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# Managing an older workforce and retirement

## The employer's perspective

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# Managing an older workforce and retirement: The employer's perspective<sup>1</sup>

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## **Abstract**

In this chapter we discuss the literature with respect to the role of employers in retirement processes of older workers and provide suggestions for future research. In the first part of this chapter, we review existing theoretical insights regarding the employers' actions and attitudes toward older workers and retirement. In the next section we discuss empirical findings with regard to age-related stereotypes in the workplace and age norms with respect to retirement and present some results from an international comparative employer study. We conclude with a section on the management of retirement processes, focusing on the exit and hiring of older workers.

**Key Words:** stereotypes, older workers, age norms, employers, firms, retirement, hiring, recruitment, productivity, aging

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## **Introduction**

Extending people's working life is seen as a key element in curtailing the rising costs associated with an aging population as well as stemming labor shortages. In the countries of the OECD and of the European Union, a host of initiatives has been taken that aim to delay retirement and support the labor force participation of older workers (European Commission, 2021; OECD, 2021). At the government level, these initiatives vary from pension reforms that increase the public pension age, limit opportunities for an early exit from the workforce to legislation against age discrimination to public campaigns that combat negative stereotyping in the workplace. At the organizational level, employers are urged to develop policies geared toward increasing the employability of older workers, for instance by means of lifelong learning. However, these government initiatives may not achieve their goals if proposals and targets for extending the working life of older workers are not actively supported by employers. In this chapter we argue that for a better understanding of older workers' career decisions, we need to incorporate the driving forces of retirement processes at the demand side of the labor market. Employers are key players in defining the opportunities for retirement as well as the opportunities for working longer. As a result, the success of policies aimed at delaying retirement depends to a large extent on the actions and attitudes of employers.

Although retirement has traditionally been thought of as a discrete and abrupt discontinuation of work, today's "retirement" can be characterized as a process that can take multiple forms, offering the option of a gradual transition from full-time work to "full-time" retirement. While some older workers are affected by processes of disengagement from work and mental withdrawal from their jobs even years before they actually retire (Damman, Henkens & Kalmijn, 2013), others of the same generation continue to work and sometimes take on a second

career. Increasing numbers of older workers continue to extend their working lives through continued career or bridge employment (Von Bonsdorff, Shultz, Leskinen, & Tansky, 2009).

How retirement processes evolve is to a large extent determined by employers' decisions regarding exit and re-entry of workers at the end of their career. How employers view and deal with the changing nature of retirement is an important relatively new field of scientific research (Tunney & Oude Mulders, 2022; Van Dalen et. al., 2019). In this chapter we discuss the relevant literature with respect to the role of employers in the retirement processes of older workers. In the first part of this chapter, we review existing theoretical insights regarding the employers' actions and attitudes toward older workers and retirement. In the next section we discuss empirical findings from the literature. Much of what we know about employers and retirement comes from studies designed from the supervisor's or manager's point of view. These studies, using samples of employers or supervisors, reveal a huge variety in organizations' age-management policies, which is reflected in considerable differences in the extent to which organizations support delaying labor force exit of their older workers, are willing to hire older workers, and employ the policies to maintain and enhance the productivity of their workers. In the final section we discuss the main findings and present suggestions for future research.

## **Aging, Productivity, Wages, and Retirement: Theoretical Perspectives**

In understanding the employer's perspective, it is instructive to start from very basic principles capturing the most essential elements with which an employer has to deal in his or her organization. Standard economic theory predicts that the demand for labor depends crucially on the relative prices of labor and capital, as well as the technology employed to produce goods and services (Hamermesh, 1996). For matters of brevity, we will not discuss the influence of changes

in the price of capital. Static neoclassical theory predicts that the price of labor is in line with the labor productivity of the individual worker. This so-called spot market view of the labor market is bound to give a false impression because the declining age-wage profile, as predicted by human capital theory, rarely occurs (OECD, 2006). A more realistic model of labor demand can be traced to theories that cover the life cycle of workers. Thurow (1975) was one of the first to suggest that while labor income and productivity are related, they are not necessarily related at every single moment in a worker's career. He explained that employers have an understanding—an *implicit contract*—with their employees regarding the relationship between productivity and earnings during the course of their careers. This understanding, Thurow stated, is based on the seniority principle, such that during the first phase of workers' careers their earnings are *lower* than their productivity, and during the second phase their earnings are *higher* than their productivity. He explained that the prospect of a gradual rise in their incomes acts as an incentive for employees to continue working for "their" employer, where their investments yield the highest returns. Moreover, the prospect of an increasing age-income profile may serve as an incentive for older workers to transfer their skills and knowledge to younger colleagues without the risk of losing their competitive advantage.

