Responding to the Needs of an Aging Workforce

An Aon White Paper

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Understanding the Issue

According to the U.S. Department of Labor, over the past decade, workers in the 45 year-old and over category have increased 49% and now make up 44% of the workforce. The age group over 55 has grown to 21% of the workforce. As a glimpse into the future, a 2013 Gallup poll revealed that 37% of working age respondents indicated they expect to work beyond age 65. Gallup reported that only 22% responded the same way in 2003 and only 16% in 1995. Given this projected “aging” of America’s workforce, are America’s employers prepared to effectively address the associated increase workers compensation claims?

As the population pyramids below illustrate, the aging of America is not a short-term issue. Note the diminishing dependency ratio of young to old, from 1980 to 2030 as shown in Figure 1.

![Figure 1: Age stratification in the USA. (Source: populatinpyramid.net)](image)

The Future is Now

The time to discuss these trends as a “having potential impact in the future” has actually passed. We need to re-orient our thinking of the aging workforce as a new constant and as “today’s reality”. As shown in Figure 2, the media age of some industries is as high as 55 (agriculture) indicating a need to act.

<table>
<thead>
<tr>
<th>Table 1: Percent of workforce over 45 years of age, by industry.</th>
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</thead>
<tbody>
<tr>
<td><strong>2012 Industry Ageing Statistics</strong></td>
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<tr>
<td>Total, all industries</td>
</tr>
<tr>
<td>Agriculture, forestry, fishing, and hunting</td>
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<tr>
<td>Crop production</td>
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<tr>
<td>Mining, quarrying, and oil and gas extraction</td>
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<tr>
<td>Construction</td>
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<tr>
<td>Manufacturing</td>
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<tr>
<td>Wholesale and retail trade</td>
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<tr>
<td>Wholesale trade</td>
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<tr>
<td>Retail trade</td>
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<tr>
<td>Transportation and utilities</td>
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<tr>
<td>Information</td>
</tr>
<tr>
<td>Financial activities</td>
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<tr>
<td>Professional and business services</td>
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<tr>
<td>Education and health services</td>
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<tr>
<td>Leisure and hospitality</td>
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<tr>
<td>Other services</td>
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</table>
At Aon, we have been studying and quantifying the impact of the aging of America on our clients. Based on our market insight, we have developed prescriptive solutions to support our clients’ needs. As you can see from the table below, the age of the workforce and population within each age band varies significantly and is in part why all employers may not experience a direct impact of this issue. Based on our client research, we believe it is imperative to quantify the impact of this issue, which in turn provides key input and metrics for helping mitigate the problem. As one client put it when shown the injury trend related to an age band of workers and type of injury driving a considerable portion of their loss time injuries, “Are you saying that by prioritizing the identification and potential for shoulder injuries I could get more return on investment from my ergonomics efforts?” The response was a simple but definitive, “yes”.

The Impact on Work-Related Injuries

Over the past three years, Aon casualty specialists have been monitoring the impact of work-related injuries to aging workers by examining workers compensation claim costs of our clients. From this research, we have identified some rather compelling trends.

One of the most concerning trends is the “current” impact of this age group on the cost of workers’ compensation. We studied $2.5 billion in workers’ compensation claims from 2007 through 2012 and found a consistently higher average costs for workers compensation claims for older claimants across all industry groups. For example, as shown in Figure 1, the 45-54 year old claimants in the Manufacturing Industry group’s average claim cost was 52% higher than 25-35 year old claimants. This trend varied in degree by Industry, but only by the pitch of the slope, leaving us to look deeper into the issue and attempt to identify what was driving this cost. This issue has been under study for quite some time.

