

**AN ANALYSIS OF SMALL BUSINESS HIRING OF SENIORS**

**Robin T. Peterson**  
**Andreas W. Stratemeyer**  
New Mexico State University

**ABSTRACT**

*This study investigated small business hiring of senior citizens. It found that older persons make up a moderate percentage of the small business work force. The respondents reported dependability, possession of the work ethic, respect for authority, experience, and company loyalty as advantages of seniors. The major disadvantages were physical limitations, illness, slow work, and costs of medical benefits. Most respondents plan to hire larger numbers of seniors in future periods.*

**INTRODUCTION**

The United States population is steadily growing older and many small and large companies are finding profitable markets in the senior citizen segment (Peterson, 1995). They are discovering that older consumers represent a desirable target market (Lee, 1997; Wolfe, 1994). By the same token, they are finding that seniors are becoming an increasingly important component of the labor force (Gayle, 1990).

Advances in medical care, exercise habits, and eating patterns have led to a situation where there are large numbers of older persons, many of whom enjoy superior mental and physical health than their predecessors (Wolfe, 1994). Many of these individuals like the idea of extending their working lives beyond normal retirement ages, either in a full or part time capacity.

Seniors do not always experience success in obtaining jobs. In fact, some find that managers are reluctant to hire them. It is possible that United States cultural attitudes and norms may account for some of the neglect of older individuals as potential employees. Seniors in the United States do not enjoy the status that they do in many other societies. In this country seniors are often perceived as lacking mental and physical competence, status, and power (Kluckhohn, 1987). Hiring decisions may be mirroring this cultural norm, whether or not it is accurate.

Firms can sometimes benefit, of course, because seniors will often accept employment at lower wages than younger workers. This allows the firm to obtain valuable expertise, at a lower cost.

It is possible, of course, that small businesses avoid hiring older persons because of perceived weaknesses of these individuals as participants in the labor force. Some managers may have discovered or believe for other reasons that seniors are not physically or mentally able to carry on duties as ably as younger persons. Medical and insurance costs may be substantial for the elderly. They may lack critical computer skills or insist upon inflexible hours. One of the purposes of this study was to uncover views of small business managers regarding these and other possible shortcomings of older individuals as employees.

Specifically, the current study was undertaken to address four objectives:

1. To measure the degree to which small firms in the United States hire seniors.
2. To ascertain the advantages which small firms perceive in older employees.
3. To determine the problems which small companies perceive in including older workers on the payroll.
4. To derive estimates by small firm managers as to anticipated hiring of seniors in the future.

### **THE STUDY**

The researcher mailed 20 questionnaires to a randomly-chosen set of 50 college and university Small Business Institute directors located in 50 states. Therefore, the total number of questionnaires mailed was 1,000 (50 x 20). The geographic dispersion of the sample was undertaken in order to produce results that were reasonably representative of the population of small businesses at large. Accompanying the questionnaires was a letter explaining the purpose of the study and asking that the SBI director distribute the questionnaires to 20 past and present SBI clients and to collect the questionnaires once they were completed and forward them back to the researcher. Follow-up letters were sent to non-respondents.

The effort yielded a sample size of 368 usable returned questionnaires--a response rate of 36.8%. The questionnaires had previously been pretested on a sample of 20 small business managers located in the city where the researcher worked. Since the managers making up the final sample were all past or present SBI clients, they satisfied the requirements for classification as a small business, according to the criteria set forth by the small business administration.

The respondents were asked if they hired seniors (defined as individuals 65 years of age and older) and, if they did, for the proportion of the work force that were seniors. They were also asked for perceived (A) advantages and (B) disadvantages of hiring older workers. Further, they were requested to forecast if they would hire more or less or about the same proportion of seniors in the future as they had to date. Demographic data (sales revenues and industry specification) were also solicited.

The respondents were asked to specify their 1995 sales revenues. The median figure was \$643,200, reflecting the fact that the study focused only upon small firms. Since the survey covered only small business, its findings and conclusions cannot be extended to encompass the entire universe of firms.

### **RESEARCH RESULTS**

The industry makeup of the sample was examined. Table 1 sets forth the results. Retailing makes up the largest grouping, followed by manufacturing, service, wholesaling, and "other" category. In this case, the percentage of service firms was lower than is sometimes encountered in studies

---

of small business. Chi Square tests were employed for Table 1 and the following tables, since comparisons between frequencies were sought. The Chi Square tests indicate cases where frequencies exceed those of others. In all cases, .05 levels of significance were employed.

