

Baby Boomer Women: Secure Futures or Not?

Paul Hodge, Editor

Founder & Chair, Global Generations Policy Institute
Director, Harvard Generations Policy Program
Research Fellow, John F. Kennedy School of Government
Harvard University

A collaboration of the
Global Generations Policy Institute
Harvard Generations Policy Journal
and Harvard Generations Policy Program

www.genpolicy.com

Baby Boomer Women: Secure Futures or Not? is published by the Baby Boomer Media Group LLC. All inquiries should be directed to the Baby Boomer Media Group, 124 Mount Auburn Street, Suite 200N, Cambridge, MA 02138, tel: 617-491-1171, fax: 617-547-1431, e-mail: genpolicy@aol.com, website: www.genpolicy.com.

Copyright © 2006 by the Global Generations Policy Initiative, Inc.

ISBN 0-9778688-0-X

All rights reserved.

Baby Boomer Women: Secure Futures or Not? is a *pro bono* public service publication whose mission is to develop and implement national policies that will ensure a dignified, sustainable quality of life for our nation's aging baby boomer women.

Tailoring the Workplace to Boomer Women

Sandra Timmermann, Ed.D.

Director, MetLife Mature Market Institute

We still have a long way to go before we see as many women CEOs in *Fortune* 500 companies as men, but times have changed since our dads were in the workforce. Boomer women, compared with their mothers' and grandmothers' generations, are now participating in the workforce in larger numbers. According to the U.S. Department of Labor, 60.2 percent of women were in the workforce in the year 2000 compared with 33.9 percent in 1950. And for those 45 to 54, median job tenure for women was 7.3 years in 2000 compared with 4.0 years in 1951.¹ And trends indicate that many women will be working well into their late 60s, challenging the concept of a traditional retirement at age 65.

Converging Forces

There are several forces at work, on both the individual and the societal level, which are likely to result in increased numbers of boomer women in the workforce over the next 20 years. This bodes well for those women who wish to work longer, and for employers who may find that many of their valued older workers will be retiring, leaving their organizations and companies with a knowledge gap. Some of these forces are described below.

Boomer women are now participating in the workforce in larger numbers. Trends indicate that many women will be working well into their late 60s, challenging the concept of a traditional retirement at age 65.

Boomers want to stay productive. First of all, boomers will enter a transitional life stage when they reach age 50 or 55. At this point in our lives, our goals and values shift, and our perspective changes. We look at the time that is left, not the infinite time ahead of us, and we recognize that we will have 30 or 40 years in retirement if we are lucky. The concept of an endless vacation, with or without money, doesn't hold great appeal for many of the boomers who have been actively engaged in their work, or who draw from their roots as advocates and hope to make a contribution to society in their later years.

Recent studies—and everyday conversations with boomers—indicate that a new vision of retirement is emerging, one that includes the possibility of continued employment. In fact, AARP's survey of people age 50 to 70 indicated that of those who are currently working, 63 percent say they plan to work in retirement.² When asked the major factors that made them decide to continue to work, they identify nonfinancial reasons such as the desire to remain mentally active (87 percent), the desire to stay physically active (85 percent), the desire to remain productive and useful (77 percent), and the desire to do something fun or enjoyable (71 percent).

There is also growing evidence that boomers, many of whom were social activists when they were younger, would like careers in the second half of life that will “make a difference” and contribute to society. The MetLife Foundation/Civic Ventures New Face of Work Survey finds that leading-edge boomers (those ages 50 to 59) would like to work in service careers, giving back to their communities.³ Fifty-eight percent are interested in “good work” jobs, and 70 percent of females say it is very important that a job in retirement give them a sense of purpose.

Boomers need the money. The intangibles of working are important, but financial need tops the list when boomers are forced to choose the *one* major factor in deciding to continue working in retirement. In the AARP study cited earlier, 22 percent say the main reason they plan to work is because they will need money, and another 17 percent indicate that they will need health benefits.⁴ Money becomes even more of an issue for boomer women who on average earn less during their working years, who are less likely to have a company pension, and who are likely to live longer than men.