Heather Grob, Ph.D. and Senior Economist with Washington State Department of Labor and Industries published materials on the concern in 2005 stating “a random sample of Washington workers compensation claims from 1987-89 found that workers over age 45 were at risk of longer term disability” (Cheadle et al 1994). The study concluded that older age is the most important and consistent influence on duration of disability. While we are not breaking new ground on identifying the issue, what seems to be missing is the socialization and acceptance of the impact as well as an understanding of what we should be doing about it.
The Birth of Ageonomics in Workers Compensation

In 2011, Joe Galusha, Managing Director of Aon’s Casualty Risk Consulting practice and Vicki Missar, Aon Board Certified Ergonomist, began to compare notes on the issue and coined the term, *Ageonomics to address the phenomenon of the aging workforce, and the strategies that can help address increased costs and worker safety*. Missar defines Ageonomics as the scientific discipline concerned with the interaction among aging humans and other elements of the system within which they work.

Ultimately, Ageonomics is Aon’s professional service that applies theoretical principles to designing age-specific systems to optimize the wellbeing of the aging worker while improving overall system performance. Aon’s industry-first Ageonomics practice leverages the differentiated expertise of professionals spanning such disciplines as ergonomics, wellness, benefits and safety to deliver comprehensive and very powerful solutions to the aging workforce challenges most employers are facing.

Ageonomics is a unique approach in that it uses a precise methodology for calibrating the absenteeism trends for the aging workforce, regardless of the bucket within which they fall. Aon analyzes the trends, from short-term disability (STD), long-term disability (LTD), workers compensation (WC), casual absences (CA), and Family Medical Leave Act (FMLA) absences (Figure 3) to understand claim volume, average claim duration, average cost per lost day, average cost per claim, total costs and the ultimate cost projections. In addition to the financial output, Aon calibrates the leading absence causes by program type to understand what is driving the aging employee absenteeism. This insight provides clearer diagnosis on which program(s), STD, LTD, etc., are impacting the organization the greatest and which absenteeism causes are being reported with the most frequency. Aon also reviews the internal programs to understand how the framework is aligned with the organization’s aging worker initiatives.

![Figure 3: Various causes of absenteeism analyzed by Aon's Ageonomics program](image)
By looking at absenteeism trends associated with aging workers, as well as the framework within which these programs function, organizations can then develop a targeted, age-specific strategy to help not only prevent or reduce the duration days associated with the respective absences, but implement pre-emptive programs to help keep aging workers healthy and optimize their individual work productivity.

Changes Associated with Aging

The physiological changes associated with aging occur from the moment we are born. Fast forward to age 45 and older and the body begins to change more significantly. Depending on primary factors such as health, fitness and genetics, all of us age differently, with varying degrees on our impact to function in the workplace. Researchers in Finland (Ilmarinen, et. al. 1997) found a decline in workability with 51 years of age being the most critical point at which workability started to decrease. In addition, researchers noted that workability was shown to have a high predictive value for work disability (e.g. lower workability equals higher disability days). This means that we must now focus on the individual to understand age-related risk factors, modifiable and non-modifiable, in order to really address the challenges facing the aging workforce.

Physiological Changes that can Impact Work Performance

With age comes decreased muscle strength, lower dexterity, reduced fitness level and aerobic capacity, poorer visual and auditory acuity, slower cognitive speed and function, to name a few. All of these changes can have a dramatic impact on the aging worker. For example, aging is related to the loss of muscle mass beginning at the age of 50 but becomes more dramatic at the age of 60 (Deschenes 2004). In addition to physical changes, older workers are at increased risk of disease and other ailments. These include the increased risk of obesity associated with aging, diabetes, heart disease, cancer, reduced fitness level, among others. Thus, individual along with organizational structures, need to be engaged with prevention initiatives in order to support the aging worker so that an effective, comprehensive strategy is developed. For example, if we know that muscle strength declines with age, organizations need to consider implementing proactive safety, ergonomics and wellness programs to help build individual strength while working to reduce manual lifting that would be fatigue-inducing for the aging worker, which could potentially result in injury or absence.

In the course of Aon’s Ageonomics diagnostic research, the two leading loss causes of injuries to knees and shoulders stem from strain/sprains and slip/trip/falls which can directly be attributed to reduced mobility and reduced strength, both of which can be related to an older physiology. By understanding the physical changes of an aging human and linking these changes to loss-producing trends in the data, we can develop a thoughtful strategy for increasing workability and reducing age-specific exposures in the workplace.

