A Research Center Supported by the Alfred P. Sloan Foundation

The Center on Aging & Work | Workplace Flexibility at Boston College

Issue Brief 10
August, 2007

Today's Multi-Generational Workforce: A Proposition of Value

by Ce Shen, Ph.D., Marcie Pitt-Catsouphes, Ph.D., & Michael A. Smyer, Ph.D.

Introduction

The age composition of the U.S. workforce is changing, in large part due to the aging of the very large Baby Boom generation and also because there are fewer Generation X and Y workers that follow them in the workforce pipeline.[1]

Although the specifics of these workforce demographic shifts are expected to vary from industry to industry and from workplace to workplace, the trend of the aging of the workforce is clear. In 2005, employees 55 and older comprised 16.2% of the labor force. By 2050, that number will grow to almost one fourth (23%) of the labor force.[2]

The age demographics of the workforce matter to businesses for several reasons.

- Age and age-related factors (such as significant life course events) may affect employees' attitudes and behaviors, which in turn, might affect performance and productivity.
- Employees' experiences at the workplace can be linked to age and career stages.
- HR policies and programs may align better with the needs and priorities of employees of some ages and life course stages than others. For example, steps taken to recruit young workers might be more or less effective for older workers.

Despite employers' growing interest in how the changing age demographics of the workforce might impact their businesses[3], to date there has been limited attention paid to the assessments that employees of different ages make of their own work situations.

This Issue Brief uses a lens of "human capital costs and benefits" to examine the work experiences of young employees (aged 18-30 years), employees at mid-life (31-49 years), and older employees (50 years and older).

About This Study

Many of the findings discussed in this Issue Brief are the result of new analyses we completed using information gathered from the wage and salaried workers (N = 2,785) who responded to the 2002 National Study of the Changing Workforce (NSCW). 25% of the respondents who provided their ages were between the ages of 18-30, 48% were between the ages of 31-49, and 27% were 50 years or older.

The *National Study of the Changing Workforce* (NSCW) is conducted every five years. It surveys large samples of the U.S. workforce to collect information about both the work and personal lives of U.S. workers. The NSCW builds upon and expands the scope of the U.S. Department of Labor's *Quality of Employment Survey*, which was discontinued following 1977 data collection. Data from the NSCW surveys (1992, 1997, 2002) are available (www.familiesandwork.org) for use by other researchers and have been extensively analyzed with many findings presented and published. Numerous reports presenting findings from different analyses of the NSCW can be found on the website of the Families and Work Institute.

We explore the following questions:

- What is a human capital framework, and how can it be used to think about the costs and benefits associated with employees of different ages?
- Are there links between employees' age and the value that they might bring to the workplace?
- What are some of the connections between age and the costs associated with employees?

Human Capital Costs and Benefits

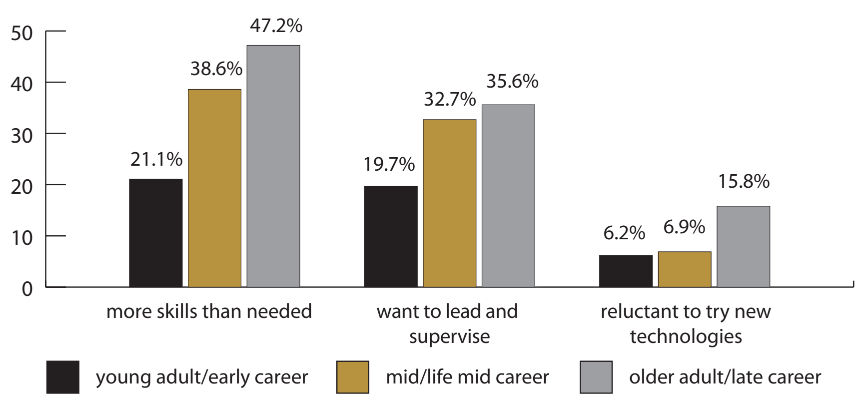
HR managers who use a human capital costs/benefits framework focus on information related to direct and indirect costs associated with their investments in employees as well as direct and indirect benefits derived from the value that employees add to business objectives and to the bottom line (See Figure 1.). Given the changing age demographics of the workforce, some HR managers are interested in considering whether age might affect human capital costs or benefits.

