



Retaining and engaging older workers: A solution to worker shortages in the U.S.

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Abstract Over the next 20 years, many organizations will experience significant shortages of skilled workers. At the same time, because of longer lifespans and a gradual rise in what society has considered the traditional retirement age of 65, older workers will represent a growing proportion of the American workforce. For a variety of reasons, many of these older workers desire to continue working and, if retained and engaged, they constitute a significant labor source for mitigating the emerging shortages of skilled workers. However, many organizations are not prepared to take advantage of this demographic shift; some even generate barriers that impede the retention and engagement of older workers. In this article, we identify a variety of ways in which organizations can retain and engage older workers to meet their staffing needs and enhance organizational performance. We also discuss the relationship of these proposals to prominent theories of motivation in management.

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1. The changing American workforce

Over the next 20 years, many organizations will experience significant shortages of trained workers despite the high levels of unemployment that have existed since the 2008 recession. Talent gaps will emerge in many parts of the world and present a barrier to sustainable economic growth ([World Economic Forum, 2011](#)). To address these emerging labor shortages, companies will need to seek

alternative sources of skilled labor. One way to meet this demand—the one we present in this article—is by retaining and engaging older workers.

Significant worldwide labor force imbalances—shortfalls, in particular—are projected between 2020 and 2030 ([Strack, Baier, Marchingo, & Sharda, 2014](#)). A study by the [Manpower Group \(2014\)](#) reported that as many as 36% of employers globally report talent shortages, which is the highest level of reported talent shortages in 7 years. Furthermore, the 2014 Conference Board report predicted 15 years of labor shortages for the U.S. economy ([Levanon, Colijn, Cheng, & Paterra, 2014](#)). These shortages will exist as the labor force is expected to experience an annual growth rate of only 0.05%

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between 2012 and 2022 (Toossi, 2013). This is the smallest amount of growth seen in over 10 years. However, while the annual growth rate of the labor force for those aged 16–54 is projected to be 0.6%, in that same period for those 55 and older, the annual growth rate is projected to be 2.6%. According to the Pew Research Center (Heimlich, 2010), 10,000 Baby Boomers turn 65 every day. Even though the growth rate of older workers is projected to remain relatively strong for the next several years, unless circumstances change, approximately 31 million skilled trade positions will be left vacant by 2020 due to Baby Boomer retirement estimates (Adecco, 2017).

Other sources also recognize the growing presence of older Americans in the workforce. The latest census projects a 67% increase in the 65-and-older population between 2015 and 2040, when 1 in 5 Americans will be 65 or older (Hannon, 2013). The Sloan Center on Aging and Work (2012) at Boston College reported that by 2019, workers aged 55 and older will comprise 25% of the workforce; the Urban Institute predicted that workers aged 50 and older will constitute 35% of the labor force by that same year (Hannon, 2013).

As a result of these demographic trends, employees who are at or approaching the traditional retirement age of 65 are the fastest-growing segment of the workforce. They are also one of the burgeoning cohorts in the general population. Hence, the retention and continued engagement of older workers up to and beyond the traditional retirement age of 65 is a potentially lucrative means for addressing staffing needs throughout the coming decade. Those hoping to rely on workers from other countries to meet staffing shortages will likely be disappointed, as the aging of the workforce is as problematic, or even more so, in Asia, Latin America, and Africa (Manpower Group, 2014; United Nations, 2015).

2. Why older workers continue to work

Although working beyond traditional retirement age has become a more common phenomenon in the last decade, little current research explains or examines this phenomenon. Much of the research available comes from a time when the U.S. was engaged in the economic recession that began in 2008. This may explain the emphasis on financial concerns related to retirement, including reductions in benefits resulting from employer efforts to reduce cost, the transition from defined benefit to defined contribution retirement plans,

the reduction or elimination of retiree medical benefits, increases in the costs of healthcare, the increased age requirement to obtain full Social Security benefits, and other economic pressures at the time. Without more research subsequent to the economic recovery (i.e., the period between 2012 and 2017), it is difficult to determine priorities and expectations for those now working past retirement age. However, some general factors can be discerned from existing data. These factors are presented below.

2.1. Financial need

As noted in the introduction to this section, financial needs topped the list of reasons why employees continued to work from the onset of the recession beginning in 2008. Having sufficient financial security to support a comfortable retirement is a basic concern of most workers (Brandon, 2011; Moeller, 2010). Changes in Social Security that increased the full retirement age to 66 also encouraged many employees to work longer (Greenhouse, 2012). A decline in the value of 401(k) plans because of the recession resulted in continuing financial distress for many that continues to this day (Watson Wyatt Worldwide, 2009). Clearly, the continuing aftermath of the recession, including a poor economy (EBRI, 2015) and a higher-than-expected cost of living (EBRI, 2015), continue to challenge a retiree's financial security. The IRA and 401(k) balances of many workers did not recover fully from the recession, even as economic conditions improved.

2.2. Healthcare

Many older workers express the need or desire to retain employer-sponsored healthcare and related benefits as part of the reason to continue working (EBRI, 2015; Moeller, 2010). While this is particularly important for those aged 55 and over prior to their eligibility for Medicare, it is still an issue for those eligible for Medicare as that system is viewed by many as less comprehensive and places more restrictions on medical care than private insurance plans.

2.3. Staying active

Several studies note a need expressed by older workers to stay active physically and mentally (Brandon, 2011; EBRI, 2014; Moeller, 2010; Pitt-Catsouphes & Smyer, 2005). This also was related to personal health and well-being, as those who wish to stay active tend to be in better health.

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