

Are you ready to tap older workers' talents?

This is the second of a two-part series on older employees. Part one, which ran in the Feb. 13 issue of Canadian HR Reporter, looked at career development for older workers. If you missed it, please go to www.hrreporter.com, click on "Advanced Search" and enter article #4239.



■ HR RESEARCH
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The coming wave of baby boomer retirements has been on employers' radar screens for more than a decade. Yet few have taken the steps needed to prepare for this new demographic reality.

Now, with more than one-in-five workers in Canada between the ages of 50 and 64, employers need to find innovative ways to tap into this huge pool of experienced baby boomers.

People are living longer, but they have also been retiring earlier. The Organization for Economic Co-operation and Development, the industrialized nations' economic think-tank, warns this scenario is not sustainable. Even small increases in employment levels for workers over age 55 — through delayed retirement, or return to work after retirement — will re-

lieve some of the pressure of the coming decade's massive workforce transition.

So expect to hear a lot more about "flexible phased retirement" in coming years. Employees of all ages value flexibility in their jobs and work schedules, and this principle must guide how employers respond to the challenges of workforce aging.

As American demographer Ken Dychtwald and his colleagues wrote in the *Harvard Business Review*, "in an ideal world, flexible retirement would allow employees to move in and out of the workplace seamlessly." This vision jettisons traditional notions of retirement. The point is, organizations need a wider range of work opportunities for older individuals.

Consider some basic workforce facts. Employment rates

drop off sharply after age 55. An increased employment rate of just five percentage points in the 55-plus age group would add 177,000 individuals to the workforce — more than enough to sustain Canada's impressive record of economic growth and help alleviate skill and labour shortages.

Take nursing as an example. Chronic nursing shortages contribute to hospital wait times. Encouraging older nurses to delay retirement by even six to 12 months, or to return to work part time after retiring, will help manage this pressure on the health system and get new nursing recruits up to speed.

But there's a catch. Many of these older nurses feel burned out and would like to leave today. So even if employers rush to offer flexible work-retirement options, the quality of current working conditions will be the deciding factor.

Rethinking Work, a 2004 study of more than 2,000 Canadian workers and employers by Ekos Research Associates and The Graham Lowe Group, explored these issues and found many employers are woefully unprepared for an aging workforce.

The 600 employers surveyed

in early 2005 see the handwriting on the wall. In the next five years, almost all expected to be recruiting, many face increased retirement in their workforce and many expect skill and labour shortages.

However, only about one-quarter to one-third of employers surveyed have workforce plans that address recruitment and retention beyond a three-year time horizon. Few have succession plans for senior managers or for key non-management positions.

Furthermore, only five per cent of employers surveyed currently encourage older workers to delay retirement or return to work from retirement. There are signs, however, that flexible retirement practices could become more widespread. Close to one-quarter of respondents are very likely to adopt this human resource strategy.

Employers will have to act fast, because workers are already ahead of them in terms of thinking about retirement. The survey offers two practical insights about what influences workers' decisions about retirement.

First, many workers want flexible options that will bridge work and retirement. More than one in three workers with retirement plans are receptive to staying in the workforce for a few years after their planned retirement dates. Another 31 per cent might be convinced to do so.

Canada is not alone in this

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Putting off retirement

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regard. The American Association of Retired Persons (AARP) commissioned an international retirement security survey, conducted by Harris Interactive among 30- to 65-year-olds in the United States, Canada and eight other countries. It found less than one-third of respondents planned to completely stop working in retirement. Indeed, AARP is promoting what it calls “designer retirement.”

Second, decisions to stay employed or retire are strongly influenced by job quality issues. Among the workers surveyed in *Rethinking Work*, those who were stressed out or dissatisfied with their jobs planned to retire at least a year earlier than did co-workers with good work-life balance.

Job quality can also encourage workers to change their retirement plans and stay longer in the workforce. The biggest incentive for employees to keep working beyond their planned retirements is not money, but the opportunity to do what they are really good at. Flexible hours and schedules, including part-time work, are big attractions. Many are seeking greater personal rewards, such as making a useful contribution to society and having opportunities for challenging and interesting work. Another criterion is a healthy work environment, especially one that is low-stress. Some are looking for self-employment opportunities as the route to meeting these aspirations.

Based on this new evidence, employers need to adapt their

people practices to the aging workforce. Here are seven actions that can help:

1. Identify long-range human capital needs: Long-range workforce planning, with at least a 10-year time horizon, is a vital part of the solution. The starting point is the current demographic profile for an organization’s workforce. Add information on employees’ retirement plans and readiness from employee surveys or other consultations. Then identify the kinds of skills, knowledge and other competencies needed to meet future business goals.

2. Think beyond recruitment and retention: Another compelling reason for employers to redesign work-retirement transitions is to reduce the risk of losing core knowledge about how to operate the business when experienced baby boomers retire. Transferring tacit knowledge possessed by retiring workers requires more than succession planning for senior management, because it is found at all levels. Even sophisticated knowledge management systems do not fully capture tacit knowledge.

3. This is not another entitlement: Flexible retirement raises difficult questions about how to determine eligibility. This should not be an entitlement, but rather a way for an organization to renew its workforce, as well as to retain those elements of current operating knowledge that will still be needed in five or 10 years. There could be implications for performance management systems. Whether employers use pre-retirement incentives to continue working,

or post-retirement return-to-work schemes, it is crucial to have transparent and fair criteria that everyone understands.

4. Find the right fit for older workers: Chances are, this won’t be achieved by prolonging a person’s time in her current job. Finding the right fit for an older worker may require some additional training to maximize contributions. For example, a seasoned machinist or engineer may be the ideal mentor for recent hires, but first she may need new skills to succeed in this role. Talented older workers will have other options, including the voluntary sector and self employment, so proactive employers will engage these individuals in finding the best fit.

5. Scrutinize current attitudes toward older workers: In some workplaces, age discrimination will need to be addressed. First, employers need to understand how the current organizational culture values, or devalues, older individuals. It is especially crucial to address erroneous stereotypes that older workers are less productive. Also important is ensuring older workers who are brought in on short-term assignments are not perceived by younger workers as receiving special treatment.

6. Work with other partners: Employers can’t re-invent retirement on their own. Legislation and pension plan regulations set the parameters. So it is essential that employers communicate their needs to governments and other regulators, working with these partners to launch timely reforms. The status quo can make it difficult to combine pensions and employ-

ment income or to delay receiving a pension. In some provinces, work-retirement transition options are available to public employees, and this needs to be extended more widely. Other provinces need to follow Alberta and Quebec in allowing phased retirement.

7. Learn from each other: Given rapid changes expected in work-retirement transitions, it is essential employers learn what works and what doesn’t. While a few employers, such as Home Depot, have attracted media attention for efforts to recruit older workers, industry and professional associations, as well as governments, can play a role in widely documenting and communicating best practices. For example, employers in Britain have set up a best practices network, the Employers’ Forum on Age, to showcase flexible retirement initiatives.

Canada is not on the brink of a full-blown labour market crisis fuelled by demographics. However, a good number of employers could find themselves in a very tight corner of the labour market if they don’t respond to workforce aging with appropriate action plans. Every employer could start by asking what flexible retirement would look like for their workforce. And they also need to weigh the risks of not moving in this direction.

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