Lazear (1979) stressed that this implicit contract is bound to be unsustainable if workers work beyond the age at which the net present value of wages exceeds that of the productivity profile. If people can keep working until their time of death, such a deal will clearly be unsustainable. Therefore, employers will opt for either mandatory retirement schedules or the use of private pension schemes that penalize continued employment beyond a certain age. The trouble with these types of implicit contracts is that the sustainability of the contract is negatively affected by the aging of the population (Lazear, 1979). Seniority wages imply a heavy wage

burden for employers. Whereas firms in some countries in the past could thrive because of a relatively young population age structure enjoying “a demographic dividend” (Bloom & Williamson, 1998; Kotschy & Bloom 2023), now firms will have to face an aging population structure and bear the costs of a “demographic hangover” if nothing changes and labor force aging takes its course. In that respect, one can understand why in various countries changes in pension design and retirement occur over time. The option of using private pension systems as an instrument of retirement policy has been used in Western European countries, where early retirement plans have been designed in such a manner that retiring early is an offer one cannot refuse (Venti & Wise, 1998). The issue of mandatory retirement was a moot problem in these welfare states. However, this situation has changed with the aging of populations. In the past decades, governments in most European countries have implemented or announced radical pension reforms that have phased out the option of early retirement and have stimulated working longer. As a consequence, the issue of mandatory retirement has increased in prominence (Oude Mulders, 2019). Aligning wage and productivity over the life course, thereby changing the implicit contract, has become the focus of attention of most employers.

Taxes, social security premiums, and pension premiums that increase the price of labor make an aging population a growing fiscal burden due to age-related pension and health care costs. For the United States, Munnell and Sass (2008) state that whereas pension reforms make the costs of providing retirement benefits more age-neutral, health insurance has taken its place as a major factor that drives up compensation costs as workers age.<sup>1</sup> An aging population thus increases the gap between net and gross wages. This widening gap makes it either increasingly difficult to survive as an employer, vis-à-vis the competition in other countries that are not so

hard hit by aging populations, or necessary to shift the aging burden toward employees, thereby decreasing the incentive to supply labor.

### ***Age and Discrimination***

According to human capital theory, productivity depends on initial education and experience acquired over the life course. However, across the life course workers differ with respect to the experience and knowledge they accumulate hence their productivity outcomes will differ. Labor supply is heterogeneous, and employers can never be sure about the future productivity of an individual employee. This applies to employees currently enrolled, but even more so to new employees still to be hired. Employers are well aware of their employees' track records within their organization, and they have information about employee productivity. However, employers do not know how workers' health may change as they age and whether they will be able to keep up with new technological developments. Accordingly, employers can be viewed as resorting to two types of discrimination in making employment decisions. First, employers have access to what Phelps (1972) called "previous statistical experiences": information on how certain categories of employees tend to behave and develop. As such, when hiring, many employers use these "statistical experiences" to formulate expectations regarding the future productivity of employees who belong to a particular category (the uncertainty surrounding the productivity of the existing workforce is assumed to be less pronounced). A second type of discrimination is a form that Becker (1957) pointed out, viz. that employers may have "a taste for discrimination" against some specific/minority groups, meaning that employers choose to avoid interacting with these groups, such as in this case older workers, regardless of considerations of productivity or the costs of not hiring such workers. This may—under certain circumstances—result in these groups not being employed by them at all.

## **Employers and Retirement: Empirical Results**

The above short overview of the theory on the relationship between age and productivity brings a number of issues to the foreground. The first set of questions is to what extent age and productivity are related in everyday practice, how employers perceive this relationship, and to what extent employers expect that an aging workforce increases the gap between pay and productivity. The second issue deals with the question of how employers manage their aging workforce and the retirement processes. Later, we discuss support provided by employers for workers to work longer and whether employers opt for additional training to enhance the productivity of workers over the course of their career. In addition, we discuss whether employers consider the option of demotion of older workers so as to bring pay and productivity in line for the incumbent workers. In the last part of this section, we look at employers' preferences and practices when it comes to hiring older workers.

### ***Relationship Age-Productivity: Facts and Stereotypes***

Research on the relationship between age and productivity takes place within various disciplines and with various methods and various units of measurement (for an overview, see Skirbekk, 2004, 2008). For instance, macroeconomic studies tend to focus on isolating the effect of population age structure on labor productivity, and the general consensus seems to be that an aging population is associated with a negative effect on labor productivity (Davis, 2005; Feyrer, 2008; Tang & MacLeod, 2006) or economic growth (Bloom & Williamson, 1998; Headey & Hodge, 2009).

At the firm-level, studies have analyzed the relation between workforce aging and age structure on company performance and productivity. Most results indicate that an aging workforce does not need to inhibit company productivity, but that age diversity in the workforce

plays an important role (Backes-Gellner & Veen, 2013; De Meulenaere, Boone, & Buyl, 2016; Grund & Westergaard-Nielsen, 2008). Workforce age diversity can enhance organizational performance by introducing a more complete package of skills and knowledge to the organization (i.e., human capital), as well as by extending social ties inside and outside the organization (i.e., social capital) (Li, Gong, Burmeister, Wang, Alterman, Alonso, & Robinson, 2021). At the same time, human resource management practices in the organization play an important role in determining whether and how workforce aging affects company performance (Von Bonsdorff, Zhou, Wang, Vanhala, Von Bonsdorff, & Rantanen, 2018).

