

AGING WORKFORCE STUDY FINAL REPORT

Prepared for

**LEHIGH VALLEY WORKFORCE
INVESTMENT BOARD**

December 2007



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The Aging Workforce

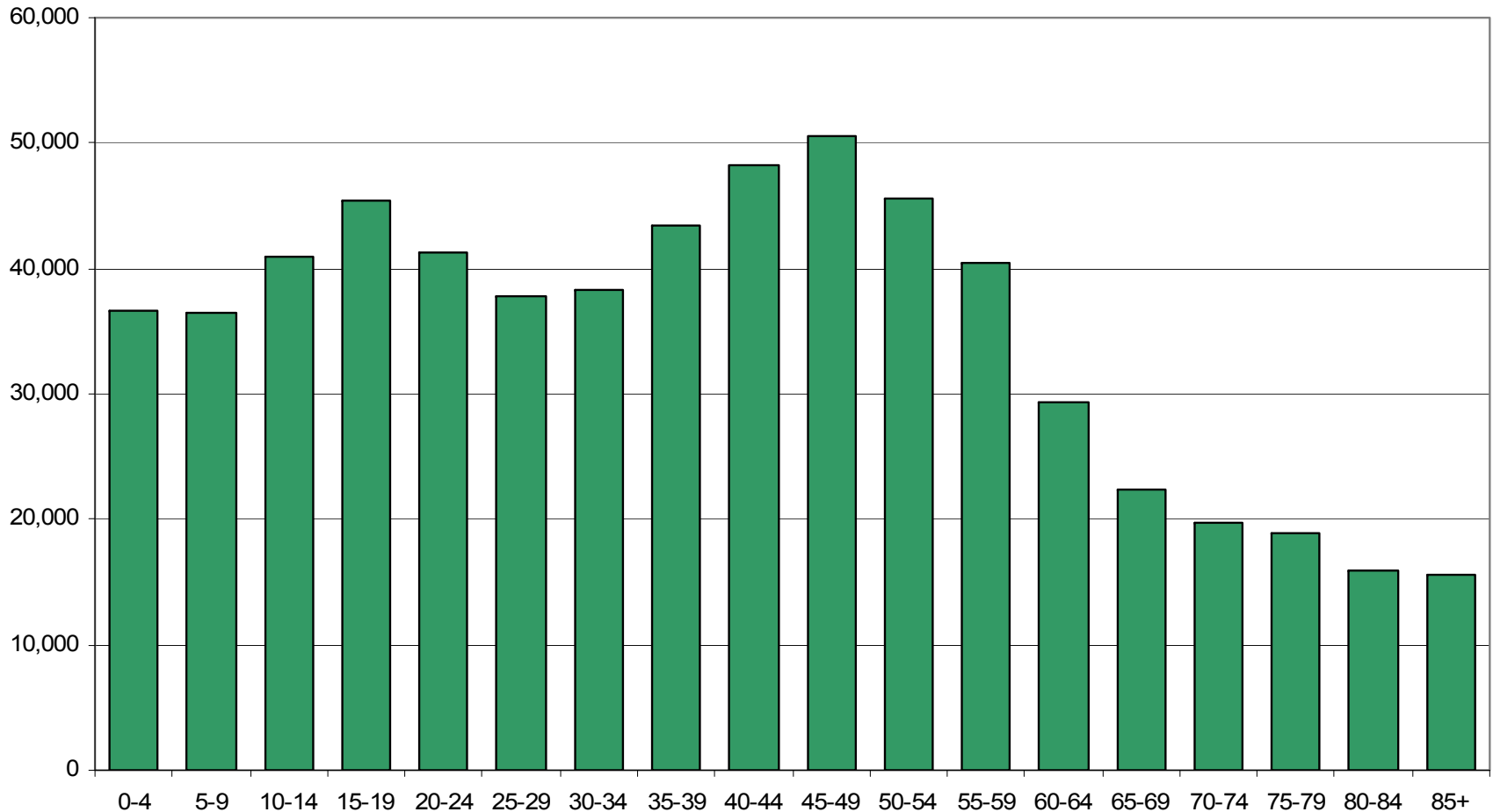
The aging workforce creates a challenge for employers seeking to retain top-notch people, and an opportunity for workers who may want to earn a few extra bucks in retirement. About 76 million baby boomers, or those born between 1946 and 1964, are set to retire in large numbers by the end of the decade. Boomers make up about one-third of the U.S. workforce, and there aren't enough younger workers to replace them. Labor shortages in key industries will force a radical rethinking of recruitment, retention, flexible work schedules and retirement.

