

Age-Inclusive Management Strategies (AIMS) Colorado Conference

Tenure, Age, and Performance: What Employers Need to Know

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Tenure, Age, and Performance What Employers Need to Know

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Mercer
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Most employees plan to work beyond “retirement age”

Findings from Mercer’s Global Talent Trends Survey, 2022

When you reach retirement age, what are your plans?

	Global	
I do not ever expect to retire (i.e., stop working)	12%	
I intend to work up to 5 years past the designated retirement age and then retire	20%	
I intend to work 6+ years past the designated retirement age and then retire	12%	
I intend to work the same amount as before retirement age and see how things go	15%	
I plan to work, but fewer hours than before retirement	14%	
I plan to enter into phased retirement (a gradual move from full-time work to full-time retirement over a period of year	12%	
I intend to stop working completely at retirement age	16%	

84% expect to work in some way post retirement age

What are the primary reasons to stay in work?

43%

to stay mentally sharp

39%

to occupy my time

38%

financial benefit / can't afford to retire

30%

medical costs

Other reasons:

- ✓ Inflation worries
- ✓ Sense of community
- ✓ Need for purpose
- ✓ Pandemic affected my finances

Where do we find value in experience?

Working past retirement age ... good for employers?

Two kinds of “human capital” related to experience

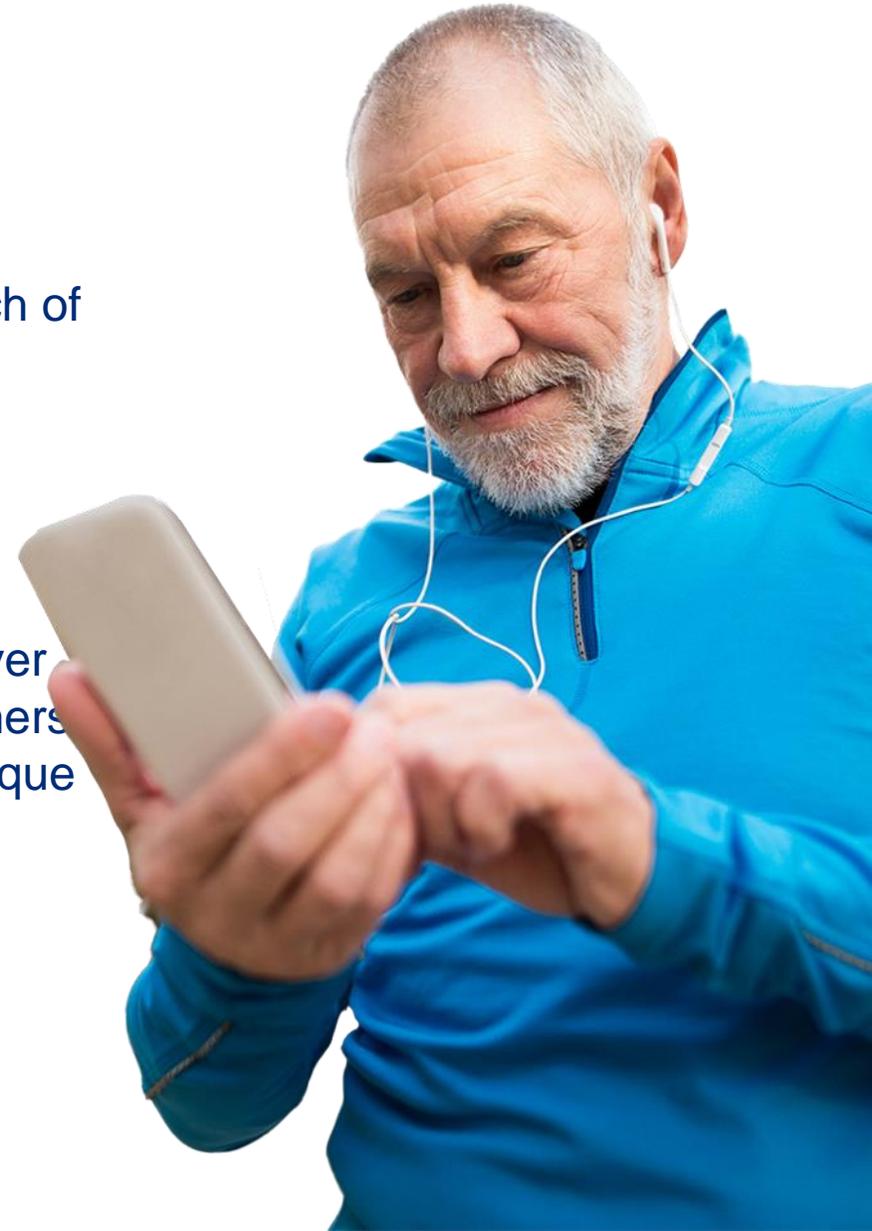
- **General Human Capital**

- Attributes, knowledge, skills/capabilities inherent in the individual, much of it acquired through life and working
- Transportable from employer to employer, can be “bought”
- Proxied by age