Figure 1: Factors Related to Costs and Benefits

Age and Direct Value of Employees

Recognizing that there is significant variation among individuals within the same age, employers feel that (in general) employees of different ages may bring different attributes to the workplace.[4] As noted in Figure 2, for example, employers are more likely to report that older employees/late career employees have higher levels of skills than needed for their jobs and that they are more likely to want to lead or supervise others when compared to employees' assessments of young employees. Employers are also more likely to report that their older workers are more reluctant to try new technologies than younger workers.

Figure 2: Employers' Perspectives of Selected Attributes of Employees by Career Stage/Age
(% of Respondent Organizations Stating "Very True")



Source: Pitt-Catsouphes, Smyer, Matz-Costa, & Kane, 2007[4]

Employers use indicators such as education (intellectual capital), accomplishments (experiential capital), and recommendations (social capital) to gauge the value of employees.

Intellectual Capital: As expected, employees at mid-life (31-49 years) and older employees (50 +) are more likely to have completed college (31%-32% respectively) than young employees (20%).[5] Therefore, the "intellectual capital quotient" for older employees may be higher than for younger employees. However, since the group of younger employees in the National Study of the Changing Workforce includes workers as young as 18 years of age, employers can expect that at least some of the young employees will obtain a college education over the course of their adulthood. That is, the difference in intellectual capital is probably more of a life course difference than a generational difference.

Employers recognize that formal education is an important foundation for work-related competencies. They may build on that foundation with on-the-job training as well as informal training. As indicated in Table 1, employees of different ages tend to report different reasons for participating in work-related courses. For example, workers under the age of 30 are more likely to indicate that they participate in training to help them change jobs or a career field than do older employees.

Table 1: Reasons of Adults' Participation in Work-Related Courses (2002-03)

% giving reason by age group

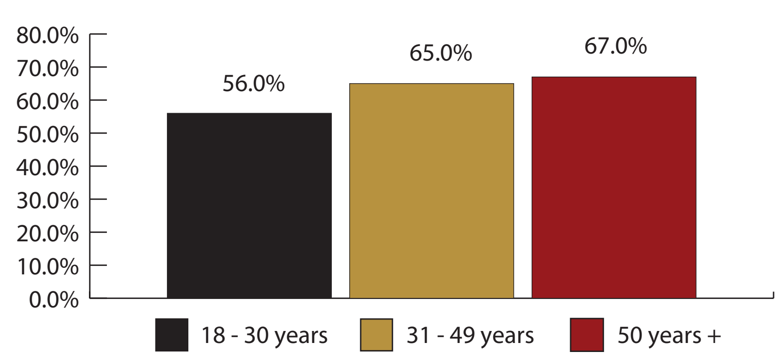
	16-30 years	31-40 years	41-50 years	51-65 years	66 years and older
To maintain/improve skills or knowledge	88%	94%	93%	95%	84%
To learn completely new skills or knowledge	84%	77%	74%	70%	75%
To help change job or career field	29%	18%	16%	13%	7%
To get/keep certificate or license	27%	37%	34%	35%	35%
Because employer required/recommended it	79%	70%	74%	74%	68%
To receive a promotion/pay raise	26%	18%	14%	13%	11%

Source: National Center for Education Statistics, 2005[6]

As depicted in Figure 3, employees at mid-life and older employees are more likely to report that they have access to employer-sponsored training than younger employees. This may reflect the fact that employees at mid-life and older employees who have longer tenures with their organizations are more aware of available training.

Experiential Capital: Employers are aware that situations arise at the workplace where "experience matters." Several studies have provided evidence that experience can make a difference, particularly in jobs where cumulative knowledge can facilitate the synthesis of complicated data. DeLong makes a compelling case that the institutional knowledge

Figure 3: Percent of Workforce with Access to Training Opportunities by Age

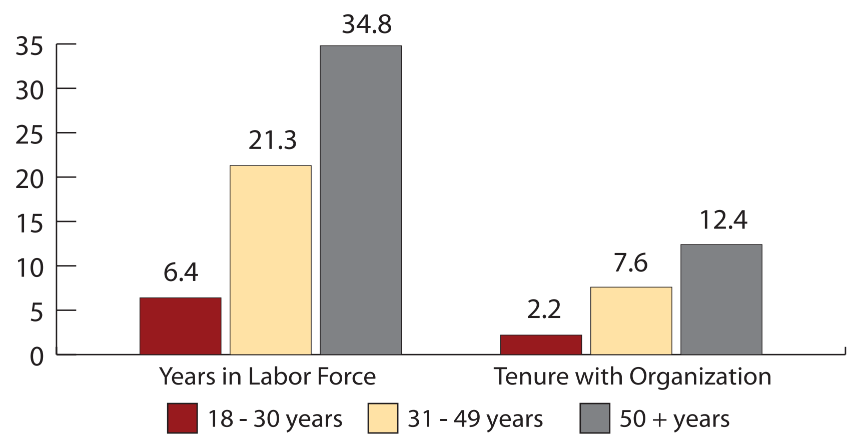


Source: Shen, Pitt-Catsouphes, & Smyer, 2007[5] accumulated by experienced workers can help to solve problems and avoid crises that might otherwise result in significant costs to businesses.[7]