Forbes Magazine
Sept. 29, 2005

Manpower, Inc., 2006 Survey of 1,000 US Employers

Q: A large percentage of the population is aging and will be eligible for retirement soon, which is expected to create talent shortages for employers over the next 10 years and beyond. In light of this challenge, has your organization developed a strategy to retain your older workers past retirement age?

Lehigh Valley Population by Age (2006)



Source: Bureau of the Census figures for July 1, 2006
Total population – 627,000 (Lehigh + Northampton Cos.)

Our Perspective for this Study

"Aging Workforce" refers to situations in which large numbers of older workers are approaching or reaching retirement, while at the same time the number of younger and mid-career workers available to replace them is insufficient.

Further, an Aging Workforce staffing deficit may be compounded if the workplace knowledge and job skills possessed by retiring older workers are not being successfully transferred to those who will be filling their positions.

Why Is This Important for the Lehigh Valley?

To the extent that any facet of an Aging Workforce situation characterizes a community or region, the employers and workforce of that area are at a competitive economic disadvantage relative to communities or regions that are not similarly affected.

Research Methodologies

- 1. a series of focus groups with Lehigh Valley human resources executives and recruiting and staffing consultants;**
- 2. detailed analyses of workforce statistics published by the U.S. Bureau of the Census;**
- 3. a survey of a representative cross-section of pre-retirement age Lehigh Valley workers; and**
- 4. a survey of a representative cross-section of human resources and senior management executives with Lehigh Valley employers.**

Snapshot of the L.V. Workforce

Health Care & Social Services	40,056
Manufacturing	36,978
Retail Trade	33,091
Business Services	28,364
Hospitality & Leisure	23,837
Construction	12,497
Finance & Insurance	12,061
Transportation & Warehousing	11,478
Wholesale Trade	11,275
Other Services	9,370
Management of Companies & Enterprises	8,086
Educational Services	7,617
Information	6,542
Real Estate & Rental & Leasing	2,598
Utilities	810
Mining	484
Agriculture, Forestry, Fishing & Hunting	315
All Above Sectors	245,459

Source for Workforce Data

U.S. Bureau of the Census

Local Employment Dynamics Program

Average Quarterly Employment

2005 Q2

2005 Q3

2005 Q4

2006 Q1

Data exclude Government



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Local Employment Dynamics

The LED partnership is the cornerstone of a program designed to develop new information about local labor market conditions at low cost, with no added respondent burden, and with the same confidentiality protections afforded census and survey data. This partnership between state labor market information agencies and the Census Bureau supplies new measures - the [Quarterly Workforce Indicators \(QWI\)](#) - on labor markets that:

- Is **Local**, at the state, county and sub county level.
- Supplies statistics on **Employment**, job creation, turnover, and earnings by industry, age and sex.
- Provides **Dynamic** information on the rapidly changing economy.

[See a map of LED and OnTheMap partner states](#) [PDF; File Size: 572KB]

Updates:

06/25/2007 [Termination of SIC-based QWI](#) [PDF; File Size: 60KB]

08/18/2006 [Conversion to NAICS-based QWI Production](#) [PDF; File Size: 84KB]

Our Approach

Q: How do we characterize the Aging Workforce situation
In the Lehigh Valley?

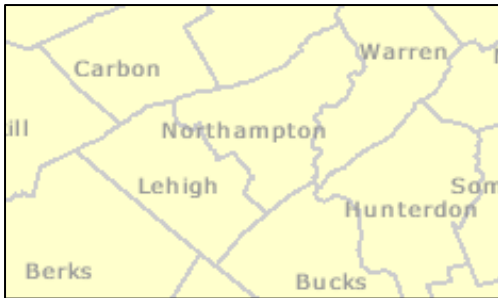
A: By comparing it to other relevant regions

Okay, so . . .

