The Conference Board of Canada
Insights You Can Count On

Report October 2008

Harnessing the Power Recruiting, Engaging, and Retaining Mature Workers

HUMAN RESOURCE MANAGEMENT

The Conference Board of Canada
Insights You Can Count On

Harnessing the Power: Recruiting, Engaging, and Retaining Mature Workers
by *Karla Thorpe*

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Preface

The Conference Board of Canada is pleased to present this report on the aging workforce and the strategies Canadian organizations have in place to recruit, engage, and retain mature workers. *Harnessing the Power* summarizes the results of a survey of primarily mid-sized and large Canadian organizations, conducted between June and August 2008. The 109 organizations that participated in the survey represent a broad cross-section of regions and industry categories.

The scope of the investigation includes age and retirement intentions of key occupational groups; organizational concerns about the aging workforce; and practices related to the attraction, recruitment, engagement, and retention of mature workers.

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We are grateful to all of the individuals and organizations that took the time to answer our questionnaire, as well as to those who graciously agreed to participate in the in-depth interviews for our case studies. It is through the commitment of these organizations that we are able to conduct this type of research.

EXECUTIVE SUMMARY

Harnessing the Power
Recruiting, Engaging, and Retaining Mature Workers

At a Glance

- Organizations are concerned about their aging workforce, but most have not yet targeted specific human resources (HR) programs and policies to their mature workers.
- The few organizations that have adapted their HR policies and programs to meet the needs of older workers report being more successful at attracting and retaining individuals over the age of 50.
- Organizations will need to shift their focus to older workers. With the shrinking pool of younger workers, employers will need to rely on the increased participation of mature workers to meet future staffing needs.

Over the next few years, the demographic changes in Canada are likely to exert significant pressure on a labour market that is already tight in certain sectors. The Conference Board of Canada raised awareness of this issue in its *Performance and Potential 2005–2006* report by suggesting that organizations need to begin to focus on attracting, recruiting, and retaining mature workers.[1]

This report provides information on what organizations are doing in response to the aging workforce, and is based on a survey of 109 mid-sized to large Canadian employers. Research results find that while the aging workforce is seen as an important issue, employers are not customizing their HR policies and programs to accommodate mature workers. However, the few organizations that have customized their HR policies and programs are more successful at attracting and retaining individuals over the age of 50.

Mature Workers

For the purpose of this report, mature workers are defined as individuals 50 years of age or older.

Given low fertility rates in Canada and increased competition for skilled immigrants, the pool of younger workers available to replace retiring baby boomers will not be sufficient to meet employers' future staffing needs.[2] Organizations need to begin focusing on mature workers. Policies and programs directed specifically to older workers, such as phased retirement programs and mentorship programs, will be essential in encouraging mature workers to remain in the workforce.

1 The Conference Board of Canada, *Performance and Potential 2005–06.*

2 Ibid.

HIGHLIGHTS

The aging workforce is a key issue for employers. Almost half (47 per cent) of respondents believe that the aging of their workforce will be an important issue over the next year and a half. And, more than three-quarters (77 per cent) feel it will be important over the next three to five years. The impact of the aging workforce is expected to be felt more strongly in the public sector, where the median age of workers is higher than in the private sector, and retirements are taken earlier.

Despite the high number of respondents identifying the aging of their workforce as a concern, few employers focus directly on the mature worker segment. Only 6 per cent of respondents focus on retaining mature workers to a great or very great extent, and only 8 per cent actively undertake strategies to increase mature workers' level of engagement. A modest 11 per cent of surveyed employers actively focus on attracting and recruiting mature workers to a great or very great extent—with the retail and services sector leading all others (40 per cent).

Few programs are customized for mature workers. Many organizations assume that the benefits, policies, and strategies they have in place for the entire workforce will also be effective for recruiting, retaining, and engaging older workers. Only 7 per cent formally consider mature workers as a distinct employee group.

Of those organizations actively recruiting older workers, most use campaigns directed toward all generations of workers (52 per cent), rather than targeted campaigns (12 per cent). Most employers rely on company-wide programs such as pension benefits, health-care benefits, and flexible work arrangements to retain mature workers. Most organizations (83 per cent) use the same engagement strategies for mature workers and for other age groups.

Only 6 per cent of respondents focus on retaining mature workers to a great or very great extent.

Increased focus on the mature worker segment does make a difference. The few organizations that have placed a heightened focus on the attraction and recruitment of mature workers have been much more successful at attracting older workers. Among employers actively focused on recruiting mature workers, 73 per cent report having been successful in their recruitment efforts, as compared to just 23 per cent of those who are less focused. A similar result is found among the few organizations actively focused on retaining mature workers—83 per cent report having been successful at retaining mature workers, as compared to just 32 per cent among those without a strong organizational focus on retaining mature workers.

CHAPTER 1

Respondent Profile

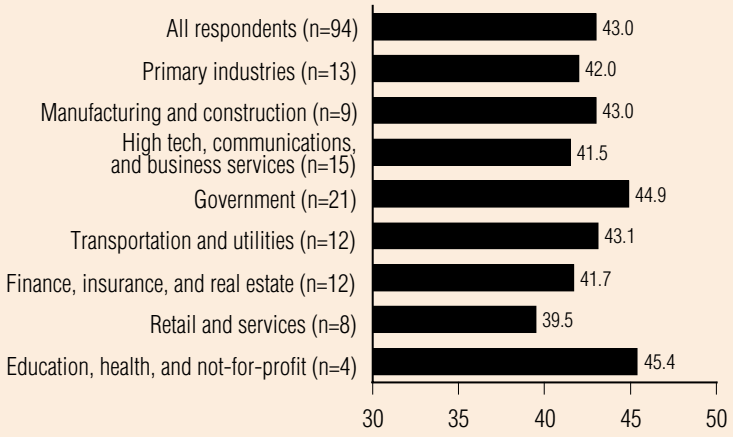
Chapter Summary

- The median age of employees in the organizations that responded to our survey is 43 years—with the median workforce age in the public sector (44.0) two years higher than in the private sector (42.0).
- A higher proportion of retirements are expected among executives and senior executives within the next five years, especially in the public sector.
- Public sector employees retire two years earlier than employees working in the private sector. Among our survey respondents, the average retirement age in the public sector is 58, as compared to 60 in the private sector.
- About a third of organizations expect that, over the next five years, employees will retire sooner than they have in the past.

WORKFORCE AGE

The median age of employees in the organizations that responded to our survey is 43 years. However, the median age differs across sectors, industry categories, and job categories. For example, the median age of employees in the government (44.9) and in education/health/not-for-profit industries (45.4) is higher than in other industries. The median age of employees in the retail and services sector is the lowest at 39.5 years. Relative to other industries, the retail and services sector employs a higher proportion of part-time and seasonal workers, including students, who tend to be younger in age. (See Chart 1.) This is consistent with findings from Statistics Canada's Workplace and Employee Survey that identified trade and consumer services as having the lowest average age at 36.1 and education and health as having the highest average age at 42.7.[1]

Chart 1
Workforce Age, by Industry
(median age)



Source: The Conference Board of Canada.

1 MacKenzie and Dryburgh, "The Retirement Wave."

Survey Methodology and Respondent Profile

In June 2008, The Conference Board of Canada sent its Mature Workforce survey to 646 senior-level HR practitioners. The recipients were predominantly from medium-sized and large Canadian organizations operating in a variety of regions and sectors. The survey was available in both English and French. Between June and August 2008, practitioners from a total of 109 organizations responded to the survey, representing a 17 per cent response rate. A number of in-depth, follow-up telephone interviews were conducted in September 2008 with selected survey respondents. The interview findings are summarized in the case studies presented in the report.

Respondents represent a cross-section of public and private sector organizations and include all major industry categories. (See the table below.)

The purpose of this study was to assess the degree to which organizations are affected by the aging workforce and the strategies they have in place or planned to recruit, retain, and engage mature workers. For the purpose of this report, mature workers were defined as individuals 50 years of age or older.

This study was funded by The Conference Board of Canada with support from the Capital Health Authority and the Calgary Health Region.

Respondent Profile
(n=109)

	Number	Percentage
Location		
Atlantic	4	3.7
Quebec	12	11.0
Ontario	45	41.3
Prairies	11	10.1
Alberta	26	23.9
B.C./North	11	10.1
Total	**109**	**100.0**
Sector		
Private	61	56.0
Public	48	44.0
Total	**109**	**100.0**
Industry		
Primary industries	15	13.8
Manufacturing and construction	11	10.1
High-tech, communications, and business services	15	13.8
Government	24	22.0
Transportation and utilities	12	11.0
Finance, insurance, and real estate	14	12.8
Retail and services	10	9.2
Education, health, and not-for-profit	8	7.3
Total	**109**	**100.0**
Regulation		
Federally regulated	26	23.9
Provincially regulated	83	76.1
Total	**109**	**100.0**

	Number	Percentage
Number of employees—full-time equivalents (FTEs)		
Fewer than 500	11	10.1
500–1,499	25	22.9
1,500–4,999	35	32.1
5,000 or more	36	33.0
Not stated	2	1.8
Total	**109**	**100.0**
Revenue/operating budget		
Under $150 million	18	16.5
$150–$2,000 million	47	43.1
Over $2,000 million	39	35.8
Not stated	5	4.6
Total	**109**	**100.0**
Level of unionization		
No unionized employees	31	28.4
Under 25 per cent unionized	17	15.6
Between 25 and 50 per cent unionized	11	10.1
Between 51 and 75 per cent unionized	15	13.8
Over 75 per cent unionized	35	32.1
Total	**109**	**100.0**

Source: The Conference Board of Canada.

Overall, mature workers—defined in this survey as individuals 50 years of age or older—make up 29 per cent of the workforce of those organizations that responded, with the majority of these mature workers (85 per cent) employed full-time within their organizations.

The median workforce age among respondents is two years higher in the public sector than in the private sector.

