



An age of opportunity

Taking a strategic approach to longevity, retirement and job satisfaction in higher education

Most college and university administrators are painfully aware of the financial challenges their institutions face. Slashed appropriations for public institutions. Shrinking endowments. Rising costs. These are the daily realities in higher education budgeting. Yet one of the fastest-growing burdens on the institutional budget is largely absent from strategic planning discussions: the escalating financial obligations to aging employees. It's now clear that America's population is growing older and dramatically transforming the workforce, and academic institutions are at the forefront of the aging population boom.

The opportunity within the challenge

A substantial proportion of faculty and staff are fast approaching, or have already surpassed, the conventional retirement age of 65.¹ And many of these individuals appear reluctant even to consider retirement for a variety of economic, demographic and personal reasons, including:

- Life expectancies continue to increase, and compared to the preceding generation, many baby boomers are remaining in good health well past the age of 65.²
- Job satisfaction and the psychic and practical rewards of working in an academic institution are simply too abundant to give up – particularly for those without a clear picture of what may come next.³
- Generous benefits provided by academic institutions are especially appealing as declining markets have reduced many nest eggs, requiring a longer work life.⁴

Ironically, while academic leaders are all too familiar with this workplace dynamic, few have developed a comprehensive and effective strategy to deal with it. The lack of planning presents institutions with a compelling opportunity. By thinking strategically about the challenges of a rapidly aging workforce, administrators can then act decisively to improve the working lives of employees who remain on the job and encourage those who are considering entry into the next stage of their lives.

To help our institutional clients address these issues in a meaningful way, TIAA-CREF, in cooperation with the University of Iowa Center on Aging, has created a series of reports on the key aspects of a comprehensive strategic approach for addressing workplace wellness and retirement. These reports can also be valuable to organizations outside of higher education which encounter similar employee attitudes and similar economic challenges.

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“This is an area that none of us in higher education are as geared up toward as we need to be. We know we have this groundswell out there and we’re talking about it only a little bit.”

UI Focus Group Participant

The strategic approach was based on the results of the University of Iowa (UI) survey of 187 university human resources professionals. In particular, the survey findings indicated that best practices included:

- Health and fitness programs tailored for aging employees
- Workplace and scheduling accommodations
- Retirement counseling services and employee assistance programs
- Varied retirement pathways

This series will explore each of these practices in greater detail in order to provide university administrators with the tools they need to make informed decisions regarding their own workforces. In this introductory report, we will look at the challenges of today’s aging workforce, the causes behind these challenges, and the need for a cohesive, long-term strategy to address all aspects of this important employee population.

The upside and downside of an aging workforce

If your campus seems a bit grayer, you’re not alone. Academic institutions already employ a disproportionately higher number of persons over the age of 65 relative to the general labor force, but the academic workforce has become even older in the last decade.⁵ Between 2000 and 2010 the proportion of all professors 65 and older nearly doubled, and the median age of the professorate now surpasses all other occupational groups.⁶ Academic institutions clearly stand at the front of the aging workforce boom.⁷

Of course, there are many benefits to having seasoned faculty and administrative staff on campus—including experience, knowledge and continuity. But these can come at significant costs to the institution, including:

Higher salaries: Despite a trend toward smaller annual raises, older faculty and staff generally receive higher salaries than their younger counterparts.⁸

Higher benefit costs: Aging employees account for increased benefits costs, especially for healthcare utilization.⁹ One study found that nearly half of all lifetime expenses for healthcare are incurred after age 65. What’s more, older workers can have medical benefits claims 1.4–2.2 times higher on average than their younger counterparts.¹⁰

Higher retirement plan contributions: Employer contributions to employee retirement benefit plans are currently growing at a faster rate than salary costs at public and private institutions.¹¹ Moreover, while many universities have moved from defined benefit to defined contribution plans, the payments to defined contribution plans are increasing and assuming a greater portion of the overall budget because employees with defined contribution plans are now staying in the workforce longer than expected.¹²

Lower productivity: As employees age, their productivity appears to decline.¹³ One case study compared mature departmental faculty to more recently hired departmental faculty using measures such as publications in highly rated peer-reviewed journals, grant and contract monies brought into the institution, and the ratio of students taught relative to capacity.¹⁴ It found an inverse relationship between age and all three productivity measures. Younger and middle-aged faculty consistently had higher scores of research productivity, monies awarded, and ratio of enrollment capacity to the actual number of students taught.

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Opportunity costs: The challenges of an aging academic workforce go beyond lost productivity and increasing payouts. One indirect but critical effect occurs when faculty and staff remain in their positions longer than expected and, in effect, hold onto spots that could be taken by younger employees.

The impact on institutions of these escalating costs is amplified by the fact that university employees stay on the job so much longer than other professionals in the general workforce.

