

what does the AGING workforce mean for your company?

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By now, most HR and total rewards professionals have heard about the pending mass retirement of Baby Boomers and the resulting talent shortage. Average life expectancy has increased, more people are working longer and the overall share of Americans age 65 and older will go from about 12 percent in 2000 to nearly 20 percent in 2030, according to the U.S. General Accounting Office.

QUICK LOOK

- ⇒ The cost impact of employing mature workers cannot be ignored when evaluating risk.
- ⇒ Respondents recognize that mature workers provide a significant business advantage.
- ⇒ With their knowledge, maturity and experience, older workers represent a relatively untapped market to avert a talent crunch.



Eighty-one percent of respondents across all industries had not surveyed their mature workers to determine their work preferences or retirement intentions.

But WorldatWork, Corporate Voices for Working Families and Buck Consultants wanted to know if HR professionals feel the threat is real and, if so, what they plan to do about it. This article details the results of that survey and draws some conclusions that can help HR and total rewards professionals prepare their organizations for the aging workforce.

Evaluating Business Risk

Only 42 percent of employers believe the aging workforce represents a significant business risk, according to a 2006 survey by WorldatWork, Corporate Voices for Working Families and Buck Consulting. On the flip side, 29 percent of respondents, many with workforces that are not retirement eligible within the next five to 10 years, reported that retiring Boomers will have little or no effect. The remaining 29 percent were neutral on the issue, perhaps not having yet evaluated the potential departure of aging workers or possibly taking a wait-and-see approach for the short term.

Opinions on business risk varied by industry and seemed to be related to relative age of the employee population. One example: Companies in the technology sector, with a younger workforce and the ability to source talent globally, anticipate a lower risk than do health-care organizations, which employ a more mature workforce and rely largely

on regional labor pools and local recruiting efforts to source employees.

Surprisingly, even employers that anticipate losing a number of key workers in the next five to 10 years have not been proactive in preparing for the future: 81 percent of respondents across all industries had not surveyed their mature workers to determine their work preferences or retirement intentions, and only 7 percent had a formal process in place to do so.

Still, some organizations have employed other approaches for evaluating the potential business risk of the aging workforce. Forty-six percent of companies have a succession-planning process in place for leadership positions, and 35 percent have conducted a demographic analysis of the age, tenure and retirement eligibility of their workforce.

The cost impact of employing mature workers cannot be ignored when evaluating risk. Pension, health care, seniority compensation and knowledge retention/transfer costs were all cited as significant financial components of business risk.

What Employees Want

While those labor costs pose considerable risk, employers also perceive benefits (86 percent) and compensation (66 percent) as major components of job satisfaction for mature workers—as well as among the most important factors

in employees' decisions about retirement.

In fact, 93 percent of employers believe financial reasons are highly significant for aging workers in deciding when and how to retire. There is a great deal of circumstantial evidence to substantiate this perception. Indeed, one need only turn to business and mass media to see endless reports about lack of adequate savings, credit-card debt, unabated health-care cost increases, defined benefit pension terminations and other signals that many Americans simply are not prepared financially to retire.

According to employers, attaining a work-life balance (68 percent) and remaining part of a workplace community (44 percent) are also reasons why Baby Boomers will stay in the workforce, signifying the importance of satisfying personal needs.

However, with the vast majority of employers reporting that they have not polled their aging population, there is potentially a huge gap between employer perception and employee intention—which could result in shortages at a time when recruiting becomes difficult amidst a broader talent crisis as aging Boomers head for the exit door and competition for talent heats up.

Starting at the Top

Survey respondents reported the greatest potential risk to be the departure of

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senior leadership, middle management, and technical and knowledge workers. This is not particularly surprising, as all three groups have significant reserves of experience. In contrast, the loss of sales, marketing, customer service, and front-line supervisors and employees was not perceived as a risk.

The companies that have formal succession plans in place reported that such plans were for leaders only—although it was acknowledged that losing the skill sets of mature middle managers and other critical workers could cause business disruption.

Retention Strategies

Respondents recognize that mature workers provide significant business advantage, with 88 percent saying mature workers have valuable knowledge, and 74 percent saying mature workers are reliable and dedicated.