The public sector organizations that responded to the survey have a higher proportion of mature workers than private sector companies. Among public sector respondents, 31 per cent of workers are over the age of 50 compared to 27 per cent in the private sector. (See Chart 2.) This is consistent with findings from Statistics Canada, which indicate that, in 2006, the public sector had a much larger proportion of workers between 45 and 54 years of age (52 per cent) than private sector companies (39 per cent).[2]

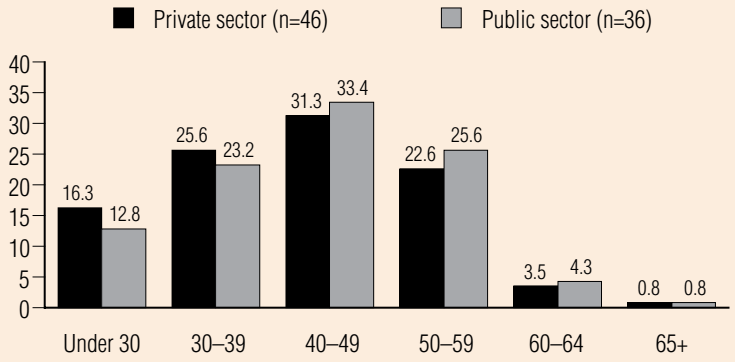
The median workforce age among organizations responding to the survey is two years higher in the public sector (44.0) than in the private sector (42.0). As discussed later in the report, the older workforce in the public sector, coupled with a lower-than-average retirement age, may create a more pressing human resources situation for public sector employers.

Based on the demographic trends, replacing retiring senior executives will be a challenge. Overall, the median age of senior executives is 52. With a median age of 50, the executives behind them are only two years younger. (See Chart 3.)

CURRENT AND EXPECTED RATES OF RETIREMENT

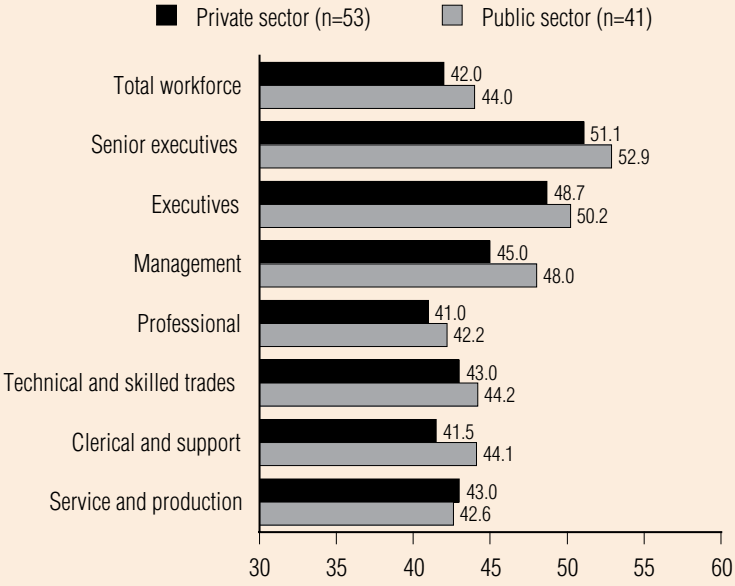
In 2007, the organizations that responded to the survey experienced a median rate of retirement of 2 per cent. This rate of retirement was slightly higher among public sector than private sector respondents (2.2 per cent as compared to 1.4 per cent). While the rate of retirement may seem relatively low, each organization lost, on average, 227 workers to retirement. For some employers, the impact is even greater. One large public sector employer lost a total of 1,800 workers to retirement last year alone, representing 4 per cent of its workforce.

Chart 2
Age Distribution of Workforce, by Sector
(mean per cent)



Source: The Conference Board of Canada.

Chart 3
Workforce Age, by Job Category and Sector
(median age)



Source: The Conference Board of Canada.

2 Naczk, *Employment Trends in the Federal Public Service.*

The median rate of retirement among the participating organizations is expected to increase to 2.5 per cent next year, with another 10 per cent expected to retire within the next two to five years. In 2009, the highest rates of retirement are expected in the government (3.3 per cent), finance/insurance/real estate (3.2 per cent), and transportation/utilities (3.0 per cent) sectors. The lowest rate of retirement is expected in the retail and services sector (1.0 per cent), which has the lowest median age (39.5).

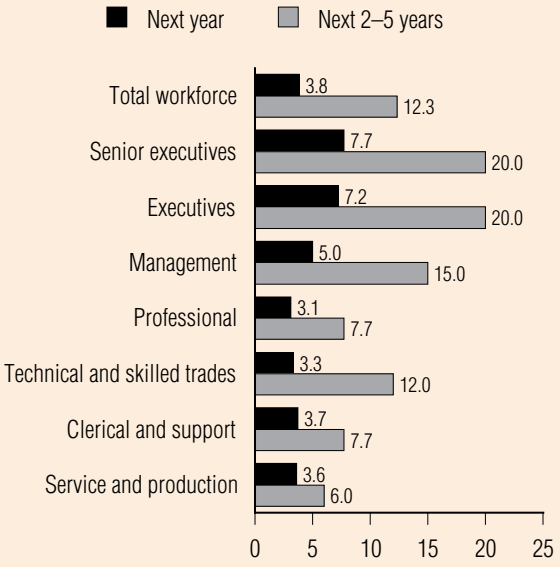
The short-term (next 12 months) and medium-term (two to five years) rate of retirement is higher among the unionized firms responding to the survey than among those without any unionized employees. Among the unionized organizations, the median rate of retirement for next year is expected to be 2.7 per cent, compared to 2.2 per cent among those that are non-unionized. Within the next two to five years, the median rate of retirement for unionized respondents is expected to rise to 11 per cent, compared to 6.1 per cent among those that are non-unionized.

For our survey respondents, the average number of retirements is expected to reach 1,462 workers per organization within the next five years. The number of departures could be greatest for large public sector employers.

Public sector organizations may face an additional challenge due to the expected retirement rate of senior executives and executives. Nearly 28 per cent of senior executives in the public sector are expected to retire within five years' time. The situation is almost as serious for the public services' second-tier executive cadre where 27 per cent are expected to retire by 2013. (See Chart 4.)

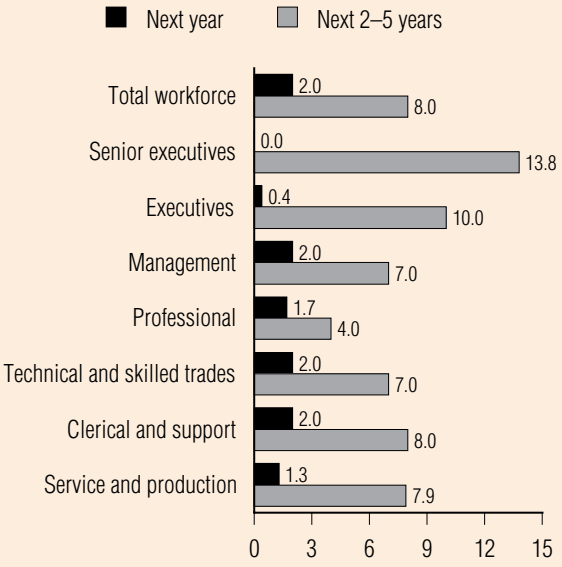
In the private sector, the median percentage of retirements is expected to be lower than in the public sector—with 14 per cent of senior executives and 10 per cent of executives retiring by 2013. (See Chart 5.) It should be noted that while the leadership loss appears less dire for private sector companies, there is a wide variation among individual companies. For example, while 54 per cent of private sector companies do not expect any

Chart 4
Proportion of Workforce Expected to Retire, by Job Category (Public Sector Organizations)
(median per cent; n=34)



Source: The Conference Board of Canada.

Chart 5
Proportion of Workforce Expected to Retire, by Job Category (Private Sector Companies)
(median per cent; n=49)



Source: The Conference Board of Canada.

retirements among senior executives next year, one firm expects to lose 20 per cent of its senior executives in 2009.

AVERAGE AGE OF RETIREMENT

According to international literature, retirement decisions are based on a multitude of factors, such as an employee's health status, financial circumstances, attachment to and conditions at work, desire for work–life balance, family responsibilities, labour market demand, and the policy context (including such factors as a mandatory retirement age).[3]

About a third of employers expect employees to retire sooner than they have in the past—particularly in the education/health/not-for-profit sector.

The Canadian Institute of Actuaries believes that for Canadians to be financially ready for retirement, sources of income will include a combination of government pensions (OAS, CPP/QPP[4]), personal savings (including RRSPs[5]), employer pension plans, and home equity.[6]

Given the many factors that influence retirement decisions, it is difficult to make generalizations about the retirement ages across sectors and industries. However, in our study, respondents indicated that, on average, public sector employees retire two years earlier than employees working in the private sector. Among survey respondents in the public sector, the average age of retirement stands at 58, compared to 60 in the private sector. This is consistent with findings from Statistics Canada where the median age of retirement in the public sector in 2002 was 58.1, compared to 61.4 in the private sector.[7] In fact, data from Statistics Canada's Labour Force Survey show that, since 1976, the public sector has consistently had a lower age of retirement than the private sector.[8] This is driven, at least in part, by the financial security provided by defined benefit pension plans as well as early retirement provisions.

Industries with the highest retirement age include manufacturing/construction (61.4) and retail and services (61.0). The higher retirement age in the retail and services sector is likely driven by several factors. This sector employs a high percentage of part-time and non-permanent staff, with only 58 per cent of employees working on a full-time basis. Employers in the retail and services sector are also among the least likely to offer a pension plan—20 per cent do not offer either a defined benefit or defined contribution pension plan. Similarly, employers in the manufacturing/construction sector are among the least likely to offer defined benefit pension plans (18 per cent), which impact workers' financial readiness for retirement.

Most employers (59 per cent) expect that the average age of employee retirement will remain about the same over the next five years. However, about a third of employers expect employees to retire sooner than they have in the past. This is particularly true of employers in the education/health/not-for-profit sector, where 83 per cent expect that the average age of employee retirement will decline over the next five years—from the current median of 60.

