

# The New Agenda for an Older Workforce

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## Executive Summary

What percentage of your workforce is planning to retire in the next five to 10 years and what impact will it have on your organization? This is a key question that should be on the agenda for discussion at management meetings worldwide, as talent shortages worsen and replacements for those exiting the workforce become more difficult to find. The potential loss of productivity and intellectual capital could have a devastating impact on many businesses that are currently unprepared to adapt to the new realities of the aging workforce. And the conundrum on the horizon is that many of the people who have the talent that companies most need to retain, are those who have the financial flexibility and employment options to retire or downshift to a more flexible work arrangement.

In the short-term, employers will need to focus mainly on slowing the exodus of older workers whose skills and knowledge are most valued by the company, while at the same time, preparing successors to perform in critical roles and learn as much as possible before these expert resources leave the workplace. Attracting and retaining older workers will gain importance on the corporate agenda as it becomes clear that the largest available untapped workforce segment is older adults, most of whom are still healthy and able to contribute long after they retire. The best way to do this is to provide the kind of jobs that mature adults want, and to keep them engaged by continuing to treat them as valued members of the team. One size will not fit all older adults, so a “plug and play” view of employment options for the aging population will not be successful.

Both the employer and the older employee will find the future world of work to be a rather difficult transition because both are still thinking very traditionally about the latter years of employment. Even more concerning, employers still tend to look at upcoming retirements as cost-saving opportunities – this is dangerous and short-sighted.

Longer term, employers will need to improve talent utilization throughout every employee’s tenure with their companies, through a continuous improvement-style approach that involves periodic skill and career interest assessments, training, and alignment of the individual’s

interests and abilities to the needs of the organization so that they remain relevant and engaged. There will be no room for wasted talent in tomorrow’s nimble and talent-poor organizations so there can be no one whose skills or knowledge are allowed to become obsolete.

Consequently, more sophisticated solutions will be required to manage the talent demands of business.

This new approach to talent management will also extend to individuals’ preparation for retirement, as the employer takes a greater role in defining what retirement means to older employees. In order to remain relevant in the post-retirement-age world of older workers, it will be important for employers to provide the professional resources necessary to assist those who are planning for transition to develop effective plans for the second half of their lives. These plans will need to be realistic and achievable, given a host of possible work-life balance options and a variety of potential financial impacts from both the individuals’ choices and their personal situations.

Meanwhile, in order to avoid major fiscal crises caused by unsustainable numbers of older citizens receiving pensions and social security payments, governments will need to inspire change from both employers and individuals toward getting the aging population employed for a longer working life. Some governments are already making progress in this area, and demonstrating that it is, indeed, possible to find win-win solutions to the aging workforce conundrum.

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# Introduction:

## The New Agenda for an Older Workforce

Employers today are facing a very real and complex threat to their ability to compete. This threat is about the draining of skills and knowledge that occurs every time an experienced older worker retires with no one ready to succeed him due, in part, to lack of planning by employers and lack of available talent to replace the vast numbers of baby boomers who are moving into the twilight years of their careers.

According to the Organization for Economic Co-operation and Development (OECD), between 2025 and 2030, 12 million people a year will be exiting the global workforce. The countries that face the biggest threat are those with the oldest populations, particularly Japan, Italy and Germany. In the next few years, one million Japanese workers will be retiring, leaving management struggling to fill job vacancies. Coupled with the talent shortages that are already becoming pervasive in many countries, the retirement exodus could have a crippling effect on many national economies, as a disproportionate number of workers are left to support those in retirement. This scenario is similar across the world today – populations are aging rapidly and birth rates are declining, which is leaving employers wondering: where exactly will the workers come from in the future?

But yet, even armed with this knowledge, few employers are finding any long-term solutions to prevent the obvious talent shortages and brain drain that are clearly emerging. Could it be that employers are hoping that productivity improvements, technology and globalization will reduce the need for workers? Or, are companies being stymied in their efforts because the methods they have used to solve talent issues in the past are not working for this problem?

