The Real Talent Debate:
Will Aging Boomers Deplete the Workforce?

research

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The Total Rewards Association

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A WorldatWork Survey Report

In October 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 American marketplace. Four hundred eighty-seven organizations contributed to the survey database, representing a broad cross-section of the domestic business landscape. Approximately 64 percent of the responses came from companies with 1,000 employees or more, with 20 percent of the companies surveyed reporting at least 20,000 employees.

The primary objective of this survey was to assess the overall degree to which respondents considered the pending retirement of "baby boomer" employees, and reduced employee availability in succeeding generations, to be a significant issue. This Executive Summary presents our key findings, and highlights some innovative strategies and programs that respondents are using to thwart potential talent shortages.

Ten Key Data Points

1. Only 42 percent of employers believe that the aging workforce issue is significant, while 29 percent believe the issue has little or no significance. Differences in opinion vary by industry and seem to be related to perceptions regarding the relative age of employees in each industry group. For example, respondents from high-technology companies, with a younger workforce, generally assign less significance to the issue than do representatives of health-care organizations, which typically employ a more mature workforce. This is reinforced when learning that the primary reason (53 percent) respondents indicated that this is not an issue is that their workforces will not be eligible for retirement within the next five to 10 years.

2. More than 80 percent of respondents, regardless of industry, have not surveyed their mature workers to determine future work preferences or intentions.

3. The greatest potential risk identified with the exodus of mature workers is the corresponding departure of senior leadership (52 percent), followed by middle management (41 percent) and technical talent and knowledge workers (39 percent). This is not particularly surprising, as all three represent significant reserves of experience.

4. This emphasis on experience is repeated in observations that the retention of aging workforce to preserve knowledge is perceived to be a very significant business advantage by 87 percent of respondents. Aging workers are also perceived, from a business advantage perspective, to be reliable and dedicated by 74 percent of respondents.

5. The most striking risk perceived by respondents is in the management of a multigenerational workforce, and need for effective knowledge transfer processes between generations; 88 percent regarded this as a significant risk.

6. To encourage knowledge transfer, respondents reported the two most utilized programs were intergenerational work teams (32 percent) and formal mentoring programs (31 percent).

7. Cost increases resulting from the loss of aging workers are perceived as being highly significant by 62 percent of respondents.

8. Aging workers want to remain in the workforce because of financial reasons (93 percent). Correspondingly, benefits are reported to be the most impactful aspect of job quality (86 percent).

9. Respondents reported that the most significant strategy for keeping mature workers in the workforce is the use of flexible work schedules (48 percent).

10. More than 50 percent of respondents do not proactively pursue mature workers in recruiting.

Is There Really a Business Risk?

We found that 60 percent of respondents do not see the aging workforce as a significant issue and have not assessed an associated business risk. Not surprisingly, 60 percent of the group who categorized mature workers as a highly significant issue will see a majority of their workforce retiring in the next five to 10 years.
In addition, there is a perceived shortage of skilled workers in 57 percent of those organizations.

Assessing business risk

Respondents have used a variety of methods to evaluate their business risk as a result of the aging workforce, among them succession planning for key leadership positions (46 percent), workforce demographic analysis (35 percent) and workforce planning to compare current workforce to future business needs (24 percent). However, 81 percent of organizations have not surveyed their workforce to determine their future work preferences and intentions, and only seven percent of organizations have a formal process in place to do so. Further, only 19 percent of respondents have conducted a detailed stratification of workforce aging by department, job family and/or geography.

Cost concerns

Despite data to the contrary, employers expressed concerns about perceived costs attributable to mature workers. Sixty-three percent attach high significance to the cost of knowledge and skill transfer, followed by 40 percent identifying health-care costs as highly significant. Retirement costs and retention costs are also of concern to about one-quarter of the survey respondents.

Addressing Talent Shortages: Programs and Strategies

Retention

The majority of survey participants currently offer (48 percent) or plan to adopt (23 percent) flexible work schedules to retain retirement-eligible mature workers. Also, 42 percent of those surveyed currently offer consulting assignments to older workers and 17 percent plan to offer such assignments in the future. Far fewer respondents offer or are considering phased retirement (47 percent), alternative job design (43 percent), or flexible benefits programs (40 percent) as part of their retention strategies.

Knowledge transfer

Most organizations lack a strong knowledge transfer program, and approximately half the responding organizations have no defined resource for knowledge management. Mentoring programs, gap analysis and intergenerational work teams are among the most frequently reported knowledge transfer strategies. Interestingly, employers attach very significant risk to the integration of multiple generations of workers (88 percent) and accommodate flexible scheduling (40 percent).

