

OLDER WORKERS: PERCEPTION AND REALITY

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PREPARING FOR THE BABY BOOMERS' RETIREMENT:

THE ROLE OF EMPLOYMENT

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It is a great pleasure to participate in this forum of the Senate Special Committee on Aging. The role of employment in preparing for the retirement of baby boomers is a worthy topic.

In my brief presentation, I will present an overview of perceptions of older people in the workforce. I will do so from a perspective of several studies undertaken over the last decade. Together, these studies shed considerable light on the topics of employer attitudes towards older workers and impediments to the employment of older workers. I will conclude with my personal views on appropriate public policy in this area.

Before proceeding, let me first thank two organizations that have supported my and others research into the labor market for older people. The Commonwealth Fund⁽¹⁾

funded and supported in numerous other ways the five-year Americans Over 55 at Work Program, of which I was the Program Director.⁽²⁾

The American Association of Retired Persons funded two of the surveys to which I will make reference, as well as the ICF Kaiser Consulting Group study that produced the report, "Valuing Older Workers."⁽³⁾

My comments are, of course, my own.⁽⁴⁾

I begin by noting that those who make critical decisions about the hiring, firing, upgrading, and training of mid-career and older workers do so based on their perceptions of the costs and productivity of these people. In this regard, "perception is reality" and, I believe, perceptions can be changed by evidence -- studies, for example -- and by experience in the workplace.

What are the perceptions of older workers? Two nationally representative AARP-Yankelovich surveys and one nationally representative Commonwealth Fund-Conference Board-Louis Harris & Associates survey have measured at three points in the late eighties and early nineties perceptions of employers towards older workers with strikingly similar results.⁽⁵⁾

Both positive and negative perceptions were found. The positive perceptions included the following:

Valuable experience;

Excellent judgment;

Strong commitment to quality;

Low turnover; and

Very good attendance and punctuality.

Negative perceptions included the following:

Tendency towards inflexibility;

Inability to effectively use new technology;

Difficulty at learning new skills;

Concerns about physical ability;

High health care costs.

Are there sources of information against which these sets of perceptions can be compared? That is to say, are there sources of "reality" against which to test the perceptions?

A few years ago, my colleagues and I, on behalf of The Commonwealth Fund, sought a fair test of the relative efficiency of older workers. We found two companies that use significant numbers of both older and younger workers to do the same job. With the permission of these two companies -- Days Inns of America and B&Q, Plc (a British company) -- we undertook case studies of the companies. ⁽⁶⁾

In very brief terms, let me summarize the situations at the two companies. Days Inns of America, a franchiser of hotel properties, found both difficulty in hiring sufficient numbers of workers for its national reservation center, as well as turnover rates that exceeded 100 percent per year. They needed to find a source of workers who could work flexible schedules, learn a sophisticated computerized reservation system, and would be good salespersons. Days Inns management turned to hiring people over age 50. Our study compared workers aged 50 and older with those aged under 30 and found the following results:

Turnover: 87% of older workers stay on the job one year or more versus 30% for younger workers;

Absentee rates: 1.5% versus 3.7% for younger workers; Older workers take longer to make a sale but book more rooms;

Older workers had no difficulty learning the complicated reservations system; and

On balance, older workers cost about the same as younger workers.

B&Q is the largest chain of British do-it-yourself stores, very similar to Home Depot in the United States. At the time of the study (January, 1991), this company employed about 15,000 people across 280 stores and had revenues of \$1.6 billion. Their problems were not dissimilar to those at Days Inns: high turnover among store employees and recruiting difficulties; in addition, low "customer care" among some store employees and low "product knowledge" among many store employees greatly concerned company management preoccupied with sales growth. In order to convince skeptical middle management (i.e., local store managers) that older workers could effectively perform the necessary tasks, B&Q senior management opened stores that employed only older workers, including one in Macclesfield, England, which we studied. Note that such an experiment could not be undertaken in the United States because of laws prohibiting age discrimination. We were able to draw a sample of other B&Q stores similar to the store in Macclesfield. The conclusions were that, relative to the comparison stores, in the store that employed only older workers:

Turnover rates were about one-sixth as high;

Absentee rates were about 40% lower;

"Leakage" (theft, breakage) was nearly 60% lower;

Profits were about 18% higher;

Management was highly satisfied on customer care issues; and

Management reports no difficulty staffing stores; older workers were willing to work overtime.