Studies with a focus at the micro-level of employees have produced mixed results. For instance, an early meta-analysis performed by Waldman and Avolio (1986) showed that age was positively related to productivity measures of job performance, but somewhat negatively related to supervisors' ratings of performance. McEvoy and Cascio (1989) showed on the basis of sixty-five empirical studies that the relationship between age and performance was virtually absent. Later on, Sturman (2003) refined the previous insights by performing a meta-analysis of 115 empirical studies. By making use of three age-related variables (chronological age, job experience, and organizational tenure), he showed that the relationship follows an inverted U-shape: a positive relationship between age and performance at young ages and a negative job performance relationship when age is high (49 years or older). Finally, in a meta-analysis, Ng and Feldman (2008) evaluated the relationship between age and ten dimensions of job performance on the basis of 380 empirical studies. They found that age was largely unrelated to core task performance, creativity and performance in training programs, but that there were positive correlations with a range of pro-social types of behavior in the workplace. They suggest that the reason for mixed findings on the age-performance nexus is that previous studies have

focused rather narrowly on core task activities and neglected the activities that affect the environment in which core tasks take place, such as organizational citizenship behavior (Borman, Penner, Allen, & Motowidlo, 2001; LePine, Erez, & Johnson, 2002). The literature shows that the relationship between age and productivity is difficult to measure on the basis of empirical data. For instance, productivity assessments are often based on perceptions that might be biased by ageist attitudes, a stereotypical and often negative bias against older adults.

It is well documented in the psychology literature that many stereotypes prevail regarding older adults. Stereotypes may be partly accurate representations of reality, or at least of the local reality to which the perceiver is exposed (Judd & Park, 1993). Stereotypes may, however, also lead to social exclusion, not only because one may judge people on the basis of average and inaccurate representations of the category, but also because stereotypes may lead to self-fulfilling prophecies, when those who are subject to negative stereotypes behave accordingly (Hilton & Von Hippel, 1996).

Although gradually more and more information is cumulated in the literature on the aging labor market (cf. Munnell & Sass, 2008), research on perceptions of productivity by employers is still rather limited. Overall, employers tend to associate the aging workforce trend with a widening gap between labor costs and productivity (Conen, Van Dalen, & Henkens, 2012). This perceived gap primarily arises from the perception of increasing labor costs, rather than a perception of declining productivity (Munnell & Wettstein, 2020).

The analysis of employers' attitudes towards older workers stresses the importance of distinguishing stereotypes regarding various dimensions of productivity. This body of research has shown that attitudes and stereotypes about older workers are mixed, that is, older persons are viewed as having both positive and negative attributes. Employers report large differences

between younger and older workers in terms of the productivity dimensions of each presented to them. In short, on abilities for which younger workers score high points, older workers score low points, and vice versa. Older workers are considered to have better social skills and to be more reliable, more accurate, and more committed to their work. Younger employees, on the other hand, score much better on qualities such as new technology skills, mental and physical capacity, willingness to learn, and flexibility.

Van Dalen et al. (2010) found that age stereotypes held by employers and employees are remarkably similar. Both employers and employees share most of the prevailing stereotype views, though employers rate the productivity of older workers generally lower than younger employees. The study revealed that two dimensions underlie perceptions of productivity: stereotypes about hard qualities and stereotypes about soft qualities. Hard qualities refer to qualities such as flexibility, physical and mental capacity, the willingness to learn, and new technology related skills. Soft qualities refer to qualities such as commitment to the organization, reliability, and social skills. A large-scale survey among European employers has been carried out within the framework of the ASPA (Activating Senior Potential in Ageing Europe), in which approximately 6,000 employers in eight European countries participated (Henkens & Schippers, 2012). The survey underscored the wide existence of age-related stereotypes among employers (see Figure 16.1). Figure 16.1 shows that the comparative advantage of older workers (50 years and older) lies primarily in their soft skills, whereas the comparative advantage of younger workers lies primarily in their hard abilities.

However, the weights attached to the hard and soft qualities of productivity differ substantially. Van Dalen & Henkens (2010) find that hard qualities carry a much greater weight in the evaluation of the productivity of workers than soft qualities. This finding holds for the

evaluation of the productivity of older and younger workers alike. In contrast, a similar study by Turek and Perek-Bialas (2013) in Poland finds that in employers' assessment of worker productivity, soft skills were a more influential factor than hard skills. Regarding younger workers the relation is the other way around. These contrasting findings suggest that country-specific factors play a role in the assessment of older-worker productivity.

For both employees as well as employers, younger raters tend to have a poorer opinion of older workers than older raters (Van Dalen & Henkens, 2010). It is unclear whether these differences reflect prejudice against older workers by younger raters or prejudice in favor of older workers by older raters. Using panel data, Van Dalen & Henkens, (2020) show that employers' perceptions of older workers' soft skills become more positive with time, while no change in perceptions of older workers' hard skills is found. These results also indicate that non-economic factors affect evaluations of older workers. Employers often draw on seemingly neutral justifications pertaining to market and corporate financial well-being to justify ageist stereotypes and discrimination toward older workers (Roscigno, Mong, Byron, & Tester, 2007).

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Besides issues that have to do with the accuracy of images and stereotypes toward older workers, there are several other research questions that have received relatively limited attention in scientific literature. The first has to do with the origins of employers' perceptions of older workers. To what extent are these perceptions tied to a specific context? How stable are these perceptions? Recent studies point at the organizational climate as a specific contextual factor in both shaping as well as sustaining age stereotypes and discrimination (Turek, Oude Mulders, &

Stypińska, 2022; Vickerstaff & Van der Horst, 2021). Once an ageist climate has settled within an organization and stereotypes are internalized in the perceptions and behavior of managers and employees, change might prove difficult. The literature suggests that stereotypical beliefs and discriminatory attitudes are at least to some extent related to the frequency of contact with older workers, suggesting that familiarity with older workers may reduce negative stereotypes and discrimination. More contact with older workers is related to less negative age stereotypes and more support for older workers working longer (Henkens, 2005; Van Dalen and Henkens, 2020).