Figure 4: Various elements of aging drive the aging strategies in the workplace.
Rethinking the Work Environment

After some research and discussions with other benchmarking groups (NCCI and IBI), we can begin to make some “educated” assumptions surrounding drivers of these increased costs. What is of interest to Aon’s Ageonomics practice is how physical changes can influence solutions to reduce injury risk and prevent absenteeism. With onset of sarcopenia—loss of muscle mass—comes decreased strength. Many physically demanding jobs do not factor this into the equation when developing production standards or production demands for the workforce. By age-adjusting the demands by a specified factor, for example, we can not only reduce the risk of injury but improve the long-term workability and productivity of the workforce in general.

As part of Aon’s Ageonomics methodology, each safety, ergonomics, benefits, wellness, human resource program aligns strategies, and their resulting activities around the needs of the aging worker. The ultimate objective is to develop strategies geared towards optimizing the performance of the aging worker. This can only be done when each program is assessed and refined for the aging workforce (Table 2). For example, a recent study (Ruahala, et. al. 2007) found a linear trend between increasing workload and increasing sick time among nurses. First, we know that in health care and social assistance, musculoskeletal disorders (MSDs) make up 42 percent of cases and have a rate of 55 cases per 10,000 full-time workers. According to the Bureau of Labor Statistics, this rate was 56 percent higher than the rate for all private industries and second only to the transportation and warehousing industry. Second, given that 55% of the USA nursing workforce is age 50 or older (NCSBN & The Forum of State Nursing Workforce), the issues discussed earlier with the physicality of aging, conducting an Ageonomics assessment may be an important part of a strategic program to reduce sick leave, workers compensation injuries and overall absenteeism. Third, solutions cannot be one-dimensional, i.e., simply purchasing patient handling equipment and hoping that will remedy the situation. Strategies must encompass the total health and wellbeing of the worker for optimal success, including a thorough review of the programs outline in Table 2.

<table>
<thead>
<tr>
<th>Program</th>
<th>Ageonomic Work Environment Strategy</th>
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<tbody>
<tr>
<td>Safety Program</td>
<td>▪ Refine training programs around aging workers</td>
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<tr>
<td></td>
<td>▪ Target high risk exposures for aging workings (e.g. fall prevention, musculoskeletal, etc.)</td>
</tr>
<tr>
<td></td>
<td>▪ Refine on-boarding programs for aging workers to include preceptor programs</td>
</tr>
<tr>
<td></td>
<td>▪ Align safety programs with age-specific absenteeism trends</td>
</tr>
<tr>
<td>Ergonomic Programs</td>
<td>▪ Assess fatigue and work-rest cycles</td>
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<tr>
<td></td>
<td>▪ Evaluate signage and work instructions for aging workers</td>
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<tr>
<td></td>
<td>▪ Adjust ergonomic tools for age</td>
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<td></td>
<td>▪ Conduct age-specific evaluations</td>
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<td></td>
<td>▪ Time-motion study for aging workers</td>
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<td></td>
<td>▪ Workload assessments</td>
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</table>
**Program** | **Ageonomic Work Environment Strategy**
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**Benefits Programs** | • Align with age-specific data trends  
• Support WC, STD, LTD, trends  
• Align with safety and ergonomics program  
• Understand and develop strategies for casual absence for aging workers (e.g. care taker programs, flex schedules, etc.)

**Wellness Programs** | • Align wellness programs with injury trends on the WC side  
• Deliver innovative and meaningful solutions to meet aging workers needs

**Human Resource Programs** | • Assess workforce profile and age stratification  
• Understand production demands and review for jobs for age-appropriateness  
• Understand absenteeism and structure work in ways that reduce fatigue and improve retention  
• Create synergist program within the organization

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**Rethinking Wellness**

As the U.S. workplace continues to age, it is critical to rethink wellness programs. Berry et. al. (2010)\(^5\) state the following in a recent issue in the Harvard Business Review:

