

The Aging Workforce: Finding the silver lining in the talent gap

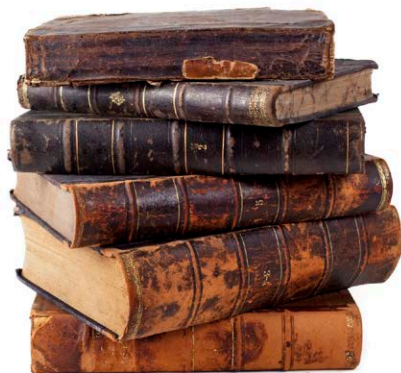


Organizations can capitalize on shifting retirement patterns to help narrow their talent gap.

The traditional view of retirement is changing—and it's changing fast. As mature workers realize they either can't afford to retire—or aren't quite ready to make the big move, many are continuing to work past the standard retirement age. Still others are semi-retiring by shifting to part-time roles or consulting, especially in areas where the gap between supply and demand for talent is increasing. In fact, a recent Deloitte study found that 48 percent of baby boomers expect to keep working past age 65, and 13 percent believe they will work into their 70s.¹ For organizations, this shift is both a blessing and a challenge.

On the plus side, changes in retirement patterns can help avoid or defer the baby-boomer brain drain that has been looming for so long. Organizations now have a fresh opportunity to address the talent gap created by a shortage of critical skills in the marketplace, as well as the experience gap created by multiple waves of downsizing over the past decade. On the minus side, shifts in retirement have the potential to increase payroll and benefits costs, and may even disrupt the talent pipeline.

While the idea of “retiring retirement” has been a point of discussion for many years, organizations are finally starting to capitalize on the opportunity as thousands of baby boomers become eligible for retirement every day.



What's driving the trend?

Four emerging patterns in the broader marketplace account for the shift in how mature workers are thinking about retirement—and how organizations are responding.

Lower than expected wealth. Many workers on the verge of retirement are not yet wealthy enough to fulfill their retirement dreams. Some simply haven't saved enough. Others have watched their retirement savings stagnate or decline in the face of a struggling global economy.

Better than expected health. Advances in healthcare and nutrition have kept today's mature workers healthier and more active than ever. Many still have a lot of value to contribute—and the vigor to do it. They are also living longer, which means they may feel less urgency to start enjoying retirement as soon as possible. Many feel the need to build a bigger nest egg so they don't outlive their savings.

Shifts in government policy. New laws and regulations are having a large but varied effect on this trend. Changes in healthcare policy will presumably make it easier for mature workers to leave or to accept part-time or contractor positions that don't include full benefits. On the other hand, proposed increases in the qualifying age for public pension schemes around the world could lead workers to stick around longer. This uncertainty alone could prompt some workers to defer retirement in order to avoid making an irreversible decision they might regret after government policies are finally settled.

Continued demand for key skills. Organizations are struggling to find and retain the critical skills required to achieve their strategic objectives. For example, 67 percent of U.S. manufacturers report a shortage of available and qualified workers and 56 percent anticipate that the shortage will continue to grow over the next three to five years—despite frequent reports of high unemployment in the industry.² In many cases, the jobs that are hardest to fill have the biggest impact on performance and require the most experience. This talent gap creates new opportunities for workers near retirement age to extend their careers.

Practical implications

Forward-looking employers are treating this shifting view of retirement as both a challenge and an opportunity. The opportunity? To retain talent and knowledge that creates value for the organization—and that might otherwise have been lost. The challenge? How to take advantage of the opportunity without creating skill mismatches or building a “grey ceiling”³ that limits advancement opportunities for younger talent and makes it hard for them to acquire the experience and skills they need to succeed in their careers.

One approach for addressing this opportunity is to apply principles of workforce flexibility and career customization, targeting workers as they near retirement age. For years, organizations have been using these tools to accommodate employees looking for alternatives to a traditional career path, primarily those in the early or middle stages of their careers. Meanwhile, most mature workers were sticking to traditional career paths and marching steadily toward the dream of a textbook retirement.

Now, the tables have turned. Organizations are starting to use these innovative methods and principles to help mature workers design alternatives to standard retirement, while clearing a path for younger workers to progress and benefit from mature workers' valuable experience.

