

retire / retain

Gray Matters: Engaging the Older Workforce

A Manpower White Paper



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Gray Matters: Engaging the Older Workforce

Birthrates are declining. Baby boomers are preparing to exit the workforce in record numbers. The Bureau of Labor Statistics predicts that we'll face a shortage of 10 million workers by 2010. Resourceful companies are gearing up for the challenge of a pending labor shortage. What about your company? Will you be ready?

Where To Find Your Future Workforce?

A chief factor in the talent crunch is the retirement of older workers. Some companies haven't recognized or begun to deal with this issue and while others might be aware of the problem, they don't see a solution. According to the Bureau of Labor Statistics, people aged 55 and older will comprise slightly more than 20 percent of the nation's workforce by 2014 – up from 16 percent in 2004. That's more than 27 million workers who could be available to work in your organization. Companies that take advantage of this untapped resource and put older employees to work have a competitive edge.

Why The Older Worker?

It may be time to update the obsolete stereotypes of older adults as workers with lagging skills, a cynical or "know-it-all" attitude and waning health. Older employees can bring a lot to the table.

Research shows that today's older workers can offer several key benefits:

- a strong work ethic
- abundant knowledge
- job proficiency
- loyalty
- reliability
- focus
- perseverance
- emotional maturity

These attributes are vital and sometimes in short supply in today's workplace. Older workers also have accumulated substantial knowledge and expertise, and this allows them to do their jobs more effectively and efficiently. Simply put, mature adults can be among the most productive workers on the job.

Does Retaining And Hiring The Older Workers Make Dollars—and Sense?

Is the mature worker worth the price? Manpower research shows that expectations of higher salary or stature; potentially increased health care, pension or retirement costs; liability issues; and generational conflict with younger workers are some of the concerns that prevent companies from actively pursuing the over 50 worker. But there is evidence that these may be perceptions and stereotypes — rather than hard facts based on reality.

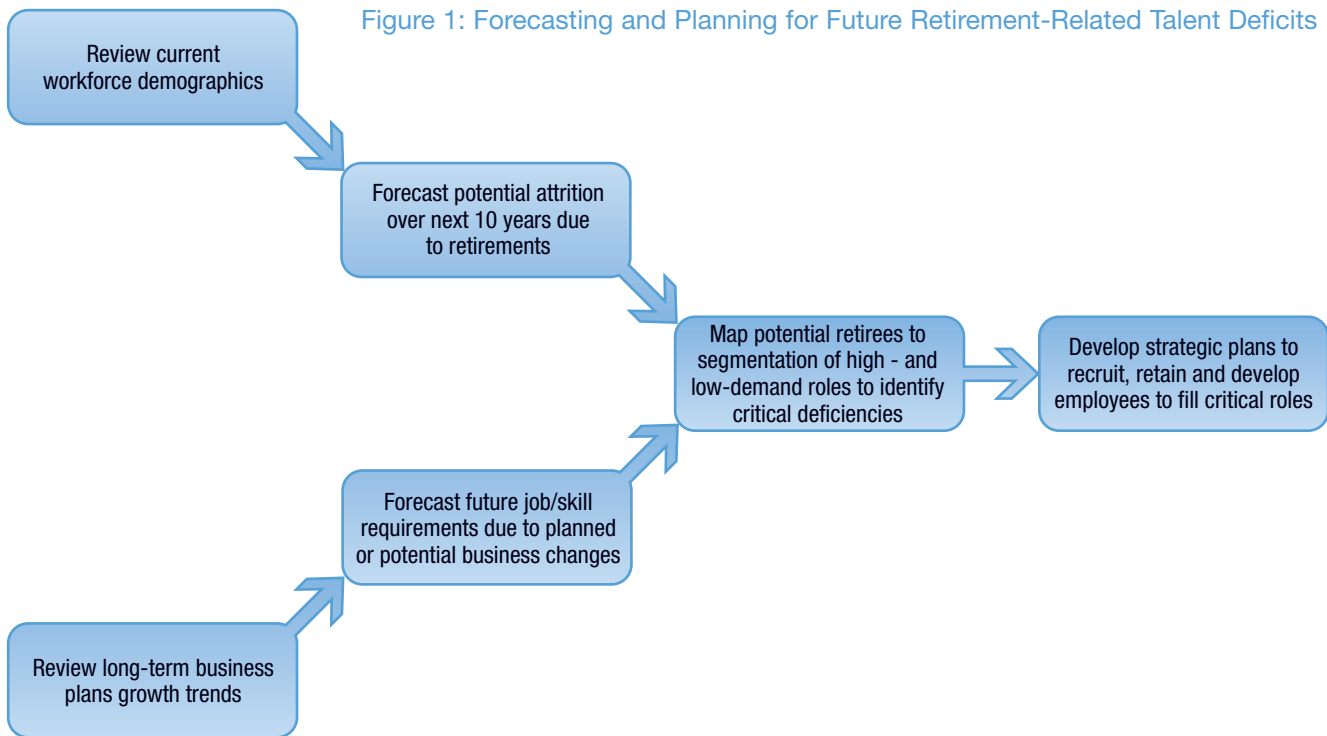
In 2005, AARP did some extensive research, which was summarized and published in a report titled, "The Business Case for Workers Age 50+." In their research they found that yes, employees age 50 to 65 use on average 1.4 to 2.2 times more health care when compared to workers in their 30s and 40s. But health care costs are not the largest component of labor costs. Base salary is the biggest factor and is driven by an employee's skills, responsibilities and individual contribution, rather than by age.

