage, could public policy changes related to medical coverage drive new trends? Could a policy change increase the demand for older employees and reduce concerns associated with delayed retirement? For example, would changes to Medicare which once again made Medicare the primary payer for employees aged 65 and older increase the demand for older workers? Such a change would reduce the relative cost of employees over age 65 by 15 to 25 percent by eliminating the cost of health insurance paid by the employer.

Another policy change that could reduce the cost of employing older workers would be to adopt a paid-up status for Social Security and Medicare. The elimination of the employer portion of payroll taxes for workers who have attained the age of eligibility for these programs would reduce the cost of effected workers to the employer by 7.65 percent of payroll.[5] To learn more about how firms might respond to this policy changed, the Willis Towers Watson survey asked HR managers how they would respond to the lower cost of older employees (see Table 13). The responses indicated that the lower cost of older employees with the adoption of paid-up status would influence only a small number of employers to hire more older workers (9 percent indicated that they were somewhat or highly likely to do so), pay older employees higher salaries (2 percent), or change employee benefit plans (21 percent).

[Table 13]

Another concern for employers is how innovative policies for older workers will be viewed relative to the Age Discrimination in Employment Act. Some new policies such as phased retirement and other changes in employment and compensation may seem reasonable but they may also result in lawsuits. The nuisance of lawsuits even if the probability of winning is high seems to be a major deterrent to the adoption of some policies.

Return to work policies are used by many employers but there is concern about how some of these policies are viewed by federal regulators. Employers walk fine lines with retirees who return to work as contractors. Based on this observation, should Department of Labor and IRS regulations that surround contractor status be revisited? One issue that merits some attention is whether contractors over a certain age could have different rules than those under that age? In summary, employers are being impacted by the aging of the labor force; however, the importance of aging varies substantially across firms in different industries.

[5] Clark and Shoven (2019) describe how a paid-up status would affect the cost to employers and higher take home pay for employees. Their analysis indicates a relatively strong labor supply response to this type of policy change.

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Table 1. Sample Means in WTW Survey of HR Leaders

	Sample Means
Industry:	
Manufacturing	24%
Energy and Utilities	21%
Health Care	20%
Financial Services	12%
IT and Telecom	9%
Wholesale/Retail	7%
General Services	5%
Public Sector/Education	3%
Employer Type:	
For Profit Publicly Traded	57%
For Profit Private	18%
Non-Profit	18%
Other	7%
Number of Employees:	
Less than 5,000	28%
5,000 - 9,999	24%
10,000 - 24,999	25%
Over 25,000	23%

Source: Willis Towers Watson HR Managers Survey conducted July 2018.

Table 2. Is the Age of Retirement a Concern to Employers?

	To what extent have the following been a challenge for your organization over the last 5 years and what do you expect over the next 5 years?	
	Last 5 Years	**Next 5 Years**
Employees retiring earlier than the desired retirement age at your organization:		
Not at all: 1 or 2	58%	53%
To some extent: 3	29%	29%
To a very great extent: 4 or 5	13%	17%
Employees retiring later than the desired retirement age at your organization:		
Not at all: 1 or 2	35%	28%
To some extent: 3	34%	36%
To a very great extent: 4 or 5	31%	36%

Source: Willis Towers Watson HR Managers Survey conducted July 2018.

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Table 3. Importance of Loss of Talent Due to Aging of Workforce

	To what extent has the loss of talent due to an aging workforce been a more significant concern for your organization relative to other labor market risks (such as turnover of younger workers, attracting new employees to your organization, etc.) over the last 5 years? How do you expect it to change over the next 5 years?
Last Five Years:	
Not at all: 1 or 2	32%
To some extent: 3	35%
To a very great extent: 4 or 5	34%
Next Five Years:	
Not at all: 1 or 2	19%
To some extent: 3	27%
To a very great extent: 4 or 5	54%

Source: Willis Towers Watson HR Managers Survey conducted July 2018.