The second issue has to do with the consequences of employers' perceptions of older workers. Redman and Snape (2006) show that age discrimination has adverse psychological consequences for employees' job and life satisfaction as well as for commitment and withdrawal cognitions at work. The question of whether (and if so which) stereotypes have an impact on organizations' retirement policies has received increasing attention in the literature in recent years, although findings remain mixed. For example, Oude Mulders (2020) found that when Dutch employers were more positive about older workers' soft qualities, they rated older workers relatively more favorable for hiring and offering training. He did not find similar associations for hard qualities. Jensen et al. (2019) found no relationship between employers' age-related stereotypes and their preferences to retain or recruit older workers in Denmark. Turek and Henkens (2020), using real recruitment data, showed that some hard qualities (e.g. computer skills and physical fitness), but also some soft qualities (e.g. social skills and creativity) required for jobs were related with hiring decisions of workers older than 50 in Poland.

### ***Age Norms about the Timing of Retirement***

Whereas negative stereotypes about older workers' productivity may be related to a low level of support for extending working lives, opinions about retirement are subject to existing age norms,

inside and outside the organization. The importance of age norms is emphasized among life-course scholars interested in aging. Life transitions, including retirement, are subject to social norms about the appropriate time to stop working. Age norms are woven into the fabric of many social institutions in both formal and informal ways (Settersten, 1998). Formal age norms are codified in diverse laws and rules; norms about the “right time” to retire are formally expressed in age boundaries established by public and private pension schemes. Scholars believe that informal age norms, defined as shared judgments or expectations regarding age-appropriate behaviors, exert significant influence on behaviors of group members (Liefbroer & Billari, 2010; Settersten & Hagestad, 1996).

Like other social groups, work organizations have shared expectations about ages at which particular transitions ought to occur (Lawrence, 1996). Organizational or workplace norms regarding retirement will signal older employees when they should move out of the workplace (e.g., Feldman & Beehr, 2011; Potocnik, Tordera, & Peiró, 2009; Van Dam, Van der Vorst, & Van der Heijden, 2009; Vickerstaff & Van der Horst, 2021). One of the more pervasive beliefs in today’s workplace is that older workers should retire or become too old to work somewhere in their late-50s or early 60s (Joulain & Mullet, 2001; McCann & Giles, 2003; Radl, 2012; Riekhoff, 2023). At this point in life, one should reap the rewards of years of hard work and enjoy one’s “golden years.” On the one hand, these views may be well-intended and reflect positive attitudes toward older workers: a well-earned retirement at the end of a long career of hard work. On the other hand, as McCann and Giles (2003) indicate, the support of retirement may also reflect underlying attitudes that younger workers have more to offer to an organization than older workers. A belief among employers that older workers want to retire as soon as

possible will hamper their efforts and initiatives to extend the working life of their older workers (Henkens, Cozijnsen, & Van Solinge, 2009)

A growing number of studies are addressing existing age norms and their impact on organizations' policies and practice. Survey research and vignette studies consistently find that employers' retirement age norms are positively related to preferences in recruiting or retaining older workers and early retirees (Karpinska, Henkens, & Schippers, 2013; Oude Mulders, Henkens, & Schippers, 2017), as well as to the likelihood that organizations implement measures that support longer working lives (Lössbroek et al., 2019).

Research about age norms among employers suggest that these norms are widespread and provide little support for those workers willing to work into their late 60s. Retirement age norms are usually measured in surveys with two questions. First, "at what age would you say a person is too old to be working twenty hours or more per week?" – constituting an upper threshold beyond which an employer is unlikely to retain or recruit a person. Second, "at what age would you say a person is generally too young to retire permanently?" – indicating a lower boundary beyond which retirement becomes an acceptable option. Using data from the European Social Survey (2018), it is possible to compare supervisors' retirement age norms across a large number of countries.<sup>2</sup> The results (see Figure 16.2) indicate that employers in most countries have explicit ideas about the appropriate timing of retirement. In most countries the public pension age serves as a point of reference as age norms strongly correlate with statutory retirement ages (Riekhoff, 2023). The results also indicate that, on average, the lower boundaries are still lagging statutory retirement ages in all countries and the average upper boundaries in most countries do not surpass age 70. This suggests that, while retirement ages are rising, employers' mindset might remain an obstacle for allowing and enabling people to work as long as policymakers

intend. Moreover, these aggregate results obfuscate the gender-specificity of retirement age norms: the appropriate age for women's retirement tends to be lower than that for men's, suggesting that gender and age norms often intersect (Duncan & Loretto, 2004).

Some particularly relevant aspects of the organizational context are the opinions and attitudes held by employers. A large-scale survey among retired older workers in the Netherlands (Dingemans, Henkens & Van Solinge, 2023) made clear that one-quarter of the retirees would consider returning to the workforce if asked by an employer.. There is, however, also evidence that supervisors prefer not to interfere with retirement decision making, which they consider to be a private affair, and that they are hesitant to raise a discussion on extending working life (Henkens et al., 2009).

