

Are Retiring Baby Boomers Worth Keeping?

And Other Questions Management Should Be Asking



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A WHITE PAPER BY

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Introduction

The historic Baby Boomer generation has begun its transition into retirement – and the reverberations will be felt in virtually every corner of business and the public sector for years to come. The vanguard of this mammoth group born between 1946 and 1964 will begin hitting their 65th birthday in 2011. The loss of this retiring generation will put a number of strains on the existing U.S. workforce, including significant requirements for knowledge and skill transfer, impacts to payroll, and training and planning for new generational behaviors, to name just a few.

In addition, there is the challenge of meeting future workforce demands as the boomers leave the employee pool. The U.S. labor force is expected to grow to 162.3 million in 2012 – yet projections are that 165.3 million jobs will be required to support the U.S. economy at that point. More troubling, there is a significant projected gap between the number of jobs requiring a college degree and the number of workers who are expected to have that education (70 million versus 44 million).

A number of factors lessen the impact of boomer retirements yet complicate planning. Not all boomers will completely stop working and head for the golf course at their “official” retirement. In 2006, for example, 29% of people in their late 60s were still working, compared to 18.4% in 1985. As well, automation, outsourcing, and the slowing global economy are postponing the full impact of the talent shortage.

So, there is still time for businesses and governments to plan – but the potential impact could be considerable downstream and the clock is ticking. How many boomers will you be losing and on what schedule? Which ones have knowledge, skills, or customer relationships that must be retained? What would be the costs of that retention? How do you systematize knowledge transfer from the ones who are leaving? Assessing these and other issues will help you determine what your organization’s plan of action should be.

Which industries and occupations will be most impacted?

The Bureau of Labor Statistics has identified multiple jobs in both the public and private sectors that will be impacted by the retirement of Baby Boomers in the next five years. The industries most likely to be hit by this talent pool include: Federal Government (more than one-third), Technology, Social Assistance, Public Utilities, Health Care, Engineering, Trades (Carpentry, Electrical Work, and Plumbing), and Education.

Even if your organization is not in one of the most impacted areas, you

may still feel the effects of the boomer exodus if one or more of these occupations relates to the products and services you provide. For example, a wholesale distributor may have difficulty delivering products due to a shortage of truck drivers. Alternative transportation options should be identified (e.g., rail, air, creating a proprietary transportation group, etc.).

Evaluate your business continuity risk from a talent perspective and

identify critical workforce shortages that could have a catastrophic impact on the continued operation of your business. Ensure that critical positions are identified within different departments, business units and functions. Keep in mind that the positions identified may not be the most senior level positions, but rather positions where a significant knowledge base or physical requirements reside that are critical to the ongoing success of the company.

How does an organization quantify the impact of Baby Boomer retirements?

Evaluate the demographics of your organization. Review skills and conduct position inventories to identify how the loss of this talent will affect your organization. Identify critical positions, critical skills required in each position, and most importantly, the percentage of critical workers retiring. Project their retirement dates and review succession plans and the current skill sets of

identified candidates to fill positions. The results of this assessment will tell you whether losing your boomers will be a big risk or a minor concern.

How will the loss of this group impact the way you deliver your products and services to customers? Quite often the most experienced employees are the ones entrusted with maintaining customer relationships; if this is the