Recruiting mature workers

While mature workers are valued for their knowledge, reliability and dedication (74 percent), only half of the responding organizations reported that they actively recruit mature workers. Those that do report that they attempt to rehire retired workers (25 percent) and turn to nontraditional recruiting sources, such as community networks (20 percent).

Innovative Practices and Companies

Innovative practices, gleaned from qualitative responses to open-ended questions, fell into several general categories:

Benefits

Because benefits are a concern for mature workers and retirees, organizations are employing long-term compensation vehicles, prefunding of retiree medical benefits, wellness programs and programs that help achieve work-life balance, such as elder-care programs and concierge services.

Workplace redesign

Some organizations are using or considering phased retirement programs, alternative and flexible work schedules and telecommuting. One respondent implemented a "snowbird" program so people can transfer from one part of the country to another on a seasonal basis. In the health-care field, which is feeling the pinch of worker shortages, it is common practice to rehire retirees. Several companies have formed internal "temp agencies" for retirees, new mothers and others with alternative employment needs.

Legal and regulatory considerations may be impacting a broader adoption of phased retirement programs because current laws and regulations do not explicitly provide for phased retirement programs. The IRS and Congress have promulgated policy proposals that, if enacted, would permit partial distributions of pension benefits before normal retirement age and without terminating employment. However, individual employers will still wrestle with legal complexities surrounding the qualified status of their pension plans, continuation of health and welfare benefits to older part-time workers only, and potential age discrimination issues. Additionally, while replacement income for reduced hours may appeal to employees, they face financial uncertainties such as continued eligibility for health-care benefits as well as the impact on their benefits when they move to full retirement.

Many organizations are reacting to a depletion of the mature talent pool by stepping up efforts to recruit and retain entry-level employees. On-campus recruiting and, more specifically, establishing formal relationships with university job centers are increasingly used by survey respondents. One respondent has even embarked on an aggressive educational and educational assistance program designed to attract people just entering the workforce.

Workforce planning

Organizations are placing more emphasis on mature workers in their workforce planning initiatives, talent review, succession plans, gap analyses, intention surveys and focus groups.

Broader recruiting

Employers are looking beyond typical channels to recruit mature workers, such as alumni networks, nonprofits, employee referral programs, and partnerships with AARP.

Development/knowledge

Organizations are putting in place formal mentoring and knowledge transfer programs and, again, are encouraging intergenerational teams.

Companies that are perceived as leaders in attracting, motivating, and retaining older workers include:

- Retail businesses, which attract second-career and late-career workers looking for flexibility and less stressful jobs
- Health care businesses, which are experiencing a critical worker shortage
- Customer service centers, which often offer the flexibility to work at home

Conclusions and Action Items

Diagnosing risk

There is a need for organizations to conduct a thorough evaluation to gauge business risk as a result of the aging workforce. More importantly, such a diagnostic can serve as a best practice as an ongoing component of prudent workforce planning.

Retaining knowledge

Organizations need to implement formal knowledge management and transfer programs. Knowledge retention represents an organization's largest cost and largest risk, but knowledge workers are perceived to be worth the investment.

Meeting the financial needs of retirees

Recognized large employers as well as innovative smaller employers are using some novel strategies and practices to protect against talent shortages. Organizations that identify the aging workforce as an emerging issue can look to those who have paved the way for ideas and inspiration.

While organizations clearly can do a better job of structuring alternatives to full employment and full retirement, legal and regulatory guidance is needed before we begin to see more widespread adoption of formal phased retirement programs.

Participant Information

Participants by Industry Group

	Percent of Responses	n
Manufacturing/Materials	15.6%	76
Healthcare & Social Assistance	13.3%	65
Financial Services	12.7%	62
High Technology	9.9%	48
Professional, Scientific & Technical Services	9.9%	48
Energy/Utilities	7.6%	37
Services	5.5%	27
Retail/Wholesale	4.9%	24
Public Administration	4.7%	23
Information	2.9%	14
Accommodations & Food Services	2.1%	10
Educational Services	2.1%	10
Real Estate & Rental & Leasing	1.4%	7
Arts, Entertainment & Recreation	1.6%	8
Associations	1.4%	7
Life Sciences	1.4%	7
Transportation & Warehousing	1.2%	6
Construction	1.0%	5
Other	0.6%	3
n = 487		487

Participants by Employee Size

		Percent of Total	n
100	Less than 100 employees	10.7%	52
110	100 to 499 employees	17.0%	83
120	500 to 999 employees	9.0%	44
130	1,000 to 2,499 employees	12.5%	61
140	2,500 to 4,900 employees	11.9%	58
150	5,000 to 9,999 employees	11.9%	58
160	10,000 to 19,999 employees	8.6%	42
170	20,000 employees and more	18.3%	89
	n = 487		487

Survey Results

Participants reported where they believed their organization's top leadership falls in the debate about the significance of the aging workforce. More than 40% of the respondents believe aging of workforce to be a highly significant risk.

