

BOOMER AND BUST: WHEN THE BABY BOOMERS RETIRE



After the gold watch, the cake and the goodbye speeches, it's off to enjoy the golden years. But what happens to the employer left behind? We know a demographic shift is coming as the baby boomers retire, but what impact will it really have? This special report looks at how the baby boomers have changed the benefits and pension landscape, what effects their absence could have on the workforce—and how to keep them around.

Best-laid Succession Plans

How will the demographic shift affect plan sponsors and what can they do to prepare for it?

BY DAVID KRIEGER

It has been proclaimed that our aging population will be of great concern for many employers because Canada will experience a significant talent and labour shortage within the next 10 to 15 years. And indeed, there is demographic evidence that this will come to pass. As a slew of baby boomers (generally meaning those born between 1947 and 1966) launch into retirement, a massive chasm will be created between the labour demands of our economic system and the number of Canadian bodies available to fill the gap.

Well, numbers don't lie, but they don't tell the whole truth either. Whether or not the boomer demographic is cause for genuine concern, one thing is certain: there will be no universal impact. Each employer, utilizing the talents of in-house professionals and external consultants/advisors, will need not only to examine the workforce statistics produced for general consideration, but also to determine and apply ancillary factors pertaining to its particular industry—as well as to the specific organization—in terms of structure, philosophy and practices. Although some employers may indeed suffer from the workforce trends touted in the media, many will experience little or no negative effects. In fact, for those who are prepared for these changes in workforce access, the future holds many bright lights.

For the sake of illustration and argument, let's examine some of the most common statements regarding the impending labour shortage. It is typically argued that (a) the baby boomer generation is of, or approaching, retirement age; (b) this huge demographic segment will impact the workforce, and thus life in this country, by undergoing *any* significant change; (c) a massive shortage of talent and labour is imminent; and (d) employers must take action in order to survive this great demographic shift. Let's look at each of these arguments in turn.

Regarding (a), unquestionably, individuals born between 1947 and 1966 are at, or are approaching, retirement age. If everyone in this age band retired at age 65, one-third of all Canadians would be out of the workforce by the year 2021. That's just a dozen years away! Regarding (b), it's clear that a shift of this magnitude would have a major impact on the Canadian workforce and the ability of Canadian employers to attract and retain the best people.

However, looking at (c) more closely, a number of mitigating factors would soften the impact of this demographic shift. A significant number of baby boomers may/will choose not to retire at age 65 or earlier (due, largely, to a sense of inadequate retirement income); arrange a semi-retirement status (i.e., reduced hours); or continue working on a contract basis for the same or another employer.

Changing economic circumstances might also come into play. Due to business cessation, many low-skilled jobs lost in the

economic crisis will not need to be filled in the future. Furthermore, a great number of low-skilled jobs may be outsourced, drawing as necessary on foreign labour pools. And finally, the look of both domestic and foreign labourers will change. Future generations of Canadian workers will be more educated and better trained in professions and skills needed in the new economy, and better direction of immigration strategies will ensure that demanded skills and short-supply services remain available to Canadian employers.

With regard to (d), no matter what demographic swings actually do occur, the impact will not be universal, and it will not affect all employers to an equal degree or in the same way. Some industries will be affected less than others—some very little or not at all. Companies with a younger workforce will be less stressed than those with a greater percentage of boomer employees, and certain organizations may suffer more from secondary effects (i.e., their clients or suppliers having difficulties) than from any direct impact on them.

What all of this means is, granting the validity of concerns about a potential baby boomer exodus from the workplace, each employer will need to assess the potential impact on its own workforce, as well as on its customer base and supply network. Once such research is done, steps can then be taken to deal with any problems that could arise.

Group insurance, pensions and other benefits issues are not exempt from potential concern. Consideration will need to be given to questions such as the following:

Baby boomer demographic studies need to be undertaken in earnest by all employers that hope to survive and thrive over the next two decades.

Boom Times

Baby boomers have acquired significant knowledge and expertise. What HR strategies will keep them in the workforce?

BY BARBARA JAWORSKI

According to a recent Royal Bank of Canada study, 28% of baby boomers have delayed retirement, thanks to low portfolio balances and a turbulent economy. Forty-three percent said they are delaying by one to two years, 37% are postponing retirement by three to five years, and nearly 10% said the delay could be even longer.

