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Perfect storm threatens performance

Ageing workforce, skills gap, outdated hiring approach spell disaster

Ray Williams

Forty per cent of the North American workforce is poised to retire by 2010. If that doesn't send a shockwave through companies and organizations, it should. The ageing workforce and approaching retirement of the Baby Boom generation, along with a widening skills gap and outdated approaches to hiring and retaining talented workers are combining to produce a "perfect storm" that threatens long-term business performance.

For most of human history, people worked as long as they could. The first mandatory retirement law in the United States didn't come until 1920 for federal employees. The Depression and the need to provide jobs for everyone ushered in the practice of retirement as a solution to unemployment. Social security brought in pensions along with the institutionalized notion of old age as a time when we are no longer productive. Those perspectives no longer serve us well, and the idea of retiring from work will slowly disappear.

Meanwhile Baby Boomers are wrapping up their careers and peeking around the corner at life after 60 with that mighty question: "What will I do for the rest of my life?"

Boomers want challenges and meaning in their lives, not rocking chairs, or hobbies. As they've done before, they are re-creating this time in life. Boomers have, after all, left their imprint in every stage of life. Even terms such as "old age" will be replaced by phrases such as "second adulthood" or "third stage" or "the next step". There's a multitude of books with titles such as *Don't Retire, Rewire,*

and *My Time: Making the Most of The Rest of Your Life.*

Retirement no longer captures the interest of the current generation of older adults, says Nancy Schlosberg, author of *Retire Smart, Retire Happy: Finding your True Path in Life.* Retirement has always meant an ending, leaving something. Now it's being viewed more as a career change, leaving something to move on to something else.

Retirement requires a focus on self-management throughout a person's career, according to psychologist Harvey Sterns, director of the Institute of Life-Span Development at the University of Akron. Re-inventing yourself is no longer a career strategy reserved for Hollywood entertainers. In today's economy, it's necessary for survival.

Backward-thinking or unprepared companies still see the maturing of the workforce as a burden, putting strains on the firms' pension and health plans instead of an opportunity to be leveraged. These companies' human resource strategies with respect to ageing workers emphasize recruitment and replacement.

In contrast, forward-thinking companies recognize that a maturing workforce can have a positive impact on both customer satisfaction and levels of productivity. They know about the pain of knowledge losses in key businesses or functions, by not planning ahead and leveraging their mature workforce. "Organizations that fail to understand the complexities or recognize the opportunities associated with an ageing workforce may risk

their ability to stay competitive," says Jeri Sedlar, senior advisor on mature workforce for the conference Board.

Recent research indicates that a pool of mature workers will emerge, which may be used to mitigate labor shortages and at the same time help companies in their quest to contain costs. These workers will reshape their retirement so employers need to show creativity, flexibility and resourcefulness in not only attracting, but maintaining them.

Mature workers can offer stability, commitment and reliability in an era where "gen-Xers" (born between 1965 to 1976) are perfectly comfortable with job hopping. Organizations will need to plan for the implementation of employment programs suited to mature workers which ultimately should allow them to achieve substantial financial savings. An Australian firm, Third Age Options, has developed a model that shows a 2.8% saving in salary costs for flexibly re-employed retirees results in a 29.5% return-on-investment.

So what do best-practice companies do? Research points to these initiatives:

► Older workers, eligible for retirement are tremendous social capital, worth retaining and developing. They can be valuable mentors, teachers and contributors to the larger community in ways younger workers can't or don't want to be;

► Human capital and succession planning are comprehensive and tied to the firms' strategic goals as opposed to simple replacement and recruitment

practices;

► Retirement as a uniform end-goal practice is replaced with phased retirement, job sharing and bridge jobs;

► Traditional "learn-earn-return" views of a workers' life are being re-designed to be more creative and interchangeable

► Flexible and customized benefit plans for ageing and phased retirement workers are integrated in human resource programs.

Smart executives are turning to ageing workers as an integral part of their human capital strategies not just to ensure their company's competitiveness, but its survival, as we approach the end of this decade. These leaders recognize that they can successfully chart a course through the "perfect storm."



Ray Williams

Ray Williams is Executive Vice-President of PCMG Canada, Vancouver's premier career management and executive development firm. He is President of the International Coach Federation, Vancouver, and writes a regular column for the National Post, Executive View.

rwilliams@pcmgcanada.com
www.pcmgexecutive.com