According to the U.S. Census Bureau, in 2003 women earned 75.5 cents for every dollar a man earned. Looking at it in another way, the median

income for women working full-time in 2003 was \$30,724, compared with \$40,668 for men.⁵ The Women’s Institute for a Secure Retirement (WISER) reports that this disparity results in a loss for working women over a lifetime of more than \$250,000.⁶

There are several reasons why the earnings gaps exist. Even though times are changing to some degree, women remain the ones who are more likely than men to move in and out of jobs because of childcare responsibilities. They often are the “trailing spouse,” moving with their husband and family to a new location. And they are also the likely ones to provide care for elderly parents or other family members.

According to a study by sociologists at Rice University, women who assumed caregiver roles were 2.5 times more likely than non-caregivers to live in poverty and 5 times more likely to receive Supplemental Security Income (SSI).⁷ Another study by the MetLife Mature Market Institute with the National Alliance for Caregiving and the National Center on Women and Aging at Brandeis University found that caregivers of elderly parents or loved ones lost over \$650,000 in lifetime wealth when factoring in lower wages, pension benefits, and Social Security payments.⁸

Widows, divorcées, and single women also appear to be at a disadvantage when it comes to retirement security. Statistics show that female-headed households earn less than other households. The median income earned by a female-headed household is \$20,000—about half of that of all American households (\$39,000).⁹ And working women on average have not saved as much as men and do not have pensions to count on in their old age. According to WISER, about half of all women work in low-paying jobs without pensions or other employer-sponsored retirement savings plans of any kind.¹⁰ And those who do have pensions receive only about half the amount than men do. All these factors put women in a vulnerable position at retirement.

Money becomes even more of an issue for boomer women who on average earn less during their working years, who are less likely to have a company pension, and who are likely to live longer than men.

Sixty-five becomes the “magic age” when people who might have retired earlier, decide to retire—the year they become eligible for Medicare and are guaranteed health-care benefits. Others might see a need to wait a little longer. Eligibility for full Social Security benefits is gradually being extended to age 67, and it is a factor many will consider before leaving a job. And some will continue to work indefinitely to make ends meet.

Worklife balance becomes increasingly important. According to an Issue Brief by the Families and Work Institute on *Generation & Gender in the Workplace*, boomers are more likely to be work-centric than younger generations. But only half—43 percent—of boomers who are prime candidates for promotions indicate that they want to move into jobs with greater responsibility.¹¹ Perhaps younger boomers have seen their parents putting in many hours on the job and sacrificing family life. Or perhaps older boomers would prefer to phase into retirement with a reduced work schedule. Whatever the cause, this represents a big change for employers who must rethink their employment and worklife strategies not only to develop the skills and abilities of younger workers, but also to retain their older, more experienced boomer employees who might be enticed to work longer than anticipated if the working environment were more accommodating.

Many studies show that boomers, when asked if they plan to work in retirement, would prefer part-time work to full-time work. And as they move into their retirement years, flexible schedules and free time become increasingly important to quality of life.

Worker demographics are favorable. Over the next decade, the segment of workers 55 and over will grow faster than other segments. From 2000 to 2010, workers 55-plus will grow by 33 percent, while those between the ages of 25 and 34 will shrink by 5 percent, and those ages 35 to 44 will shrink by 19 percent.¹² During the bear market, many employers offered retirement packages to employees in their late 50s and early 60s. Now, looking at a potential shortage of experienced workers, they are considering changes to this practice.

While some economists challenge the projected labor shortage¹³ because of the changing nature of work such as offshoring, technological advances, the extension of the Social Security age to 67, and the increase in the number of younger college graduates, the experience that older workers bring to the table cannot easily be matched. To maintain a competitive edge, employ-

ers will be increasingly interested in retaining the knowledge that might otherwise be lost. Some occupations such as teaching and nursing are facing shortages as large numbers of these workforces are reaching retirement age. For these fields in particular, retaining current employees or recruiting from a new labor pool—perhaps those who want to make a midlife career shift—will be critical to make up for the projected shortfall. And within almost all companies, there are individuals who, upon retirement, will take with them the institutional knowledge or technical skill that will be lost to future generations.

The time is right, then, to develop new policies to extend and enhance the worklife experience of women boomers as they near retirement. This is especially true of boomer women who have greater longevity than men, and presently are still disadvantaged financially.

Ideas and Solutions

Taking into account boomer interest in extending their worklife and the changing workforce demographics, here are some things that boomer women and employers might consider as they plan for the future.