Two measures of experiential capital can be used to compare and contrast some of the value that employees may bring to the workplace: years in the labor force and tenure with current employer.

Not unexpectedly, there is a relationship between employee age and years in the labor force (an average of 6.4 years in the labor force for young employees; 21.3 years for employees at midlife; and 34.8 for older employees). Similarly, there is a relationship between tenure with current employer and the age of employees (an average of 2.2 years tenure for young employees; 7.6 years for employees at mid-life; and12.4 years for older employees).[5]

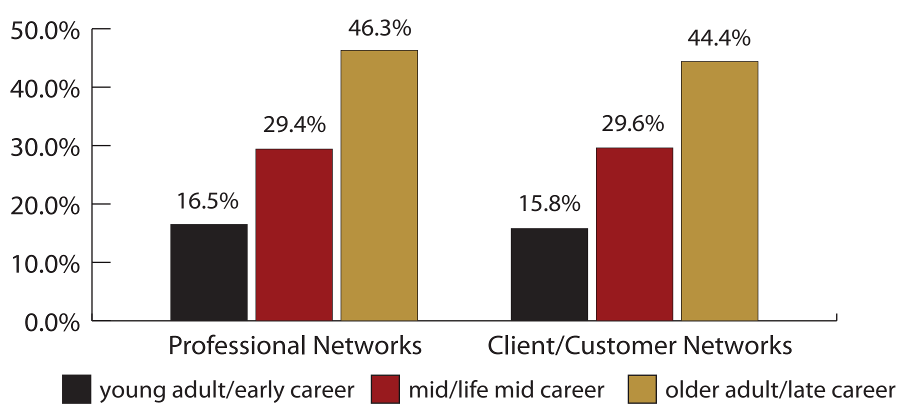
Figure 4: Labor Force Participation and Organizational Tenure by Age Group



Source: Shen, Pitt-Catsouphes, & Smyer, 2007[5]

Social Capital: Employees differ in the extent to which they have cultivated relationships that can add business value. Some of these relationships may be with clients/customers and others might be with other business professionals who might either be sources of new clients/customers or who might be collaborative thought leaders. Figure 5 includes information from the 2007 National Study of Business Strategy and Workforce Development indicating that employers are more likely to feel that (in general) their older adult/late career employees have stronger professional and client networks than their younger employees.[4]

Figure 5: Employers' Perspectives of Selected Attributes of Employees by Career Stage/Age
(% of Respondent Organizations Stating "Very True")



Source: Pitt-Catsouphes, Smyer, Matz-Costa, & Kane, 2007[4]

Productivity: Several studies have explored possible differences in the productivity of employees of different ages. As noted by Hedge, Borman, and Lammlein:[8]

> Overall, research on aging suggests that physical and cognitive abilities do decline in older age. However…these declines may not always generalize to deficits in on-the-job performance…..older workers generally seem to adapt well and to compensate for declining abilities by adjusting their approach to the job… (p. 49)

Employers are less likely to report that their younger adult/early career employees are productive (28.5% of the employers saying "very true") than their mid-life/mid career (42.1% of the employers saying "very true") or older adult/late career employees (38.5% of the employers saying "very true").[4]

- The assets that employees bring to the workplace reflect their individual characteristics, talents, and experiences. Employers may want to consider creating a "talent utilization audit" to ensure that they recognize and develop the value that workers in all age groups can add.

Age and Direct Costs of Employees

The costs associated with the "people" part of the business include compensation, benefits, and the expenses associated with unwanted turnover.

Compensation: Since salaries reflect differences in intellectual capital (education and training), experience, and tenure with the company, it is not surprising that, in 2002, the average annual earnings of older employees ($52,635) were higher than young employees ($31,947) or employees at mid-life ($48,080).[5]

- Annual increments often reflect extra years of service; therefore, employers may mistakenly assume that earnings tend to rise more or less predictably on a year-by-year basis with employees' age.

