As baby boomers start heading for the door, how can employers prepare?

By Madeline Avedon

Although economic performance improvement in the United States is expected to lead to real growth in Canada’s GDP over the next two years, there’s a cooling trend on the horizon. The Conference Board of Canada’s long-term economic forecast, published in June of this year, warned that the baby boomer generation of up-and-comers.

The departure of the boomers has been hovering on the horizon for more than a decade now. And employers have been expecting any number of impacts, such as losing skilled workers and organizational knowledge and making room for the next generation of up-and-comers.

However, instead of rushing for the door, Canadian workers are increasingly deferring retirement: 79% of Canadian employees surveyed by the Canadian Payroll Association say they expect to delay retirement until age 60 or older—a preference that has increased from 70% over the past three years.

As the exodus unfolds differently than originally expected, the conversations about older workers are changing. It’s not so much the actual numbers that matter. Among the older workers, the high performers are leaving to take on different challenges, while those who are contributing less to the organization are not seeking the same opportunities and are instead staying on longer. This creates two different challenges for employers. One, they risk losing the “A-team” too early, along with critical skills, expertise and deep organizational knowledge. Two, they may need to “encourage” less-engaged older employees to retire.

Plan Ahead

When it comes to planning for the future workforce—ensuring that the right skills can be mobilized in the right roles—demographics are a key factor. Employers need to forecast their future staffing requirements and identify the gaps between supply (the talent pool from internal and external sources) and demand (the critical skills and roles anticipated by future business scenarios). Along with measuring hires, departures and promotions, employers need to consider employee demographics and predict, over several years, how the workforce as a whole will move up and across the organization, gaining more experience and skills over time.

Industries that rely on experienced, skilled and creative employees have increasingly built workforce planning into their business planning processes. So, too, have organizations looking to expand into new markets or achieve global reach; add new products and services; or deal with a looming shortage of specific external talent.

Within an organization, planning can be best achieved by focusing on specific employee roles or workforce segments rather than on the entire organization. This is about investing in those roles that will be critical to achieving medium- to long-term business goals.

As these 50-plus employees are at the beginning, middle or end of their careers—will mitigate the risks that all organizations are facing. With the repeal of mandatory retirement, employees are staying around longer and employers are unable to plan for their replacement, which poses new challenges. But employers can take steps throughout the employment cycle to address business needs and ensure they’re tapping into their total talent pool.

One of these steps include gaining a deeper understanding of the company’s talent through an online professional passport assessment that identifies strengths and competencies to ensure that the employer knows how to hire, motivate, manage and support employees throughout their tenure with the organization. For example, employers can talk to all employees, once they reach age 50, about how they envision the mid-to late-career phase unfolding so that they will be motivated and learn new skills until the day they leave. A new set of practices needs to be put in place to address the psychosocial needs of late-career employees—similar to what organizations needed to do when these same baby boomers were in the early part of their careers, looking for work-life support for themselves and their young families.

The following three organizations recognize the potential impact that demographics could have on their operations. They’ve implemented innovative programs, policies and strategies aimed specifically at their older workers in an attempt to retain as much talent, experience and industry knowledge as possible. In fact, they’ve done it so well that each company won a Best Employers Award for 50-Plus Canadians earlier this year.

**Hydro Ottawa: Engaging the Ages**

At Hydro Ottawa, 42% of the workforce is set to retire over the next 10 years, representing 8,015 years of experience. In 2013, the company created an engagement strategy for older workers called Prime Time. The strategy integrates age and aging into the diversity plan to create an even more inclusive culture.

The strategy includes the following elements:

- providing recognition events for older workers;
- extending employee discount offerings to retirees;
- helping older workers to master new technologies;
• including pre-retirement workers in the company’s mentoring program to enhance knowledge transfer;
• formalizing transitional and flexible work opportunities;
• establishing a retiree association and newsletter so retirees can stay connected with the company; and
• creating a retiree resource pool.

The retiree resource pool was an immediate success. At the end of 2013, 33% of temporary positions had been filled by retirees who could immediately jump into operational, technical and support roles.

SODEXO CANADA: FOCUSING ON THE FUTURE

One-third of employees at Sodexo Canada (a global outsourcing company that provides food, housekeeping and facilities management services to companies across the country) are over age 50. It was becoming increasingly important for Sodexo to engage and retain these employees as well as to encourage them to help train the next generation.

The company established a number of initiatives to address the entire continuum of employment for older workers, from recruitment to retirement. Last year, Sodexo began actively recruiting older workers with the appropriate and desired skills through ThirdQuarter, an online job service for mature Canadians across the country, and providing workshops to ensure that older individuals have the knowledge and skills to move within the company. Older employees are also included on Sodexo’s “right start teams”: experienced personnel who help launch new workplace locations.

Initially, Sodexo was concerned about the dynamics of its multi-generational workplace, so it began pairing younger and older workers in mentoring relationships to help younger employees adjust to the business world and acquire the hard and soft skills necessary to succeed. What it didn’t expect was how much the mentors would benefit. Older workers reported that their protégés taught them new technological skills and made them excited about the future.

ALTAGAS: TAPPING INTO TALENT

Twenty-three percent of AltaGas employees have more than 20 years of service, and the average age of the workforce is 44. The Calgary-based energy company has many innovative programs for mature workers, including a retiree resource pool.

The pool provides AltaGas retirees with opportunities to continue working on a part-time, temporary or project-based basis. The program benefits everyone: AltaGas gets short-term assistance and immediate access to knowledge; retirees can stay connected to former colleagues and earn extra income.

AltaGas also offers flexible work arrangements, including job-sharing. At one facility, two operators—each with more than 30 years on the job and with knowledge that AltaGas wants to retain—share one position.