Significance of Aging Workforce
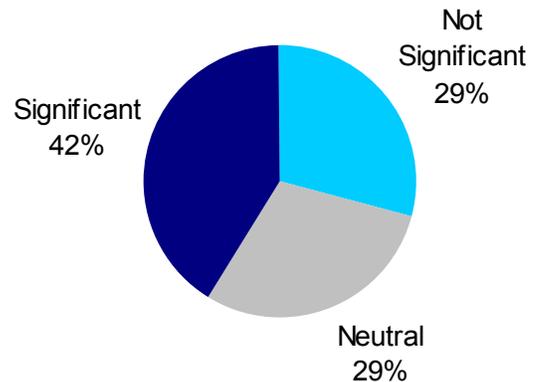
Why doesn't your organization believe this to be a major concern?
Reason that aging workforce is not a major concern

	Percent of Responses
Majority of employees not retiring in next 5-10 years	52.8%
Increased technological efficiencies and specialization	18.4%
Access to a global workforce	17.2%
Abundant supply of new workers	16.8%
Well-structured succession planning/ talent management program	13.6%
Other	8.8%

n = 250

Please indicate why your organization believe this to be a significant risk.
It's a significant risk because…

	Percent of Responses
Majority of mature workers eligible for retirement in next 5-10 years	50.9%
Shortage of skilled workers	49.1%
No formal succession planning/ talent management program	25.3%
Future growth and productivity is dependent on retaining mature workers	23.8%
Other	13.6%

n = 273

Business Risk

How Thoroughly Have Organizations Been Evaluating their Business Risk from the Aging of the Workforce

Legend: ■ No Effort/Process ■ Neutral ■ Significant Formal Process

	No Effort/Process	Neutral	Significant Formal Process
Survey of mature workers to determine future work preferences and intentions (n = 460)	81%	13%	7%
Succession planning process focused on key leadership positions (n = 465)	29%	25%	46%
Workforce planning process to compare current workforce to future business needs (n = 464)	47%	30%	24%
Detailed stratification of workforce aging by department, job family, and/or geography (n = 463)	55%	26%	19%
Workforce demographic analysis of age, tenure, retirement eligibility (n = 465)	37%	28%	35%

Scale: 0% 20% 40% 60% 80% 100%

Level of "Aging Workforce Risk" for Each of the Following Employee Groups

Legend: ■ Not a Significant Risk ■ Neutral ■ Significant Risk

	Not a Significant Risk	Neutral	Significant Risk
Sales and marketing (n = 444)	58%	28%	14%
Customer service or front-line employees (n = 453)	59%	26%	15%
Technical talent/knowledge workers (n = 459)	34%	27%	39%
Front-line supervisors (n = 460)	43%	33%	24%
Middle Management (n = 464)	28%	31%	41%
Senior Leadership (n = 467)	26%	21%	52%

Scale: 0% 20% 40% 60% 80% 100%
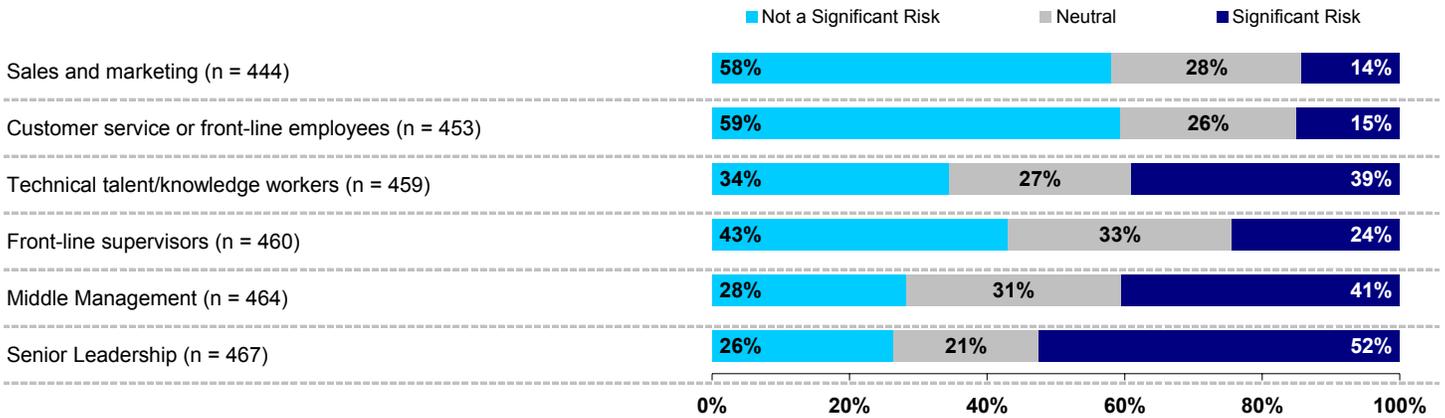
Significance of Advantage/Risk