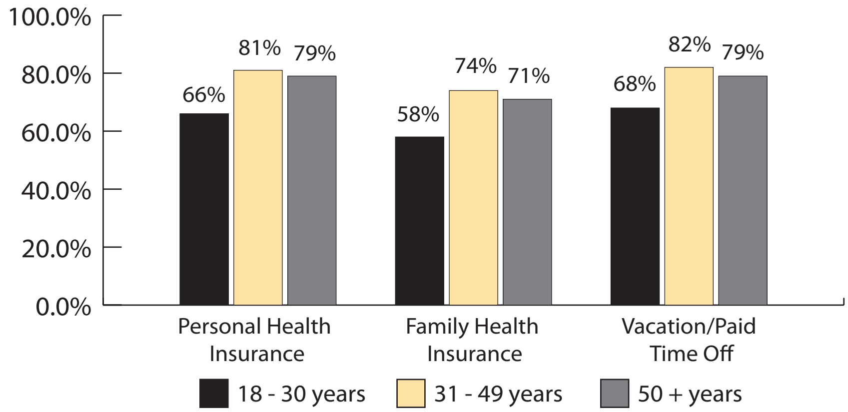
  In fact, evidence from the National Study of the Changing Workforce indicates that this assumption is not entirely correct.

  The difference in earnings for most employees is greatest when comparing young employees (30 years of age or younger) with those who are either employees at mid-life or older employees. In general, the extent of the differences in earnings starts to disappear when comparing employees at mid-life with older employees. That is, the difference between the earnings of employees at mid-life and older employees is not statistically significant.

Access to Benefits: Data from the National Study of the Changing Workforce provides interesting evidence about the relationships between age and access to benefits (See Figure 8 below.). Employees at mid-life and older employees are more likely to have more benefits than young employees. Furthermore, because many employers link the number of vacation days/paid time off granted to employees with tenure, it is not surprising that the average number of paid vacation days offered to older employees (16.5 days) is higher than the average either for employees at midlife (14.5 days) or young employees (9.5 days).[5]

However, when compared to older employees, higher percentages of employees at mid-life report that they have access to personal health insurance paid in part or full by their employers and paid vacation days (with the difference in access to family health insurance not being statistically significant).

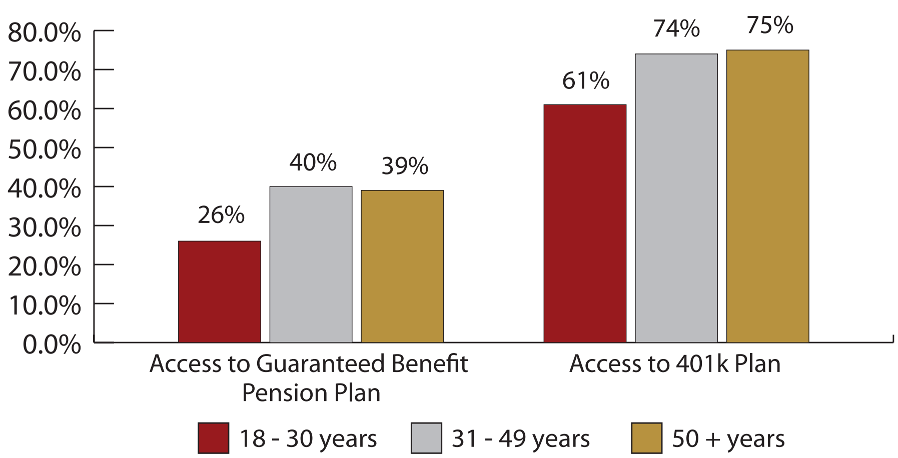
Figure 6: Percent of the Workforce Having Access to Following Benefits Paid In-Part/Full by Employer by Career Stages



Source: Shen, Pitt-Catsouphes, & Smyer, 2007[5]

When compared to young employees, employees at mid-life and older employees are more likely to have access to guaranteed benefit pension plans and to 401k (or similar) retirement plans. As increasing numbers of employers are phasing out guaranteed benefits plans, the differences between employees in the three age groups may diminish by the time that today's young employees transition into retirement.[9] The implication of this is very significant: one of the cost differentials currently associated with older workers is anticipated to disappear over time.

Figure 7: Percent of Workforce with Access to Retirement Plans at Work by Career Stage



Source: Shen, Pitt-Catsouphes, & Smyer, 2007[5]

Use of Benefits: Some of the costs associated with employer-sponsored benefits, such as health and dental insurance, do not "hit the books" unless employees actually use them.