The cost of employees has to be examined more closely. Factoring in health care, the total labor cost of older talent is only marginally higher. The expense of recruiting, interviewing, and training new employees to replace already talented and experienced workers is significant. These costs clearly illustrate the point that retaining older workers makes good business sense.

Have You Taken The Pulse Of Your Workforce Lately?

To begin to address these issues, examine your own human resource trends and long-term business plans in order to predict your future employment needs. What percentage of your workforce is planning to retire in the next three, to five, to ten years? What impact will these retiring employees have on your organization? Which of these potentially unfilled positions is critical to the performance of your organization? These are some of the key questions you need to answer.

Figure 1: Forecasting and Planning for Future Retirement-Related Talent Deficits



Ideally, demographic forecasting and workforce assessment are an integral part of annual business planning. But if the process sounds unfamiliar, you are not alone. A 2006 survey of 1,232 HR professionals by the Society of Human Resource Management showed that only 33 percent of HR professionals have charted their organization's demographic makeup and only one percent has determined future retirement rates.

Using current employee data such as age, gender, and marital status is one way to measure your company's workforce demographics and anticipate future employment needs to support business goals.

Once you've taken inventory of your current talent, charted upcoming retirements and established which positions are critical to your company's ability to perform, you're ready for the next step: the development of a strategic plan to confront these challenges. Outline your company's approach to any future employee deficiencies by ramping up your ability to retain and recruit qualified employees (of all ages) to maintain operational knowledge and fulfill your staffing needs.

Has The Perception Of Retirement Changed?

A recent survey of people aged 55 and over showed that only 22 percent view retirement as the complete cessation of work, a winding down, or an extended

vacation. Part of the reason for this is based on life expectancies. Just a few decades ago, average life expectancy was far shorter. Today, anyone contemplating retirement must assume they are shaping their future for a period of 20 to 30 years or more.

As adults move beyond child-rearing years, their priorities change; they begin to look at work/life balance differently. Many are caring for elderly parents or helping their adult children care for growing families. Others are exploring the world through travel or activities that they were unable to participate in during their younger years. As a result, flexibility is important to older workers. They may want to set their own hours, take time off to care for relatives or attend to other life priorities, and even work a shorter day until they are ready for full retirement.