Significance of Business Advantage of Employing Mature Workers

■ Little or no advantage　　■ Neutral　　■ Very significant advantage

Mature workers have valuable knowledge (n = 462)	3% 9%	88%
Mature workers are reliable and dedicated (n = 462)	8% 18%	74%
Mature workers are innovative and risk-takers (n = 461)	46% 44%	10%
Mature workers are better decision-makers (n = 460)	18% 46%	36%
Mature workers understand and meet the needs of an aging population / customer base (n = 461)	25% 30%	45%

0%　20%　40%　60%　80%　100%

Significance of Business Risk of Employing Mature Workers

■ Little or no risk　　■ Neutral　　■ Very significant risk

Accommodating part-time and flexible schedules (n = 460)	21% 39%	40%
Increased labor costs (e.g., higher health costs, seniority compensation, etc.) (n = 460)	34% 41%	25%
Reluctance to learn new procedures and/or adapt to new technology (n = 460)	50% 35%	15%
Legal and discriminatory claims (n = 459)	42% 38%	20%
Integrating multiple generations of workers (n = 462)	3% 9%	88%

0%　20%　40%　60%　80%　100%

Costs

Significance of Financial Costs in Relation to Mature Workers

	Not significant	Neutral	Highly significant
Knowledge and skill transfer costs (n = 458)	15%	23%	62%
Health care costs (n = 456)	36%	25%	39%
Retirement costs (n = 457)	45%	30%	26%
Retention costs (n = 458)	43%	35%	22%

0%   20%   40%   60%   80%   100%

Retirement

Significance of Factors in Worker's Decision-Making about When and How to Retire

■ Not Significant ■ Neutral ■ Highly Significant

Factor	Not Significant	Neutral	Highly Significant
Remain part of a workplace community (n = 444)	16%	40%	44%
Desire for personal learning and growth (n = 443)	33%	44%	23%
Need for medical / other benefits (n = 444)	7%	13%	80%
Job satisfaction / passion for work (n = 446)	5%	28%	68%
Financial reasons (n = 446)	1%	6%	93%

0% 20% 40% 60% 80% 100%

Aspects of Job Satisfaction for Mature Worker

■ Not Important ■ Neutral ■ Highly Important

Aspect	Not Important	Neutral	Highly Important
Type of work and level of responsibility (n = 443)	8%	35%	57%
Job security (n = 440)	13%	35%	52%
Compensation (n = 443)	3%	30%	66%
Benefits (n = 444)	3%	11%	86%
Work / life balance (n = 442)	6%	26%	68%