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## **Managing the Retirement Process**

### ***Keeping or Dismissing Older Workers?***

Prior to the 1970s, retirement was mainly conceptualized as resulting from factors beyond individual control, like health problems or employers' considerations (Hurd, 1990). Later research frames retirement as mainly a matter of individual choice. Ekerdt, Kosloski, and DeViney (2000) stated that, around the turn of the century, retirement is a formalized transition within the life course, but one that grants workers agency in directing that transition. The shift from retirement as a transition beyond individual control to retirement as a matter of individual choice is reflected in the retirement literature. Retirement is mainly viewed as a voluntary and employee-driven transition (e.g., Hardy, 2002). Nevertheless, empirical studies consistently

indicate that a substantial proportion of retirees perceive their retirement as forced or involuntary. This proportion ranges between 10 and 50 per cent, depending on the country and the definition and operationalization of involuntary retirement (Stiemke & Hess, 2022). Many studies acknowledge that retirement may occur under conditions that leave the individual limited choice over the transition, such as poor health or job loss. As such, retirement may be less a matter of individual choice and agency and much more externally structured and constrained than previously assumed. Dorn and Sousa-Poza (2010) analyzed data for nineteen countries, and their results suggest that generous social security programs trigger not only more voluntary early retirement, but also more involuntary retirement, suggesting that generous social security benefits also make it more attractive for employers to push older workers into retirement. In many countries social security and pension reforms make it increasingly difficult for employers to lay off older workers via social security prior to the retirement age. Moreover, public pension ages have been increased despite lack of support for these reforms by employers (Solem et al., 2020; van Dalen et. al., 2019).

Lack of support for delaying retirement cannot be seen in isolation of employers' personnel policies toward their aging workforce. With increasing labor force participation rates of older workers, employers are urged to reduce a looming wage productivity gap at later ages. Reasoning from a human capital perspective, one might expect that policies to make older workers more attractive to employers emphasize measures to enhance productivity (by means of training programs) or bring wages in line with productivity (by means of demotion). Findings from the literature over the past decade suggest that while employers were traditionally reluctant in providing training for their ageing workers, this is changing. Exit oriented policies are gradually replaced by policies that support longer working lives, by means of workplace accommodations

and developmental policies and practices (Fleischmann et. al., 2015; Lössbroek et al., 2019; Turek et al., 2020).

On-the-job training is often reserved for younger workers who are viewed as cheaper and more worthy of the long-term investment (Taylor, Brooke, & di Biase, 2010; Taylor & Urwin, 2001). It may seem like older workers are caught in a Catch-22: to remain attractive to employers they should be trained, but they are not trained because they are expected to retire soon. As the expected retirement age rises, so should investments in training, which would allow workers to remain productive longer.

Lazear's theory of implicit contracts contends that it is not necessarily a decline in productivity that is behind the lack of support for working longer and application of mandatory retirement rules. It is in the nature of the contract that workers are paid more than they are worth at older ages, even when productivity remains the same. From the perspective of the employer, a reduction of wages might therefore be an alternative to retirement. While wage policies are frequently discussed as a solution among policymakers, employers generally avoid cutting wages as a means to rebalance the costs and productivity of older workers (Munnell & Sass, 2008; Van Dalen & Henkens, 2018). Employers point out first that employees are little inclined to move down the ladder. And those employees who *are* prepared to take a step down in terms of their position and duties tend not to be willing to do so in terms of their employment conditions. So, in the end, demotion may lead to resignations by the firm's better workers and a reduced effort from those who remain. Another reason why employers might be reluctant to apply wage declines at a prescribed age is the probability that this would be branded as a violation of age discrimination laws (Hatcher, 2003).

One of the elements in organizational policies that may provide opportunities to rebalance costs and productivity at the end of workers' careers is the option of phased retirement. Workers gradually reduce their working hours to adapt to a post-retirement lifestyle, whereas employers may still benefit from the skills and benefits of these workers. Results of a study by Hutchens and Grace-Martin (2006) carried out among U.S. employers shows that employers are often willing to provide this opportunity, but primarily as part of an informal arrangement. Also recent studies on so-called idiosyncratic deals imply that employers wish to keep control over the question of whether adjustments in tasks, schedules or workloads are possible and feasible given the individual employee, the specific job, and the business conditions (Bal & Jansen, 2014; Jonsson et al., 2021).

If there is limited support for retention of older workers, this puts a question mark behind the notion that employers cannot afford to lose their current generations of highly skilled older-aged employees, who are seen as the repositories of institutional intelligence. In that notion it is assumed that organizations will simply refuse to lose so much of this precious asset. Munnell and Sass (2008) state that there may be some logic in this claim, but due to the aging of their workforce most employers will have an abundance, not a shortage, of institutional intelligence in their organizations. Employers may therefore have some interest in retaining their most valuable older workers but are not very likely to support workers to delay their retirement across the board as long as they perceive alternative options to fill their vacancies. Still, an ageing workforce will require many workplaces to reconsider their age-related human resource practices, not only to retain the most valuable workers but also to maintain overall performance and productivity of the organization (Boehm, Schröder, & Bal, 2021; Moen, Kojola, & Schaefers, 2017).

## ***Hiring Older Workers***

Retirement increasingly constitutes a series of decisions regarding the structure of the late career that can span a period of twenty years and can include multiple transitions. The literature indicates that there is an increasing diversity in the pathways that older workers take into their full-time retirement. On the one hand, many older workers prefer some kind of phased retirement from their main career job, remaining in the same occupation and organization where they used to be. On the other hand, bridge employment offers possibilities to pursue new challenges on the labor market, often by means of a different job and organization. While post-career transitions into self-employment are increasingly common (Giandrea, Cahill, & Quinn, 2008), most older adults seeking bridge employment are dependent on employers' decisions to hire them. An important question is for what jobs and under what conditions?