For Boomer Women:

Become financially savvy. While many boomer women are savvy investors, a large number are not. As the leading-edge boomers move closer to retirement, they become increasingly at risk of not having a secure retirement future. With a shorter window before they leave the workforce, an understanding of their financial situation is critical. For example, many women may not understand the financial ramifications of moving from a full-time to a part-time job to care for an elderly parent. By working part-time, they may be giving up pension benefits as well as health-care coverage.

Others may not fully understand the importance of maxing out their voluntary 401(k) contributions and the value of employer matches. And others may leave a job without being vested, again putting their retirement security in jeopardy. And those who leave a job, particularly at older ages, may find it more difficult to reenter the workforce due to age discrimination issues.

The time is right to develop new policies to extend and enhance the worklife experience of women boomers as they near retirement.

Women, with a long life ahead of them and often fewer financial resources, would derive great benefit from educational and advice programs geared to clarifying such issues and managing their finances so they are not caught short in retirement.

Plan for a fulfilling future. As we saw above, many boomer women would like to continue working for psychological reasons, not just financial reasons. For those boomers who are not sure how to live the rest of their lives, life options planning can help them think through what they really want to do—and how long they need to earn money to make it happen. Often, what people want to do and the need for extra income coincides.

Putting projected financial needs side by side with dreams and goals, boomer women can decide how long they need to work, and how work might fit into their life plan. Some boomer women, for example, may channel their interest in giving back to society into a different type of occupation altogether. They may decide that they want to work in the nonprofit sector after working for a profit-making company, and transition to another job with fewer hours and less pay.

Planning for the second half of life can also be important if the wife's career goals are out of sync with her husband's. She may have put her career on hold while she raised the family, and now is ready to move full steam ahead on her work. Her husband, meanwhile, may be counting the days until he is eligible to retire. Coming to agreement on how to handle the transition from work to retirement—and all that is in between—is important to life satisfaction.

Consider entrepreneurship options. Boomer women—both those who are currently employed or those who have moved in and out of the workforce—may want to consider starting their own business. While this can be a difficult path, the number of women-owned businesses is growing very fast. There are now 10.6 million women-owned businesses, and between 1997 and 2004, the estimated growth rate was nearly twice that of all firms. They are just as financially strong and creditworthy as the average U.S. firm.¹⁴ Boomer women may also consider working independently, depending on their skill set, in occupations such as care management, money management, or tutoring.

Prevent job obsolescence. It is important for boomer women to keep up their skills and to learn new ones as they age. If theirs is a large employer, they

should be afforded training in management, computer technology, or other skill-building programs. If they have been out of the job market for any length of time because of family responsibilities, community colleges may be able to provide counseling and courses in areas where there are shortages of jobs such as teaching, engineering, pharmacy work, and health care. As another example, there is a great need for home health aides and for companions in home care, assisted-living, and nursing facilities. While these are usually low-paying jobs, they might offer a foot in the door to other related occupations.

Employers, faced with the loss of talented mature workers and a potentially smaller pool of younger workers to draw from, may want to consider the following solutions:

For Employers:

Implement phased retirement programs. As noted previously, a large majority of people who are presently working would like to continue to work, and many favor part-time work. And according to a study of phased retirement by the consulting firm Watson Wyatt Worldwide, one out of three workers would continue working longer than otherwise planned if she or he were offered a phased retirement arrangement.¹⁵

We are moving into an environment where employers need to retain their best and brightest workers, including boomer women who are soon eligible to retire. New work arrangements can make all the difference. Phasing seems to meet many needs from the employer perspective—keeping talent, avoiding “presenteeism” where people are marking time until they can retire, and satisfying employee needs and desires.

Because of regulatory and legislative barriers, formal phased retirement programs are difficult for employers to implement. Under the Employee Retirement Income Security Act (ERISA) regulations, for instance, employees eligible for retirement cannot continue to work more than a minimal number of hours at the same company and still receive a defined benefit plan payout. As a result, employees with DB plans cannot go from full- to part-time work without jeopardizing the amount of money they would receive from their pension when they fully retire, causing employers to forfeit the talent and experience of older workers who might be enticed to stay on. Policymakers need to address this seriously in the next few years. Meanwhile,

informal phased retirement arrangements that allow flexible work schedules, telecommuting, and other “worker friendly” options are a good substitute.

Some employers have made a decision to seek out and hire older workers who have retired from other occupations and are looking for new job opportunities. The health-care industry is one that is in need of dedicated, reliable workers to meet the needs of the growing number of older patients.

We are moving into an environment where employers need to retain their best and brightest workers, including boomer women who are soon eligible to retire.