The size of an employee's family is one factor that can affect utilization of health care and, therefore, the cost of health care benefits. Older employees are less likely to have children under 18;[5] therefore, they are less likely to have child dependents covered by a family medical insurance plan than either young employees or employees at mid-life.

Unwanted Turnover: Unwanted turnover translates into real costs for employers. Management literature includes estimates of the expenses associated with lost knowledge, direct recruitment costs, decreased productivity during the recruitment phase (when the work is either absorbed by other employees or it is completed by temporary employees), direct orientation costs, and decreased productivity as the new hire transitions into the job. Turnover costs can vary significantly, depending on occupation, employer, and industry. For example, the National Study of Business Strategy and Workforce employers reported the average cost of turnover exceeded $12,000 per employee.[4]

Our analyses of the National Study of the Changing Workforce found that older employees are much less likely to report that they are "very likely" to try to find a new job in coming year (9%) when compared either to young employees between the ages of 18 – 30 (30%) or mid-life employees (16%).[5]

➲ It is important for employers to take the time to carefully examine what might seem to be simple relationships between age and human resource costs. For instance, salary averages can be affected by a relatively small percentage of people who are extremely unusual in some way. Even a small number of workers in different age groups with very low or very high salaries can affect the averages for those groups. For the purpose of comparison, it can sometimes be helpful to take these "outliers" out of some of the analyses so that it is possible to examine the relationships for the vast majority of employees who are in the more typical ranges.

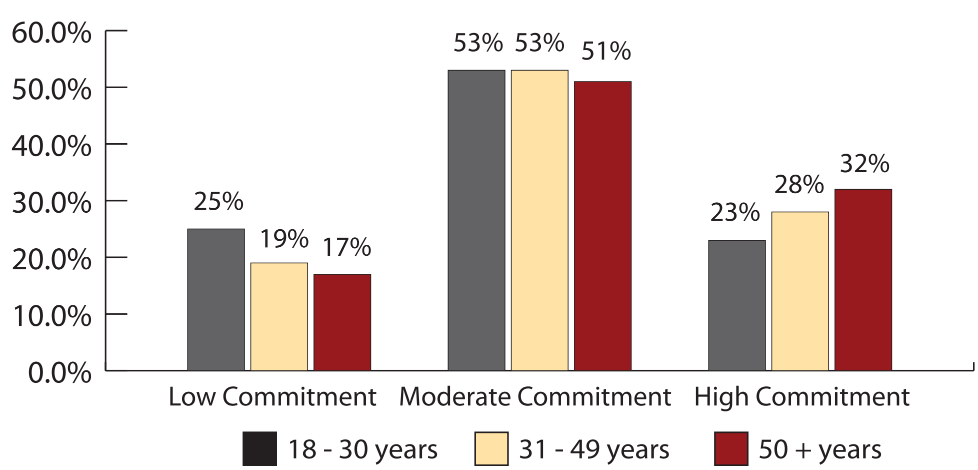
Indirect Factors that Can Affect Assets & Costs

Employers may leverage a number of factors to either augment the assets that employees bring to the workplace or reduce costs associated with decreased productivity. For example, employee attitudes – including commitment to the organization, job satisfaction, and career orientation – may be associated with employee performance and with cost-related behaviors such as turnover.

Commitment to the Employer: Given the pace of business in the 21st century, employers want to be able to depend on their employees, so that "when the going gets tough, the tough get going."

Who will go that extra mile? Older employees (32%) are more likely to report high commitment to employers than either young employees (23%) or employees at mid-life (28%). (See Figure 8.)