3 Davey, "What Influences Retirement Decisions?"

4 Old Age Security; Canada Pension Plan/Quebec Pension Plan.

5 Registered retirement savings plans.

6 Canadian Institute of Actuaries, *Planning for Retirement.*

7 Statistics Canada, "The Near-Retirement Rate."

8 Stone, *New Frontiers of Research on Retirement.*

CHAPTER 2

Concerns About the Aging Workforce

Chapter Summary

- Most organizations believe the aging of their workforce is an important or critical issue in both the short term (next 12 to 18 months) and medium term (next three to five years).
- The top concerns for private and public sector firms—as a result of the aging workforce—are the loss of experienced leaders and loss of corporate knowledge.
- Despite their concerns about the aging workforce, only a third of respondents consider their mature workers as a distinct employee segment when developing HR policies, programs, and strategies.

LEVEL OF CONCERN

Overall, almost half of all respondents (47 per cent) indicate the aging of their workforce is either an important or critical issue for their organization over the short term (next 12 to 18 months). This increases to 77 per cent when considering the next three to five years. (See Chart 6.)

Workforce aging is seen as more critical in the government, and the education, health, and not-for-profit sectors. While few organizations in these sectors feel the issue is critical for them in the short term (9 and 13 per cent respectively), more see it as a critical issue in the medium term (52 per cent in government and 38 per cent in the education, health, and not-for-profit sector).

The loss of experienced leaders and loss of corporate knowledge are top concerns for private and public sector firms.

Public sector organizations are slightly more concerned than private sector companies about the impacts of their aging workforce in both the short term and medium term.

ANTICIPATED IMPACTS OF THE AGING WORKFORCE

The loss of experienced leaders and loss of corporate knowledge are top concerns for private and public sector firms. (See Table 1.) This is not surprising given the higher rate of retirements expected among the senior executive and executive cadre, particularly in the medium term.

However, the impacts of the aging workforce are expected to be slightly different for public and private sector organizations. Private sector companies are more concerned than public sector organizations about the continuity of relationships with customers and suppliers and their ability to meet growth targets. Public sector organizations have greater concerns about facing gaps in technical or other specialized skills as well as a shortage of future leadership talent.

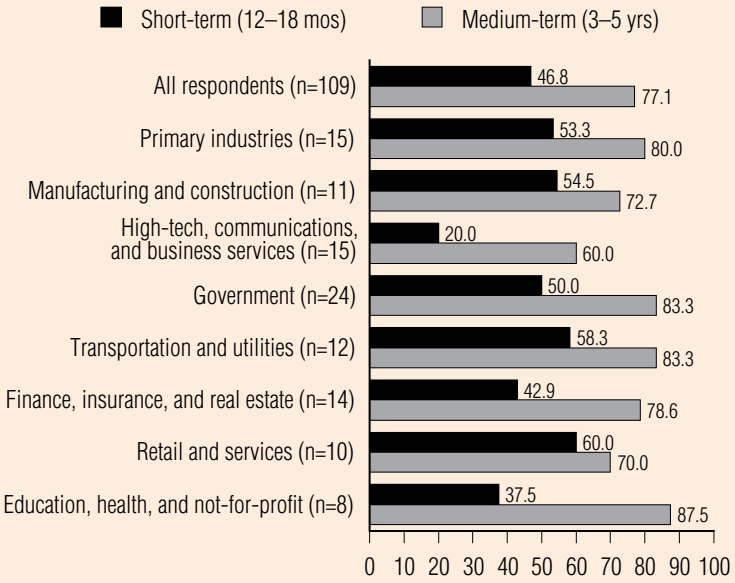
STRATEGIES TO ADDRESS THE LEADERSHIP GAP

To address anticipated leadership gaps, organizations have adopted a number of strategies. The most common approach is to formally identify a high-potential talent pool for retention and development purposes and/or hold internal leadership development programs. Respondents were least likely to consider partnership programs outside their organizations for leadership development, such as promoting community leadership activities (e.g., encouraging employees to sit on the board of directors of a charitable organization) or loaning out high-potential employees for outside positions or projects (e.g., loaning employees to work on the annual United Way campaign).

Private sector companies are more concerned about the continuity of relationships with customers and suppliers and their ability to meet growth targets.

While many strategies to address the leadership gap are similar for private and public sector respondents, the public sector is more likely to brand the organization as an employer of choice. In contrast, private sector firms are more likely to try to entice leaders to stay on with the organization and increase compensation to retain key talent. Private sector firms are also more likely to formally identify high-potential employees and groom them for future leadership positions through the performance management process. (See Table 2.)

Chart 6
Concern About Their Aging Workforce, by Industry*
(per cent)



*Per cent of organizations indicating that the aging workforce is an "important" or "critical" issue.
Source: The Conference Board of Canada.

Table 1
Top Concerns as Workers Retire, by Sector*
(per cent)

Concern	Private sector (n=61)	Public sector (n=48)
Loss of experienced leaders	93.4	91.7
Loss of corporate knowledge	86.9	87.5
Shortage of technical or other specialized skills	65.6	72.9
Shortage of workers	55.7	54.2
Shortage of future leadership talent	49.2	56.3
Loss in continuity of relationships with customers	45.9	31.3
Difficulty fulfilling current business demands	27.9	27.1
Difficulty meeting growth targets	27.9	12.5
Loss in continuity of relationships with suppliers	24.6	14.6
Reduced ability to relate to an aging customer base	8.2	6.3

*Respondents were asked to select the impacts their organization will face as workers retire from a list of 10 options, plus an "other" category.
Source: The Conference Board of Canada.

STRATEGIES TO FACILITATE KNOWLEDGE TRANSFER

The loss of corporate knowledge is another significant concern as workers retire. To meet this challenge, the most common strategy is to hire an incumbent's replacement prior to their retirement; this practice is slightly more common in the public sector (75 per cent) than in the private sector (64 per cent). The use of job shadowing is another approach that is also much more widespread in the public sector than in the private sector. In fact, 40 per cent of public sector organizations use job shadowing as a knowledge transfer tool, as compared to just 15 per cent of private sector companies. Most organizations also document job processes and have mentoring programs in place. Despite recent technological advances, few use video/audio archives or have developed expert systems for knowledge transfer. (See Table 3.)

Table 2
Strategies to Address the Leadership Gap, by Sector
(per cent)

Strategies	Private sector (n=58)	Public sector (n=47)
Formal identification of a high-potential talent	81.0	66.0
Internal leadership development programs	77.6	70.2
Planned movement/career pathing	70.7	55.3
Special work assignments	63.8	68.1
Targeted feedback to high potentials	62.1	48.9
Utilizing assessment practices to guide placement/development decisions	60.3	46.8
Developing a leadership competency framework	58.6	63.8
Branding the organization as an employer of choice	58.6	70.2
External leadership development programs	53.4	36.2
Formal mentoring/coaching programs	44.8	53.2
Enticing leaders to stay on with the organization longer	44.8	23.4
Experiential learning activities	43.1	53.2
Executive briefings/discussions	37.9	27.7
Increasing compensation to attract key talent	29.3	12.8
Promoting community leadership	17.2	17.0
Loans of high potentials for outside positions	8.6	12.8

Source: The Conference Board of Canada.

FOCUS ON THE MATURE WORKER AS A DISTINCT SEGMENT

Overall, only a third of respondents consider their mature workers as a distinct employee segment for activities such as tracking HR metrics and developing policies, programs, and strategies. Of these, 7 per cent do so formally, and another 25 per cent informally—primarily for planning purposes. (See Chart 7.) Most employers rely on organization-wide policies such as flexible work arrangements (which exist for all employees) to be sufficient to address the needs of mature workers.

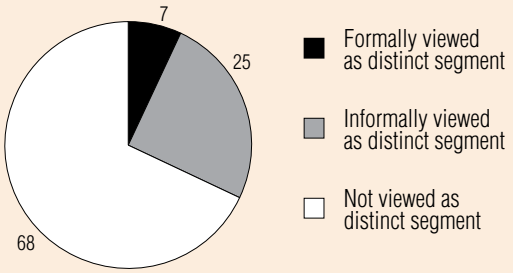
Ninety-three per cent of respondents indicate they are undertaking workforce analysis and planning activities—the majority examine workforce demographics, conduct employee surveys, and project retirement rates.

Organizations most concerned about their aging workforce are somewhat more likely to consider mature workers as a distinct segment of their population (14 per cent compared to just 2 per cent of those with less concern).

While many respondents do not view mature workers as a distinct employee segment, 93 per cent indicate they are undertaking some workforce analysis and planning activities. At the organizational level, the majority examine workforce demographics, conduct employee surveys, and formally project retirement rates. However,

very few organizations take workforce analysis and planning activities to the level of the individual within the organization. Only 17 per cent formally identify key mature workers that the organization wishes to retain, and only 14 per cent survey individual employees regarding their retirement preferences.

Chart 7
View of Mature Workers
(per cent; n=108)



Source: The Conference Board of Canada.

Table 3
Knowledge Transfer Strategies
(per cent)

Strategies	Private sector (n=61)	Public sector (n=47)
Hiring replacements prior to the departure of the incumbent	63.9	74.5
Documentation of job processes	63.9	46.8
Mentoring	50.8	55.3
Documenting best practices	44.3	34.0
Developing job aids, references, checklists, etc.	41.0	34.0
Maintaining key individuals on retainer for consultation	42.6	31.9
Identification and mapping of key job competencies	36.1	31.9
Encouraging a phased retirement	27.9	31.9
Job shadowing	14.8	40.4
Expanding information repositories	16.4	19.1
Establishing communities of practice	18.0	17.0
Holding information exchange sessions	9.8	14.9
Development of expert systems	13.1	8.5
Critical incident interviews/questionnaires	8.2	10.6
Preparing video/audio archives	8.2	2.1

Source: The Conference Board of Canada.

CHAPTER 3

Attracting and Recruiting Mature Workers

Chapter Summary

- A modest 11 per cent of employers surveyed indicated they are actively focused on attracting and recruiting mature workers to a great or very great extent. Employers in the retail and services sector are the most active in recruiting mature workers.
- The few organizations that have placed a heightened focus on the attraction and recruitment of mature workers have been much more successful at attracting older workers.
- The most commonly used strategy to recruit mature workers is to rehire former employees; however, 27 per cent of organizations currently have some form of rehiring restrictions in place.