Table 4. Impact of Future Retirements

	To what extent has your organization encountered any of the following challenges associated with employee retirements over the last 5 years and what do you expect over the next 5 years?	
	Last 5 Years	**Next 5 Years**
Loss of a large number of employees		
Not at all: 1 or 2	50%	38%
To some extent: 3	30%	34%
To a very great extent: 4 or 5	20%	28%
Loss of company specific knowledge		
Not at all: 1 or 2	34%	23%
To some extent: 3	27%	29%
To a very great extent: 4 or 5	39%	48%
Difficulty finding workers with similar knowledge and skills		
Not at all: 1 or 2	31%	24%
To some extent: 3	25%	26%
To a very great extent: 4 or 5	44%	50%

Source: Willis Towers Watson HR Managers Survey conducted July 2018.

Table 5. Challenges Associated with Delayed Retirement

	To what extent has your organization encountered any of the following challenges associated with older workers delaying retirement over the last 5 years and what do you expect over the next 5 years?	
	Last 5 Years	**Next 5 Years**
Blocking promotions of younger employees		
Not at all: 1 or 2	37%	35%
To a moderate extent: 3	30%	28%
To a very great extent: 4 or 5	33%	37%
Growing misalignment of the desired workforce structure		
Not at all: 1 or 2	37%	32%
To a moderate extent: 3	35%	32%
To a very great extent: 4 or 5	28%	36%
Increased wage and salary costs		
Not at all: 1 or 2	27%	25%
To a moderate extent: 3	38%	34%
To a very great extent: 4 or 5	35%	41%
Increased costs of benefits		
Not at all: 1 or 2	21%	21%
To a moderate extent: 3	35%	30%
To a very great extent: 4 or 5	44%	49%
Difficulty in transferring knowledge or ineffective succession planning		
Not at all: 1 or 2	28%	25%
To a moderate extent 3	35%	32%
To a very great extent: 4 or 5	37%	43%

Source: Willis Towers Watson HR Managers Survey conducted July 2018.

Table 6. Proportion of Organizations Adopting and Planning New Employment Policies

	Implemented 2018	Planned for 2019	Considering for 2020
Offer Shorter Hours	20%	4%	13%
Part-Year Employment	27%	4%	14%
Modify Working Conditions	36%	1%	6%
Additional Training	40%	3%	4%
Alter Job, Reduced Responsibilities	30%	8%	13%
Blend Volunteer Hours with Job	11%	1%	7%
Social Benefits During Retirement Transition	11%	6%	14%
Financial Wellbeing or Retirement Planning	66%	15%	4%
Consulting/Contingent Workers	49%	3%	7%
Increase Retirement Benefits	19%	9%	9%
Early Retirement Window	13%	1%	8%

Source: Willis Towers Watson HR Managers Survey conducted July 2018.

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Table 7. Reasons Firms Do Not Adopt Formal Phased Retirement Program

Not Aligned with Workforce Strategy	42%
Difficult to Administer	32%
Prefer Informal Policy	29%
Compliance Challenges	26%
Too Costly	15%
Lack of Employee Interest	11%

Source: Willis Towers Watson HR Managers Survey conducted July 2018.

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Table 8. Sample Means by Demographic Types in Risk Management Survey

	Sample Means
Type of Organization:	
Publicly Traded	36.6%
Private Company	26.1%
Not for Profit	37.3%
Number of Employees:	
Less than 500	27.0%
500 - 4,999	34.8%
5,000 - 9,999	13.5%
10,000 - 20,000	12.8%
Over 20,000	12.1%
Annual Revenues:	
Less than $100 million	20.6%
$100 million - $500 million	15.6%
$500 million - $1 billion	12.8%
$1 billion - $5 billion	26.2%
$5 billion - $20 billion	10.6%
Over $20 billion	14.2%
Industry:	
Not for Profit	29.8%
Finance	33.3%
Manufacturing	11.4%
Retail/Wholesale/Services	17.7%
Construction/Mining/Transportation	7.8%

Source: Enterprise Risk Management: Risk Managers Survey conducted June 2018.