Figure 8: Levels of Commitment to the Employer Among Employees by Age Group

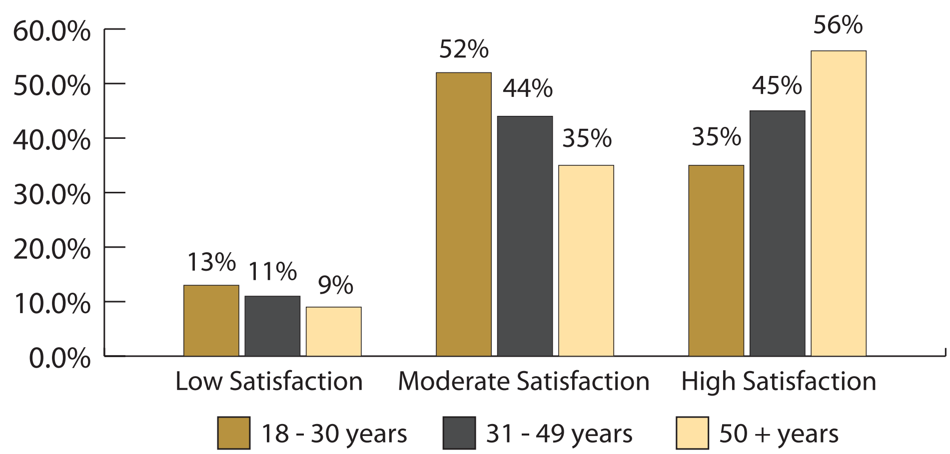


Source: Shen, Pitt-Catsouphes, & Smyer, 2007[5]

Issue Brief 10

Job Satisfaction: The linkages between job satisfaction levels and cost-related behaviors, such as turnover, have been widely documented.[10] As indicated by Figure 9 below, our analyses of the National Study of the Changing Workforce found that older employees tend to have higher levels of job satisfaction than younger employees.

Figure 9: Job Satisfaction Levels in the Workforce by Career Stage



Source: Shen, Pitt-Catsouphes, & Smyer, 2007[5]

Desire for Responsibility: Contrary to some of the stereotypes of older workers "checking out" before they retire, the vast majority of older employees indicate that they either want the same or more responsibility (87%) rather than less (12%). (See Table 2.)

➲ One way for employers to think about possible untapped talent in their workforces is to consider the fact that more than 1 of every 6 older employees is interested in assuming a greater level of responsibility than they currently have. Their career ambitions might be less visible than young employees and employees at mid-life. Older employees seeking more responsibility might bring high levels of motivation to accomplish "more" as they think about capping their careers.

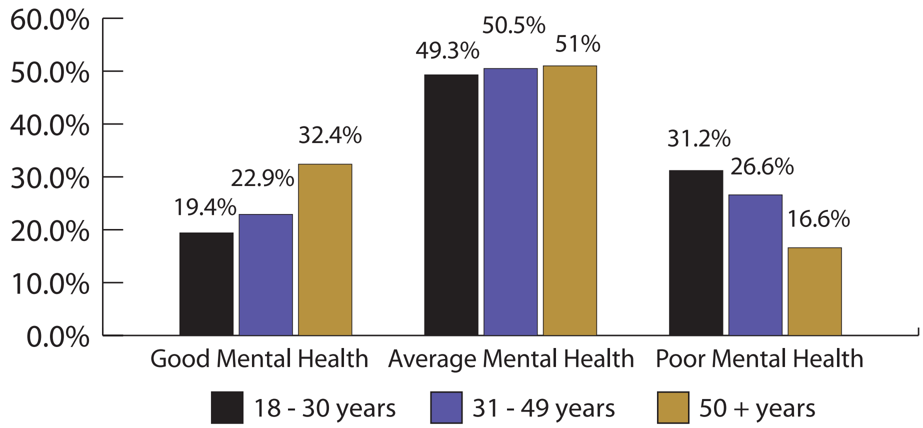
Table 2: Preferred Level of Work Responsibility by Career Stage

	Early Career 18-30 years	Mid Career 31-49 years	Late Career 50 years and older
Desires More Responsibility	59%	39%	17%
Desires Same Responsibility	34%	53%	70%
Desires Less Responsibility	7%	8%	12%

Source: Shen, Pitt-Catsouphes, & Smyer, 2007[5]

Mental Health and Stress: Positive mental health can help employees to have the resilience they need to handle the demands of work – some of which are unpredictable. Looking at mental health issues from another perspective, services needed to respond to mental health problems can be very expensive. It has been estimated that the annual economic cost of mental illness in the United States is $79 billion, including the cost of lost productivity.[11] Using a standardized measure developed by the Center for Epidemiological Studies to screen for depression, the National Study of the Changing Workforce Found a negative relationship between age and symptoms of depression. That is, among labor force participants, mental health improves with age (Shen, Pitt-Catsouphes, Smyer, 2007).[5]