ORGANIZATIONAL FOCUS ON THE ATTRACTION AND RECRUITMENT OF MATURE WORKERS

Overall, 60 per cent of employers have attempted to attract and recruit mature workers, with only 11 per cent actively focused on this segment to a great or very great extent. Companies in the retail and services sector are more vigorously seeking mature workers to address labour shortages. (See Chart 8.)

These companies have traditionally relied heavily on younger workers to fill job vacancies. However, as the pool of younger workers shrinks, many in the hospitality sector— such as Disney, McDonald's, and Marriott— are beginning to view mature workers as an important source of labour.[1] In Canada, the retail trade and consumer services sector has the highest job vacancy rate at 381 per 10,000 employees.[2] In the United States, it is estimated that the restaurant industry alone will need to add 2 million jobs within the next five years, and will need to replace an estimated 10 million workers by 2010.[3] Mature workers represent an important source of labour for filling vacancies and helping to fuel this sector's economic growth.

STRATEGIES TO ATTRACT AND RECRUIT MATURE WORKERS

The most commonly used strategy to recruit mature workers is to rehire former employees. The majority of employers also use formal or informal referrals and recruitment campaigns directed toward all age groups. Very few organizations use recruitment campaigns that specifically target mature workers. That said, such targeted campaigns are more common among private sector companies. (See Chart 9.)

1 Chinsky Matuson, "Hospitality Opportunities for Older Workers."

2 MacKenzie and Dryburgh, "The Retirement Wave."

3 Chinsky Matuson, "Hospitality Opportunities for Older Workers."

Generation-specific recruitment campaigns may not be more prevalent because they are seen to be less effective than other recruitment strategies for mature workers. (See Table 4.)

This year, the American Association of Retired Persons partnered with The Employment Guide® to host 55 job fairs for mature workers across the United States.

How are other leading employers tapping into the mature workforce? In the United States, organizations such as Wal-Mart are experimenting with new campaigns targeted directly to mature workers, including partnering with seniors centres, churches, local libraries, and websites frequented by older workers. [4]

The American Association of Retired Persons (AARP) has also played an active role in connecting older workers with employment opportunities. This year, the association partnered with The Employment Guide® to host a series of 55 job fairs for mature workers across the United States.[5]

Table 4
Top Recruitment Strategies
(rank order of most effective strategies)

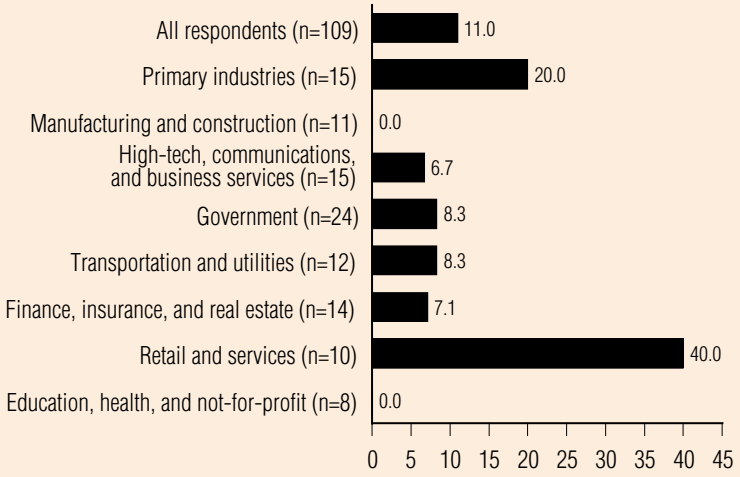
1. Re-hire former employees/retirees
2. Recruitment/promotional campaigns directed toward all generations of workers
3. Referrals from existing/former employees
4. Job search agencies
5. Recruitment/promotional campaigns directed specifically to mature workers

Source: The Conference Board of Canada.

4 Freudenheim, "More Help Wanted: Older Workers Please Apply."

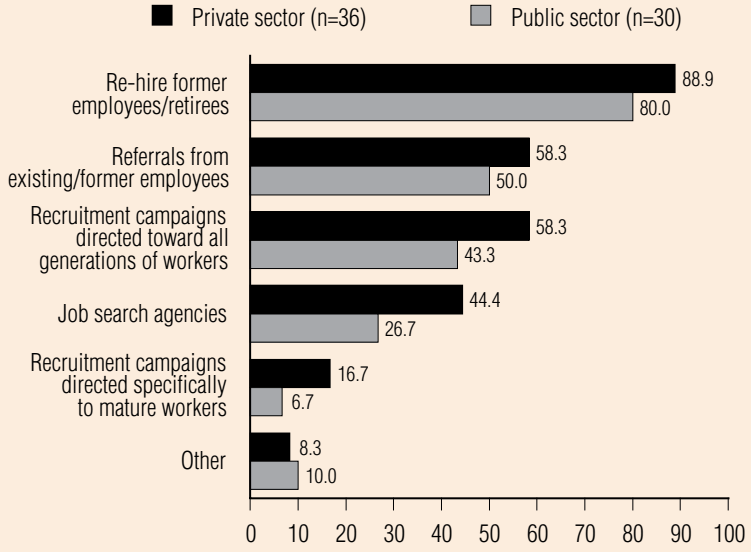
5 The Employment Guide®, *Employers Seeking Mature Workers*.

Chart 8
Organizational Focus on Attracting and Recruiting Mature Workers, by Industry*
(per cent)



*Per cent of organizations indicating that the aging workforce is an "important" or "critical" issue.
Source: The Conference Board of Canada.

Chart 9
Recruitment Strategies for Mature Workers, by Sector
(per cent)



Source: The Conference Board of Canada.

Faced with a need to recruit 35,000[6] new workers to keep up with expansion plans and replace existing staff due to turnover, Home Depot partnered with AARP in 2004 to recruit workers over the age of 50 through AARP's employment centres and website.[7] Other employers quickly joined suit, and now AARP's website contains links to 13 U.S.-based employers that are actively recruiting seniors. The employers include MetLife, Pitney Bowes, Borders, Home Depot, and Walgreens.[8]

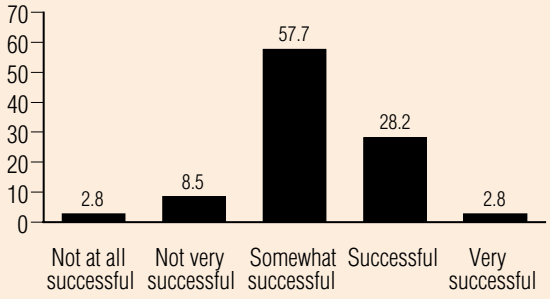
Barriers exist for organizations wishing to re-employ retirees, particularly retirees who are drawing a pension.

Recognizing the need to tap into this demographic to secure the supply of workers, these companies are attracting workers with employee discounts, paid training, health benefits, and flexible work arrangements—for example, Home Depot's "snowbird" program that allows staff to work in different locations for parts of the year. [9]

SUCCESS WITH ATTRACTING AND RECRUITING MATURE WORKERS

The majority of organizations report being at least somewhat successful in efforts to recruit mature workers. (See Chart 10.) What differentiates the amount of success is the degree of corporate focus on this activity. Among organizations that are focused to a great or very great extent on attracting and recruiting mature workers, almost three-quarters report being successful (including 18 per cent who report having been very successful). In contrast, less than a quarter (23 per cent) of organizations that are recruiting, but don't focus specifically on mature workers, have found success.

Chart 10
Success with Attraction and Recruitment of Mature Workers
(per cent; n=71)



Source: The Conference Board of Canada.

REHIRING RESTRICTIONS

Eighty-five per cent of organizations that recruit older workers rehire former employees. However, a quarter of organizations (27 per cent) currently have post-employment restrictions in place that may prevent them from re-employing retirees or former employees within their organization. Post-employment restrictions are slightly more common in the public sector (33 per cent) than in the private sector (23 per cent).

The specific restrictions that organizations have in place when rehiring former employees include limiting the length of employment permitted, instituting waiting periods before employees can be rehired, requiring employees to be hired through a third party, and requiring employees to be rehired into a different position.

There are a variety of barriers for organizations wishing to re-employ retirees, particularly retirees who are drawing a pension. Pension regulations, tax regulations, contractual arrangements, and collective agreements have all created a complicated situation. Because of this complexity, some organizations have developed internal post-employment guidelines to assist managers in navigating the process. To guide public servants, the Treasury Board Secretariat outlines post-employment measures within the "Values and Ethics Code for the Public Service."

6 *Atlanta Business Chronicle*, "Home Depot Recruiting Older Workers."

7 Woog, "Older Workers Wanted."

8 Freudenheim, "More Help Wanted."

9 Ibid.

Generally, the restrictions on the employment of former public servants remain in effect for a period of one year after leaving their position.[10]

Recent findings released by Hewitt Associates suggest that an even greater number of organizations in the United States (47 per cent) have policies that limit their ability to rehire previously retired employees. The restrictions include minimum periods of absence prior to rehiring (42 per cent), limits on the number of hours that retirees can be re-employed (31 per cent), and rehiring employees only through outside contractor or leasing agencies (29 per cent). Given the upcoming talent crunch as older workers retire, many employers are rethinking their policies on rehiring former employees. Hewitt's research found that about half of all companies (46 per cent) plan to review these policies within the next two years.[11]

In the face of looming retirements, the City of Calgary has implemented several different approaches to encourage retirees to return to work for the City. (See case study, The City of Calgary: Re-Engaging the Mature Workforce Post Retirement.)

Case Study #1

THE CITY OF CALGARY: RE-ENGAGING THE MATURE WORKFORCE POST RETIREMENT

The City of Calgary is Canada's third largest city with a population that surpassed 1 million in 2006. The City is the province's second largest employer with 11,500 employees and an additional 3,200 seasonal workers on the payroll in 2007.