To support those who choose to continue their careers beyond the typical retirement age, AltaGas negotiated enhancements to the benefits package, removing the termination age cap for employee basic life and dependent life, extended healthcare and dental coverage, and basic accidental death and dismemberment. It also increased the termination age for employee and spousal optional life to age 71 from 65.

Many older employees want to continue working after age 65—but on their own terms. Time will tell if these programs helped Hydro Ottawa, Sodexo and AltaGas retain enough older employees to ensure business continuity, but early feedback is extremely positive. Most important, these companies are recognizing the value of older workers.

While baby boomers are the healthiest generation in history and can expect to live 20, 30 years or more past the traditional retirement age of 65, they will leave their employer if they don’t feel valued or appreciated—but they won’t leave the workforce. They’ll take their knowledge, skills, experience and industry contacts, and they’ll start their own businesses or pursue opportunities with a company that has a focus on mature employees. That’s a chance that companies just can’t afford to take.

Barbara Jaworski is CEO and chief KAA-Boomer of the Workplace Institute.

bjaworski@workplaceinstitute.org

Sodexo's "right start teams": experienced personnel who help launch new workplace locations.

Companies that manage this well won’t stop there. They will also open up different opportunities, challenges or lateral moves to employees they want to retain, retraining them as necessary in order to fill other expert roles, such as mentoring and coaching. Some organizations designate this as masters or emeritus status. In this way, the organization executes on its workforce plan while retaining the skills and experience of key individual contributors who have exhausted their upward mobility options but can transition elsewhere in the organization on the career lattice.

A Little Nudge

Given the reasons stated previously, organizations that want to move older employees toward retirement may be facing quite a challenge. Despite the enticements of early retirement, many older employees today say they do not have enough money to retire. Whether employees are saving too little or spending too much, this is only one aspect of the problem. Another issue is the investment industry: it’s moving the goalposts on how big the retirement nest egg needs to be. Some industry experts are now suggesting that workers need to save $1 million or more to enjoy a “comfortable” retirement.

Mercer’s Inside Employees’ Minds study indicates that 29% of employees believe that they are personally not doing enough to financially prepare for retirement.

Employees’ lack of financial readiness may be an unintended consequence of the disappearance of DB pension plans and the shift to DC arrangements and voluntary savings plans. Meaningful financial education, starting well before retirement age, could help to reduce the risk of employees who remain on the job because they are unsure of their finances. Some organizations have created prefunded retirement accounts consisting of annuities or RRSPs in order to build a “bridge to retirement” to assist senior
employers may see the value in offering retiree health benefits, but many feel they can’t afford them, according to a recent Aon Hewitt survey. Of the 225 Canadian employers surveyed, 44% do not currently offer any retiree benefits. Survey results also show that another 10% of employers offer a retiree benefits program but have closed it to new entrants. Furthermore, approximately 20% of respondents indicated they would consider offering certain retiree health benefits if the expenses were either shared or entirely passed on to retirees. For those that do not offer retiree benefits, the top reason reported was “high costs compared to perceived benefit to employees” (76%). More specifically, 66% attribute the cause to the continuous rise in healthcare costs.

However, there are ways for employers to provide these benefits without footing the entire bill. The survey results indicate that many employers not currently offering these benefits would consider the option if retirees shared the costs, explains Greg Durant, senior vice-president and chief actuary, health & benefits practice, with Aon Hewitt. To make this option more affordable for all parties involved, possibilities include alternative financing vehicles (such as RRsPs) or moving to a DC retiree medical plan. According to Durant, for the latter option, the employer would limit its annual contribution to a fixed dollar amount, and retirees would choose one plan from various plans offered. Funds from the employer would then be used to purchase the chosen plan, with any remaining costs covered by the retiree and, if needed, by a healthcare spending account.

When determining how best to allocate their financial resources, employers must consider all age groups. “Different generations are seeking benefits that can accommodate their current lifestyle, as well as changes along the way. Companies will have to evolve to meet those needs if they want to account for changes in the workforce and retain their talent,” states Durant. He further explains that we may begin to see this change as companies evaluate the best ways to maximize the contributions of all parties involved when it comes to designing benefits: the employer, the employee and the federal and/or provincial systems. “By maximizing the most effective purchasing power of each of these contributors, a more cost-efficient program may be possible,” he adds.

Ultimately, whether employers want to focus on employees close to retirement or on those just entering the workforce, the right benefits package can be a useful tool to attract and retain the best talent.

Sarah Markh is a freelance writer with a background in HR, based in Toronto. sarah.markh@gmail.com

Academics Mo Wang and Beryl Hesketh have conducted considerable research on understanding the components of well-being in retirement. Writing in 2012 on behalf of the Society for Industrial and Organizational Psychology, a division of the American Psychological Association, they identify predictive factors for achieving fiscal, physical and psychological well-being. Although many of the factors are individual attributes—good physical health, for example—the research clearly distinguishes workplace factors during the pre-retirement and transition period.

They cite financial literacy, a financial plan, and a supportive and smooth pre-retirement experience as key areas where the employer can exert a positive influence. In addition, they identify opportunities for bridge employment as an important factor.

Not long ago, retirement was a day-long event. You had a party, got your gift and went cold turkey into a life of golf. Today, employers are acknowledging that retirement is evolving into a 10- to 15-year phase that may cover a range of employment options. People are living longer and, in general, enjoying better health as they age. The baby boomer generation will spend the next 15 years or so moving through this transition and will expect and welcome flexible arrangements, lateral moves, transition plans and opportunities to pass on their knowledge. 

Madeline Avedon is a principal in Mercer’s talent business. madeline.avedon@mercer.com

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