Figure 10: Measure of Depressive Symptoms by Career Stage



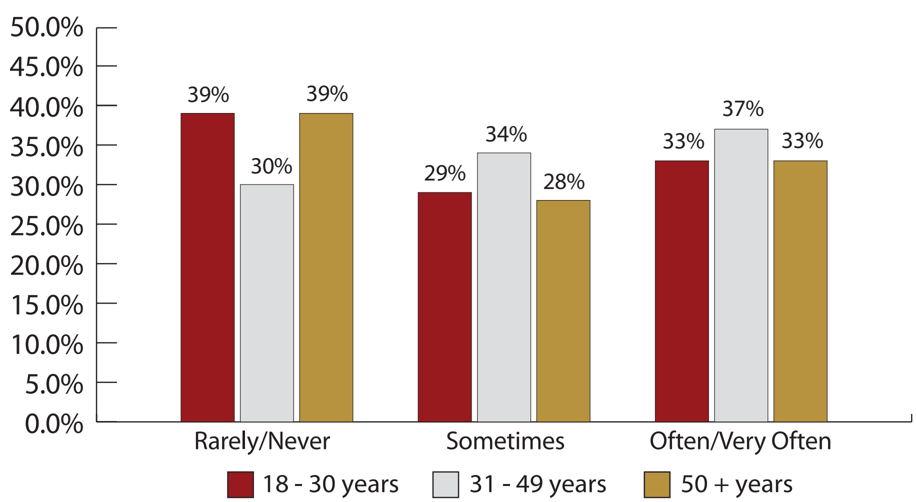
Source: Shen, Pitt-Catsouphes, & Smyer, 2007[5]

- Depending on the coverage allowed by employer-sponsored health plans, mental health problems can result in increases in health care costs to the employer and the employees.

Every day stress can also affect employees' attitudes and performance, even when it does not manifest itself as depression. As indicated by the information in Figure 11, employees between the ages of 31-49 years are more likely to report feeling "often/very often" overwhelmed by the amount of work they have to do on the job (Shen, Pitt-Catsouphes, & Smyer, 2007).

Furthermore, older employees aged 50 and older are less likely than employees in the other two age groups to report high levels of negative family to work spillover.

Figure 11: Percent of Workforce Reported Being Overwhelmed by Amount of Work on the Job by Career Stage



Source: Shen, Pitt-Catsouphes, & Smyer, 2007[5]

Conclusion: Investing in the Multi-Generational Workforce

The multi-generational workforce introduces new dimensions to workforce diversity. Employees of different ages may bring different perspectives and different forms of "capital" to the workplace. And, employees of different ages are also likely to need different types of support so that they can make their best contributions at work.

Responses to questions about whether employees of different ages "cost more" may be misleading because costs represent only one part of the equation; increasingly, employers are asking if investments in employees of different ages produce differential outcomes.

Businesses across the country have adopted mission statements which echo the sentiment that, "Employees are our most important asset." Today's multi-generational workforce offers new opportunities for employers to develop these assets.

The Center on Aging & Work/Workplace Flexibility at Boston College, funded by the Alfred P. Sloan Foundation, is a unique research center established in 2005. The Center works in partnership with decision-makers at the workplace to design and implement rigorous investigations that will help the American business community prepare for the opportunities and challenges associated with the aging workforce. The Center focuses on flexible work options because these are a particularly important element of innovative employer responses to the aging workforce. The studies conducted by the Center are examining employers' adoption of a range of flexible work options, the implementation of them at the workplace, their use by older workers, and their impact on business and older workers.

The Center's multi-disciplinary core research team is comprised of more than 20 social scientists from disciplines including economics, social work, psychology, and sociology. The investigators have strong expertise in the field of aging research. In addition, the Center has a workplace advisory group (SENIOR Advisors) to ensure that the priorities and perspectives of business leaders frame the Center's activities and a Research Advisory Committee that provides advice and consultation on the Center's individual research projects and strategic direction. The Center is directed by Marcie Pitt-Catsouphes, Ph.D., and Michael A. Smyer, Ph.D.

Ce Shen, Ph.D., is an Assistant Professor at the Boston College Graduate School of Social Work. He received his Ph.D. and M.A. in sociology from Boston College and B.A. in theology from the Nanjing Theological Seminary, P.R. China. His recent work has been based on the comparative studies on quantitative cross-national analysis in the following areas: (1) quantitative studies of social, economic, and political determinants of cross-national differences in social policy and social justice issues such as infant and child mortality, maternal mortality, women's status, income inequality, and quality of governance, (2) the comparative study of social security systems, (3) consumer-directed care for mentally ill people, and (4) the comparative study of mathematics and science achievements for primary and secondary schools.

