

Curtailing Brain Drain: Keeping Older Workers in The CWM Mix



TALENT STRATEGY

HCI White Paper

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INTRODUCTION

With almost 77 million Baby Boomers at or near retirement age,¹ the implications for the American labor market are huge. Aside from the physical numbers of workers that will need to be replaced, the intellectual property and organizational knowledge those individuals will take with them could create a brain drain the likes of which the United States has never seen. This will put many companies at a competitive disadvantage. "In today's information age really the only competition that's out there for companies is their human capital," says Deborah Russell, Director of Economic Security at AARP. This paper will look at the gray-ing workforce from several perspectives and discuss strategic approaches for employers who wish to recruit or keep mature workers.

BRAIN DRAIN AND THE AGING WORKFORCE

Brain drain, the loss of intellectual capital, is due to three main reasons:

- Professionals may move out of their current jobs to take advantage of more favorable economic opportunities or geographic conditions
- They may move due to legal or political pressures
- People retire

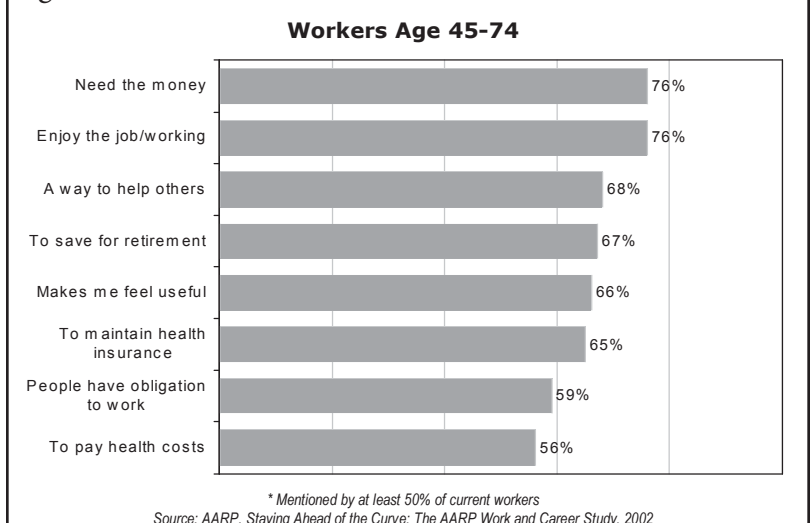
It is estimated that 20% of the workforce will be 55 or older by the year 2015, up from 13% in 2000. It is also estimated that there will be a 51% growth in the labor force of those aged 55 to 64 by 2012, but a 7% decrease is projected for workers aged 35 to 44.² Talent shortages due to retiring experienced workers and a reduced sup-

ply of the replacement echelon will have an adverse impact on productivity and economic growth for many companies.

It's commonly believed that Boomers will want to continue to work, and while there is truth to this, the nature of their work may change. The primary motivation for older workers to stay in the workforce is that their financial needs continue to escalate. A 2002 AARP survey³ found that 70% of 50 to 70 year old investors reported postponing retirement due to stock market losses. Boomers are also not quite ready to retire because of high debt levels and low savings levels. In any case, Boomers are much less likely to associate retirement with the traditional age of 65; nearly 70% of workers who have not retired report that they plan to work into their "retirement years" or never retire. Almost half of all workers age 45 to 70 say they envision working into their 70s or beyond.⁴ "However, other factors besides money and health insurance come into play," says Deborah Russell. Figure 1 shows the eight most cited factors in the decision to keep working.

The top two reasons should come as no surprise from the Boomer generation. The financial pres-

Figure 1



asures noted in the preceding paragraph help explain the first reason; and Boomers have traditionally come down on the work side of the life-work balance equation. But there's also an interesting mix of altruism (a way to help others, 68%), self-worth (makes me feel useful, 66%), and civic obligation (people have an obligation to work, 59%). In fact, averaged as a percentage for each set, the four financial reasons and the four "human" reasons are nearly identical (66% financial, 67% for human). Russell notes that people are staying active longer and have a greater life expectancy. "As people live longer and healthier lives they're looking for ways to stay relevant, and one of those ways is to work."

BEHIND THE NUMBERS

While the preceding discussion indicates that Baby Boomers will continue to work, how they'll work is a different story. According to a Korn/Ferry International survey taken in 2005, 42% of Boomers would like to enjoy a sort of "phased" or semi-retirement, 29% said they would like to start their own business or work part time before retirement, while 23% don't plan to work again after retirement. Only 6% of those surveyed said they wanted to work full time past retirement age. Deborah Russell believes that aging talent is migrating toward more flexible work structures. Rather than quitting the game, they are looking for new ways to play.