Based on these two studies, it appears that there is at least some hard evidence that the

negative perceptions of older workers are not well founded in experience when sophisticated measures are made. Such a finding appears to be of little consequence to the formation of perceptions.

Now, let us evaluate the perceptions. Which are more important, the positive or the negative? A few years ago, AARP wished to know if there were facts to support the views of older workers that we reviewed earlier. AARP funded a study whose goal was to uncover facts about older people in the workforce and go behind the perceptions. My company, ICF Kaiser Consulting Group, undertook this study. We used a mini case study approach, examining in detail 12 companies that represented a diversity of industries, sizes, and geographic locations. This study is summarized in the AARP Report, "Valuing Older Workers: A Study of Costs and Productivity." Let me, very briefly, present the results in two parts. First, "hard data" with regard to costs and productivity that we looked at suggested that most companies did not systematically keep or analyze cost or productivity data on employees, and are even less likely to examine available data by age. Managers seemed not to be interested in learning of age-related differences in employment costs. From this we drew the conclusion that there is little data and less analysis to support current corporate behavior with regard to mid-career and older workers.

Second, we interviewed managers to learn their perceptions of older workers. The positive and negative views that we learned from this study are displayed on the large charts that you see before you. (See Exhibits 1 and 2.) These are quite similar to those of the three large nationally representative cross-sectional studies that I referred to earlier, and lend considerable credence to this case study data, which is from a set of 12 mini case studies and is not nationally representative.

In addition to asking managers their perceptions of older workers, we asked them which traits they thought were most important and highly valued in making human resource decisions. Let me summarize the results by quoting from "Valuing Older Workers" (page 35):

"The traits that managers most admire in older workers -- and which older workers themselves report as their most positive attributes -- are not highly valued in making human resource decisions relating to hiring, promotion, retention, and job assignment. Indeed, the qualities of loyalty, dedication, stability, commitment to quality, low turnover, and regular attendance and punctuality characteristic of older workers often seem to be taken for granted by managers....

Conversely, the performance traits cited by managers as areas of weakness for older workers are those considered most desirable for today's changing workplace, and those critical to the company's success in the future. These traits include flexibility, adaptability to change, and a capacity and willingness to exercise independent judgment."

The traits that managers report they value most should not surprise us; they are the traits that would be most valuable in a dynamic, rapidly changing business setting.⁽⁷⁾

This finding does not comprise good news for older workers. Worse, managers view coming changes in the workplace as requiring greater use of skills and attributes that older workers are criticized as being weak in.

Interestingly, we found no strong evidence of pervasive age discrimination, a finding that I consider to be of great importance, since it suggests that the problems of older people in the workplace cannot be solved by greater attention to anti-discrimination legislation and regulation, no matter how important that may be. This is not to say that we should not be vigilant in guarding against age discrimination and aggressive in fighting it -- by all means, we should. Rather, it is important to realize that corporate attitudes and behavior towards older workers often fall short of overt discrimination while they have the similar consequences of limiting the opportunities for continued productive employment.

It seems, with this in mind, appropriate to ask how we can change the negative perceptions of older workers. Businesses can seek to recognize the subtle negative effects of age stereotyping and age bias. The best thing would be for more businesses to have the experience of working with workers that Days Inns and B&Q have had. It also would appear that businesses could profit enormously from looking closely at the costs of high worker turnover. These costs manifest themselves in terms of added recruiting and training, and lost knowledge. Finally, business should recognize that older workers' responses to technology may depend on the quality and nature of the accompanying training. Mid-career and older workers often are spun in a vicious circle of initially not being granted equal access to training, which leads to a situation in which they cannot take advantage of new job opportunities that require the training. Once behind in the ability to deal with new tasks, it is difficult to catch up. Finally, older people can learn quite well, but they learn differently from younger people. Employers should use training techniques that capitalize on the experience of older people.