How employees' preferences with respect to the types of bridge employment between their career jobs and full retirement match with employers' hiring practices is an important area of inquiry. The increasing phenomenon of post-career job self-employment might reflect workers' preferences, but it might also reflect the restrictions workers experience from employers who are not willing to hire them. Workers might want to work in a different field or occupation, but how likely are employers to recruit them for these vacancies? Most studies on re-employment consistently show that older jobseekers have difficulty finding a suitable job, and the new jobs they are able to find come with lower pay and benefits (Johnson & Park, 2011). Older workers often indicate that they are subjected to age-related discrimination (Berger, 2009). Specifically, older workers, particularly those approaching 50 years old and those approaching retirement age, are most likely to experience workplace age discrimination (Roscigno et al., 2007).

An important question is which employee characteristics fit the employers' preferences. For employers, finding a right match between supply and demand of labor is a costly process, and employers are likely to not only compare older and younger workers but also to rank older workers on the basis of expected returns. Research into the selection practices of employers who use candidate profiles, so-called "vignettes," has shown that the selection criteria used tend to relate to characteristics of the applicants that cannot be changed, such as sex, age, and social background (Van Beek, Koopmans, & Van Praag, 1997). In addition, a study by Karpinska et al. (2011) using a vignette design showed that employers tended to have a narrow focus when it comes to the question of whether or not to re-employ an older worker retired from his or her career job. Besides favoring younger retirees over older retirees, employers emphasize continuity in the career. A short absence from the labor force is permitted; a longer absence brings risk of punishment. Early retirees who are not able to regain employment soon after leaving their career job are at a much higher risk of a permanent exclusion from the labor force. In addition, there seems to be a discrepancy between employees' preferences for bridge employment in a different field and employers' willingness to hire them. Contrary to the existing stereotype that older workers have difficulty adapting to organizational changes, retirees often seem to be keen on acquiring new experiences outside their original career field. However, the opportunity structure provided by employers appears to be highly contingent on earlier work experience, and access to other occupations is often limited.

The aging of the population in Western countries will also affect the labor market. The current outflow of large baby-boom cohorts reaching retirement age will lead to a situation that differs fundamentally from what organizations experienced in the final quarter of the twentieth century, when the labor market was chiefly characterized by excess supply. The labor market is

expected to change from a “demand-driven market,” in which employers are in a dominant position, to a “supply-driven market,” in which employees assume a dominant position. It is unclear how employers will respond to this change.

To predict the future labor market for older workers is a difficult endeavor. Taylor et al. (2013) showed that employers in Australia were indeed turning more positive towards recruiting and retraining older workers in a time of economic growth and increasing shortage of labor. The study also suggests that this positive turn would be sustained in the future due to population ageing. Other studies warn us that too much optimism about the future prospects for older workers should be toned down. Munnell and Sass (2008) state that the notion that employers will increase their demand for older workers as a result of structural labor shortages are overblown at best. The authors argue that first of all, it is questionable to believe that the economy (and demand for workers) will grow at a historic rate. Second, employers increasingly operate in a global economy and respond to changes in the global supply of labor, instead of changes in the domestic supply of labor. Third, older workers are often working in sectors and occupations that were expanding fast when they were young and are now expanding slowly or contracting. Expanding sectors seek primarily younger workers with the latest skills and knowledge, and younger workers seek employment in fast-growing sectors.

These claims are also empirically illustrated in a study by Oude Mulders et al. (2020), showing that in the Netherlands few employers were ready to recruit more older workers if confronted with a shortage of suitable personnel. However, a recent study suggest that employer are gradually more willing to employ older workers (Van Dalen & Henkens, 2023). As a result of structural labor shortages in The Netherlands employer behaviors and social norms within

organizations are becoming more supportive of recruiting and retaining workers around retirement age..

Current research strongly suggests that re-employment comes into the picture only when organizations have recruitment problems and few alternatives available (Farber et al., 2017; Karpinska et al., 2011; Oude Mulders et al., 2014). Still, a recent study by Riekhoff et al. (2023) showed that employers' age stereotypes also played a role in decisions to employ older workers, even when the organization faced recruitment problems. Furthermore, even if labor shortages may be beneficial to early retirees' employment prospects, their chances for re-employment are low when labor force supply is sufficient and positions could be filled by younger applicants. Studies from Europe and the United States show that beyond the age of 50, individuals are less likely to find work after becoming unemployed than their younger counterparts (Johnson & Park, 2011; Jolkkonen, Koistinen, & Kurvinen, 2012). Studies using experimental settings in the United States (Farber et al., 2017) and Switzerland (Oesch, 2020) found that the likelihood of employers inviting displaced workers to a job interview consistently dropped with age, even after accounting for selection into unemployment.

## **Discussion and Conclusions**

Retirement is an increasingly complicated process of labor force withdrawal. The decision to retire transcends considerations about the pros and cons of retirement at the individual or the household level for the older worker. To achieve a better understanding of older workers' career decisions, we need to incorporate the driving forces of retirement processes at the demand side of the labor market. Employers are key players in defining the opportunities for retirement as well as the opportunities for working longer. As a result, the success of policies aimed at delaying retirement is to a large extent dependent on the actions and attitudes of employers. Thus, to fully

understand the process of retirement, one should delineate the role that employers play in the late career employment-retirement nexus. In this chapter we make several observations that may guide future research questions.