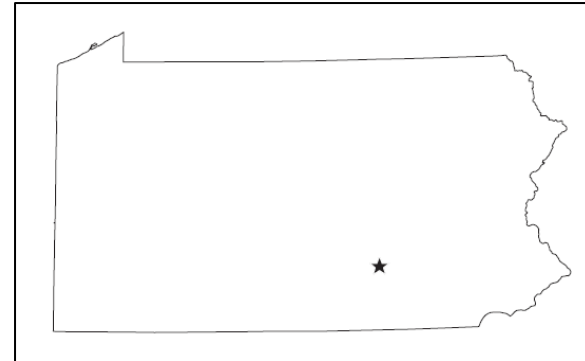
Q: What are those regions? and

Q: How do you make the comparisons?

Lehigh Valley vs. 3 Comparison Regions



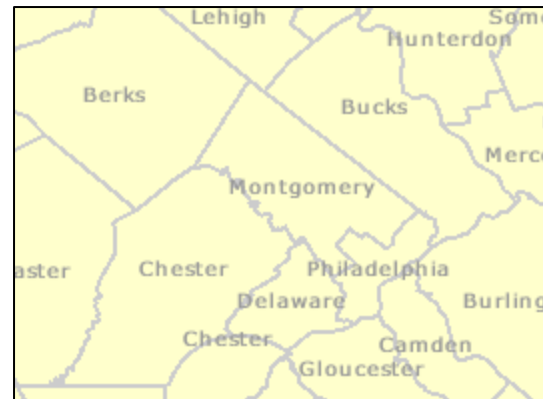
Lehigh + Northampton Cos.



Commonwealth of Pennsylvania



State of New Jersey



Philadelphia Metropolitan Statistical Area
Philadelphia, Bucks, Montgomery, Chester, Delaware Cos.

Basic Measures

1. What slice of an area's total workforce are workers we would label "aging?"

Let's look at workers age 55-64.

2. How are companies doing with knowledge and job skills transfer from older to younger workers?

and . . .

3. Are employers *even aware* of the Aging Workforce issue?

Index Values (Statistics)

Index values reflect standardized calibrations of comparable statistics for one source in relation to a second by dividing the value for one (the subject) by the value for the other (the comparison, or base) and multiplying the result by 100.

Illustrative Index Calculations

If the subject is the Lehigh Valley with a value of 12 and the base is total Pennsylvania with a value of 10, the indexed score for the Lehigh Valley is $(12/10) \times 100$, or 120.