Table 1  
**Industry Composition Of The Sample**

<u>Industry</u>	<u>Frequency</u>	
	<u>Number</u>	<u>Percent of Total*</u>
<i>Manufacturing</i>	85	23.1*
<i>Wholesaling</i>	22	6.0
<i>Retailing</i>	189	51.4*
<i>Service</i>	43	11.6
<i>Other</i>	<u>29</u>	<u>7.9</u>
<i>Total</i>	368	100.0 %

\*Signifies a frequency that is significantly larger than the column frequency, according to a Chi-Square test at the .05 level.

The questionnaire asked the respondents if their companies hired senior citizens. The results appear in Table 2. By far the greatest percentage is in the "none" category, followed by the 1-4.9% and the 5-9.9% groupings. It is evident that most work forces contain a relatively small proportion of older workers. In contrast, over eleven percent of the U.S. population is of age 65 and older.

Table 2  
**Percentage of Respondents' Workforces Made Up of Seniors**

<u>Percentage of Workforce</u>	<u>Frequency</u>	
	<u>Number</u>	<u>Percent of Total *</u>
<i>None</i>	168	45.7*
<i>1-4.9%</i>	84	22.8*
<i>5-9.9%</i>	48	13.1
<i>10-14.9%</i>	36	9.7
<i>15-19.9%</i>	22	6.0
<i>20% and over</i>	<u>10</u>	<u>2.7</u>
<i>Total</i>	368	100.0%

\*Signifies a frequency that is significantly larger than the average frequency for the column according to a Chi-Square test at the .05 level.

The members of the sample were asked to specify the advantages of employing seniors, based upon their experience. Table 3 sets forth the frequencies associated with each category of response. The total frequencies exceed the sample size, because most respondents cited more than one advantage.

Those advantages which received the greatest frequencies were that seniors were dependable, possessed the work ethic, respected authority, were experienced, and were loyal to the company. Other important advantages were flexible schedules, mature behavior, stability, punctuality, and willingness to train. Less frequently reported were responsibility, honesty, character, customer orientation, trustworthiness, and limited family.

As the columns in the table indicate, there are some differences between industries. In retailing, for example, the work ethic was reported more frequently than dependability. The reverse is true in the other industries examined. The "experience" advantage received more frequencies than respect for authority in retailing and in the "Other" industry. In manufacturing and service, however, respect for authority was mentioned more often. A flexible schedule was reported as an advantage by a large number of retailers. These differences between industries reflect desired characteristics and behaviors of employees in these industries, as well as the performance of seniors in these roles.

Further, the differences between industries suggest different rationale for hiring older persons, from one industry to another. A retailer who sought to employ those with the work ethic might be especially highly motivated to hire seniors, for example. Conversely, a service firm desiring dependable employees might find seniors to be especially useful.

When the data in Table 3 are converted from frequencies to ranks (based upon the number of frequencies in each cell), it is possible to measure the degree to which the respondents in the five small business industries agreed upon the importance of particular advantages. With ranked data, it is possible to perform a Kendall Coefficient of Concordance test, designed to assess the degree to which members of a set of (m) distinct ranks offerings of (n) things tend to be similar. Basically, this indicates the extent to which the rankings agree with each other. The coefficient which was computed in this case was .79. This indicates a high degree of concordance between the industries, since the variance of the rank sums is 79 percent of the maximum possible.

Table 4 presents the disadvantages of hiring seniors which the respondents reported. In terms of raw numbers, the advantages outweigh the disadvantages--sixteen advantages and twelve disadvantages were cited. Further the frequencies associated with the advantages were 1,476, while those mentioned for disadvantages were 381, furnishing some evidence that small businesses are satisfied with the performance of these individuals. Disadvantages which have frequencies significantly higher than those in their columns, according to Chi Square tests at the .05 level of significance are labeled with asterisks.

For the sample at large, the significant disadvantages are physical limitations, illness, "too slow", and cost of medical benefits. Other frequently-mentioned disadvantages were difficult to train, opinionated, forgetful, and "only part time". Finally, some respondents mentioned inflexible hours, unsociable, complain, lack computer skills, and other topics.