"The Baby Boomer exodus is the elephant in the room when I talk to managers. Most are not doing anything in a major way about retaining knowledge."

Mary Corcoran, Vice-president and lead analyst at Outsell, a research and advisory firm

Russell claims that 80% of employers don't offer special provisions - such as flexible work arrangements - to appeal to the concerns of mature workers. A majority of CEOs, (60%), says Russell, indicate their companies do not account for workforce ageing in their long-term business plans. Russell believes this is because most employers have not yet faced the kind of labor shortages or other economic pressures that would spur them to recruit or retain mature workers. The high-tech industry is still able to recruit younger workers, says Russell but "I contend that every industry in the future is going to be facing this. The demographics simply just don't lie."⁵

Jobs with current shortages include RNs and other health professionals, teachers, and public administrators. In the near future that list is expected to include engineers, scientists, and managers.

"If they don't act soon, organizations will face a major exodus of institutional knowledge as their most experienced employees leave the workforce . . . [C]ompanies must undertake workforce development and training initiatives to capture knowledge and minimize loss."

Kathy Battistoni, Partner, Accenture's Human Performance practice

Russell notes that the willingness or need of mature workers to stay in the workforce is an opportunity for forward-thinking businesses.

STRATEGIC APPROACH

Russell outlines a four-part strategic approach organizations can take to attract mature workers or keep them on board:

Figure 2⁶

Opportunity for the Forward-Looking Business

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- **Reduce brain drain by finding better ways to engage aging workers**
- **Aging talent is migrating toward more flexible work structures**
 - Rather than quitting the game, they are looking for new ways to play
- **If your business doesn't establish programs to embrace mature contract-based talent, somebody else will!**



- Tailor recruiting to aging workers
- Enhance core benefits programs
- Develop alternative work arrangements
- Use mature workers as contractors

Above all Russell counsels flexibility, which is the benefit most often mentioned in AARP studies on the subject. As an example she cites the fact that "many Boomers are a 'sandwich' generation," with kids still at home and elderly parents who need care. Both responsibilities require flexible work

arrangements and this is especially true of elder care.

To enhance the recruitment effort of older workers Russell suggests the points in Figure 3 to be part of a comprehensive strategy.

The changing wellness profile of mature workers and the emergence of flexible work arrangements⁸ requires a new approach to employee benefits (see Figure 4 on the following page).

Figure 3⁷

Strategic Approaches: Tailor Recruiting to Aging Workforce

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- **Incorporate images of mature workers in recruiting materials**
- **Recruit older employees at Senior Expos and Job Fairs**
- **Develop programs that recruit retirees to work on short-term projects**
- **Educate employees about the value of older workers: include as part of diversity training programs**
- **Utilize age-diverse interview panels**

Case Study: Adecco

Figure 4⁹

Strategic Approaches: Employee Benefits

- **Enhance core benefits programs**
 - Consider providing comprehensive medical (including Rx), disability and dental insurance at low/no cost to workers
 - Offer retiree health benefits
 - Provide health coverage for part-time workers
 - Create excess or unused leave donation bank for employees with emergencies or extended absences
 - Pro-rate benefits to employees on flexible schedules
- **Additional benefits considerations**
 - Tools to enhance tax-deferred retirement savings
 - Long-term care
 - Life and vision insurance

Case Study: Pitney Bowes

Figure 5¹⁰

Strategic Approaches: Alternative Work Arrangements

- **Implement phased retirement program to transition employees from full-time to more flexible alternatives such as:**
 - Part-time work
 - Changing shifts
 - Job sharing
 - Flex time
 - Telecommuting
 - Consulting
 - Contract engagements

Case Study: St. Mary's Medical Center



Figure 6

Strategic Approaches: Mature Workers as Contractors

- **More important than ever for HR to embrace flexible needs of older talent**
- **Build contract talent recruitment capability**
 - Improve access to mature workers converting to contract work
 - Leverage power of your brand
 - Expand your web site's career center to be more attractive to contract talent
- **Implement safe and cost-effective direct engagement capability for contract workers**

Recruitment directives and re-thinking benefits are two parts of a strategic approach to the opportunities presented by mature workers. Equally important is an understanding of the importance of alternative work arrangements to older workers. One solution is to implement a phased retirement program to transition employees from full-time to more flexible alternatives such as those described in Figure 5.