This isn't good news for a lot of boomers, but it's great news for organizations hoping to hang on to skilled employees. It's also great news for employers that want to increase their skills base and thus be ready to grow their businesses when the economy rebounds and the talent war heats up again.

Fortunately for organizations, even though older employees may be ticked at their tanking portfolios and frustrated at shelving their plans, they're used to change and, as a result, are a pretty resilient group. They also possess a solid work ethic and are the healthiest generation in history—in many respects, healthier than their children. For many boomers, traditional retirement was never in the cards anyway. They were always planning to start their own businesses, begin second careers, continue to work part-time, volunteer in the community or become consultants.

Most boomers remain engaged and productive, but the employer can also play a role in supporting them. The No. 1 factor that will help motivate and engage mature workers is the knowledge that they are valued and appreciated.

Recognition goes far beyond traditional long-term service awards, although such celebrations are important. It means being promoted on merit and having equal access to career development and training opportunities. It means that age is not a consideration in the hiring process and that older individuals are regularly recruited. While most organizations would never discriminate on the basis of race, religion, gender or culture, many focus their career development programs on younger workers. Yet most boomers still aspire to achieve, learn and climb the corporate ladder. If they feel shut out of training or advancement possibilities, they'll leave—possibly to a competitor—once the economy recovers.

Another way to send a clear message that an organization appreciates its over-50 employees is to establish mentoring programs. Not only do such programs enable the transfer of wisdom, industry insight and skills to younger workers, they also cost little and are a win-win situation for all involved. Older workers feel valued and respected, younger workers have the opportunity to learn and develop, and organizations reap the benefits of a large pool from which to develop future leaders and a more capable workforce.

Workers of all ages appreciate the option to work in non-traditional ways, including telecommuting, flex time and compressed workweeks. Older workers also appreciate getting information and support on preparing for retirement. Workshops, seminars, RRSPs and share purchase programs, top-ups on corporate pension plans through extra lump sum payments and investment advice are attractive offerings to older workers who are trying to recoup investment losses.

However, all of these programs are useless if workers don't know about them. It's essential that organizations effectively communicate what's available and why. All employees should be aware of the company's succession planning and mentoring initiatives. Companies should also communicate through action, demonstrating that mature employees are not just long-term staff members but are also new hires.

The recession has demolished the dreams of many older employees, but organizations can help rebuild these dreams while reaping the benefit of decades of experience. Together, both can prepare for an economic recovery.

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- What benefits will need to be extended to employees who are enticed to stay on past early, or even normal, retirement?
- What benefits programs can be set up to reward contract and part-time staff?
- And finally, what pension formulas will work best for a blended (full-time, part-time and contract) workforce?

Baby boomer demographic studies need to be undertaken in earnest by all employers that hope to survive and thrive over the next two decades. Such research is required to determine the impact on fewer workers in an economy with fewer jobs, and with major shifts to part-time and contract work.

An offshoot of all of these concepts is what might fall under the heading of succession planning. Key employees—including, in many cases, owners and other senior executives—may well be among those preparing to leave the fold, so both pension and insurance benefits will be of major concern. These issues demand early intervention and planning in order to avoid potential last-minute difficulties. Even companies with comparatively younger executive ranks would do well to begin planning for the eventual departure of the people currently in these key positions. In such cases, the luxury of ample time can be put to good use. Companies with an older key contingent need to start *yesterday!*

This brings us to the topic of retention, a concern in any and every organization. How do we encourage key people to stay put and remain productive? One answer is, provide superior benefits. This would include not only a pathway to generous retirement income, but also top-tier healthcare and effective wellness benefits. By keeping key personnel engaged in the total benefits and compensation process, company loyalty becomes more than a naive slogan or expectation, and retention of senior staff is maximized. This approach could include not only communication and education, but also a component of performance-based incentives that directly relate earned benefits to performance. For those organizations with a meaningful degree of social conscience in their operational philosophies, community-based initiatives might also be considered as part of the reward criteria used to determine total compensation.

Now is always the best time to start long-range benefits planning, as planning after the needs become urgent may be difficult, prohibitively expensive—or even impossible. **BC**

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