$$\frac{12}{10} = 1.2 \times 100 = 120$$

$$\frac{8}{6} = 1.33 \times 100 = 133$$

$$\frac{9}{10} = 0.9 \times 100 = 90$$

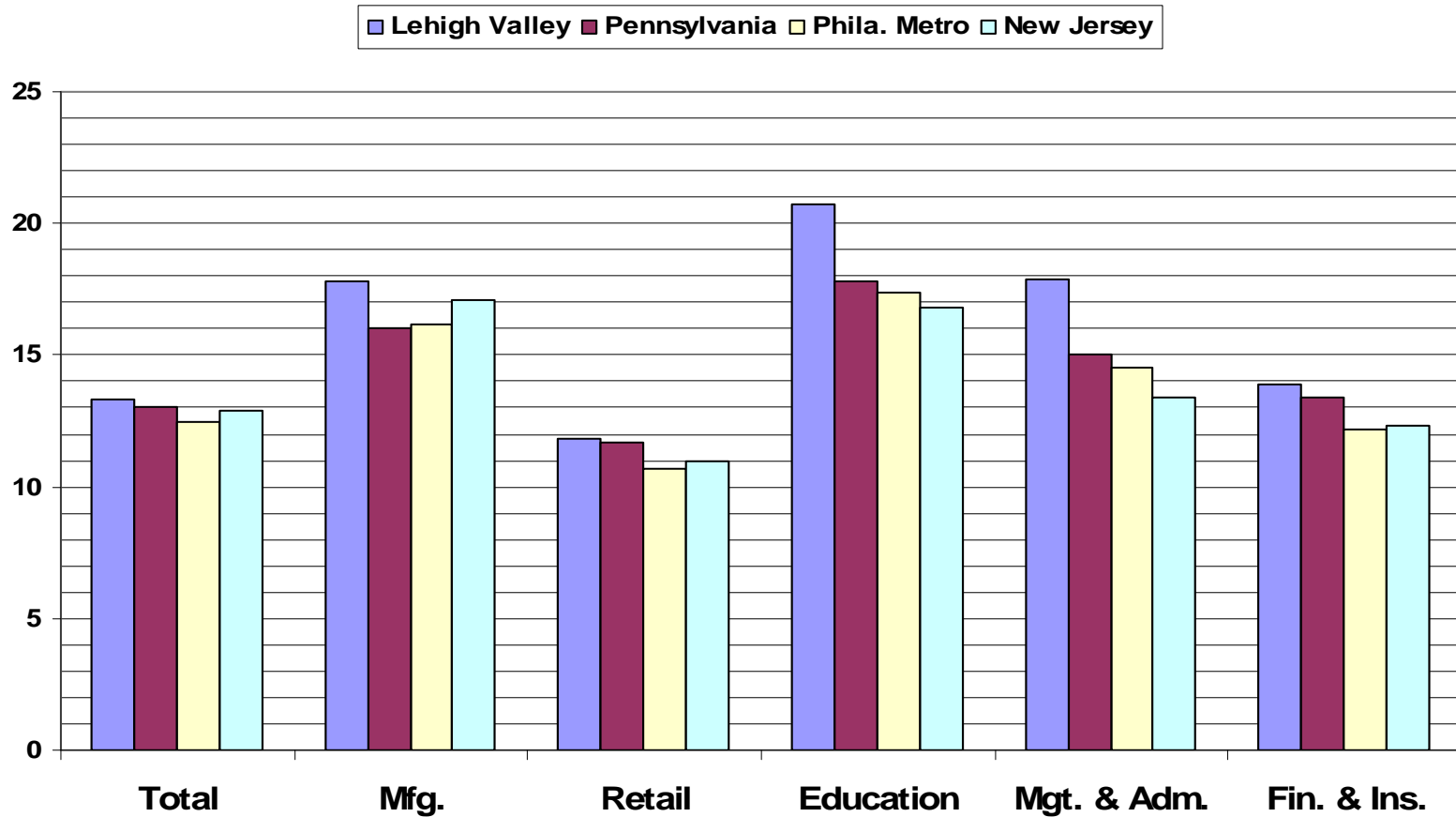
Lehigh Valley Aging Workforce Index Values

Indexes based on % of workforce age 55-64

Shading indicates Index of 110+; figures in ()'s are total workers

Industry Sector	Lehigh Valley Index Value vs.		
	Pennsylvania	Phila. MSA	New Jersey
Agriculture, Forestry, Fishing & Hunting (*)	135	138	131
Mining (*)	127	127	123
Utilities (1,000)	124	159	141
Mgt. of Companies & Enterprises (8,000)	119	124	133
Educational Services (8,000)	116	119	123
Manufacturing (37,000)	112	110	104
Real Estate & Rental & Leasing (3,000)	107	109	101
Other Services (except Public Admin.) (9,000)	104	106	105
Finance & Insurance (12,000)	103	114	113
Construction (12,000)	101	105	94
Hospitality & Leisure (24,000)	101	102	78
Retail Trade (33,000)	101	111	107
Information (7,000)	99	102	108
Health Care & Social Assistance (40,000)	97	101	92
Business Services (28,000)	97	98	95
Wholesale Trade (11,000)	92	92	94
Transportation & Warehousing (11,000)	88	99	95
All Above Sectors	103	107	103

% of Workforce Age 55-64



5 industries having both 8,000+ L.V. workers (all ages) and 1+ Index value of 110 or higher. Total indicates all Industry sectors. Total workers in these 5 industries = 98,000.