Employers must realize that older workers aren't necessarily interested in continuing to work because they need the money or the benefits. According to research completed by AARP, there are more existential reasons that keep people working: the desire to stay active, feel useful, be around people, do meaningful tasks, and continue learning. Specifically, older workers were asked about the essential parts of the ideal job. Adequate paid time off and a flexible schedule topped the list at 86 percent and 76 percent respectively. Additionally, 53 percent indicated working part-time and 41 percent listed working from home as essential elements.

Considering all these factors, it's clear that the planning process for older workers should be managed just as carefully as other phases of their careers. Rather than giving up on work entirely, retirement can now be defined as the freedom to plan a new life — including different employment and career options.

What Programs And Perks Can Help Companies Attract The Older Workers?

Companies will likely want to discuss more than just pensions and IRA savings with potential retirees. Forward-thinking companies with employees planning to retire – whether in a few months or in five years – can help them develop a personal transition plan. This will aid retiring employees in prioritizing how they want to spend their time (with family and friends, community service, leisure activities, educational pursuits, etc.), determine where they want to live, define financial limitations and options, and explore continued work opportunities to the benefit of both the employee and the employer. This also provides a chance to talk with potential retirees to find out what is important to them — and even more critical — what would make them stay.

Manpower research shows there are several ways to help valued employees continue working longer, some of which include:

- job redesign
- flexible work schedules (including part-time, more paid time off, telecommuting or job sharing)
- accommodations when necessary (including less physical activity, devices to help with hearing or sight loss)

Alternatively, consulting roles or freelance project work might be attractive to some workers considering retirement. These options may keep them engaged while also meeting the organization's work demands.

Although today people anticipate working later in life, they also expect to work differently. Clearly, they hope to work on their own terms.

As an employer, you may have legitimate concerns about creating part-time work options, which could result in decreased productivity, quality and continuity. The solution lies in re-defining jobs according to tasks and responsibilities, so full-time positions can be divided into separate roles. It can be extremely helpful to involve the

employees who wish to work in such arrangements. Past experience with job sharing and other options designed to improve work/life balance for working mothers has shown that the individuals who are best suited to find the right way to structure such jobs are those who have the greatest personal investment in making them successful. The same premise would logically hold true for older employees who wish to benefit from an alternative work arrangement.

In addition, you will want to pay close attention to how each job interrelates with other positions in the organization, so that information continues to flow smoothly between all departments and teams. Training supervisors on how to set up and manage alternative work arrangements is critically important to success. Consider developing a pilot program that can serve as a model for the rest of the organization and demonstrate that your company is committed to meeting employee needs.

Today, there are too few desirable employment options available for those who wish to remain with their current employer, but would like to change the nature of their working relationship as they transition toward retirement. This is a key reason why employers are not succeeding in retaining older workers and instead are losing them to retirement or self-employment.

The employer who wants to attract and retain older employees must think creatively and be willing to redesign existing full-time jobs, offering the necessary flexibility and options to keep current staff — at least for a few years longer. Job sharing, downsizing workloads, employment on a per-project basis, and even paid and unpaid sabbaticals are important alternatives worth exploring with valued employees. And by offering flexible, challenging work options, you will see a distinct competitive advantage in recruiting and retaining not just older but younger employees as well.

Is Your Workplace Culture Friendly To An Older Demographic?

Learning to appreciate the different work and communication styles of all employees and coworkers will become even more vital as your workplace demographic changes. For the first time in history, four generations will be working together, and age bias can be a serious deterrent to attracting and retaining older employees.

According to a 2006 study conducted by the Center on Aging & Work and Workplace Flexibility at Boston College, employers do have some negative attitudes about older workers in general, feeling that their late-career employees are, for example, resistant to change. Companies may also make the mistake of assuming their 50+ employees are no longer interested in training and career development. A RetirementJobs.com age bias survey indicates that employers may systematically exclude the mature worker from educational and professional development opportunities and instead focus their training resources on younger employees. This only serves to alienate mature employees and set them more firmly on the path to full retirement. Older workers are as interested in career opportunities as their younger colleagues. Development opportunities that lead to advancement are great ways to keep all employees engaged and happy. Mature workers are looking for training and advancement. And they want salary and benefits criteria to be competitive and fair as well.