Compared to the surrounding community, the City has a relatively older workforce (with an average age of 45 compared to the community average of 38). The City generally expects workers to retire at age 55—given generous early-retirement provisions that allow for retirement at age 55, and an unreduced pension with 85 points (age plus years of service). Retirements are expected even earlier in certain lines of business, including the police. Nearly 4-in-10 workers (37 per cent) will be eligible to retire within the next five years.

In the face of these looming retirements, the City knew it was time to focus on talent retention among older workers. Therefore, in 2007, the City conducted focus groups with long-service employees about their retirement intentions and preferences. The research revealed strong interest among workers in returning to work post retirement under the right circumstances. In fact, 80 per cent of near-retirees expressed an interest in returning to work post retirement, including 75 per cent who would consider returning to the municipality. Flexibility and work diversity were found to be key requirements for the City to be able to re-engage retirees.

The City explored several different approaches to encouraging employees to return to work post retirement. Traditional arrangements were in place, including hiring former employees on a consultancy basis, and rehiring former employees after a 90-day break in service from the organization. To address critical succession issues, the City also instituted a rehiring policy for non-unionized employees to return to work immediately after retirement for a period of one year. For the City, this provides time to recruit and train a suitable candidate without disrupting operations. For the employee, it means they can collect a full salary plus pension benefits.

In addition to these approaches, the City launched an innovative internal employment agency made up of a pool of retirees. The pool connects managers with retirees interested in working on short-term, non-union assignments. Managers who require assistance during peak periods, to cover for vacation schedules or for special assignments, can access the pre-screened pool of former employees knowledgeable about the organization. This provides the City with a flexible, trained workforce capable of filling contingency roles on short notice. For employees, it provides an opportunity to supplement their retirement income and do interesting work. Retirees are under no obligation to accept the assignments offered, so they can choose those that are most appealing.

Next steps for the City include:

- working with unions to see how the program might be rolled out for unionized positions;
- looking for ways to reach out to past retirees so they can grow the retiree pool;
- investigating the best approach for retiree skill development to ensure their skills and knowledge stay fresh over time;
- looking for ways to redesign work to better accommodate older workers.

10 Public Works and Government Services, *Values and Ethics Code for the Public Service*.

11 Hewitt Associates, *Employer Approaches to Phased Retirement*.

CHAPTER 4

Engaging Mature Workers

Chapter Summary

- Although 68 per cent of respondents believe it is important to engage their older workers, less than half (47 per cent) formally or informally assess the engagement level of mature workers and only 8 per cent actively undertake strategies to increase the engagement of mature workers.
- Most organizations (83 per cent) rely on the same engagement strategies for mature workers as for other age groups.
- Organizations believe the most effective strategies for engaging mature workers include offering flexible work arrangements, special projects/challenging work, mentoring opportunities, and financial incentives (through promotions or raises).

Employee engagement has received a lot of attention recently as a strategy to drive bottom line results through improved customer satisfaction, higher sales, and lower employee turnover. Technological improvements and total quality management initiatives certainly result in productivity gains. Many employers have recognized that further productivity gains can be had from an engaged workforce.

Numerous studies have demonstrated that employee engagement plays a critical role in driving business success.[1] In its 2007–2008 Global Workforce Study, Towers Perrin draws some striking links between financial results and engagement data. Its research reveals that firms with the most engaged employees achieved increases in operating income of 19 per cent and increases in earnings per share of 28 per cent, year to year. In comparison, firms with the lowest proportion of engaged workers had year-over-year declines of 33 per cent in operating income, and 11 per cent in earnings per share.[2]

Employee engagement plays a critical role in driving business success.

According to The Gallup Organization, disengaged employees in the United States cost the economy $350 billion in lost productivity.[3] In Singapore (whose employees are among the least engaged worldwide), costs to the economy are an estimated $4.9–$6.7 billion.[4]

1 Baumruk, "The Missing Link."

2 Towers Perrin, *Closing the Engagement Gap.*

3 Sanford, "The High Cost of Disengaged Employees."

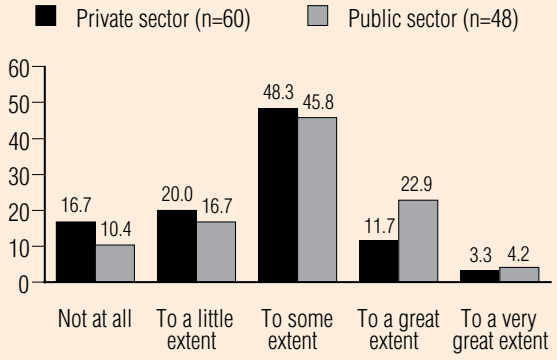
4 Gopal, "Disengaged Employees Cost Singapore $4.9 Billion."

Employee Engagement

Employee engagement is defined in this study as the heightened emotional connection that an employee feels for his or her organization—a connection that influences him or her to exert greater discretionary effort to his or her work.

As opposed to the private sector, public sector respondents in our study indicated more concern about the engagement levels of their mature workers—but for both groups, about half indicated concern to some extent. (See Chart 11.)

Chart 11
Concern About Mature Worker Engagement, by Sector
(per cent)



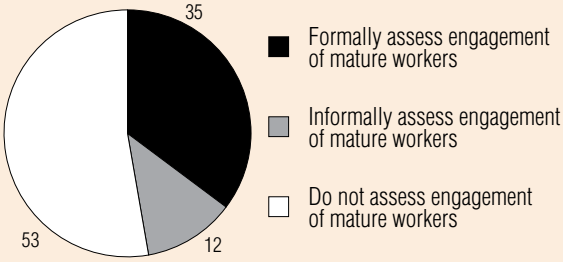
Source: The Conference Board of Canada.

ASSESSING THE ENGAGEMENT OF MATURE WORKERS

Despite 86 per cent indicating at least a little concern, more than half (53 per cent) do not assess the engagement level of their mature workers—either formally or informally. (See Chart 12.)

Formal engagement studies of mature workers are more prevalent in the west, particularly in Alberta and the Prairies where labour markets have been tight. Certain industries—including high-tech/communications/business services as well as finance/insurance/real estate—are also more likely to formally assess the engagement level of older workers. Formal assessment is also more common in the public sector, which has a greater proportion of older workers.

Chart 12
Assessing the Engagement of Mature Workers
(per cent; n=108)



Source: The Conference Board of Canada.

Among the organizations formally assessing the engagement level of mature workers (35 per cent), all conduct employee engagement surveys of the entire workforce and then analyze the results by demographic group. Surveys tend to be done either on an annual or biennial basis. These surveys may be conducted internally by the organization or outsourced to a consulting firm. No organizations reported using other means, such as focus groups or personal interviews with employees, to assess the engagement level of older workers.

Why are organizations not more focused on the engagement of their mature workers? While our survey did not explore perceptions of the existing engagement level of mature workers, older workers typically report higher levels of engagement on employee opinion surveys. For example, in a 2007 AARP/Towers Perrin study, called "Profit from Experience," the proportion of fully engaged employees was highest among those aged 55 or older.[5] However, engagement is not a given, and for organizations with a proportionally larger older workforce, engagement of this group will be key to productivity.

5 Towers Perrin, "Benefits Strategies."

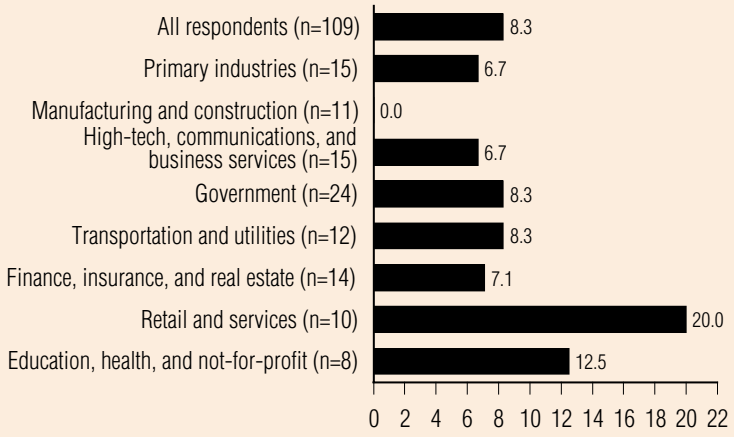
STRATEGIES TO ENGAGE MATURE WORKERS

Overall, only 8 per cent of organizations indicate they are actively undertaking strategies to increase the engagement of mature workers to a great or very great extent. Companies in the retail and services sector are the most actively seeking to engage older workers. In contrast, none of the organizations in the manufacturing/construction sector reported having either a great or very great focus on mature worker engagement strategies. (See Chart 13.)

Organizations enhance the rewards package to engage mature workers in various ways—including offering promotions.

Despite the differences that exist in the life cycle and motivations of different generations of workers, most organizations (83 per cent) use the same engagement strategies for mature workers as for other age groups.

Chart 13
Organizational Focus on Engaging Mature Workers, by Industry*
(per cent)



*Per cent of organizations indicating they are undertaking strategies to increase the engagement of mature workers to a "great" or "very great" extent.
Source: The Conference Board of Canada.

In a global workforce study, Towers Perrin identified five engagement drivers for workers aged 55 and older. The engagement drivers included senior management interest in their well-being, the organization's reputation for social responsibility, opportunities to improve their skills and capabilities, having input into decision making, and being able to set high personal standards.[6]

Our study of mid-sized and large Canadian employers echoed many of these same engagement drivers—particularly ensuring older workers receive intrinsic rewards such as meaning and challenge from their work.

Among survey respondents, the top strategies or benefits found to be most often successful at engaging mature workers include:

- flexible work arrangements;
- assigning special projects or offering challenging work;
- providing mentoring opportunities;
- tailoring the total rewards package.

Organizations enhance the total rewards package to engage mature workers in a variety of ways—including offering promotions to higher level positions, increasing compensation, and allowing employees the opportunity to customize their total rewards package to best suit their needs.