Table 3

**Reported Advantages of Hiring Seniors****Industry**

<b>Advantage</b>	<b>Retail</b>		<b>Manufacturing</b>		<b>Service</b>		<b>Wholesale</b>		<b>Other</b>		<b>Total</b>	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
<i>Dependable</i>	74	10.4*	46	12.6*	26	14.9*	11	11.5*	12	10.1*	169	11.5*
<i>Work ethic</i>	82	11.5*	43	11.8*	8	4.6	7	7.3	6	5.0	146	10.0*
<i>Respect for authority</i>	54	7.6*	37	10.2*	12	6.9	13	13.5*	16	13.4*	132	9.0*
<i>Experienced</i>	56	7.9*	36	9.9*	12	6.9	9	9.4*	18	15.1*	131	8.9*
<i>Loyal to company</i>	68	9.5*	27	7.4	15	8.5*	11	11.5*	8	6.7*	129	8.8*
<i>Schedule is flexible</i>	65	9.1*	22	6.0	15	8.5*	4	4.2	5	4.2*	111	7.5
<i>Mature behavior</i>	51	7.2	24	6.6	13	7.4*	9	9.4	10	8.4*	107	7.3
<i>Stable</i>	50	7.0	23	6.3	11	6.3	7	7.3	6	5.0	97	6.6
<i>Punctual</i>	38	5.2	21	5.9	9	5.1	6	6.2	9	7.6	83	5.7
<i>Willing to train</i>	31	4.4	22	6.0	8	4.6	7	7.3	8	6.7	76	5.2
<i>Responsible</i>	26	3.7	17	4.7	8	4.6	5	5.2	5	4.2	61	4.2
<i>Honest</i>	34	4.8	9	2.5	9	5.1	3	3.1	2	1.7	57	3.9
<i>High character</i>	18	2.5	16	4.4	7	4.0	1	1.0	4	3.4	46	3.2
<i>Customer oriented</i>	22	3.1	4	1.1	8	4.6	1	1.0	3	2.5	38	2.6
<i>Trustworthy</i>	19	2.7	6	1.6	7	4.0	0	0.0	3	2.5	35	2.4
<i>Limited family</i>	17	2.4	6	1.6	5	2.9	2	2.1	3	2.5	33	2.2
<i>Other</i>	7	1.0	5	1.4	2	1.1	0	0.0	1	0.8	15	1.0
<b>Total</b>	<b>712</b>	<b>100.0</b>	<b>364</b>	<b>100.0</b>	<b>175</b>	<b>100.0</b>	<b>96</b>	<b>100.0</b>	<b>119</b>	<b>100.0</b>	<b>1466</b>	<b>100.0</b>

\*Signifies a proportion that is significantly greater than the average proportion for the row, according to a Chi-Square test at the .05 level

Table 4

**Reported Disadvantages of Hiring Seniors****Industry**

<b>Disadvantage</b>	<b>Retail</b>		<b>Manufacturing</b>		<b>Service</b>		<b>Wholesale</b>		<b>Other</b>		<b>Total</b>	
	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>	<i>Number</i>	<i>%</i>
<i>Physical limitations</i>	24	14.5*	23	19.8*	5	11.1*	4	11.1*	7	21.2*	63	15.9*
<i>Illness</i>	32	19.3*	11	9.5*	7	15.7*	6	16.7*	2	6.1	58	14.6*
<i>Too slow</i>	19	11.4*	16	13.7*	8	17.8*	5	14.0*	1	3.0	49	12.5*
<i>Cost of medical benefits</i>	14	8.5*	16	13.7*	2	4.4	4	11.1*	6	18.3*	42	10.7*
<i>Difficult to train</i>	9	5.4	14	12.1*	6	13.3*	2	5.6	4	12.1*	35	8.8
<i>Opinionated</i>	20	12.1*	6	5.2	2	4.4	2	5.6	5	15.1*	35	8.8
<i>Forgetful</i>	13	7.8	8	6.9	5	11.1*	3	8.3	3	9.2*	32	8.1
<i>Only part time</i>	11	6.6	9	7.8	4	8.9*	6	16.7*	1	3.0	31	7.8
<i>Inflexible hours</i>	7	4.2	6	5.2	4	8.9*	0	0.0	1	3.0	18	4.5
<i>Unsociable</i>	4	2.4	3	2.6	0	0.0	3	8.3	1	3.0	11	2.8
<i>Complain</i>	3	1.8	0	0.0	1	2.2	1	2.8	1	3.0	6	1.5
<i>Lack computer skills</i>	3	1.8	1	0.9	0	0.0	0	0.0	0	0.0	4	1.0
<i>Other</i>	7	4.2	3	2.6	1	2.2	0	0.0	1	3.0	12	3.0
<b>Total</b>	<b>166</b>	<b>100</b>	<b>116</b>	<b>100</b>	<b>45</b>	<b>100</b>	<b>36</b>	<b>100</b>	<b>33</b>	<b>100</b>	<b>396</b>	<b>100</b>

\*Signifies a proportion that is significantly greater than the average proportion for the row, according to a Chi-Square test at the .05 level

The disadvantages for each industry that have frequencies significantly larger than their columns, according to Chi Square tests of frequencies at the .05 level are identified with asterisks. The Kendall Coefficient of Concordance for the disadvantages was .73, slightly less than that for advantages, but still substantial.