Table 9. Risk of Losing Talent in Various Time Periods

	The risk of losing talent and knowledge due to anticipated increases in employee retirements is a significant risk concern for our organization in the near term (one to two years).	**The risk of losing talent and knowledge due to anticipated increases in employee retirements is a significant risk concern for our organization in the intermediate time horizon (next three to five years).**	**The risk of losing talent and knowledge due to anticipated increases in employee retirements is a significant risk concern for our organization in the longer term (over five years).**
Strongly Disagree or Disagree	26.1%	18.3%	13.4%
Neither Disagree or Agree	16.9%	10.5%	16.2%
Strongly Agree or Agree	57.0%	71.2%	70.4%

Source: Enterprise Risk Management: Risk Managers Survey conducted June 2018.

Table 10. Risk of Talent/Knowledge Loss Compared to Other Labor Market Risks

Concerns about a loss of talent due to an aging workforce are:	**How would you assess your organization's exposure to a loss of talent due to an aging workforce risk relative to other labor market risks (such as turnover of younger workers, attracting new employees to your organization, etc.) facing your company?**
More significant than other labor market risks for our organization	30%
Similar to other labor market risks for our organization	53%
Less significant that other labor market risks for our organization	18%

Source: Enterprise Risk Management: Risk Managers Survey conducted June 2018.

Table 11. Actions Undertaken by Companies

	Our organization is adjusting compensation (e.g., wages and salary) to entice employees to stay longer	**Our organization is modifying benefits (other than wages and salary) to make it more attractive to stay longer**	**Our organization is introducing new employment policies that increase flexibility and incentives for employees to stay longer**	**Our organization is not making any adjustments to impact the pace and timing of employee retirements**
Strongly Disagree or Disagree	45.1%	45.1%	40.1%	32.7%
Neither Disagree or Agree	22.9%	27.5%	25.4%	20.5%
Strongly Agree or Agree	32.0%	27.4%	34.5%	46.8%

Source: Enterprise Risk Management: Risk Managers Survey conducted June 2018.

Table 12. Risk of Losing Talent

	The risk of losing talent and knowledge due to anticipated increases in employee retirements is a significant risk concern for our organization in the near term (one to two years).	**The risk of losing talent and knowledge due to anticipated increases in employee retirements is a significant risk concern for our organization in the intermediate time horizon (next three to five years).**	**The risk of losing talent and knowledge due to anticipated increases in employee retirements is a significant risk concern for our organization in the longer term (over five years).**
Strongly Disagree or Disagree	28%	14%	19%
Neither Disagree or Agree	8%	-	27%
Strongly Agree or Agree	64%	86%	54%