Many health-care providers have put innovative programs in place to attract older workers, including the provision of health benefits for part-time or seasonal workers, and allowing older employees to set their own work schedules.

Put eldercare benefits in place. Over the ages, women have been the ones to provide care, not only to children but also to elderly family members. According to a recent study, 44.4 million households are providing care to a disabled loved one, and 61 percent of them are women. The average age of the caregiver is 46.¹⁶ As noted above, caregiving responsibilities can impact both the employee and the employer.

Employers that put eldercare benefits in place will find that they have more productive and satisfied boomer employees and will reap the benefits in increased productivity. Information and referral services are helpful, but richer benefits such as geriatric care management enabling employees to have assistance drawing up (and often implementing) a care plan for their loved ones is of particular value to working boomer caregivers. The use of flexible scheduling is also valued by caregivers who need time to take mom or dad to the doctor’s office or to make care-related phone calls.

Conduct an audit and leverage human capital. While they do have employee demographics available, employers frequently do not analyze the composition of their workforce or consider the ramifications. They may be surprised to find that more of their employees are eligible to retire than they anticipated. While some employers worry about the rising cost of providing disability and health care to an aging workforce and view older workers as

a liability, many are coming to appreciate the skill and experience that they bring to the job.

Larger employers, most of whom have diversity initiatives, are likely to discover that women are underrepresented in senior management and executive positions. Boomer women in their 50s who have proven themselves in their careers have new opportunities to break the glass ceiling. If they are provided recognition and the incentives that go with it, these valuable workers, with 10 or 15 years ahead of them before retirement, are likely to remain with their employer and make a significant contribution.

Forge good relations among the generations. The Gen Xers and the Gen Ys are often in the shadow of the baby boomers. Some members of younger generations have watched the boomers fill the jobs that they might have gotten. They also may believe that the baby boomers will use up all the public benefits, leaving them with little if any Social Security and Medicare. Other reports, however, point to the close emotional ties between boomer women and their children.

As boomer women age, they will find themselves in the workforce with men and women their children's ages. And these younger people may, in fact, be their supervisors and those responsible for promotions and reassignments. To help the younger people understand the value of mature workers and remove negative images in their minds about aging—as well as to avoid age discrimination suits—employers should encourage positive interaction among the generations. This will not only create a less litigious workplace, but will serve as a competitive edge in retaining and/or hiring older boomers.

Boomer women are waking up to the fact that they will need more money than they thought to live comfortably in their later years, and will view work as a transition to or an integral part of their retirement. And for many who

Boomer women are waking up to the fact that they will need more money than they thought to live comfortably in their later years, and will view work as a transition to or an integral part of their retirement.

move into jobs that they love—possibly in an entire new venue—work will play an increasing role in providing self-fulfillment and happiness in retirement. Hopefully, employers will become increasingly aware of the possible “brain drain” of boomer retirees and initiate policies and programs that will leverage the emerging aging workforce.

NOTES

1. U.S. Department of Labor, Bureau of Labor Statistics, in *Facts from EBRI*, November 2001.
2. *Staying Ahead of the Curve 2003: The AARP Working in Retirement Study*, AARP, 2003.
3. MetLife Foundation/Civic Ventures, New Face of Work Survey, June 2005.
4. AARP, Op.cit.
5. U.S. Census Bureau, in *USA Today*, August 30, 2004.
6. www.wiser.heinz.org, 2000.
7. www.rice.edu, August 16, 2004.
8. *The MetLife Juggling Act Study: Balancing Caregiving with Work and the Costs Involved*, MetLife Mature Market Institute, 1999.
9. *Wall Street Journal*, “Female-Headed Households May Earn Less Than Others,” January 13, 2004.
10. www.wiser.heinz.org, 2000.
11. *Generation and Gender in the Workplace*, Families and Work Institute in association with the American Business Collaboration, 2004.
12. U.S. Department of Labor, Bureau of Labor Statistics.
13. Cappelli, Peter. “Will There Really Be a Labor Shortage?” *Public Policy & Aging Report*, Vol. 14, No. 3, Summer 2004.
14. www.nawbo.org, 2005.
15. *Phased Retirement: Aligning Employer Programs with Worker Preferences*, Watson Wyatt Worldwide, 2004.
16. *Caregiving in the U.S.*, National Alliance for Caregiving and AARP, 2004.