Our first observation is that there is a rich literature about the age-productivity nexus and the difficulties in measuring this relationship. However, we lack studies that confront employers' perceptions about declining productivity with information on actual productivity of older workers. Future studies might also look at the origins of the stereotypes on productivity and retirement timing, and study their consequences. The consequences may relate to hiring and firing decisions, but also to the HRM policies focused on older workers in organizations that might bridge a perceived wage-productivity gap. Designing policies that enhance the employability and productivity of older workers is one of the challenges personnel managers will face in the near future. It is not clear whether existing biases toward older workers hamper or stimulate the development of these types of policies.

Our second observation is connected to the management of the retirement process by employers. Although retirement policies have been frequently used to lay off older workers when they threaten the profitability of the firm or when market forces more or less dictate employers to downsize the workforce or reduce labor cost, management of retirement processes by employers that also address the preferences and needs of employees is mostly absent. This is, however, increasingly relevant, since pension and social security reforms will make it more difficult to lay off older workers. The management of retirement requires that the issue is discussed by the employee and his or her supervisor. Few studies have looked at employee-employer communication practices with respect to retirement. One study carried out in the Netherlands showed that a large majority of employees in their fifties discuss retirement with their spouse and

colleagues (Henkens & Van Solinge, 2003). Only a small minority discuss the issue with their supervisor. On the other hand, many managers see retirement as a private affair and hence will not engage in discussing this with older workers approaching retirement. Future studies might take a closer look at the interaction processes that take place between employees and supervisors, with respect to retirement. It would be particularly interesting to study the misperceptions about the opinions and behaviors of each other. The co-orientation model as advanced by McLeod and Chaffee (1973) can be used to understand the role of communication in perceptions of others' opinions as well as their accuracy. At this point it seems that the Thomas theorem is applicable here: "If men define situations as real, they are real in their consequences." (Merton, 1995). This may be very relevant for workers who perceive their employer as supporting early retirement and employers who perceive older workers are unwilling to be trained and looking forward to a life without work, without asking. Although many co-orientation studies have been carried out to identify the accuracy of individuals' perceptions of others, co-orientation has not been explored in the context of retirement. To facilitate effective retirement planning on the part of the employer and employee, more insight is needed into communicating the preferences and restrictions that both actors face.

More insight in the social processes that take place in the years before retirement may also provide additional answers to the question of why many employers are only lukewarm to retain or hire older workers. Are economic considerations the real driving forces behind the difficulties that older workers experience in extending their career? Or are psychological processes, with misperceptions, stereotypes, and prejudice, the major impediments for a match between employers and their employees at the end of their career?

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<sup>1</sup> To bare the increasing costs of health insurance for employers are inclined to cut the health benefits and shift costs to retirees. Mermin et al., (2007) conclude that the erosion of employer retiree health benefits is the most important factor explaining the US babyboomers' expectations to work longer than people born a decade earlier.

<sup>2</sup> Employers are identified as those who are self-employed with personnel and managers (based on information on occupations) with supervising responsibilities. For more details, see: Riekhoff (2023). For each country, data is weighted to correct for unbalanced numbers of responses concerning the retirement age norms towards men or women.

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FIGURES:

Figure 16.1: Employer ratings of dimensions of the productivity of younger and older workers.  
Percentage of employers that consider the dimension to be applicable to a (very) high extent to younger and older workers.