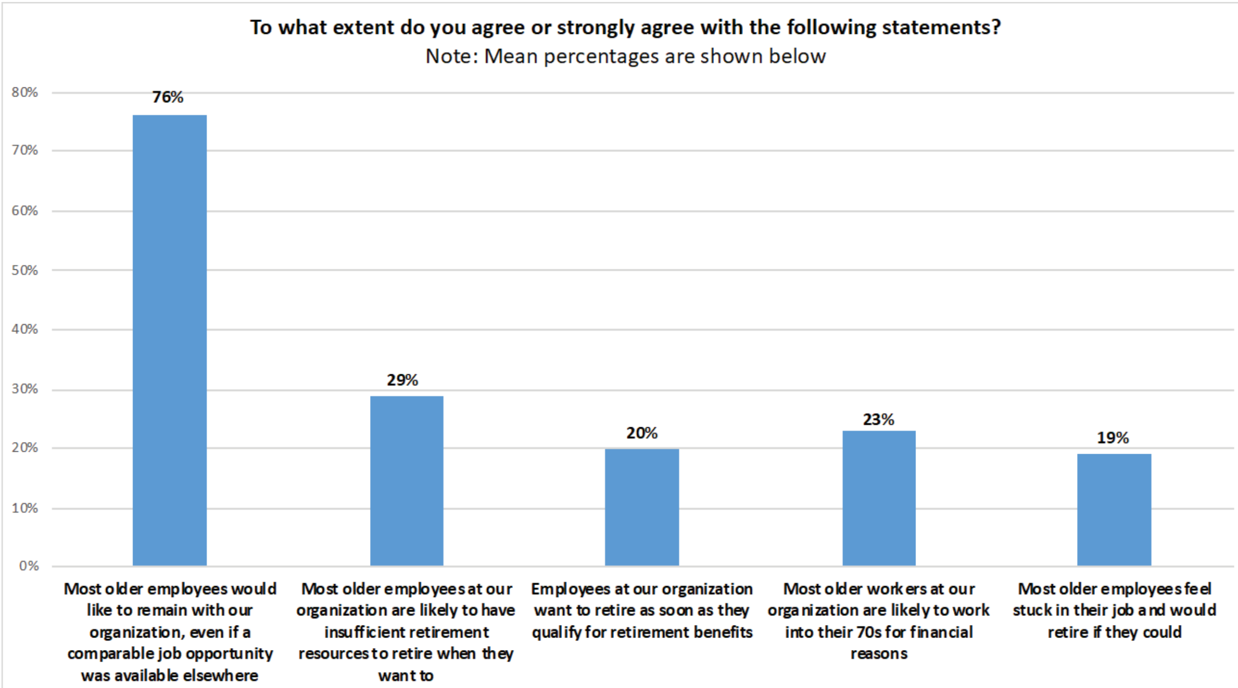
Source: Grocery Manufacturers Association Survey conducted June 2018.

Table 13

	How would your organization likely respond if the employer payroll taxes for Social Security and Medicare were eliminated for employees over age 65?
Hire more older employees	
Highly or Somewhat Unlikely: 1	29%
Neutral: 3	62%
Somewhat or Highly Likely: 4 or 5	9%
Change employee benefit plans	
Highly or Somewhat Unlikely: 1	28%
Neutral: 3	51%
Somewhat or Highly Likely: 4	21%
Pay older employees, higher salaries	
Highly or Somewhat Unlikely: 1	41%
Neutral: 3	57%
Somewhat or Highly Likely: 4	2%

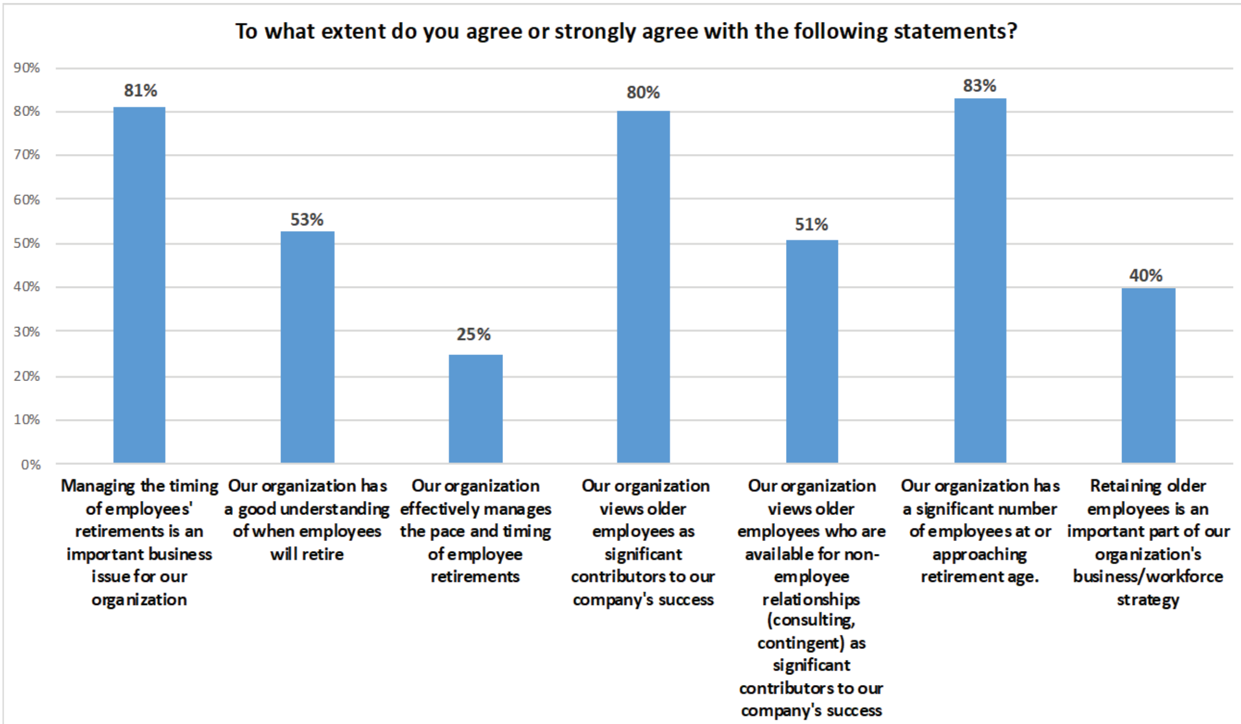
Source: Willis Towers Watson HR Managers Survey conducted July 2018.