Too much of a good thing?

Three factors have contributed to the reluctance of academic workers to seek retirement:

Factor #1: Increasing Life Expectancies

Since 1900, average life expectancies in the U.S. have increased from 65 to 79 years, and the average age of the American population will continue to increase substantially over the next 20 years. In addition, today's aging population is far healthier and able to continue working more than were its predecessors.^{15 16}

However, the financial condition of aging baby boomers has not kept pace with their health and physical fitness, leading many to stay on the job well past the traditional retirement age of 65. Because academic work is mentally stimulating and not so physically demanding, professors stay on the job longer. Tenure, of course, makes it even easier to do so.

Factor #2: Job Satisfaction

Compared with other professions, academic employees report higher job satisfaction levels. Some studies cite "the work itself" as the source of this satisfaction, while others cite achievement, responsibility and social relationships.¹⁷ In addition, many aging faculty say they have not developed a sense of meaning or satisfaction outside of their occupational roles, and fear they will be "sent to pasture" when they do retire.¹⁸ Indeed, in one series of focus groups, UI researchers identified several responses that indicated similar "What now?" trepidations about what comes after retirement. Even those participants currently enrolled in phased retirement programs were often at a loss for what they would do after leaving academia.¹⁹

According to human resource specialists, it is common for retirees to jump at the chance to remain involved on campus through part-time employment or retiree functions.²⁰ In follow-up interviews with top-performing survey institutions, one work-life director noted that, "I come from gerontology and that is my academic background ... so I know that people don't exit unless they have something to look forward to."

Factor #3: Generous Benefits

Academic institutions often provide generous health and other benefits to their employees, and health insurance has been found to be an especially important factor in deciding whether or not to retire. The UI study found that 80% of survey respondents indicated that their institution provided continued eligibility for health insurance to retirees, but only 58% of those indicated that their institution provided financial support for that health insurance.²¹ This was found to be a significant deterrent to entering retirement, since rising health insurance costs can be difficult to afford on a postretirement fixed income.

"If they do choose to stay, that's great, but we are committed to offering our faculty options like our phased retirement program ...[that] helps the transition from being a full-time to part-time faculty member while maintaining full benefits. We now find that most of our faculty retire before age 70."

Jim Mulholland, Employee Benefits Manager, Grinnell College

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Some institutions have found that providing a pathway that includes funded health insurance benefits can give aging employees greater confidence about retiring.²² Indeed, health insurance benefits are one of the best incentives that could be offered, potentially even transcending financial bonuses.²³

However, benefits such as continued health insurance coverage are not the only reasons why individuals continue to work. Many faculty put a high value on retaining other benefits such as office space, parking and library privileges.²⁴

Running out of short-term options

Academic institutions have yet to deliver a holistic, strategic response to address rising annual costs—despite repeated alarms about the arrival of the baby boomers, nearly a decade of a stagnant economy, and increasingly tighter budgets in federal, state and institutional ledgers.

In the past, institutions typically called on federal and state governments for increased financial support—an unsustainable option in this time of widespread fiscal crisis. Others have relied on rising tuition, which is equally unsustainable as debt-laden students become increasingly price sensitive.

The pressure to control budgets has also led some academic institutions to implement post-tenure reviews as a way to assess the effectiveness of aging faculty. These universities and colleges have come to understand that developing burden-of-proof tests, establishing the need for reviews based on a demonstrable business rationale, and avoiding intentional and individualized discrimination allow them to implement productivity measures without violating ADEA laws.²⁵

There is not much evidence, however, to suggest that peer-reviewed, post-tenure evaluations are effective. The problem is that aging faculty face few if any consequences if they do not meet review standards. The “teeth” on most post-tenure reviews predominantly deal with whether or not the faculty member receives a raise, and yet salary is not among the main reasons faculty cite for staying in academia past a normal retirement age. In other words, it appears faculty may be immune to the corrective mechanisms tied to review and salary adjustment.²⁶

Given such ineffective, short-term strategies, academic institutions need to look for a more viable long-term solution—particularly in the areas of salary, benefits and retirement plan contributions. Since aging workers represent a disproportionate percentage of these obligations, it is only logical to focus on them. Addressing the challenges presented by this large and growing demographic requires a cohesive strategic plan, which most institutions currently lack.

Best practices – and how to use them

Academic leadership must consider a formal, long-term strategic plan to address the challenges and opportunities presented by aging faculty. A holistic approach is required to maintain the health and productivity of those aging employees who continue to stay on past the traditional retirement age and support those aging employees who are looking to enter the next stage of their lives.

“One of the best ways to accommodate all generations is through flexible work schedules and work options. Everybody is screaming for it – and I like this strategy above all because it crosses generations. The more we accommodate the workforce needs through commonalities, the better.”