Other strategies that respondents found effective include:

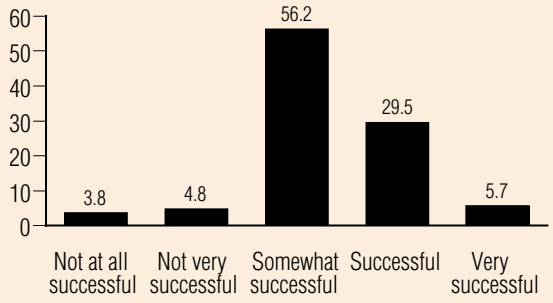
- formal recognition programs;
- post-retirement employment options;
- phased retirement;
- secondments;
- training and development opportunities.

6 Towers Perrin, *Closing the Engagement Gap.*

SUCCESS WITH ENGAGING MATURE WORKERS

Overall, the majority of organizations report being at least somewhat successful in their efforts to engage mature workers. (See Chart 14.) Organizations that are actively undertaking strategies to increase the engagement level of mature workers do not report a higher level of success with mature worker engagement. While we did not explore the barriers that organizations face, other research demonstrates that increasing engagement is a complex process requiring a deep understanding of the motivations of the segment of workers that employers are striving to engage.

Chart 14
Success With Engaging Mature Workers
(per cent; n=105)



Source: The Conference Board of Canada.

CHAPTER 5

Retaining Mature Workers

Chapter Summary

- Despite the high number of organizations identifying the retention of mature workers as a concern, only 6 per cent are focusing on retaining mature workers to a great or very great extent.
- The few organizations that have placed a heightened focus on the retention of mature workers have been much more successful at retaining workers over the age of 50.
- For retaining mature workers, most employers rely on company-wide programs such as pension benefits, health-care benefits, and flexible work arrangements to address the needs of mature workers.

ORGANIZATIONAL FOCUS ON RETAINING MATURE WORKERS

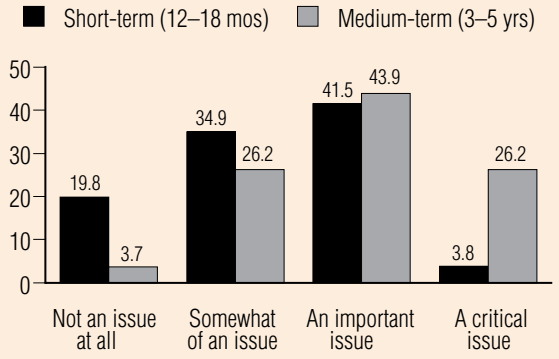
Almost half of organizations (45 per cent) believe that the retention of mature workers will be an important or critical issue within the next 12 to 18 months. And given that the baby boomers are expected to start retiring in 2011, more than 7-in-10 organizations expect the retention of mature workers to be a key focus within the next three to five years. (See Chart 15.) These results are consistent across private and public sector organizations.

Despite concerns about retaining mature workers, only 6 per cent of organizations indicate they are focused on retaining mature workers to a great or very great extent. Sectors most focused on retaining mature workers include primary industries and companies in the retail and services sector. (See Chart 16.)

STRATEGIES TO RETAIN MATURE WORKERS

While most organizations have not implemented customized programs for mature workers, many offer a suite of policies and benefits that mature workers may find appealing. Upwards of three-quarters offer flexible work hours, pension benefits, and leaves of absence.

Chart 15
Concern About Retaining Mature Workers
(per cent; n=106)



Source: The Conference Board of Canada.

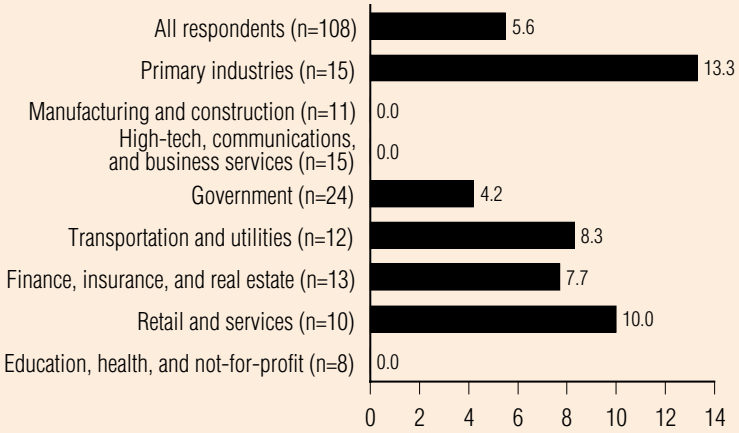
A sizable number also provide retirement counselling and financial planning for retirement to help ease the transition from work to retirement. Very few organizations (6 per cent) offer programs designed to reduce cultural biases against mature workers. However, the small number of organizations that do offer such programs report great success in using the programs to retain and support mature workers. (See Table 5.)

Table 5
Initiatives to Support or Retain Mature Workers
(per cent)

Initiative	Currently in place	Plan to implement
Flexible work hours (n=85)	76.5	12.9
Pension benefits (n=80)	76.3	5.0
Leaves of absence (n=79)	74.7	8.9
Retirement counselling (n=79)	67.1	11.4
Financial planning for retirement (n=82)	65.9	9.8
Training programs (n=74)	62.2	8.1
Extended health-care benefits (n=79)	60.8	5.1
Special assignments (n=73)	60.3	9.6
Education support (n=76)	56.6	2.6
Reduced work hours (n=80)	53.8	17.5
Mentoring opportunities (n=72)	51.4	20.8
Job sharing (n=77)	50.6	14.3
Special recognition programs (n=72)	43.1	11.1
Volunteer opportunities (n=64)	37.5	10.9
Job modification/redesign (n=71)	33.8	18.3
Community involvement initiatives (n=74)	32.4	5.4
Sabbaticals (n=69)	30.4	13.0
Programs to reduce cultural biases against mature workers (n=63)	6.3	12.7

Source: The Conference Board of Canada.

Chart 16
Organizational Focus on Retaining Mature Workers, by Industry*
(per cent)



*Per cent of organizations indicating they are focused on retaining mature workers to a "great" or "very great" extent.
Source: The Conference Board of Canada.

Respondents indicate that the most effective strategies for retaining and supporting mature workers include providing pension benefits, extended health-care benefits, flexible work hours, reduced work hours, and special assignments. Many of these same strategies can also be expected to lead to increased levels of mature worker engagement. The retention strategies thought to be least effective in retaining and supporting older workers include sabbaticals, community involvement initiatives, education support, volunteer opportunities, and leaves of absence. (See Table 6.)

The organizations that offer programs to reduce cultural biases against mature workers report great success in using the programs to retain and support mature workers.

Pension plans, particularly defined benefit plans, can be a powerful retention tool for employees who have not yet reached the minimum age, or combination of age and years of service, for an unreduced pension. However, pension plans containing early retirement provisions also generate incentives for employees to leave

Table 6
Effectiveness of Retention Strategies

Most effective retention strategies (rank order of most effective strategies)	**Least effective retention strategies** (rank order of least effective strategies)
1. Pension benefits	1. Sabbaticals
2. Extended health-care benefits	2. Community involvement initiatives
3. Flexible work hours	3. Education support
4. Reduced work hours	4. Volunteer opportunities
5. Special assignments	5. Leaves of absence

Source: The Conference Board of Canada.

the organization. Organizations such as the University of Toronto have successfully managed to revamp their early retirement provisions so that they are no longer encouraging highly valued faculty and senior professional staff to leave the organization at the height of their careers. (See case study, University of Toronto: Successfully Managing Retirements.)

As organizations try to hold onto their talented mature workers, many have adopted some unique and innovative approaches, including:

- the creation of mentoring positions for mature workers to facilitate knowledge transfer;
- the creation of a pool of retirees for short-term assignments (See case study, The City of Calgary: Re-Engaging The Mature Workforce Post Retirement);
- international job rotations;
- special stock option grants for retention purposes;
- education support for dependents;
- special assignments.

Case Study #2

UNIVERSITY OF TORONTO: SUCCESSFULLY MANAGING RETIREMENTS

The University of Toronto (U of T) is Canada's largest university—serving almost 55,000 undergraduate and 13,000 graduate students. The university is also the 15th largest employer in the Greater Toronto Area. The university's workforce comprises 2,600 faculty members (including almost 2,200 tenure/tenure-stream individuals), as well as 8,600 permanent and 3,000 casual staff members.

With a mission to be a leader among the world's best teaching and research universities, the University of Toronto has recognized a need to appoint, tenure, and retain the best-educated, most intellectually creative, and most diverse faculty the university can identify.

Since 2005, the University of Toronto has been actively looking for new mechanisms to retain valued faculty and senior staff members. Like most other universities and public sector organizations, U of T is faced with a growing proportion of the workforce that is eligible to retire.

For quite some time, the university had financial incentives that encouraged the early retirement of faculty and senior professional staff at age 55. These incentives were implemented when the economic and demographic picture in Canada was very different from today—a time when many organizations were downsizing, and looking for ways to incent older workers to leave the workforce to make way for the next generation of workers. However, as in other professional environments, many senior academics in their mid-50s are just reaching the height of their careers. The university found itself in a situation where it was encouraging highly acclaimed faculty to take early retirement from U of T and work in universities outside Ontario. To prevent the loss of valued, productive faculty members and staff, the early retirement provisions and financial incentives were changed to reduce the incentive for individuals to retire until they reach 60 years of age. The university also voluntarily recognized the right of faculty to continue actively working for as long as they wanted—prior to the elimination of the mandatory retirement age in Ontario.

In addition, formal phased retirement programs were introduced. For faculty members, the program provides a three-year window to slowly transition from active work to retirement; for staff it is a one-year window. From the university's perspective, the faculty program facilitates academic planning by giving the university more lead time to recruit a suitable replacement, reassign courses, and transition graduate students—the program facilitates the transition of responsibilities to the new incumbent.

The University of Toronto is also developing Senior Scholar Centres, so that faculty, no longer having an office on campus, can stay connected to the institution. Through the centres, retired faculty members can continue to meet with students and colleagues. These retirees are also able to teach courses, and many continue in their research.