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Lessons from the front lines

Rethinking retirement presents a complex set of unfamiliar challenges and requires a multi-faceted approach. Universities and health system providers are leading the way. They have deployed flexible work schedules, phased retirement structures, and wellness programs to attract and retain mature workers. They also provide a myriad of learning experiences to improve and extend the knowledge of mature workers. Here are some of the focus areas that are gaining traction:

Design new roles and career pathways. Keeping mature workers in their existing jobs is not sufficient. By creating new roles and career pathways, organizations can fill experience gaps and provide mature workers with fresh challenges that keep them engaged and contributing. In particular, a greater focus on coaching and mentoring can help an organization transfer and retain critical knowledge, while providing young people with valuable wisdom and insights that can accelerate their careers.

Redesign incentives. Existing incentives are often aligned to drive mature workers out the door—even in cases where both the worker and the organization might prefer for the person to keep working. For example, many mature workers continue to be covered by traditional pension plans that provide greater lifetime benefits for employees who leave before normal retirement age. These plans essentially punish employees for deciding to work longer.

Employers should consider winding down early retirement incentives in favor of building a multi-dimensional retirement model that fits today's new reality. Simply offering mature workers scaled back hours and pay is not enough. Other factors to think about include everything from salaries and rewards to medical benefits and pensions. For example, consider offering phased retirement packages that include reduced work hours and mentoring requirements in conjunction with pre-retirement pension payments to help offset the salary hit. The U.S. federal government has adopted this practice, and enacted legislation in July 2012 to allow employees who are eligible for retirement the option of switching to part-time work. These employees would draw a partial salary and a partial annuity, both prorated according to the time worked. The law envisions that phased retirees would spend a fifth of their working time mentoring younger employees.

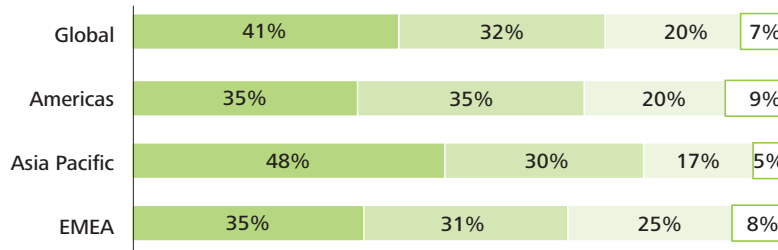
Offer fair choices. Employers can use the methods and principles of workforce flexibility and career customization to create career options from which mature employees can choose. Ideally, workers will self-select options that make the most sense, both for themselves and the organization. This requires up-front analysis and careful design of offerings that are fair and equitable. It also demands ongoing monitoring to confirm that the desired balance is being achieved. If some options are over-subscribed, it's a sign the framework was not properly validated and needs to be adjusted.

Focus on continued development. Even as mature workers near the end of their careers, it is important for organizations to continue to provide development opportunities and training. Many of the companies that have established a positive reputation for employing mature workers have implemented targeted learning programs, including on-line training, job shadowing, and temporary assignments in other departments to help enhance and diversify skills.

Don't overlook blue collar workers. Concepts such as workforce flexibility and career customization can be more challenging to apply to labor-intensive jobs that require a direct physical presence at a factory or work site. But that doesn't mean the concepts aren't relevant. Thanks to increased mechanization and automation, many of today's blue collar jobs are not as physically demanding as they used to be. Many also require highly specialized knowledge that a business may want to retain.

The Aging Workforce: Survey highlights

Relevance by region



- Trend is highly relevant today
- Trend will be relevant in the next 1-3 years
- Trend will likely be relevant in 3 years and beyond
- Not applicable

Region	Total
Americas	315
Asia Pacific	582
EMEA	412
Total	1309

Digging deeper

- This trend was in the top 5 for Asia Pacific with 48% respondents ranking it as highly relevant today
- 66% of respondents from Japan rank it as the top most relevant trend today
- 50% respondents from Manufacturing and Public Sector industries rank the trend as highly relevant today, which is the highest across the industries
- A lower number of respondents (28%) from Financial Services industry, rank the trend as highly relevant today

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Endnotes

¹ "Talent Edge 2020: Building the recovery together", Deloitte, April 2011

² "Brawn from Brains: Talent, Policy, and the Future of American Competitiveness", Deloitte University Press, September 27, 2012.

³ "The Grey Ceiling", Businessweek.com, July 15, 2008.

Resetting horizons: Global human capital trends 2013

Looking beyond continued uncertainty, the world's leading organizations are raising their sights, and pivoting from the great recession to the new horizons of 2020 with a focus on talent, globalization, growth, and innovation. This report introduces 13 global trends that are driving critical business and human capital decisions. The report provides information on these trends across global markets through results of a survey of over 1,300 business and HR professionals from 59 countries. www.deloitte.com/hctrends2013

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