- **Firm-Specific Human Capital**

- The knowledge, knowhow, networks, and understandings that arise over time from working in an organization and with its suppliers and customers and reflects systems, processes, information, IC, and associations unique to the employer
- Not transportable, must be “built”
- Proxied by organizational tenure

Which has greater value for employers?



What do we know about age and work performance?

If we judge by performance ratings, things look unfavorable for older employees

- We analyzed **thousands of annual performance ratings** over multiple years in 10 different companies
- **A near-universal truth:** Year after year, older employees are less likely to receive the highest annual performance ratings at work
- On average, **older employees are 14% less likely to be highest-rated**
- This effect holds true **after accounting for other factors** such as the type of work performed and the scope of job responsibilities
- Is this **subjective age-related bias?** Or objective reality?
- **So we did some fresh research using objective measures** of business performance

The Research Process and Findings

Where the data come from

- We tapped our proprietary library of “business impact modeling” client cases
- **23 organizations, 1.25 million employee-years of on-the-job performance**
- Three performance measures:
 - **Financial** ... revenue, profit, sales growth
 - **Customer** ... retention, experiences, referrals
 - **Operational** ... costs, error rates, efficiency
- We performed a “meta-analysis” focused on the performance of work units

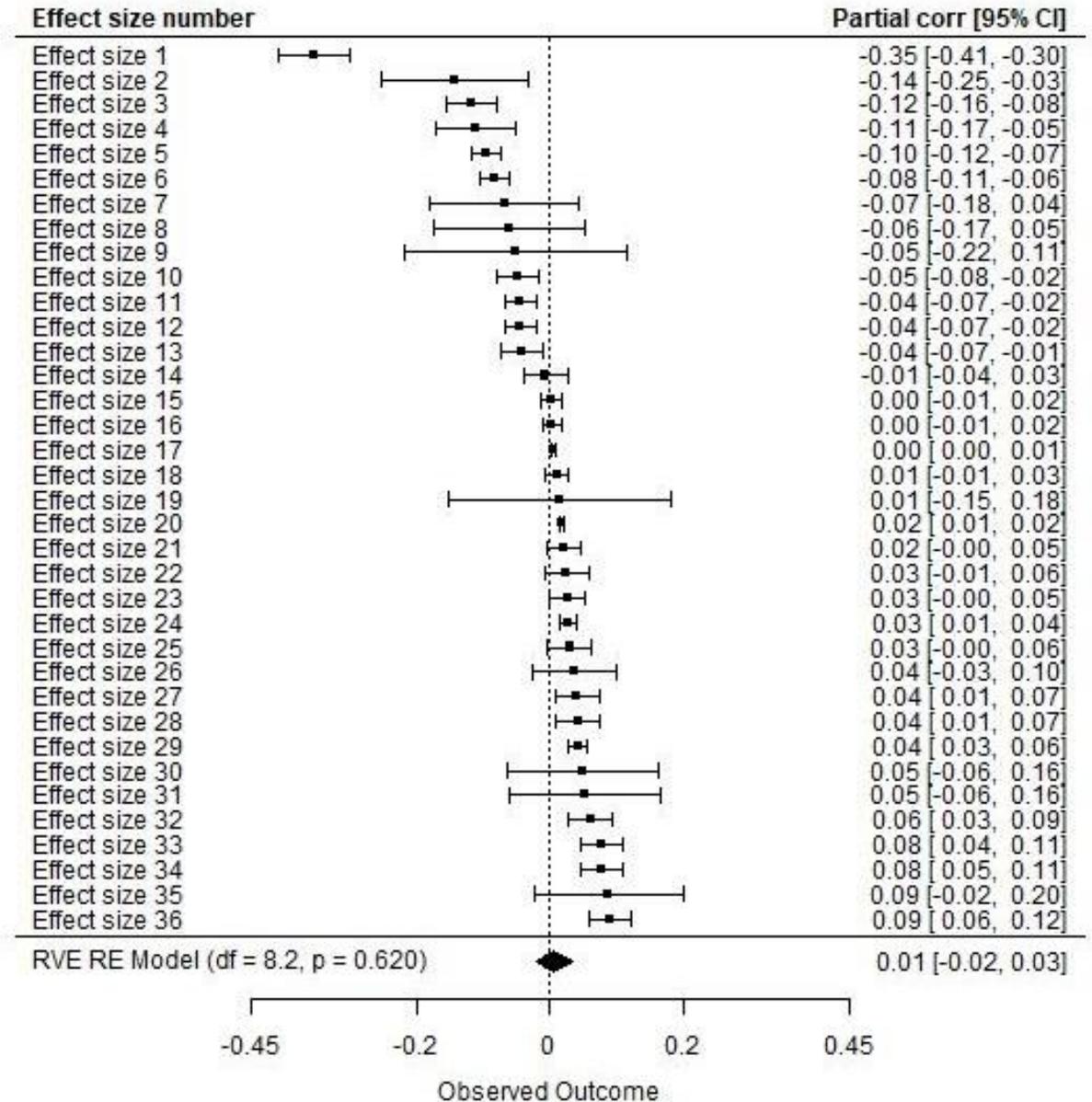
Case ID	Industry	Person-years
1	Transportation	17,074
2	Food	12,017
3	Food	19,500
4	Financial services	728
5	Retail	2,200
6	Health	20,627
7	Health	19,500
8	Retail	769,231
9	Financial services	30,552
10	Services	21,288
11	Food	29,450
12	Mining	6,687
13	Distribution	29,733
14	Food	13,210
15	Health	69,792
16	Health	22,496
17	Education	6,897
18	Health	1,755
19	Health	27,972
20	Food	18,270
21	Healthcare	28,456
22	Retail	52,136
23	Facility services	35,908