Similarly, individuals have heard for years about the need to take responsibility for their futures and prepare financially for retirement, and there have been many signals that their government- or company-paid retirement income could be reduced or eliminated. Yet, despite these looming threats of financial insecurity and the potential of living longer than their money will take them, relatively few older adults worldwide are seeking jobs in their later

years or attempting to extend their current jobs beyond their government's formal retirement age. Although the percentage of older adults who are working longer is growing in some countries, most would still prefer to leave the workforce as early as their financial situation will allow. And although there is ample evidence that a large proportion of the older population is still capable of working and contributing, most are not doing so. Why not? What are the obstacles to working longer?

The issues are complex and the challenges are many, but the answers, most likely, are non-traditional steps that both business and government must take to ensure that older adults willingly remain in the workforce longer; transfer critical knowledge to coworkers prior to retirement; and continue to contribute to both their company's success and their nation's economy. However, for this to occur both employers and governments must make these issues part of their formal agendas, and they must do it soon if they are to win the war for talent and the war for engagement of the older worker population.

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# Winning the War for Talent and the War for Engagement

The challenge presented by an aging workforce and pervasive talent shortages is complex and multi-faceted, which is why employers are still struggling to determine how best to plan ahead and gain a strategic advantage. It is not just a question of how to get older workers to remain relevant and continue contributing to the workforce; it is also about how to get the most out of the younger generations, whose numbers are too small to fully replace those who have gone before them, and how to do this in a way that is consistent with the company's culture.

Over the past decade, expanding globalization and ever-evolving technological advances have resulted in immense increases in productivity and a global talent marketplace, which have partially masked the impact of a growing worldwide talent shortage. These factors may be creating a false illusion that has made employers complacent in planning ahead for the mass retirements anticipated in the coming years, as many are just hoping that labor shortages will continue to largely take care of themselves.

There may be a false sense of security emerging from the productivity advances that is making it easier for employers to focus on other, more immediate concerns, in the hope that others will solve the problem before it becomes a bigger issue in their own realm of reality. This is a dangerous posture to hold.

Employers have been focusing much of their attention on reducing their demand for employees and increasing supply through a variety of means such as outsourcing non-core activities and offshoring facilities to other countries where talent is in more ample supply. They have also continued to improve the efficiency of their operations in order to avoid the need to hire more employees. However, the growing talent shortage is moving to a point where more sophisticated solutions will be necessary in order to successfully manage their businesses as it becomes more difficult to find employees to fill critical roles and further improve productivity.

By 2050 (in Europe) there will be only one person in employment for every person in retirement.

*Source: Bruno Tobback, Chair's conclusions, OECD Forum on Aging, 18 October 2005*

The loss of a skilled and experienced labor force, particularly in those sectors with a high proportion of older employees, might cause a decline in economic growth. In view of Europe's diminishing younger population, companies will have to increasingly rely on older workers or otherwise run the risk of losing business opportunities due to labor shortages.

*Source: European Foundation for the Improvement of Living and Working Conditions, "Age and employment in the new Member States," 2006*

Japan expects its workforce to shrink by 16% (some 10 million people) over the next 25 years.

*Source: The Economist, "How to manage an aging workforce," 18 February 2006*

According to official figures, some 2.8 million people over the age of 45 are without paid work in the UK.

*Source: BBC News, Julian Knight, "How UK 'turned its back' on older workers," 24 September 2006*

## Forecasting and Planning for Future Talent Deficits

A more sophisticated approach to workforce planning (see Figure 1) must begin by reviewing the demographics of the current workforce and identifying the employees who are approaching retirement, as well as those who will be in this age range in the near future. By forecasting potential attrition via retirement over the next decade, employers can identify the likely talent deficiencies they will experience, begin to plan ahead and think through the business implications of these deficiencies.