Survey Among Lehigh Valley Workers Age 55-64

- random selection from telephone books
- men and women
- all industries and job levels
- both counties
- self-administered paper questionnaire mailed to home
- 279 completed forms returned & tabulated

Analytical Approach for Survey Data

	Total	High Index Sectors	All Other Sectors
Answer A	↑	←	→
Answer B	<i>What is the overall distribution of answers?</i>	←	→
Answer C	↓	<i>Are answers any different for those in High Index A.W. industries?</i>	
Answer D	↓	←	→

Perceived Sufficiency of Retirement Income & Health Insurance

How do you feel about the adequacy of your projected income for retirement? Your health insurance for retirement?

	Total	High Index Sectors	All Other Sectors
Retirement Income			
Sufficient	38.4%	44.4%	34.5%
Borderline	37.3%	30.6%	41.5%
Insufficient	20.8%	21.3%	20.5%
Don't know	3.6%	3.7%	3.5%
Health Insurance			
Sufficient	27.6%	26.9%	28.1%
Borderline	23.3%	20.4%	25.1%
Insufficient	38.4%	38.9%	38.0%
Don't know	10.8%	13.9%	8.8%
N =	279	108	171

Effectiveness of Delayed Retirement Inducements (% answering “High”)

Please indicate the extent to which each of these policies, if instituted in your workplace, would cause you to consider delaying retirement by a period of at least one year.

Inducement	Total	High Index Sectors	All Other Sectors
Health insurance benefits	60.4%	61.4%	59.7%
Increased ret. plan contribution	49.4%	51.0%	48.3%
Reduction in hours per week	36.4%	35.6%	36.8%
Opportunity to work from home	29.8%	28.3%	30.9%
Flexible work hours	29.4%	29.7%	29.1%
Computer/technology training	12.6%	15.2%	10.8%
Wellness & longevity counseling	10.6%	10.2%	10.8%
Professional financial counseling	9.9%	13.7%	7.5%
Enhanced parking/similar privileges	3.2%	2.0%	4.1%
N =	279	108	171

Knowledge & Skills Transfer to Younger Workers

To what extent is the typical level of workplace knowledge (including job skills) among younger workers in your organization a problem?

	Total	High Index Sectors	All Other Sectors
Big problem	12.5%	17.1%	9.6%
Moderate-size problem	29.9%	26.7%	31.9%
Small problem	22.1%	23.8%	21.1%
Not a problem	35.4%	32.4%	37.3%
<i>N</i> =	271	105	166

Factors Accounting for Problems with Knowledge & Skills Transfer

Which of these statements best explains why younger workers in your organization do not have the workplace knowledge and/or job skills that older workers have?

	Total	High Index Sectors	All Other Sectors
Younger workers are not motivated to learn	48.7%	45.7%	50.7%
Management does not consider it a priority	31.3%	39.1%	26.1%
Younger workers do things differently	27.8%	21.7%	31.9%
Insufficient number of younger workers	24.3%	30.4%	20.3%
Other	27.8%	30.4%	26.1%
N =	115	46	69

Base: Those stating that this is a big or moderate-size problem. Multiple answers accepted

Survey Among Lehigh Valley HR Managers

- both counties
- all industries
- all employee sizes (50+% with 100+ employees)
- fielded with assistance of SHRM
- 208 online interviews completed & tabulated

Employer Survey Respondent Profile

	Total	Lehigh County	Northampton County
<i>Functional Area</i>			
Human Relations	46.1%	42.8%	51.3%
President / CEO / GM / Owner / Etc.	10.1%	12.1%	7.1%
Other senior manager	17.8%	16.9%	19.0%
Administrative	14.9%	15.3%	14.3%
Other or not specified	11.1%	12.9%	8.3%
<i>N =</i>	<i>208</i>	<i>124</i>	<i>84</i>

Avg. Annual Compensation of Pre-Retirement Age Workers

	Total	High Index Sectors	All Other Sectors
Less than \$20,000	5.8%	1.4%	9.1%
\$20,000 – \$34,999	21.5%	12.3%	28.3%
\$35,000 – \$49,999	35.5%	42.5%	30.3%
\$50,000 – \$74,999	29.1%	35.6%	24.2%
\$75,000 – \$99,999	5.8%	6.8%	5.1%
\$100,000 or more	2.3%	1.4%	3.0%
<i>N</i> =	208	82	126