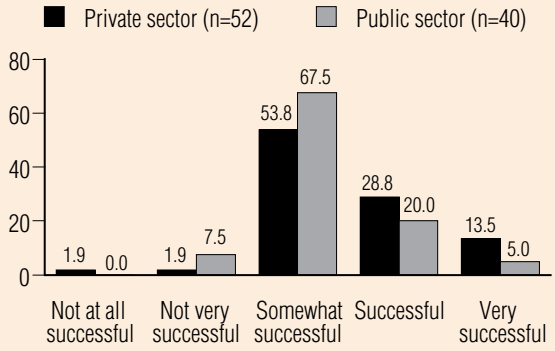
The university has been able to successfully transition from a culture that facilitated the early departure of highly regarded senior academics to one that fosters their continued involvement. This has been carefully balanced with the need of the university to ensure it has room to bring in new faculty members to energize the institution. As a whole, these measures have enabled the university to maintain a consistent degree of turnover with a range of age groups retiring every year. The University of Toronto's efforts have also paid-off in terms of retaining faculty and senior staff beyond the age of 55. In fact, the university has seen the average age of retirement increase by approximately two to three years.

SUCCESS WITH RETAINING MATURE WORKERS

The majority of organizations report being at least somewhat successful in efforts to retain mature workers. Private sector firms report more success in retaining mature workers than public sector organizations—perhaps because these firms have more flexibility to entice key talent to stay by offering enhanced compensation and other perquisites. (See Chart 17.)

The amount of success organizations have in retaining mature workers is driven in large part by the degree of corporate focus on this activity. Among organizations that are focused to a great or very great extent on retaining mature workers, 83 per cent report being successful as compared to only 32 per cent of organizations that do not focus actively on retaining mature workers.

Chart 17
Success With Retaining Mature Workers, by Sector
(per cent)



Source: The Conference Board of Canada.

CHAPTER 6

Phased Retirement

Chapter Summary

- For many Canadians, retirement has become a gradual period of transition, with individuals planning to work in some capacity, for at least a few years, after they retire from their primary occupation.
- The prevalence of formal phased retirement programs is quite low (15 per cent). There has been growth in the use of informal phased retirement programs, which have more than doubled in the last six years (from 12 per cent to 28 per cent). These informal arrangements give employers the flexibility to initiate one-on-one arrangements with specific employees.
- Most organizations believe that employees and managers are satisfied with their formal phased retirement programs. There is less agreement on whether the programs reach the desired enrolment levels, target the right employees, or meet their intended objectives.

There is growing evidence that workers no longer view retirement as a fixed point in time; instead, they see it as a gradual period of transition from working full time with their existing employer to exploring other employment arrangements and options. The AARP/Towers Perrin study found that 43 per cent of Canadians plan to work in some capacity after they retire from their primary occupation.[1] Research conducted in the United Kingdom by Ipsos Mori also found that 43 per cent of workers over the age of 45 plan to work post retirement.[2] While financial motivations clearly play a role in older workers' decision to return to work after retirement, many plan to continue working to remain both active (physically and mentally) and productive.

Not all employees are looking to continue working with their existing employer or even in the same occupation after they retire. The AARP/Towers Perrin study found that many workers plan to pursue a new career (35 per cent) or start their own business (27 per cent). Only 21 per cent plan to stay with their current employer—14 per cent on a part-time basis.[3]

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1 Towers Perrin, "Benefits Strategies."

2 Taylor, "Who Needs Retirement?"

3 Towers Perrin, "Benefits Strategies."

How can organizations entice workers to stay longer? A recent U.S. study—conducted by the Employee Benefit Research Institute among workers in the defence and aerospace industry—found that flexible work arrangements; allowing workers to draw full or partial pensions while working; and fostering a sense that workers are truly needed for an assignment are the most appealing incentives for encouraging workers to stay past retirement.[4]

However, the window of opportunity for employers to retain workers post retirement is relatively narrow. The AARP/Towers Perrin study found that, on average, Canadian employees plan to retire from their primary occupation at age 59 and retire completely by the age of 64.[5] Workforce participation rates among Canadians 65 and older—while trending upwards since 2003—remain relatively low, particularly for women.[6] (See Table 7.)

Table 7
Labour Force Participation Rates Among Canadians 65+
(per cent)

	Overall	Men	Women
2003	7.5	11.5	4.2
2004	7.7	11.8	4.4
2005	8.1	12.1	5.0
2006	8.3	12.1	5.2
2007	8.9	13.0	5.6

Source: Statistics Canada.

PREVALENCE OF PHASED RETIREMENT PROGRAMS

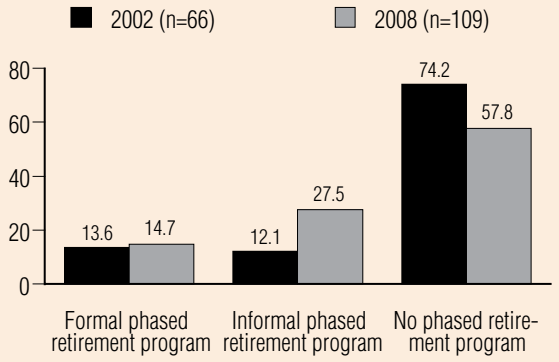
Phased retirement programs enable employers to better manage succession and allow employees approaching typical retirement age to gradually ease into full retirement. Phased retirement programs may allow employees to work fewer hours each day, fewer hours per week, full-time hours for only part of the year, or on a part-time basis. Given the wealth of evidence that suggests older workers are seeking more flexible work arrangements, phased retirement programs can benefit both workers and employers.

Since 2002, the prevalence of phased retirement programs in Canada—particularly informal programs—has increased.

Currently, 15 per cent of responding organizations have a formal phased retirement program and another 28 per cent operate informal phased retirement programs. The prevalence of phased retirement programs is similar in the United States, where just under half of all mid-sized-to-large employers (47 per cent) have instituted either formal phased retirement programs (5 per cent), informal arrangements (34 per cent), or both (8 per cent) within their organizations.[7]

Since 2002, the prevalence of phased retirement programs in Canada—particularly informal programs—has increased. In fact, while the proportion of organizations with formal phased retirement programs has remained relatively stable, informal phased retirement programs have more than doubled in the last six years. (See Chart 18.)

Chart 18
Prevalence of Phased Retirement Programs
(per cent)



Source: The Conference Board of Canada.

4 Employee Benefit Research Institute, *EBRI 2008 Recent Retirees Survey.*

5 Towers Perrin, "Benefits Strategies."

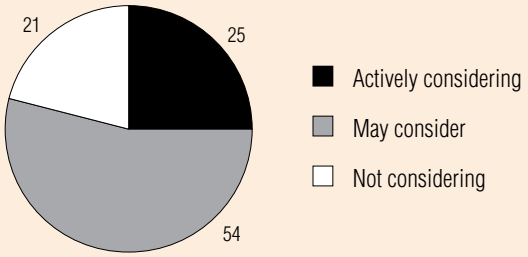
6 Statistics Canada, "CANSIM Table 282–0002."

7 Hewitt Associates, *Employer Approaches to Phased Retirement.*

Formal phased retirement programs are more common among public sector firms as well as in larger organizations. Sectors with the highest prevalence of phased retirement programs include government, finance/insurance/real estate, and education/health/not-for-profit.

Most organizations (79 per cent), currently without formal phased retirement programs, are considering implementing a formal program in the future. (See Chart 19.) Employer interest in phased retirement programs is also strong in the United States, where 39 per cent of employers are interested in establishing a program (roughly 75 per cent of those currently without any kind of phased retirement options).[8]

Chart 19
Plans for Formal Phased Retirement Program
(per cent; n=92; organizations without a formal phased retirement program)



Source: The Conference Board of Canada.

MAKING THE CASE FOR A PHASED RETIREMENT PROGRAM

Employers implement formal phased retirement programs primarily to facilitate the transfer of corporate knowledge and to retain skilled workers. Other reasons include addressing labour shortages, controlling early retirement costs, and ensuring employees are able to ease into retirement.

The majority of organizations without a formal phased retirement program (52 per cent) prefer the flexibility to initiate one-on-one arrangements based on organizational needs. Other reasons for not adopting a formal phased retirement program include that it is not a business priority; that there are insufficient employees to make the program worthwhile (either because too few employees qualify or due to a lack of employee interest); cost constraints; lack of need (either because the organization has other ways to retain staff or does not have a retention problem); lack of compatibility with the corporate culture; or administrative and legislative complexities.

Most phased retirement programs are not seen as meeting the overall objectives set out for the program.

PROGRAM ELIGIBILITY

Among the few organizations with a formal phased retirement program, a sizable proportion of their workforce (21 per cent) is currently eligible to participate in the program. However, uptake in these programs remains low with, on average, 3 per cent of eligible employees participating. Over the next three to five years, uptake is expected to rise to 8 per cent of eligible employees.

THE SUCCESSES AND FAILURES OF PHASED RETIREMENT PROGRAMS

There is unanimous agreement among employers that employees who choose to participate in phased retirement programs are satisfied. Most employers also state that the managers of employees in the program are satisfied since they can retain employees long enough to transfer skills and knowledge to other staff. However, most phased retirement programs are not seen as having the desired enrolment levels, targeting the right employees, or meeting the overall objectives set out for the program. And while the results are based on only the small number of organizations with a formal phased retirement program, it appears that the success of programs has changed little since 2002. (See Table 8.)

8 Ibid.

A 2008 Hewitt Associates study of mid-sized-to-large organizations in the United States with phased retirement programs also demonstrated that companies have had only modestly positive experiences. Most organizations (70 per cent) had no measures of success in place and did not plan to implement any within the coming year.[9]

9 Ibid, p. 23.

Table 8
Phased Retirement Program Outcomes*
(per cent)

	2002 (n=11)	2008 (n=12)
Employees who select the program are satisfied	100	100
Managers of employees who are in the program are satisfied	82	92
Program achieved the desired enrolment levels	33	45
Targeted employees enrol in the program	67	45
Program meets objectives	55	45

*Per cent of respondents who "agreed" or "strongly agreed" with each statement.
Source: The Conference Board of Canada.