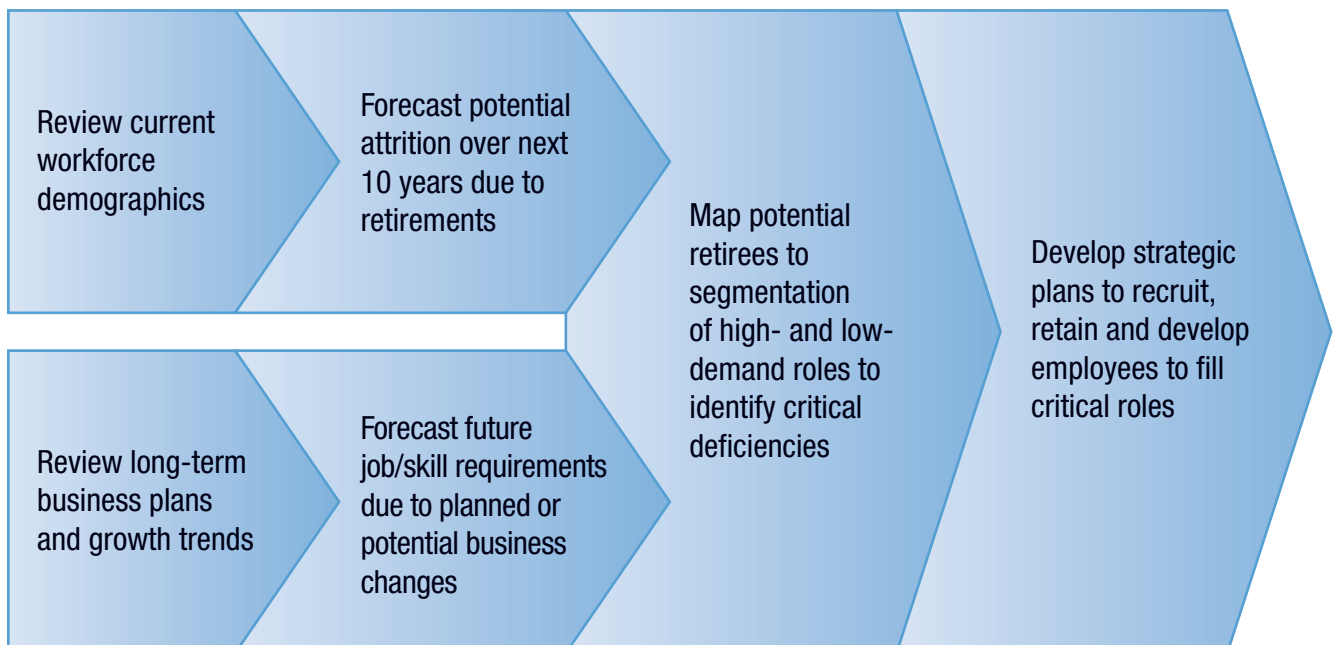
“Although aging employees and shortages of skilled workers are major demographic concerns, only 33 percent of HR professionals have charted their organization’s demographic makeup, and only 31 percent have determined future retirement rates,” according to Workplace Forecast, a 2006 survey of 1,232 HR professionals by the Society of Human Resource Management. Clearly, if two-thirds of employers have not yet begun to plan for future retirement waves, there is not yet adequate understanding of the potential business impact that retirements could have in just a few short years.

A careful review of the company’s long-term business plans, growth trends and other drivers of workforce supply and demand will provide the basis for forecasting future talent requirements of the organization. This information can then be utilized, along with the employee retirement forecast, to analyze the potential talent deficits that the company is likely to experience in the future.

Segmentation of all jobs across the organization according to the degree to which each position is critical to the business’ ability to meet its performance goals is another important step toward understanding the potential impact of future retirements in key roles. From this information, it is possible to map the potential retiree forecast to the high-demand roles in which potential employee retirements would represent critical deficiencies for the organization.

Strategic plans to attract critical talent to the organization and retain the near-retirement population in key roles will become a key focus at this point, as it is now clear where the organization should be dedicating resources to ensure a steady supply of key talent. At the same time, the organization will need to identify and develop high-potential employees to replace those exiting due to retirement. This cycle of demographic forecasting and workforce planning will become an integral component of the business planning process as talent shortages worsen toward 2010 and beyond.