Often gatherings such as this conclude with the participants strongly agreeing that the plight of older workers is unfortunate and unfair. This would be an inadequate conclusion. It may not be fair, but older workers must recognize reality and respond positively to this reality no matter how negative it may be. That is, older people in the workforce must recognize the need to accept change, and that managers

value flexibility and receptivity to change. No matter how unfair, older people must accept the burden of proof and overcompensate, if necessary. They must embrace new technology and processes, push for training to maintain and upgrade skills, and take leadership positions in accepting new ways of organizing work. They, like everyone in the workforce now, must recognize that career management has become the worker's responsibility. One must stay abreast of the job market, identify skills in demand, and obtain training in the skills needed for the next job. This is not easy; indeed, it is most difficult in the case of older workers, but it is necessary.

Let me conclude these remarks with a few words on public policy to encourage continued employment of older workers. In all candor, I find it difficult to define a "silver bullet" role for the Federal government that I think is likely to be successful in dealing with the problems I have just summarized. To be sure, effective enforcement of anti-discrimination law is a necessary condition for an equitable society. I wish I could say it will be a sufficient condition for dealing with the problems being discussed here today. A natural role for government is to provide information about the costs and productivity of older workers. The following would be valuable activities:

Collecting and analyzing data on turnover and its costs;

Studying how older people assimilate job-related knowledge; and

Studying how change and flexibility manifest themselves in the workplace and why older people are *perceived* to be weaker in this area.

There is also a useful government role in launching demonstration projects that would have the goal of generating and disseminating information on the effectiveness of older workers.

Thank you very much, and I will be pleased to answer any questions you may have.

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¹ The Commonwealth Fund is a New York City-based private independent foundation. The views presented here

are those of the author and not necessarily those of The Commonwealth Fund, its directors, officers, or staff. A

similar disclaimer holds for the American Association of Retired Persons.

2.

² The Commonwealth Fund, "The Untapped Resource," Final Report of The Americans Over 55 At Work Program,

November, 1993.

3.

³ "Valuing Older Workers: A Study of Costs and Productivity," prepared for the American Association of Retired

Persons by ICF Incorporated, 1994.

4.

⁴ I am delighted to note that my work in this area was done jointly with two ICF Kaiser International Consulting

Group colleagues, William McNaught (now at the U.S. General Accounting Office) and Philip Rizzi.

5.

⁵ AARP. *Workers Over 50: Old Myths, New Realities*. Washington, D.C.: American Association of Retired

Persons, 1985.

AARP/DYG. *Business and Older Workers: Current Perceptions and New Directions for the 1990s*.

Washington, D.C.: American Association of Retired Persons, 1989.

Laborforce 2000 (Humphrey Taylor, Robert Leitman, and Ron Bass), Louis Harris and Associates, Inc., February

1992. The data from this survey have been the subject of extensive analysis; see P. Mirvis, ed., Building a

Competitive Workforce: Investing in Human Capital for Corporate Success, John Wiley & Sons, 1993.

6. ⁶ Both studies were published in peer-reviewed journals: W. McNaught and M. C. Barth, "Are Older Workers 'Good

Buyers?': A Case Study of Days Inns of America," Sloan Management Review, Spring 1992, Vol. 33, No. 3 ; and T.

Hogarth and M. C. Barth, "The Costs and Benefits of Hiring Older Workers: A Case Study of B&Q's Use of Older

Workers," International Journal of Manpower, Volume 12, Number 8, 1991.

7. ⁷ For further development of this point, see M. C. Barth, "International Aspects of Employment Policy: The

Future of Work," G. Hawke, ed. Employment and the Future of Work, Harkness Employment Conference, The

Printing Press, New Zealand, 1996.