These age bias issues point to the importance of generational diversity awareness programs to support the retention of valued older employees. As with all employees, the mature worker wants to be treated with respect and dignity. Thoughtless jokes about an individual's age, for example, can be perceived as slights and a de-valuing of the individual.

Care also should be taken to ensure that all employees are included in team-building activities and informal communication channels. Planning team-building activities that older workers cannot relate to or are not comfortable participating in will have an adverse impact. Supervisors need to be vigilant in both recognizing and celebrating the diversity of their team.

How Can You Refine Your Recruitment Processes To Attract An Older Demographic?

Partnering with local or national associations (like the AARP); searching out industry associations to address specific talent gaps; developing an alumni association of your retired employees and bringing them back for projects as appropriate; and making certain that your employment advertising reflects the generational diversity of your organization are all worthwhile strategies that can complement your existing recruitment efforts. Working with a recruitment specialist or partnering with an employment services firm that has experience sourcing and hiring older workers is also an effective option.

In the age bias research conducted by RetirementJobs.com, it was found that in many cases employers failed to acknowledge applications and resumes from mature workers. They also found that when the 50+ applicant succeeds in getting an interview but is then rejected, the most common reason sighted is "over-qualification" for the position. Both practices are unfair and should be explicitly avoided if you're serious about recruiting the most qualified person for the job.

What Role Does The Government Play?

Currently, about 28 percent of the U.S. population is 50 or older. Projections show that by 2025, that figure will increase to more than 35 percent — 25-30 million people. These numbers illustrate how daunting the challenge could be for the younger generation to support those who have come before them. When the U.S. Social Security program was instituted in 1935, financial benefits were available to retirees beginning at age 65. Since the average life expectancy at the time was only 61, most people didn't live long enough to receive benefits.

Today, with early retirements and greater longevity, the retirement stage can last 20 years or more. Current social security budget projections show a significantly larger financial burden than the founders of Social Security ever envisioned in 1935, which is why, unless corrective action is taken, the system is in danger of running a deficit by 2017 and running out of funds by 2040. This is a rather chilling scenario for today's 30-year-olds who will be approaching retirement when the funds are due to run out.

Since government sets the employment and social benefit rules to which employers and employees must adhere, government could also play a crucial role in ensuring older adults remain in the workforce. With the looming international labor shortage, governments around the world are shifting their thinking 180 degrees. They are beginning to provide incentives to older adults to encourage them to remain in the workforce as long as they are able to contribute in a meaningful way — and they are providing incentives to employers to recruit and retain older workers.

Are You Ready — Or Not?

Most employers are not worrying about the aging workforce issue — 78 percent of the employers Manpower surveyed do not feel that the aging workforce will have a negative affect on their success. Fewer than 18 percent have a strategy to recruit older workers and fewer than 28 percent are planning retention programs for that population.

But you can't argue with the facts. The demographics are not in our favor and a labor shortage is looming on the horizon. And as the workforce continues to shrink, employers will have to turn to older employees to remain competitive.

Fortunately, the research indicates there is a growing proportion of older adults, who may be willing and more than able to continue contributing for years to come, if they are engaged in their jobs and encouraged to continue working. Mature, experienced workers can provide companies with a competitive advantage.

Companies will have to take a different approach to job structure and hiring. From performing a corporate-wide needs analysis, to assisting employees with pre-retirement career decisions, to redesigning jobs and offering alternative work arrangements, now is the time to consider how older workers can continue to provide benefit to your organization.

The baby boomer generation has been a major influence on American business since infancy. Their retirement years will be no different. As the boomers move into their next phase of life, forward-thinking companies will already be preparing for the impact — and planning to capitalize on the demographic trends to secure their future workforce.

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