Chart 1. Employee Attitudes and Preferences



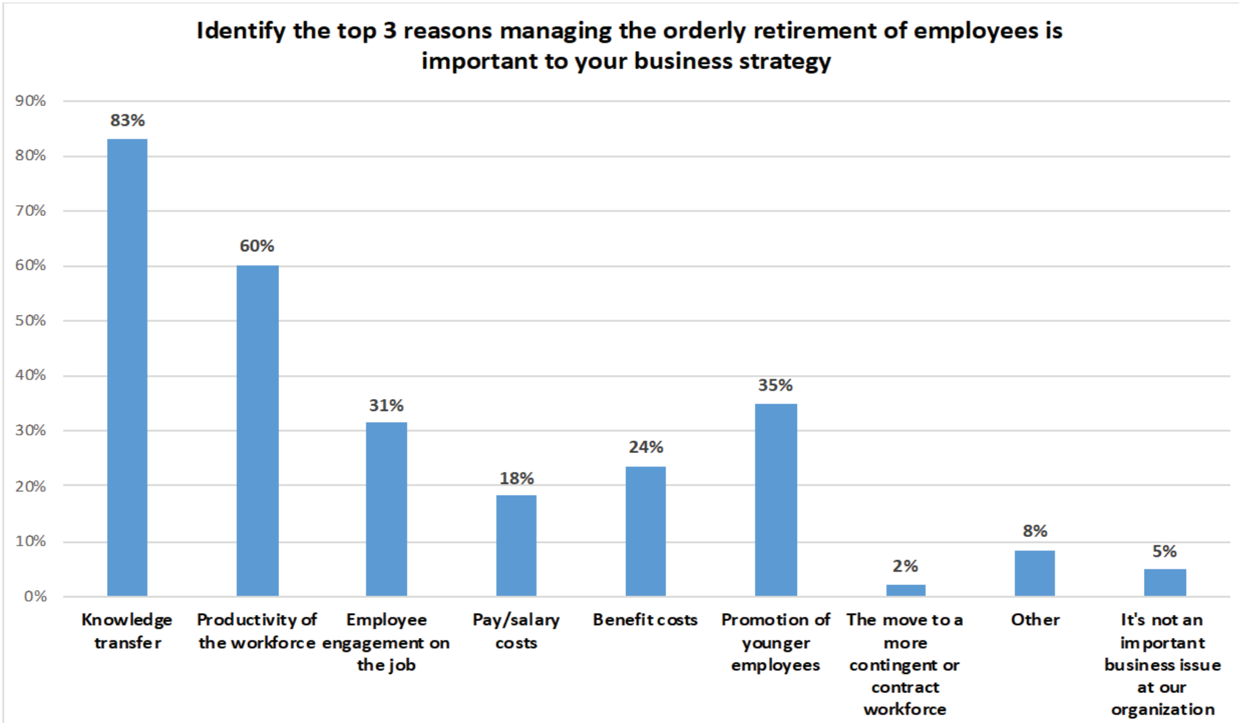
Source: Willis Towers Watson HR Managers Survey conducted July 2018.