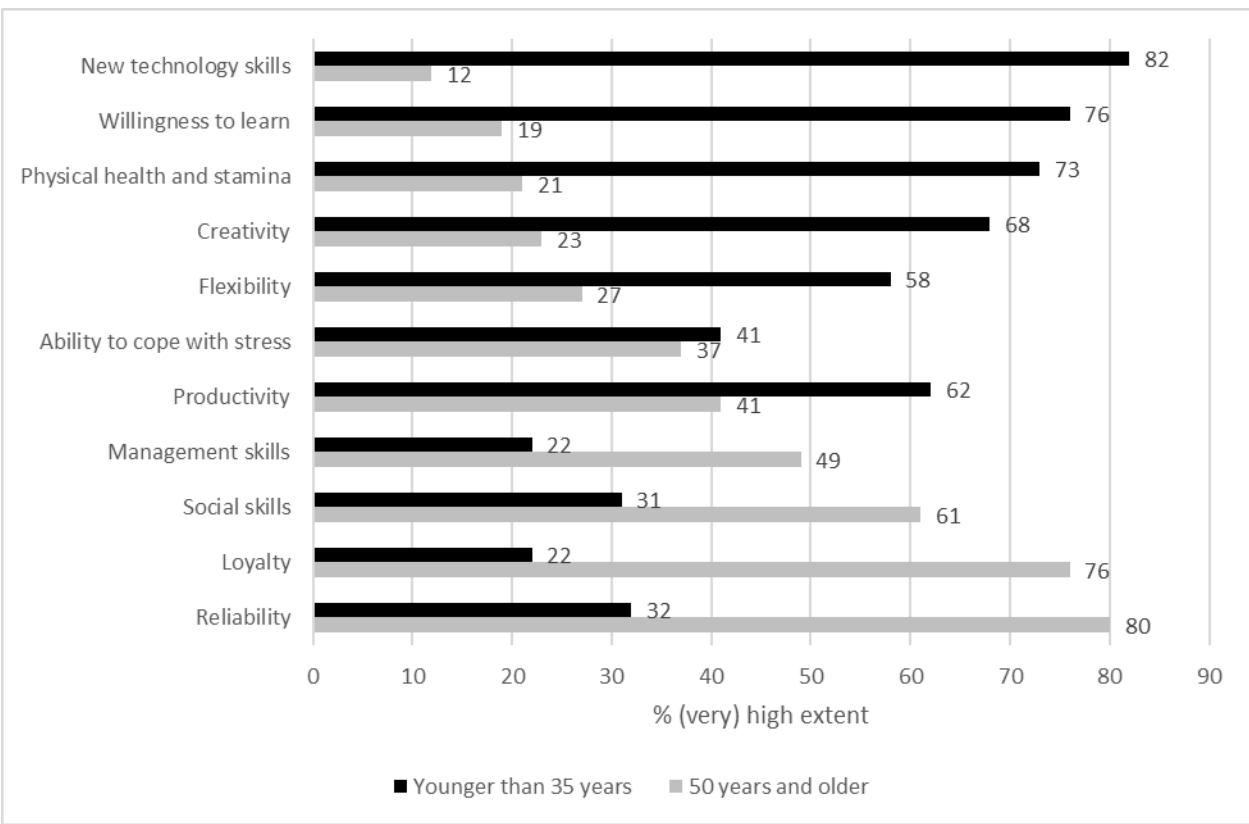
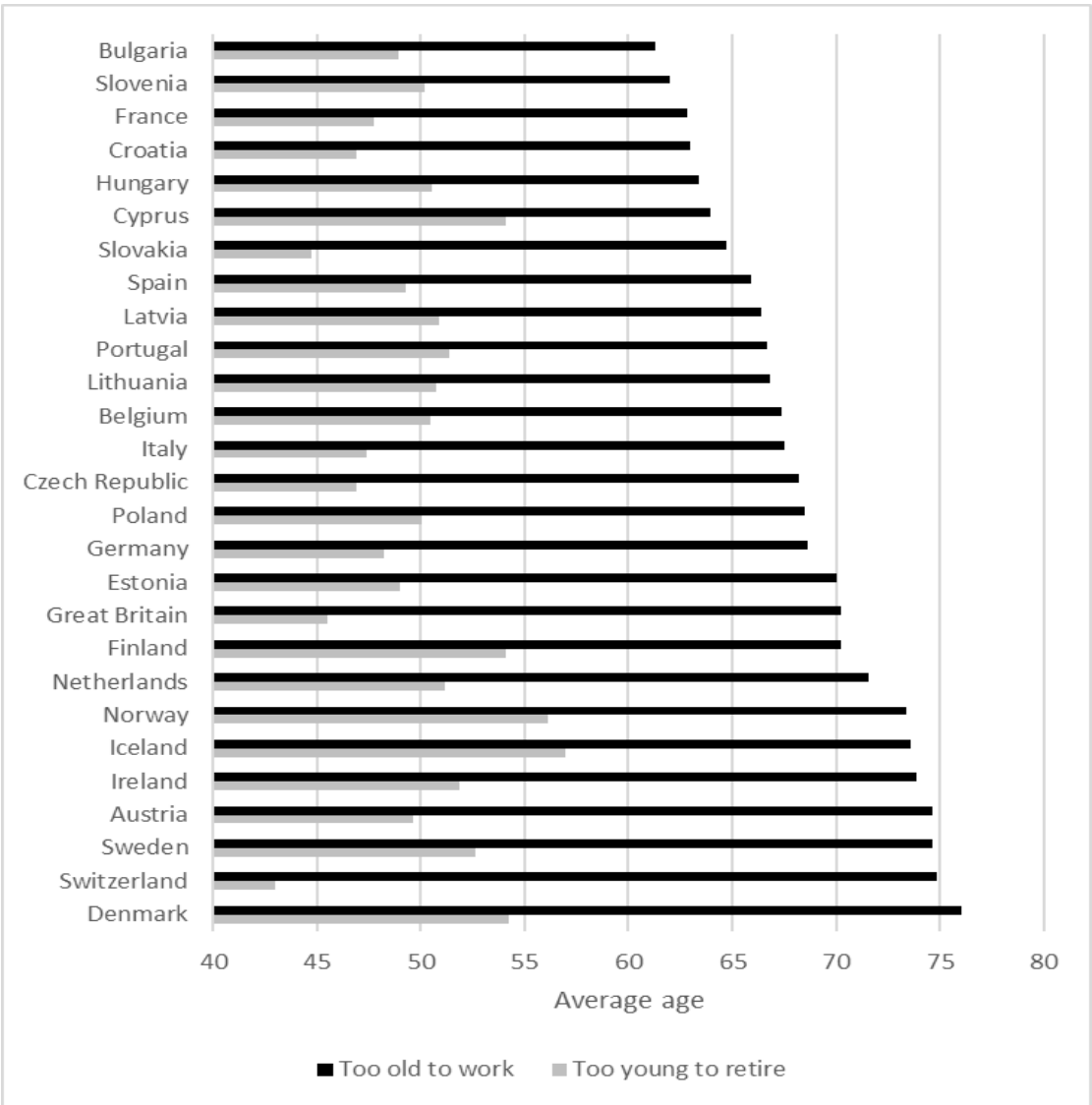


Figure 16.2: Employers' retirement age norms in Europe, average age



Source data: European Social Survey (2018).