So, what are employers doing to keep their talent? The most widely used strategies for retaining retirement-eligible workers are the use of flexible work schedules (71 percent either offer this now or plan to do so) and the hiring of retired employees as consultants (59 percent of respondents have adopted this strategy or plan to). Fewer respondents offer or are considering phased retirement (47 percent), alternative job design

(43 percent) or flexible benefits programs (40 percent) as retention strategies.

Very few respondents offer or plan to offer retention incentives to their older workers. This is consistent with a prevailing perception that workers cannot afford to leave the workforce at a “normal” retirement age and continue to work of their own volition. This could also be attributable partially to the fact that accommodating part-time and flexible schedules was viewed by respondents as a potential business risk. Perhaps organizations have not used a systematic approach to identify the potential need, or have not yet felt the pinch of impending talent shortages.

Retaining Knowledge

It's no secret that the loss of knowledge has a significant impact upon an organization. There is a reduced ability to innovate, to pursue growth strategies and to capture efficiencies. This vulnerability gives an edge to the competition.

The most striking risk perceived by respondents is the management of a multigenerational workforce and effective knowledge-transfer processes; 88 percent of respondents regarded this as a very significant risk. Similarly, costs associated with knowledge and skill transfer are perceived as highly significant by 62 percent of respondents.

Although the need exists, many organizations do not have strong knowledge-transfer programs in place. More than 42 percent of the respondents have no defined resource for knowledge management. Those who are taking action are using strategies such as formal mentoring programs, communication tools such as chat rooms and intergenerational work teams. Many organizations are ramping up efforts to conduct gap analysis, develop knowledge-transfer plans and launch specific training programs that facilitate critical information exchange.

Recruiting Mature Workers

Regardless of the perceived value of employing mature workers, only half the respondents actively recruit them. Twenty-five percent of employers rehire their retired employees, and less than 20 percent of respondents seek workers from other, nontraditional recruiting sources such as community networks.

The survey findings underscore a stark contrast: While talent retention appears to be a priority for many organizations, most do not concentrate on hiring mature workers from outside the organization.

Instead, many organizations are putting effort into recruiting and retaining entry-level employees. Survey partici-

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pants reported that they have increased their use of on-campus recruiting and have developed formal relationships with university job centers to attract the “best and brightest.”

About the Survey

In 2006, WorldatWork, Corporate Voices for Working Families and Buck Consultants conducted an Internet-based survey to evaluate the impact of an aging workforce on the U.S. marketplace. The survey was designed to:

- Assess to what degree respondents considered the pending retirement of Baby Boomer employees to be a significant issue.
- Explore what organizations are doing to prepare for the departure of mature workers.

Nearly 500 organizations responded to the Internet-based survey, titled “The Real Talent Debate: Will Aging Boomers Deplete the Workforce?” The responding organizations represented a broad cross section of the domestic business and public-sector landscape. Sixty-four percent of responses came from employers with at least 1,000 employees, and 18 percent of responses were from employers with 20,000 or more employees.

Conclusions and Action Items

- There is a tremendous proactive opportunity to establish and execute a formal process to poll mature workers about their retirement intentions and to develop an action plan that will help protect against a talent and knowledge loss. Critical decisions about workforce sustainability should not be based solely on demographic data.
- There is a clear need for organizations to embrace broader workforce-planning initiatives. By proactively identifying business-critical positions throughout the organization, employers will be able to understand where their organizations are truly vulnerable—or could be in the future. Such initiatives should, of course, include a detailed action plan for retaining and replacing pivotal workers to avoid any business disruptions.
- Organizations should develop a knowledge-retention and transfer strategy, starting with defining and identifying critical knowledge and who holds it, and then developing processes, tools and technology for capturing, transferring and using that knowledge and information within the organization. Implementing such an initiative will also have the broader result of helping the organization reduce its dependency on talent retention.
- With their technical knowledge and

business savvy, Boomers are a relatively untapped target market for companies needing to avert a talent crunch. Plus, many Boomers, healthier, more active and with greater longevity than past generations, are embracing second careers. Consider a recruiting/retention/engagement strategy that targets mature workers. 

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