Avg. Length of Employment of Pre-Retirement Age Workers

	Total	High Index Sectors	All Other Sectors
Less than 2	10.3%	5.0%	14.3%
2 – 4	11.9%	11.3%	12.4%
5 – 9	17.3%	16.3%	18.1%
10 – 14	20.0%	18.7%	20.9%
15 – 19	13.5%	17.4%	10.5%
20 – 24	11.9%	15.0%	9.5%
25 or more	15.1%	16.3%	14.3%
<i>N</i> =	208	82	126

Employer Perceptions of Pre-Retirement Age Workers' Retirement Security Priorities

For your typical employee age 55-64, which of the following do you think is a bigger concern for the employee:

	Total	High Index Sectors	All Other Sectors
The cost of health insurance	29.9%	33.8%	27.1%
Total savings and other assets	11.2%	11.3%	11.2%
Both about equal	58.9%	54.9%	61.7%
<i>N</i> =	208	82	126

Employer Concerns about Pre-Retirement Age Workers Requesting Early Retirement

To what extent is the prospect of having key workers now age 55-64 request early retirement a concern for your company?

	Total	High Index Sectors	All Other Sectors
Not at all	44.8%	29.6%	55.9%
<i>Indicated Any Concern</i>	<i>55.2%</i>	<i>60.4%</i>	<i>44.1%</i>
Only slightly	32.8%	44.4%	24.3%
Potentially significant concern	17.2%	19.8%	15.3%
Definitely a significant concern	5.2%	6.2%	4.5%
N =	208	82	126

Anticipated Effectiveness of Delayed Retirement Inducements

Indicate the extent to which you feel each of these strategies would cause your pre-retirement-age workers to delay retirement by at least one year.

Figures are % answering “High”	Total	High Index Sectors	All Other Sectors
Health insurance benefits	81.3%	80.0%	82.3%
Increased ret. plan contribution	56.8%	66.3%	50.0%
Reduction in hours per week	25.4%	27.8%	23.6%
Opportunity to work from home	21.8%	25.3%	19.3%
Flexible work hours	20.8%	22.5%	19.6%
Wellness & longevity counseling	5.8%	3.8%	7.3%
Professional financial counseling	2.1%	2.6%	1.8%
Computer/technology training	1.6%	0.0%	2.7%
Enhanced parking/similar privileges	0.0%	0.0%	0.0%
N =	208	82	126

Comprehension of the Expression "Aging Workforce"

Which of these situations comes to mind first when you hear or see the expression, "aging workforce?"

	Total	High Index Sectors	All Other Sectors
More retirement-age people remaining in the workforce longer	49.3%	50.0%	48.8%
A shortage of middle-age and younger workers	23.6%	31.7%	18.2%
Finding jobs for unemployed workers in their 50's and early 60's	13.3%	4.9%	19.0%
Adjusting workplace conditions to meet the needs of older workers	9.9%	8.5%	10.7%
Other	3.9%	4.9%	3.3%
N =	208	82	126

Perception of the Aging Workforce as a Problem

In your opinion, how big a problem is the "aging workforce" for the Lehigh Valley in general? For your company, specifically?

	Total	High Index Sectors	All Other Sectors
<i>For the Lehigh Valley</i>			
Big	17.6%	25.9%	12.2%
Moderate	42.7%	39.6%	44.7%
Small	18.1%	12.3%	22.0%
No idea	21.6%	22.2%	21.1%
<i>For My Company</i>			
Big	8.8%	15.9%	4.1%
Moderate	26.5%	32.9%	22.1%
Small	58.3%	46.3%	66.4%
No idea	6.4%	4.9%	7.4%
<i>N =</i>	208	82	126

Perception of the Aging Workforce as a Problem Among Managers Correctly Defining It

	Total	High Index Sectors	All Other Sectors
<i>For the Lehigh Valley</i>			
Big	31.3%	38.5%	22.7%
Moderate	56.2%	46.1%	68.2%
Small	4.2%	0.0%	9.1%
No idea	8.3%	15.4%	0.0%
<i>For My Company</i>			
Big	20.8%	26.9%	13.6%
Moderate	33.3%	38.5%	27.3%
Small	41.7%	26.9%	59.1%
No idea	4.2%	7.7%	0.0%
N =	48	26	22

Workplace Knowledge & Job Skills of Younger Workers

Is the typical level of workplace knowledge of younger workers (including job skills) a problem for your company?