0% 20% 40% 60% 80% 100%

Strategies

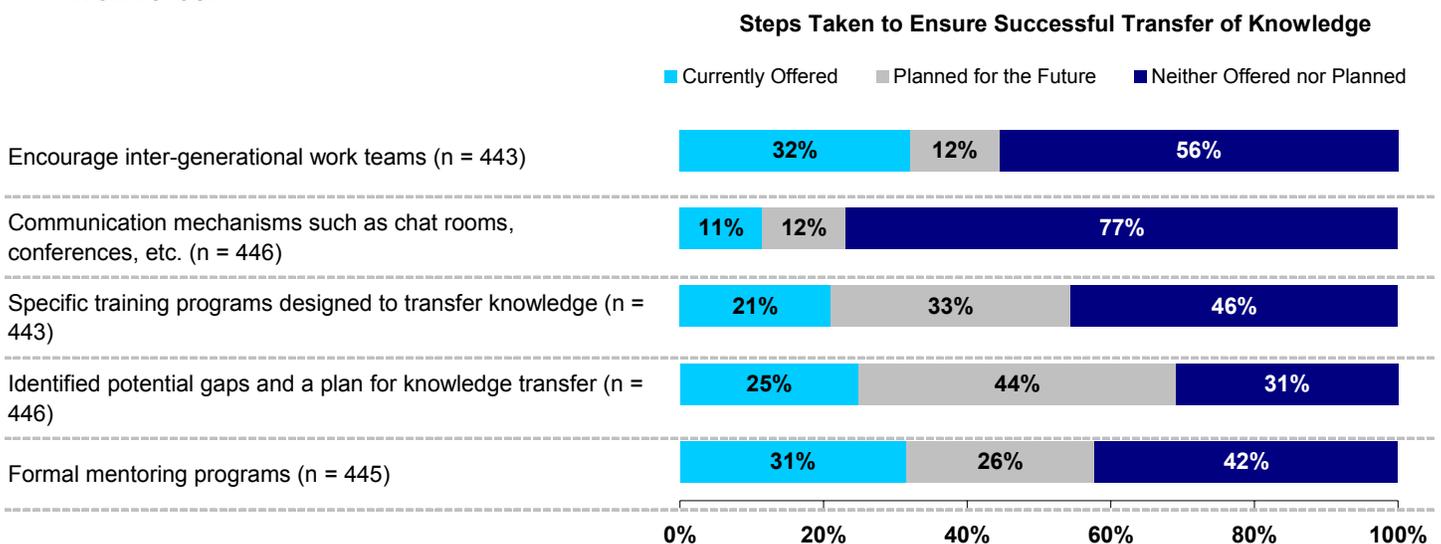Participants reported which of the following strategies they have adopted, or plan to adopt, to retain mature workers after they become eligible for retirement.

Strategies to Retain Workers

■ Currently Offered ■ Planned for the Future ■ Neither Offered nor Planned

Strategy	Currently Offered	Planned for the Future	Neither Offered nor Planned
Alternative work schedule (n = 440)	48%	23%	30%
Phased retirement (n = 441)	13%	34%	54%
Consulting assignments (n = 442)	42%	17%	40%
Alternative job design (n = 440)	18%	25%	57%
Flexible or alternative benefits program (n = 443)	24%	16%	60%

0%   20%   40%   60%   80%   100%

Participants reported what steps they have taken to ensure a successful transfer of knowledge from the mature to younger workforce.

Steps Taken to Ensure Successful Transfer of Knowledge

■ Currently Offered ■ Planned for the Future ■ Neither Offered nor Planned

Step	Currently Offered	Planned for the Future	Neither Offered nor Planned
Encourage inter-generational work teams (n = 443)	32%	12%	56%
Communication mechanisms such as chat rooms, conferences, etc. (n = 446)	11%	12%	77%
Specific training programs designed to transfer knowledge (n = 443)	21%	33%	46%
Identified potential gaps and a plan for knowledge transfer (n = 446)	25%	44%	31%
Formal mentoring programs (n = 445)	31%	26%	42%

0%   20%   40%   60%   80%   100%

Strategies

Participants reported which groups in their organizations are responsible for knowledge transfer/management involving mature workers.

	Percent of Responses
Shared responsibility between business organizations and HR	42.7%
No defined resource for this	42.2%
Dedicated knowledge management team in HR	10.6%
Dedicated knowledge management team in the business	10.2%
Diversity department	3.3%
Other	2.9%

n = 490

Participants reported what recruiting strategies their organization has adopted to attract mature workers. Majority of respondents do not pursue mature workers in recruiting.

	Percent of Responses
Do not proactively pursue mature workers in recruiting	50.6%
Attempt to rehire workers who previously retired	25.3%
Tap non-traditional recruiting sources (community networks, etc.)	19.7%
Emphasize maturity and work experience when seeking candidates	18.7%
Create recruiting materials designed specifically to attract different generations of potential employees	8.1%
Do not recruit mature workers	7.5%
Other	3.5%

n = 482

About Corporate Voices

Corporate Voices For Working Families is a nonpartisan, nonprofit corporate membership organization created to bring the private sector voice into the public dialogue on issues affecting working families.

Collectively our 53 partner companies employ more than 4 million individuals throughout all 50 states, with annual net revenues of $1 trillion. More than 70% of our partner companies are listed in the Fortune 500, and all share leadership positions in developing family support policies for their own workforces.

This experience is the primary asset Corporate Voices brings to the ongoing dialogue with policy makers and other stakeholders. For more information, visit www.corporatevoices.org.

About Buck Consultants

Buck Consultants, an ACS Company, explores the full range of possibilities to provide clients with real-world answers to their human resource challenges. Our consultants customize solutions that are aligned with corporate strategies, ensuring a best-in-class approach.

Whether the issue is in the area of retirement services, health and welfare programs, human resource management, compensation strategy or the effectiveness of employee communication, Buck provides excellence. For more information, visit www.buckconsultants.com or www.bucksurveys.com.

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