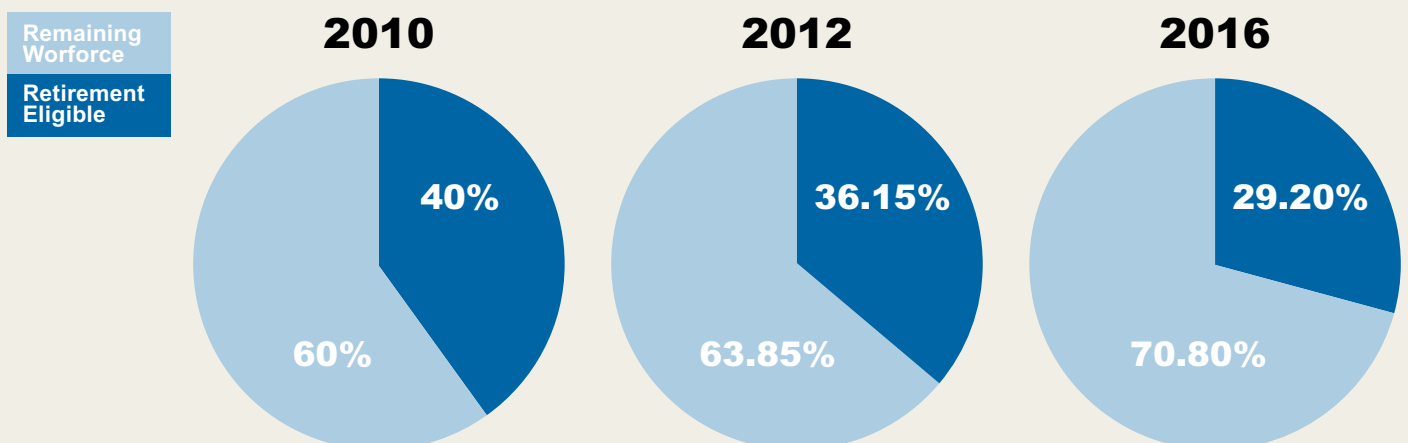
case in your organization, you'll need to identify how those gaps will be filled.

Finally, many employers have not considered the knowledge drain that will occur when the Baby Boomers retire, and they have no plans to retain or transfer this knowledge. Failure to capture this knowledge may prove devastating to many businesses over the next 10 to 15 years.

“ The operational threat that the Baby Boomer retirement phenomenon poses...is a clear and compelling risk to virtually every mature organization and should serve as a wake-up call to executive management. ”

– Phil Murphy, Forrester Analyst

Figure 1: Estimated Retiring Employees based on Bureau of Labor Statistics Report, June 2008



“ The boomers’ biggest impact will be on eliminating the term ‘retirement’ and inventing a new stage of life... the new career arc. ”

– Rosabeth Moss Kanter,
Harvard Business School

Top 10 Baby Boomer Occupations

1. Secretaries
2. Heavy Truck Drivers
3. Elementary School Teachers
4. Janitors and Cleaners
5. Secondary School Teachers
6. Registered Nurses
7. Bookkeeping, Accounting, and Auditing Clerks
8. College and University Professors
9. Educational and Other Administrators
10. Farmers

Monthly Labor Review, July 2000
Bureau of Labor Statistics

What are the advantages of retaining older workers – and how long should you attempt to keep them?

Retention of this workforce has a number of advantages. It will allow companies to maintain critical customer relationships and to implement transition processes for the transfer of information to their future leaders. As well, this generation of workers has an excellent work ethic, including good attendance, punctuality, interpersonal skills, customer service,

knowledge, and an eagerness to acquire new skills.

Companies recognizing the impact of this potential “brain drain” should implement plans not only to retain a portion of this workforce but also to develop plans for transferring this knowledge to the “Gen X” and “Gen Y” workers behind them. Offering rotational programs, mentoring opportunities, and blended learning

will add value to other programs in place to attract and retain younger talent.

The length of retention time will be dependent upon your company’s individual needs, including growth, changes in business strategies, etc. Effective business planning and workforce allocation will be critical tools to determine when this transition will be complete.

Consider the following issues:

- Will health care adjustments be required to meet the needs of the “working retired”?
- Will pension plans need to be revised (i.e., the number of hours required to work)?
- Will different work schedules or arrangements be provided to the working retired to encourage them to continue to work?
- Do incentives need to be offered to encourage working retirees to work for a specified time (e.g., one year versus five years)?
- Do policies pertaining to time off with and without pay need to be amended?
- Should incentives be provided for the transfer of knowledge to the existing workforce?
- What plans are in place for the transfer of knowledge, and how will this transfer be measured?
- How will these changes affect the rest of the workforce, and what repercussions should be anticipated?

What kind of investments may be required to retain Baby Boomers?

Review health plans, pension plans, compensation programs, life insurance, long-term care, and other policies (i.e., vacation, leave of absence, etc.) to begin evaluating the cost of possible retention offerings. Although these are all areas that should be reviewed, current ERISA regulations may limit some changes unless government regulations are amended.

Employee meetings and surveys can educate employees and provide insight into when they are planning

to retire. Many employees plan to retire between ages 62 and 67. A large number, however, may not have faced the reality of the resources required to maintain an acceptable standard of living in retirement. Consider providing consultation and retirement tools to assist employees in evaluating retirement options. The insight gained will help you determine when this talent pool will be phasing out of the workplace and help you with appropriate staffing and contingency planning.