	Total	High Index Sectors	All Other Sectors
Big problem	9.8%	7.3%	11.4%
Moderate problem	33.6%	40.3%	29.3%
Small problem	28.3%	32.9%	25.2%
Not a problem	28.3%	19.5%	34.1%
<i>N =</i>	<i>208</i>	<i>82</i>	<i>126</i>

Reasons Why Workplace Knowledge & Job Skills Transfer *Are* a Problem

Which of these statements explains why younger workers in your company do not have the workplace knowledge and/or job skills that older workers have?

	Total	High Index Sectors	All Other Sectors
Younger workers are not motivated to learn	27.4%	15.9%	34.8%
Younger workers do things differently	23.0%	20.5%	24.6%
We do not have enough younger workers	15.0%	20.5%	11.6%
Management does not consider it a priority	7.1%	6.8%	7.2%
Insufficient experience/time on job	16.2%	21.2%	11.4%
Insufficient basic skills	22.1%	18.2%	25.7%
Other	5.9%	6.1%	5.7%
N =	68	33	35

Base: Those stating it is a Big or Moderate problem and answering.

Increasing the Transfer of Workplace Knowledge & Job Skills

Which of these potential developments in your workplace would increase the transfer of knowledge and skills from more experienced workers to younger workers?

	Total	High Index Sectors	All Other Sectors
Improved communications across generations	47.6%	51.8%	43.7%
Better work ethic of younger workers	45.2%	36.5%	50.0%
More initiative from younger workers	44.2%	40.0%	46.0%
Increased staffing levels overall	28.4%	29.4%	27.0%
Management-sponsored programs	24.0%	28.2%	20.6%
Having it acknowledged as a problem	21.2%	25.9%	17.5%
Better job security for older workers	8.2%	7.1%	8.7%
Fewer workers taking early retirement	5.3%	7.1%	4.0%
Not specified	6.7%	8.2%	5.6%
N =	208	82	126

Recommendations . . .

1. Communications & Education

Lehigh Valley employers need to understand the existence and nature of the Aging Workforce phenomenon. Misconceptions should be cleared away and replaced with a solid grasp of this demographically-driven trend and the ways it will impact employers and the Lehigh Valley overall.

2. Employer Initiatives

Employers in high index industry sectors must begin to address the Aging Workforce issue by conducting studies of their own employee populations to more confidently anticipate short-term developments and find ways to improve communications across worker generations.

3. Worker Retention / Delayed Retirement

Programs and incentives that will result in older workers in affected industries delaying their retirement will ease the severity of the Aging Workforce problem and provide employers and county and regional agencies time to develop and install solutions of a more permanent nature. Help with health insurance coverage appears to be the strongest potential inducement to delayed retirement.

4. Worker Replenishment

LVWIB by itself or in combination with other regional development organizations may be able to design programs to attract mid-career and younger workers in high-index industry sectors – i.e. those most at risk here – to relocate to the Lehigh Valley where they can continue working in their fields but at the same time enjoy the high quality of life found in the Lehigh Valley.

5. Targeting & Allocation

LVWIB must be aware that its Aging Workforce challenge is located in certain industries only, and that program and development resources should be targeted at high index industry sectors rather than uniformly across the entire marketplace. Those industries and their total #'s of 2006 workers are:

Manufacturing	37,000
Retail Trade	33,000
Finance & Insurance	12,000
Educational Services	8,000
Mgt. of Companies & Enterprises	8,000
Utilities	1,000
Mining	**
Agriculture, Forestry, Fishing & Hunting	**

** indicates less than 500