Marcie Pitt-Catsouphes, Ph.D., is an Associate Professor at the Boston College Graduate School of Social Work. She received her B.A. from Tufts University, M.S.P. from Boston College, and Ph.D. from Boston University. She is the Co-Principal Investigator of the Boston College National Study of Business Strategy and Workforce Development and Age and Generations Study. She is the founder of the Sloan Work and Family Research Network, which provides resources about working families to business leaders and state legislators, as well as to academics around the world. Dr. Pitt-Catsouphes was a 2007 recipient of the Work/Life Legacy Award.

Michael A. Smyer, Ph.D., is a Professor in the Department of Psychology at Boston College. A licensed clinical psychologist, he received his Ph.D. in personality and clinical psychology from Duke University and a B.A. in psychology from Yale University. Dr. Smyer was awarded the M. Powell Lawton Award for distinguished contributions to clinical geropsychology, sponsored by the American Psychological Association and the Retirement Research Foundation. He is the Co-Principal Investigator of the Boston College National Study of Business Strategy and Workforce Development and Age and Generations Study.

References

[1] Boston College Center on Aging and Work/Workplace Flexibility. (2007, July). *The 21st Century Multi-Generational Workforce.* (Issue Brief No. 9). Chestnut Hill, MA: Pitt-Catsouphes, M., & Smyer, M.

[2] Toosi, M. (2006, November). "A new look at long-term labor force projections to 2050." *Monthly Labor Review, 129* (11), 19-39.

[3] AARP. (2005, December). *The business case for workers age 50+. Planning for tomorrow's talent needs in today's competitive environment.* Washington, DC: Towers Perrin.

[4] Boston College Center on Aging and Work/Workplace Flexibility. (2007). *The National Study Report.* (Research Highlight No. 4). Chestnut Hill, MA: Pitt-Catsouphes, M., Smyer, M., Matz-Costa, C., & Kane, K.

[5] Shen, C., Pitt-Catsouphes, M., & Smyer, M. (2007). *National Study of the Changing Workforce.* Unpublished raw data, Families and Work Institute.

[6] National Center for Education Statistics. (2005, May). Reasons for adults' participation in work-related courses, 2002-2003. (Issue Brief NCES 2005-068). Washington, DC: U.S. Department of Education, Institute of Education Services.

[7] Delong, D. (2004). *Lost knowledge: The threat of an aging workforce.* New York: Oxford University Press.

[8] Hedge, J.W., Borman, W.C., & Lammlein, S.E. (2006). *The Aging Workforce: Realities, myths, and implications for organizations.* Washington, D.C.: American Psychological Association.

[9] Bond T.J., Galinsky, E., Kim, S.S., & Brownfield, E. (2005, September). *2005 National Study of Employers. New York, NY:. Families and Work Institute.* Retrieved August 2, 2006 from http://familiesandwork.org/eproducts/2005nse.pdf.

[10] Lambert, E., Hogan, N., & Barton, S. (2001).The impact of job satisfaction on turnover intent: a test of structural measurement model using a national sample of workers. *The Social Science Journal, 38*, 233-250.

[11] President's New Freedom Commission on Mental Health. (2003) *Achieving the Promise: Transforming Mental Health Care in America.* (Publication No. SMA-03-3832). Rockville, MD: Department of Health and Human Services.

Note: The National Study of the Changing Workforce uses two items to measure employees' commitment to their employers. These questions ask whether the employees are willing to work harder than they have to and how loyal they feel toward their employer.

For previous publications, visit our website at www.bc.edu/agingandwork

Issue Briefs

Issue Brief 1: Older Workers: What Keeps Them Working?

Issue Brief 2: Businesses: How Are They Preparing For the Aging Workforce?

Issue Brief 3: Getting the Right Fit: Flexible Work Options and Older Workers

Issue Brief 4: How Old Are Today's Older Workers?

Issue Brief 5: One Size Doesn't Fit All: Workplace Flexibility

Issue Brief 6: Down Shifting: The Role Of Bridge Jobs After Career Employment

Issue Brief 7: Civic Engagement: Volunteering Dynamics and Flexible Work Options

Issue Brief 8: Does Health Insurance Affect The Employment of Older Workers?

Issue Brief 9: The 21st Century Multi-Generational Workplace

Research Highlights

Research Highlight 1: Context Matters: Insights About Older Workers From the National Study of the Changing Workforce

Research Highlight 2: The Diverse Employment Experiences of Older Men and Women in the Workforce

Research Highlight 3: The Benchmark Study, Phase I of The National Study of Business Strategy and Workforce Development

Research Highlight 4: The National Study, Phase II of The National Study of Business Strategy and Workforce Development