Robynn Pease, Work-Life
Director, The University of
Kentucky

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From the UI research, four key “best practices” emerged:

- 1. Health and fitness programs:** The benefits of health and fitness programming can be observed in improved work output, decreased health insurance payouts and reduced disability leaves. Over the next decade, as the academic workforce continues to grow older, such efforts will become even more critical. Programs most salient to aging employees include fitness classes, such as Zumba Lite, health promotion and prevention activities addressing topics such as heart disease and weight management, and chronic disease management programs. These programs not only help academic institutions respond to the challenges of an aging workforce but also advance the goal of nurturing a vital academic community.
- 2. Workplace and scheduling accommodations:** Offering workplace ergonomic accommodations such as height-sensitive desks and chairs as well as large screen monitors and oversized keyboards can improve individual productivity and job satisfaction. Efforts that focus on work schedules, such as offering flexible or seasonal scheduling, also can improve individual productivity. These initiatives also improve individual health and provide campus-wide benefits including increased employee output, decreased disability and reduced medical leave.
- 3. Retirement counseling and employee assistance programs:** Retirement counseling should include both financial and non-financial services. These services provide an invaluable resource for individual employees and are vital to administrators’ succession planning strategies. While employee assistance programs are targeted for employees of all ages, there are some that appear especially effective for maintaining the health and productivity among aging employees.
- 4. Retirement pathways:** Providing a variety of viable retirement pathways can help address the challenges and opportunities presented by an aging workforce looking to move from full-time work to full-time retirement. Employees can now choose among early retirement, phased retirement and retire/rehire pathway options.

Commitment counts

The UI survey did not identify any particular academic institution that was building a strategic plan upon all four of these pillars. Even those that addressed some or most of the four pillars did not seem to do so as part of a comprehensive strategy. Still, in separating those institutions that were making some effort from those making little or none, the study found one key difference was a committed campus leadership willing to collaborate with all campus stakeholders in managing the aging workforce. Another difference was the willingness to allocate administrative and financial support to staff dedicated to developing and coordinating meaningful campus activities and policies for aging employees. Neither of these can achieve a successful outcome without the other. Both leadership and funding are critical to address a challenge of this magnitude.

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“The ideal strategy is to recognize and value the skills that you have. In some cases, this includes working with people as they go through the life cycle to find continuing campus opportunities.”

Judith Zewe, Executive
Director of Human Resources,
Metropolitan State College of
Denver

The UI researchers observed a variety of ways that leading institutions are working collaboratively to achieve success:

- Some have gathered presidents, provosts, human resources, benefits and wellness specialists to work together in the planning of aging services.
- Some have funded staff positions on campus to serve as ambassadors for aging and retirement services. In smaller institutions that fall under a larger banner, positions have been jointly funded and shared across departments.
- Where dedicated staff are not in place, some administrations took an active approach by providing education to supervisors to address work-life balance needs of employees, which was followed up with studies of utilization rates.
- Highly performing institutions often had clear ideas about future strategies and initiatives that they intended to implement. These institutions were truly engaged with the issues, thinking about solutions and then taking action.

The common link among all of these workplace strategies is that leadership began by conducting a formal assessment of the campus environment and then creating a variety of relevant programs and services around the identified needs, building on the four pillars as best practices. The institutions then provided employees with information about the programs and services, and facilitated access to them. Employees then were left to make their own decisions about work and retirement.

A changed mentality can change behavior

The current state of affairs did not happen by accident. The end of mandatory retirement put the power of choice back into the hands of faculty and staff. The desirable nature of academic work made it a viable option for individuals to stay on past the traditional retirement age. The allure of continued generous benefits packages gave people a tangible reason to stay. Without information to help them imagine an alternative reality, many faculty and staff will choose to stay in the positions that are familiar and comfortable.

But academic institutions have the ability to change this mentality. They can orchestrate cohesive faculty and staff programs that integrate wellness, holistic retirement counseling, workplace accommodations and a variety of desirable retirement pathways. They can promote the idea that retirement can be as meaningful as work and just as natural as the current, unsustainable mentality.

It is very likely that institutions can change the attitudes that perpetuate employees' tendency to gravitate toward the life they know instead of seeking out a postretirement life they could have. In doing this, institutions will also be able to bend the cost curve, realize financial and academic gains, and achieve an all-around better institutional environment. Retirement need not be a topic discussed behind closed doors, it can be an institutionalized process supported with employee information and cohesive programs.

There is encouraging, good news from the UI study. Programs that promote workplace wellness and provide employees with viable retirement pathways can go a long way toward helping employees pursue a more predictable work and retirement trajectory.

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