The final part of the strategy, noted in the last point, is to consider mature workers as contractors.

BENEFITS TO BUSINESS

Any organization that can attract mature workers and retain those already on board will have a competitive edge in the struggle for talent, a struggle that Russell characterizes as a "global war."

Figure 7

What's in it for Business?

- **Boomers will reinvent "retirement"**
 - They work longer either because they want to or they need to
- **Rethinking ways to embrace aging workforce can minimize brain drain**
 - Aging workers offer unique combination of knowledge, experience, loyalty, enthusiasm, and strong work ethic
- **Competitive differentiator**
 - Businesses that effectively recruit and retain mature workers will gain competitive edge
- **Societal contribution**
 - Mature workers seek flexible workplace options, good benefits, ongoing professional development, respect, and the opportunity to contribute and remain productive

Case Study: The MITRE Corporation

Case Study: St. Mary's Medical Center

Gene Zaino, President and CEO of MyBizOffice, relates the story of a recent client who wanted to "retire" but continue working independently. Access to the Internet allowed him to do this from anywhere, and Zaino says the client would spend the first six to 12 months of his "retirement" in Thailand. "I thought, what a wonderful way to start thinking about retirement," he recalls. This raised a question: What do people mean by retirement? Zaino says that for many mature workers "What I really think it means is the next generation of their careers." He believes that more and more older workers will "leverage all the knowledge they have from the past," as well as their connections and networks to redefine the notion of retirement. This is the energy that will drive the new paradigm of retirement and provide a source of experienced workers for companies that understand the needs of mature workers.

The intellectual capital of older workers is a tangible asset. "I think what people forget is that the United States' technological supremacy has been established for the past thirty-forty-fifty years and

these are the people who helped achieve that," says John Silver, President of Summit Solutions. "This intellectual property is very valuable." Older workers helped Terri Gallagher, Contingent Staffing Specialist at Walt Disney, work through the Y2K problem. Gallagher is responsible for managing and facilitating the procurement of IT contract staffing. Mature workers "knew COBOL and other languages our systems

were originally written in," she says and so were able to smoothly transition the systems through the challenge.

CONCLUSION

The demographic profile of today's workforce cannot be ignored. The good news is that the Boomer generation isn't necessarily going to stop working en masse. But companies that do not have a strategy in place to address their needs will find themselves scrambling for new talent and face the loss of irreplaceable intellectual capital. The strategy outlined above by Russell is one way to attract or retain mature workers and ensure that brain drain is kept to a minimum.

¹ Source: MetLife study, page 1, see www.metlife.com/WPSAssets/18827370211149688405V1FB00merProfile6206.pdf

² U.S. Bureau of Labor statistics (Howard N. Fullerton, Jr. & Mitra Toossi), projections based on U.S. Census Bureau 2000 statistics

³ www.aarp.org/employerresourcecenter for links to the AARP 2002, 2003, and 2004 surveys and case studies Deborah

Russell used as reference material

⁴ ibid

⁵ For a general discussion of the implications of an aging workforce, to which the AARP among others contributed, go to: www.microsoft.com/enable/aging/convergence.aspx

⁶ ibid footnote 3

⁷ www.aarp.org/employerresourcecenter for links to the AARP 2002, 2003, and 2004 surveys and studies Deborah Russell used as reference material

⁸ Data released by the Bureau of Labor Statistics in July of 2005 show that in 2004, 27.5 percent of all full-time workers in the U.S. had flexible work schedules

⁹ ibid footnote 6

¹⁰ ibid

Based on the Human Capital Institute webcast *Curtailing Brain Drain: Keeping Older Workers in the CWM Mix*, May 8, 2006

More information on the AARP's studies, as well as links to additional resources, can be found at <http://www.aarp.org/employerresourcecenter>

PRESENTER

Deborah Russell is the director for Economic Security at AARP, which seeks to be the primary resource on mid life and older worker issues, including creating environments that offer opportunities that are fair, flexible and that capitalize on the wealth of knowledge and expertise mid career and older workers bring into the workplace.