Age & financial performance

No impact

- Each row is a separate analysis of the impact of age on financial performance in an organization
- The “dot” is the average impact
- The “bars” show the variability of the impact
- Vertical line = zero impact
 - Left of the vertical line = negative impact
 - Right of the vertical line = positive impact
- Lots of variability but ...
- The big dot at the bottom is the average impact, which sits on the zero line

No impact of age on financial performance

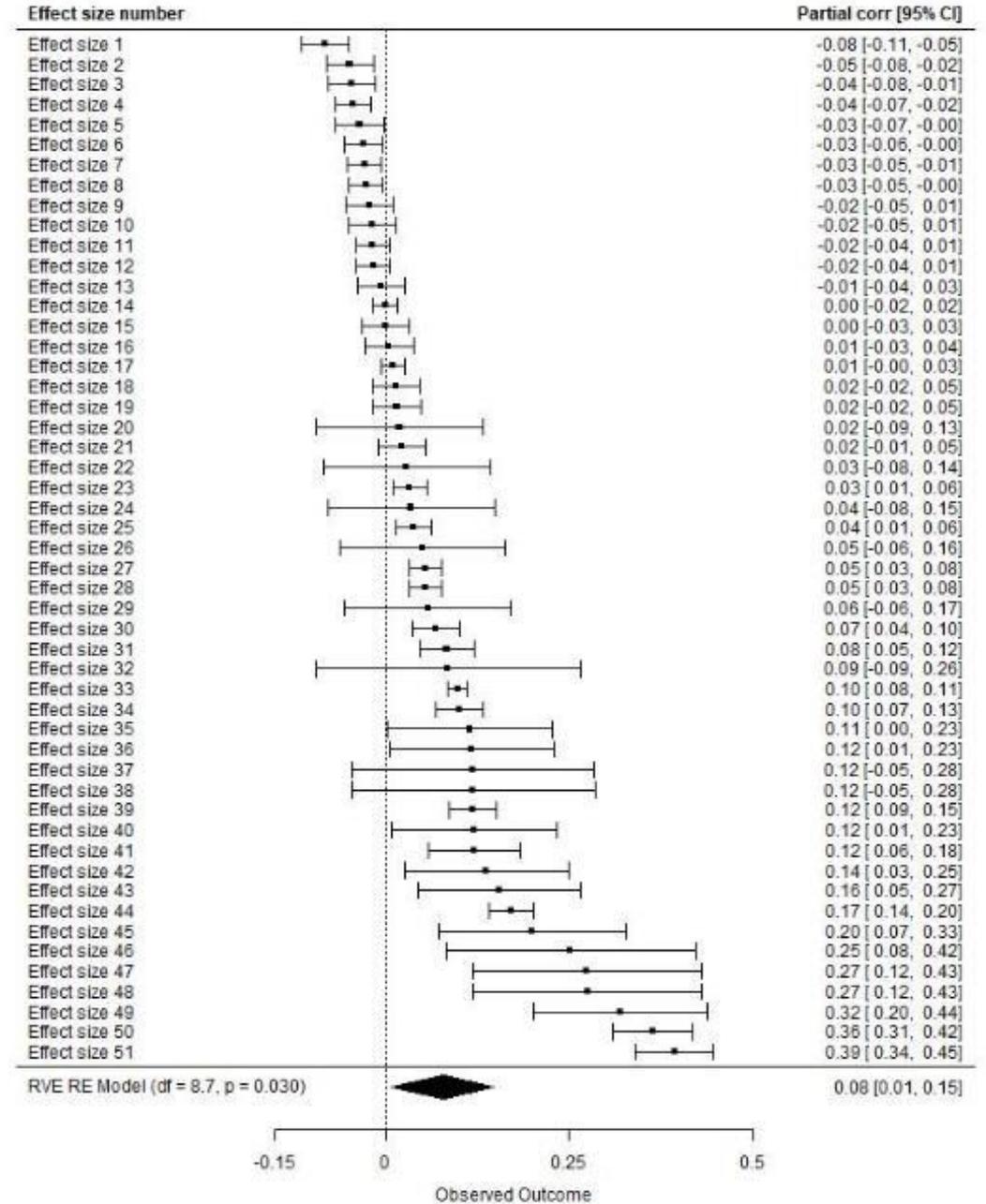


Tenure & financial performance

Positive impact

- Each row is a separate analysis of the impact of tenure on financial performance in an organization
- Lots of variability but ...
- The big dot at the bottom is the average impact, which sits to the right of the zero line

Significant positive impact of average employee tenure on financial performance



Additional findings

- Age and tenure are correlated
 - Don't confuse the two ... it's tenure that has the greater business value, and older employees tend to have more tenure
- The value created by older, tenured employees exceeds their higher costs
- What is true for employees is true for their leaders
 - The greater the tenure of supervisors and managers, the better the financial performance in the business
- Multi-generational workforces are not a problem
 - We assessed whether mixing old and young in the workplace affected business results. It did not.
- We saw no “tipping point” at which age became a liability
 - If there is one, it seems to be well above the age of 70

What Employers Need to Know

Three key points

- 1. Experience matters ... in particular, employer-specific experience that grows with tenure is good for business results**
 - Older employees have more tenure
- 2. Flexible practices that keep “retirement-age” high-tenure employees at work will pay off for the employer**