Chart 2. Responses to Statements about the Importance of Older Workers and Retirement Policies



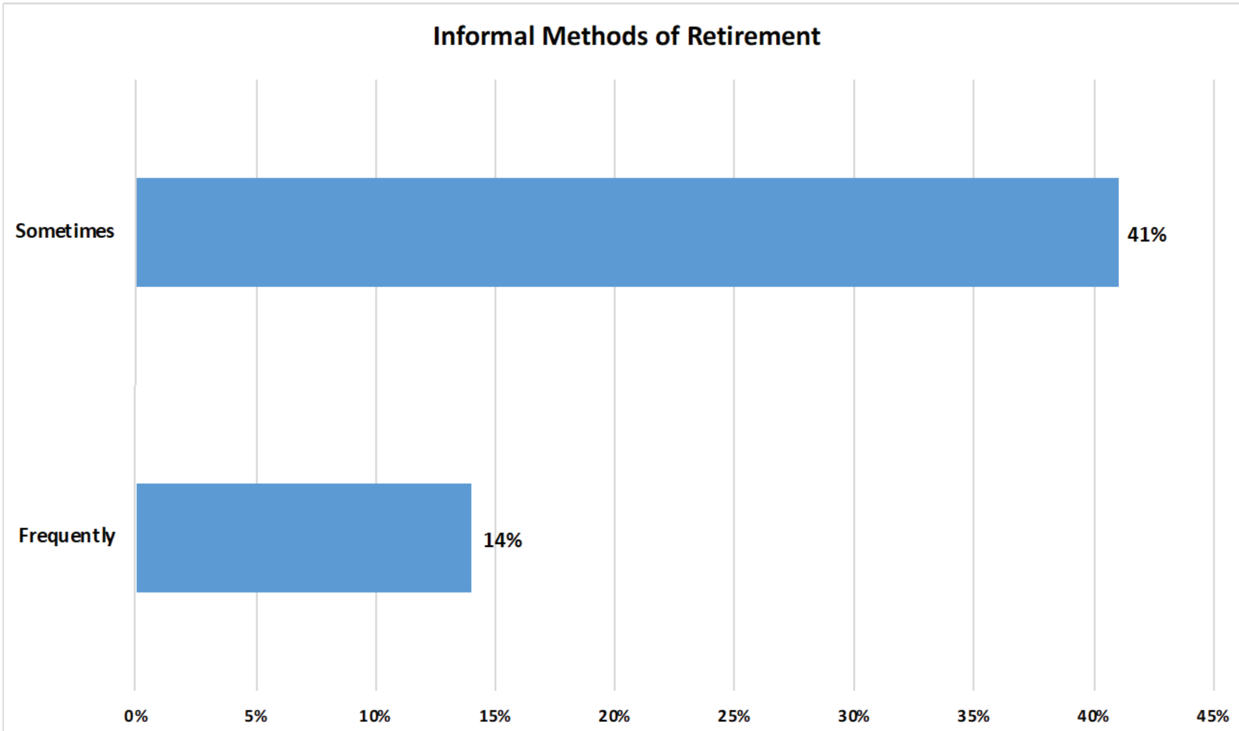
Source: Willis Towers Watson HR Managers Survey conducted July 2018.

Chart 3. Importance of Orderly Retirement to Organizations



Source: Willis Towers Watson HR Managers Survey conducted July 2018.

Chart 4. Use of Informal Policies in Lieu of Phased Retirement



Source: Willis Towers Watson HR Managers Survey conducted July 2018.