PANELISTS

Sidney Bateman is currently Talent Manager for the Contingent Workforce Operations of Maritz, Inc. Sidney began her career in a boutique recruitment firm eventually becoming a contract recruiter for a

variety of start-up Internet companies. Her diversification led her to Maritz where she began to identify ways to better manage operations as they related to the Contingent Workforce. Now focusing solely on Contingent hires, Sidney is modeling and developing processes to approach this effort holistically, with the goal being cost savings, increased efficiency and enhanced competitiveness. The task is a challenging one in a company where the number of contingent hires is very large, the diversity of these workers is vast and three very different geographical areas are served. Her goal is to advance the business objectives of Maritz by gaining insight into other organizations' experiences in this field and in sharing best practices. Sidney received a B.S. degree in Communication from Florida State University

Terri Gallagher has over 8 years of experience as a Contingent Staffing Specialist with The Walt Disney Company and is responsible for managing and facilitating the procurement of all IT contract staffing for the Information Technology Division. She has extensive experience negotiating contracts, developing and presenting procurement strategies to Sr. Executives, and designing and implementing effective vendor management methodologies to acquire top-level talent efficiently and effectively. Her "Best Practice Model" for the procurement of Temporary Technology Staff has resulted in significant cost savings and is now the company standard, used throughout The Walt Disney Company.

John Silver, President of Summit Solutions, possesses more than 15 years of diversified experience working within the Human Capital Management (HCM) marketplace. As a subject matter expert in Vendor Management Systems/Solutions (VMS) and Managed Service Programs (MSP), John

implemented his first MSP in 1996 for a major telecommunications company. John is one of the pioneers in what is recognized today as "Total Workforce Acquisition" or "Contingent Workforce Strategies" and back in 1996 was considered a hybrid Managed Service with a "Procurement Solution" compliment. As the Director of Professional Services with Volt Information Sciences, John was instrumental in winning and implementing some of the largest Managed Service Programs in the staffing industry for companies such as: Lucent and AT&T Business Solutions. John consults on MSP/VMS initiatives to companies establishing their own contingent workforce strategies. In addition to serving as an expert advisor on this thought leader panel John is also certified in Human Capital Management Principles and holds a Human Capital Strategist (HCS) designation with the institute.

Gene Zaino, President and CEO of MyBizOffice, is an accomplished and nationally recognized expert on contract work engagements. Under Mr. Zaino's direction, MyBizOffice, Inc. has grown to serve over 700 clients and over 4,000 individuals in 14 countries. By spearheading the evolution of a streamlined and convenient contractor engagement process, Mr. Zaino has helped major organizations carve millions of dollars from their services supply chain while providing valuable employment, benefits, and payment services for their professional contract workforce. Mr. Zaino, a 2000 Ernst & Young Entrepreneur of the Year finalist, is a certified Public Accountant who has served as a management consultant for KPMG Peat Marwick. He graduated cum laude from the University of Pennsylvania's Wharton School of Business, receiving a Bachelor in Economics (BSE).

MODERATOR

Bill Craib

**Senior Director - HCI Communities
Human Capital Institute**

Prior to joining the Human Capital Institute, Bill was the Founding Director of AIRS Human Capital Solutions, and served as Director of Training and Curriculum Development from 1997 to 2003. An early Internet adopter and advocate of its far-reaching potential, Bill developed his practical experience by establishing an Internet-centric executive search practice focused on telecommunications. This endeavor helped lay the groundwork for the significant contributions he has made to the core curriculum of AIRS. Bill earned a BS Degree from the Newhouse School of Public Communications at Syracuse University and spent 10 years as a journalist working for several media organizations, including ESPN and the Rocky Mountain News, before entering the recruiting industry.

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ABOUT MYBIZOFFICE



MyBizOffice (www.mybizoffice.com), a leader in contract workforce engagement and administration solutions, provides a global service that delivers significant economic benefits and improved productivity to professional contract workers and their

client organizations. MyBizOffice provides individual professionals with streamlined and "portable" engagement, billing, employment, benefits, and payment services, while providing their client organizations with consolidated contract workforce engagement, payment processing, and reporting services. These services help clients save over 20% on service supply chain costs while enhancing their ability to attract and administer contingent workers. Founded in 1986, MyBizOffice has served thousands of contingent workers and over 90 of the Fortune 1000 companies and other large organizations.

ABOUT THE HUMAN CAPITAL INSTITUTE



The Human Capital Institute is a catalyst for innovative new thinking in talent acquisition, development and deployment. Through research and collaboration, our programs collect original, creative ideas from a field of top executives and the brightest thought leaders in strategic HR and talent management. Those ideas are then transformed into measurable, real-world strategies that help our members attract and retain the best talent, build a diverse, inclusive workplace, and leverage individual and team performance throughout the enterprise.

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