CHAPTER 7

The Strategic Role of Pension and Benefits in Recruiting and Retaining Older Workers

Chapter Summary

- Of the organizations that responded to the survey, the vast majority (90 per cent) offer employees some type of pension arrangement, such as a defined benefit pension plan (39 per cent), a defined contribution pension plan (16 per cent), or both (35 per cent).
- Among those with defined benefit pension plans, more than half still contain incentives for early retirement, which may be encouraging employees to leave the organization sooner than desired.
- While the vast majority of organizations offer a wide range of benefits to active employees, retiree benefits are much less prevalent.

Pension and retiree health benefits are an important source of financial security for many older workers leaving the workforce. Towers Perrin's 2007–2008 Global Workforce Study highlights competitive retirement benefits as a key driver of attraction for employees aged 55 and older.[1] Our research also reveals that pension benefits and extended health-care benefits are rated as the most successful strategies for retaining mature workers. Here we explore the extent to which Canadian employers are taking advantage of these tools in order to maximize their ability to recruit and retain mature workers.

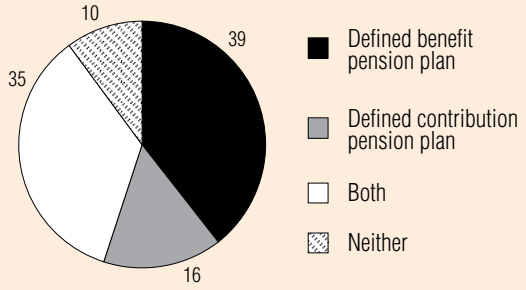
The majority of respondents have either a defined benefit pension plan, a defined contribution pension plan, or both.

THE IMPACT OF PENSION PLANS ON RETIREMENT

Of the organizations that responded to the survey, the majority have either a defined benefit pension plan (39 per cent), a defined contribution pension plan (16 per cent), or both (35 per cent). (See Chart 20.) Government organizations have the highest prevalence of defined benefit pension plans (70 per cent), followed by organizations in the finance/insurance/real estate (57 per cent), and the transportation and utilities (42 per cent) sectors. Organizations in the high-tech/communications/business services sector (27 per cent) and the retail and services sector (20 per cent) are the least likely to offer any pension plan.

1 Towers Perrin, *Closing the Engagement Gap.*

Chart 20
Prevalence of Pension Plans
(per cent; n=109)



Source: The Conference Board of Canada.

For 80 per cent of defined benefit pension plans, the pension eligibility criteria is based on a rule or formula determined by a combination of age and years of service. Many of these plans also have a minimum age requirement—often 55 years of age—to be eligible to draw a pension.

Early retirement incentives were originally instituted to encourage older workers to retire to make room for younger workers entering the workforce. Fully half of existing defined benefit pension plans still contain incentives for early retirement. In contrast, only 9 per cent of plans contain incentives for a delayed retirement. The majority of surveyed organizations (92 per cent) have no plans to amend their defined benefit plans in order to encourage either early or late retirement.

Among our survey respondents, nearly three-quarters (74 per cent) of the organizations with defined benefit pension plans containing incentives for early retirement operate in a unionized environment, making the elimination of early retirement incentives a complex process. Removing these incentives may be more viable for employers that operate in a non-unionized environment or that have segments of the workforce that are not unionized. For example, the University of Toronto successfully tackled this challenge in order to retain non-unionized faculty and senior professional staff. The university eliminated its special 55/75 early retirement program, which facilitated retirement at age 55 with 75 points (combination of age plus years of service). A new program was introduced with a minimum age of 60 and 10 years of service. (See case study, University of Toronto: Successfully Managing Retirements.)

THE IMPACT OF PENSION PLANS ON POST-RETIREMENT EMPLOYMENT

When rehiring or retaining mature workers who participate in a defined benefit pension plan, employers have adopted a number of practices. These practices include suspending pension payouts and allowing employees to continue to accrue pension benefits for employment service; allowing retirees to enter into the defined contribution plan; and rehiring retirees on a contract basis, with pay in lieu of pension benefits. New regulations are expected that will enable employers to give employees the option of receiving pension payouts while continuing to accrue pension benefits for employment service. Many employers are hoping this will encourage employees to remain with the organization post retirement rather than seeking employment elsewhere.

Experience has shown that potentially higher health costs can be offset by higher productivity and lower turnover.

The situation is much less complex for employers with a defined contribution pension plan. Most employers simply apply the same contribution schedule as for other employees. Other employers choose to rehire retirees on a contract basis, with pay in lieu of pension benefits.

THE ROLE OF BENEFITS IN RETAINING MATURE WORKERS

Employers are not deterred by concerns about higher health costs among older workers. Their experiences have shown that potentially higher health costs can be offset by higher productivity and lower turnover, which translates into savings in training and development costs.[2]

2 Freudenheim, "More Help Wanted."

Table 9
Employee and Retiree Benefits
(per cent; n=105)

Benefit	Per cent offering benefit to	
	Active employees	Retirees
Long-term disability (LTD) coverage	99.0	n.a.
Prescription drug coverage	97.1	57.1
Dental coverage	97.1	42.9
Group life insurance coverage	96.2	48.6
Optional life insurance coverage	95.2	26.7
Other medical coverage (e.g., chiropractic services, etc.)	94.3	46.7
Out-of-country medical coverage	93.3	31.4
Vision care coverage	90.5	47.6
Hearing care coverage	90.5	44.8
Dependent life insurance coverage	89.5	18.1

n.a. = not applicable
Source: The Conference Board of Canada.

Table 10
Maximum Age Limits
(per cent, n=105)

Benefit	Per cent with age limit	Median age limit
Long-term disability (LTD) coverage	31.4	65
Group life insurance coverage	29.5	70
Optional life insurance coverage	25.7	65
Dependent life insurance coverage	22.9	65
Prescription drug coverage	16.2	65
Vision care coverage	16.2	69
Dental coverage	15.2	65
Hearing care coverage	15.2	70
Out-of-country medical coverage	14.3	69
Other medical coverage (e.g., chiropractic services, etc.)	14.3	65

Source: The Conference Board of Canada.

The vast majority of survey respondents offer a variety of benefits to active employees—such as long-term disability coverage (LTD); prescription drug coverage; dental coverage; group, optional, and dependent life insurance; paramedical services; out-of-country medical; vision care coverage; and hearing care coverage. However, organizations are much less likely to offer benefits to retirees. The most common benefit extended to retirees is prescription drug coverage, offered by 57 per cent of employers. (See Table 9.)

Age limits were reported for some types of benefits, including LTD coverage (31 per cent), group life insurance (30 per cent), optional life insurance (26 per cent), and dependent life insurance (23 per cent). The median age limits vary from 65 to 70 years of age. (See Table 10.)

CHAPTER 8

Conclusion

Chapter Summary

- Despite concerns about the aging of their workforce, very few organizations are actively focused on attracting, engaging, and retaining older workers.
- Employers are relying on the more progressive policies they have implemented organization-wide to be sufficient to address the unique motivations and needs of older workers.
- To ensure they are successful in securing the future participation of mature workers in their organization, employers need to invest in better understanding this growing segment and tailoring specific HR policies and programs to meet their needs.

Our research highlights the concerns of Canadian organizations about their aging workforce, particularly the expected loss of experienced leaders and corporate knowledge in the next few years. To date, however, there has not been a significant amount of focused activity on the part of organizations to address these issues. Programs designed for the general employee population, such as pension plans, extended health benefits, and flexible working arrangements, are being used to meet the requirements of older workers. Most employers do not tailor benefits, policies, and strategies specifically for their mature workers.

By not focusing more actively on the specific needs of mature workers, organizations are limiting their ability to attract, retain, and engage this increasingly important segment. Our research shows that organizations that make the recruitment and retention of older workers an organizational priority reap the rewards in terms of greater success with these initiatives. Employers have also not yet invested sufficient efforts to identify the specific individuals within the organization who are critical to their success so they can develop individualized retention or rehirement arrangements. Private sector firms are further ahead in this regard, as a greater proportion formally identify high-potential employees.

To ensure organizational success as the post-war baby boom ages and becomes an increasingly larger proportion of the workforce, organizations will need to invest in better understanding the motivations, needs, and preferences of this cohort. This will enable organizations to develop more targeted and cost-effective strategies for ensuring they have access to the knowledge and leadership needed for the future. Clearly those that take action will be better able to optimize their investment in mature workers.

APPENDIX A

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APPENDIX B

Related Products and Services

Network of Senior Human Resource Executives

- **Councils of Human Resource Executives (National, East, West)**—These councils are for senior executives with function responsibility for human resources.
- **Strategic Human Resources Management Council (Public Sector—East and West)**—These networks are for senior HR executives who lead a government department, agency, or other public service organization such as a hospital or a police force.
- **Council on Inclusive Work Environments**—This council brings together diversity professionals from across Canada to discuss key issues, learn from subject matter experts, and share effective practices with peers.

Too Few People, Too Little Time: The Employer Challenge of an Aging Workforce

Many Canadian employers will face critical talent shortages in the next decade, as the baby boom generation retires. This briefing sheds light on employers' efforts to address this problem.

The Strategic Value of People: Human Resource Trends and Metrics

The inaugural 2005 report presents results from a survey of Canadian private and public sector organizations on their human resource management trends and metrics. The next edition will be available March 2009.

HR 2006: Canada's Workforce Shortage

This Conference e-Proceedings explores the potential solutions to the workforce shortage crisis.

Top Talent 2008: Retaining and Developing Leaders for High Performance

This Conference e-Proceedings will help you develop effective succession management strategies, recruit and retain the next generation of leaders, prepare for the retirement of key executives, and reduce the risk of derailment of high-performance and high-potential employees.

Putting Experience to Work

This webcast discusses actively managing mature workers for optimal performance and engagement.

Managing a Mature Workforce for Competitive Advantage

This webcast highlights the key actions companies must take to effectively manage their multigenerational workforces.

Gray Skies, Silver Linings: How Companies Are Forecasting, Managing, and Recruiting a Mature Workforce

This report provides executives with frank, bottom-line answers to the questions raised by boomer retirements.

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