 - 84% of employees expect to work past “retirement age,” often with flexible arrangements
 - Examples: Part-time status, reduced hours, variable hours, phased retirement programs
- 3. Traditional forms of employment have business value**
 - Organizations that opt for traditional employer-employee arrangements ... that is, with employees who build tenure ... are advantaged
 - Organizations that opt for transient worker relationships ... gig work, platform workers, contractors, contingent workers ... are disadvantaged



Thank you!

Age, Experience, and Business Performance: A Meta-Analysis of Work Unit-Level Effects

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Age-Inclusive Management (AIMS) Colorado Conference

Age-Inclusive Management Strategies (AIMS) Colorado is a multi-year project dedicated to transforming the way employers shape the future of aging in Colorado, by addressing how they meet the needs and preferences of experienced employees (i.e., older workers). This effort constitutes a substantive contribution to improving future opportunities to age successfully. It is a collaboration between the University of Iowa College of Public Health and Transamerica Institute and is funded by a grant from NextFifty Initiative.

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NextFifty Initiative is a Colorado-based private foundation dedicated to funding mission-driven initiatives that improve the lives of the older adult population and their caregivers. It seeks to fund game-changing efforts to improve and sustain quality of life for people in their second 50 years. NextFifty Initiative educates about proven initiatives and advocates for transformational change. www.next50initiative.org

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For more information visit www.TransamericaInstitute.org/AIMS. To get in touch with the project team, email us at AIMS-Project@uiowa.edu.