*Wellness programs have often been viewed as a nice extra, not a strategic imperative. Newer evidence tells a different story. With tax incentives and grants available under recent federal health care legislation, U.S. companies can use wellness programs to chip away at their enormous health care costs, which are only rising with an aging workforce.*

The article continues to point out six key pillars of an effective wellness program that, once implemented, can help significantly lower health care costs. As part of Aon’s Ageonomics practice, we analyze these key pillars, including leadership, program quality, accessibility and communication of not only wellness but safety, ergonomics and other programs, to understand gaps for aging workers. By reviewing age-specific data and wellness program statistics, we can probe deeper and ultimately develop strategies to better align these programs for the aging worker. Researchers at Harvard found that participants in wellness programs are absent less often and perform better at work than their nonparticipant counterparts.\(^5\) Thus structuring a wellness program around aging workers can become a way for organizations to not only retain aging workers, but ensure their workability does not decline to levels that result in disabilities and/or workers compensation claims.

**Conclusions**

As with any workplace program, measuring success includes not only health care costs, but workers compensation costs, safety program incident rates, absenteeism and presenteeism, turnover rates, among other leading and lagging indicators. With the ageing workforce it becomes essential in aligning traditional silo programs into a synergistic, thoughtful approach to optimize any program touching an aging worker. Aon’s Ageonomics service is poised with leading professionals to guide organizations in tackling this challenging issue.
References:

1. file://D:/Profiles/vmissar/My%20Documents/Downloads/a_23_suppl_1_049.pdf


5. file://D:/Profiles/vmissar/My%20Documents/Downloads/Harward_BR_What%E2%80%99s+the+Hard+Return+on+Employee+Wellness+Programs.pdf

According to the Finnish researchers Ilmarinen & Tuomi (2004), "workability" may be understood as 'how good is the worker at present, in the near future, and how able is he/she to do his/her work with respect to the work demands, health and mental resources'. This definition is based on a so called 'concept of work ability' (Ilmarinen, 2004) according to which, work ability is the result of the interaction of the worker and his or her work. Work ability may also be described as the balance of the workers' resources and the work demands.

Reference: http://www.arbeitsfaehigkeit.uni-wuppertal.de/picture/upload/file/Concept_and_Assessment.pdf
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About Aon

Aon plc (NYSE: AON) is the leading global provider of risk management, insurance and reinsurance brokerage, and human resources solutions and outsourcing services. Through its more than 61,000 colleagues worldwide, Aon unites to empower results for clients in over 120 countries via innovative and effective risk and people solutions and through industry-leading global resources and technical expertise. Aon has been named repeatedly as the world’s best broker, best insurance intermediary, reinsurance intermediary, captives manager and best employee benefits consulting firm by multiple industry sources. Visit www.aon.com for more information on Aon and www.aon.com/manchesterunited to learn about Aon’s global partnership and shirt sponsorship with Manchester United.
About Aon Global Risk Consulting’s Strategic Improvement Platform

AGRC’s Casualty Risk Consulting team is dedicated to providing clients with innovative and sustainable solutions for their risk management needs. The differentiating factor is the Strategic Improvement Platform, a continuous improvement model leveraged to assess, plan, implement solutions, and measure success for our clients.

The Five Phases of the Aon Strategic Improvement Platform

- **Calibrate:** A critical understanding of our client’s vision to ensure we deliver solutions that are consistent with long-term business plans.

- **Diagnose:** Establish baselines and benchmarks to identify strengths and prioritize opportunities for improvement. Then, by assessing the current state of the casualty program from a risk management, culture and prevention perspective, we help clients build a program that drives measurable impact.

- **Strategize:** Team with clients to build a proactive, metric-driven plan to drive near-term milestones and long-term and sustainable successes. The objective is to help clients build SMART goals, so sustainable and replicable success for your organization can be managed.

- **Execute:** A hallmark of our consulting approach is “execution through client service”. Planning with poor execution will not drive results, therefore, Aon’s global resources are ready to support, compliment or directly manage portions of the strategic plan.

- **Measure:** The purpose of designing a strategy and then committing time and resources to its implementation is to drive results. Part of our planning sessions will be to identify how our clients will measure success.