There were some interesting differences between industry categories. For instance, manufacturers and "others" found seniors difficult to train, while retail, service, and wholesale firms did not. Retail and other companies reported "opinionated" as a significant disadvantage, while the other categories did not. "Other" was the only industry citing significant numbers in the forgetful category. Service and wholesale companies found that only part time was a significant disadvantage. Finally, only service firms found inflexible hours to be a significant disadvantage.

The respondents were requested to specify if they planned to hire different percentages of seniors in their work forces in the future than they had in the past. Fifty two percent indicated that they did plan to hire a larger percentage, thirty eight percent that they planned to hire about the same percentage, four percent that they planned to hire a smaller percentage, and six percent that they did not know.

### **DISCUSSION**

This study was designed to measure the degree to which a sample of small firm managers hired senior citizens, their perceived advantages and disadvantages of hiring these individuals, and their future employment plans for seniors. Many sample members hire seniors, although the percentage of the work force is moderate. When queried about advantages, the members of the sample set forth a number of these, emphasizing dependability, the work ethic, respecting authority, experience, and loyalty to the company. There was substantial agreement among industries on the ranking of the importance of the advantages.

The major disadvantage mentioned by the sample was physical limitations, followed by illness, being too slow, and the cost of medical benefits. As in the case of advantages, concordance between industries was high. Finally, a large proportion of the sample plan to hire larger percentages of their work force from the senior group in the future.

### **IMPLICATIONS**

Certain implications for small business managers emerge from this study. It appears that these companies should experience a number of advantages, as well as some disadvantages, as a consequence of hiring the elderly. They can be expected to hire even larger numbers in the future than they have in the past. For some this will mean continuing to use current employees past normal retirement ages. For others it will mean recruiting new employees from the ranks of the elderly.

The large number of advantages set forth by the respondents suggests that small businesses who are not recruiting and retaining seniors may be failing to take advantage of a high potential pool of managerial and operative talent. This is particularly the case for those small businesses which are currently experiencing high caliber personnel shortages and shortcomings in the abilities of current employees. Recruitment programs targeted at elderly job seekers may hold considerable promise for them.

Small business managers who are considering the employment of seniors should take into consideration the advantages and disadvantages uncovered by the study. If, for instance, dependability, possession of the work ethic, respect for authority, experience, and company loyalty are of substantial importance to the recruiter, seniors may be a very good source of applicants. Conversely, if the job in question would not be appropriate for those with physical limitations, those unable to work because of illness, those who work slowly, or those with considerable medical problems, the employer may be well-advised to approach the senior applicant pool with caution, unless modifications, such as changes in the nature of the work, can be accomplished.

Recruiting seniors sometimes necessitates different sources of job applicants than recruiting younger persons. There are organizations, such as Aging in America, that specialize in placing older job applicants. Some senior citizen centers are active in placing members who seek employment. Various employment agencies are active in this field. Employers who seek older employees may be well-advised to consider these alternative sources.

### CONCLUSIONS

When seniors are hired, small businesses may find it advisable to make certain changes in methods of supervising employees and arranging their work. Since seniors are dependable, experienced, and have the work ethic, they may require less close supervision. It may be necessary to convert some jobs to part time or job sharing and to employ flextime, if this is not already available. Certain job responsibilities may have to be redesigned, so they are less physically demanding.

Training methods and procedures may, of necessity, require deviations from those used for younger employees. Since many seniors are experienced, their desired training may be less extensive. In some cases, adjustments may be needed in the training format, as by presenting ideas at a slower pace. A positive phenomenon is that the training benefits to the firm may accrue for a long time period for seniors, since their turnover is less and they are less likely to move on to other companies after they have been trained by the current employer.

### REFERENCES

- Gayle, M. (1990). Toward the 21<sup>st</sup> Century. *Adult Learning*, 30 (1), 56-60.
- Kluckhohn, C. (1987). *Mirror for Man*. Greenwich, Conn.: Premier Books, 189-192.
- Lee, R. A. (1997). The Youth Bias in Advertising. *American Demographics*, 19 (1), 46-50.
- Peterson, Robin T. (1995). The Depiction of Senior Citizens by Banks in Newspaper Advertisements: A Content Analysis. *Journal of Professional Services Marketing*, 12, (2), 95-106.
- Wolfe, David B. (1994). Targeting the Mature Mind. *American Demographics*, 16 (2), 32-36.