What changes are required to retain or recruit this talent?

Surveys have shown that many boomers find part-time employment and consulting opportunities very attractive. Although the type of work will vary, many boomers prefer to stay in a work environment similar to the one they left. Consider schedule flexibility including: telecommuting, flexible hours, job sharing, contract

work, project-related assignments, and even split shifts. Reevaluate your retirement plans to encourage current employees to continue to work.

Organizations on the leading edge of this issue are developing marketing and recruitment strategies to hire Baby Boomers. The traditional approaches

such as job fairs, the Internet, and advertising via newspapers and publications will continue to be a source for recruitment. However, there is a new emergence of Web sites now designed to attract older workers, such as <http://www.ncoa.org> and <http://www.seniors4hire.org>.



Several states, including **Arizona, Alabama, Arkansas, Colorado, Florida, Maine, New Mexico, Ohio, and Wyoming**, are looking at ways to lure back older workers. Arizona has state-sponsored training courses for older workers. They also offer a mature worker-friendly certification to businesses that meet certain standards on workplace flexibility and training.

Will the organization's hiring philosophies and business practices need adjustment?

Statistics suggest that many companies are unwilling to hire older workers. The U.S. Bureau of Labor Statistics reports that workers aged 55 and older spend an average of 22 weeks job hunting versus an average of 16 weeks spent by younger workers. In a 2007 survey of 400 employers conducted by The Center for Retirement Research at Boston College, many indicated they were “mildly interested” in providing ways for workers to stay in the workforce.

Company senior management must support adjusted hiring philosophies and practices, as well as retraining the workforce on the advantages of retaining the Baby Boomers. Do your research, build your case, and make sure you have internal support before moving ahead.

All levels of management should be involved in this process. This loss of talent has the potential to impact every business unit within a company. Organizations need to consider changes to policies and procedures to retain this workforce as well as determine processes to ensure an effective transfer of knowledge

Look at your current hiring practices and conduct a critical assessment on skill sets you will need to enhance your workforce. Leading edge companies will develop plans to recruit and hire top senior and retiring workers with extensive experience from competition. Take advantage of the reluctance many firms have for hiring in this age group and develop programs and hiring practices that will enhance their recruitment. Those born in the largest year for Baby Boomers (1957) will not reach age 60 until 2017, and the youngest boomers will not reach age 60 until 2024 — so there is still time to plan.

Transfer of knowledge from the Baby boomers to Gen X and Gen Y employees is another critical issue to be addressed. To ensure successful transition of this information,

from Baby Boomers to future leaders. Failure to effectively communicate and develop programs to manage changing demographics and corporate requirements has the potential to create a dissident workforce.

These approaches will require change agents that are willing to look at

companies should consider the following approaches:

- Establish mentoring opportunities.
- Implement job shadowing. Employees need to understand how to accomplish job responsibilities; but more important, they need to understand where to go to get information (i.e., primary contacts, resources, etc.) and how to effectively utilize this information once they have it. The observation of techniques and approaches used by more experienced personnel is critical to your company's continued growth and success.
- Provide additional bonus compensation that is contingent on ensuring an effective transfer of knowledge. Goals and measurements should be established to ensure that this occurs in a timely manner.

creative solutions for winning the “war on talent.” Companies looking at this change to the workforce as an opportunity to retain, recruit, and further develop their human capital for the future will be far more successful than companies that view this as an insurmountable challenge.

Management is the Key to Success

A few considerations when changing workforce behaviors

- Is your current workforce aware of the need to change practices to better suit the styles and needs of retained Baby Boomers?
- Are Baby Boomers aware of the need to change practices to most effectively work with tomorrow's workforce?
- Does your workforce have the knowledge to understand the reasons for changing behavior?
- Do they have the skills, ability, and more importantly, the desire to implement these workforce changes?
- How does management reinforce these changes?



About the Author

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Scott has over 28 years of Human Resources experience in workforce analysis, recruitment, compensation, benefits, training, policy and procedure design, and change management. He has worked with a number of organizations in multiple industries including: retail, construction, and engineering for both public and private companies. Scott has a B.A. from Baylor University and holds SPHR and CCP certifications.

Contributions

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