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



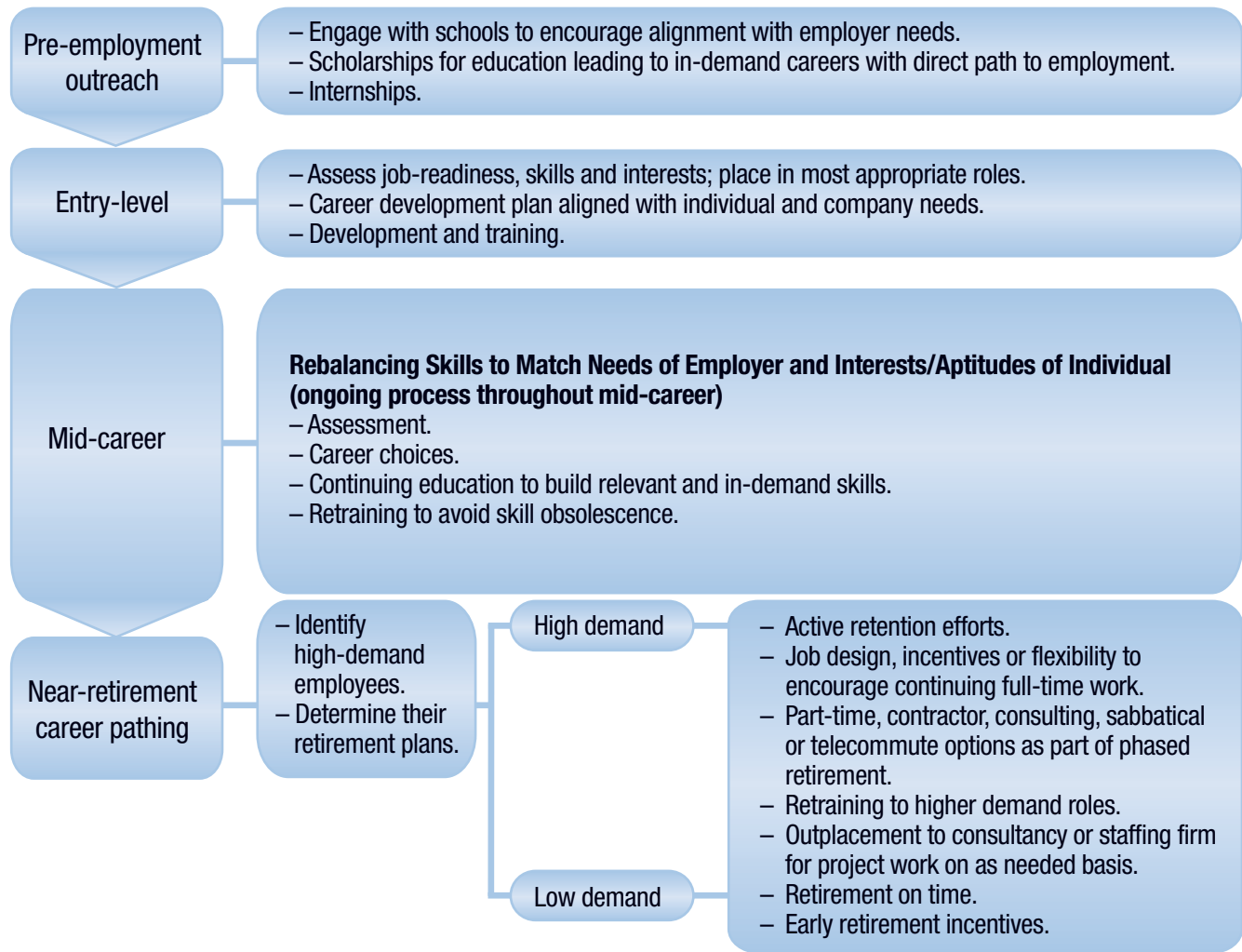
## Optimizing Talent Flow

The next stage in the continual quest for productivity improvement will require a focus on getting the most from each individual throughout his career. A strong, vital economy can no longer afford to have individuals getting an education with no clear career path after graduation, or to allow individuals' skills to become obsolete without a path to transition them into a new, productive role for which they are qualified. There must be much more attention given to the mix of skills, interests and lifestyle priorities of each individual,

and matching these to the talent requirements of the organization. Lifelong learning needs to become a more integral part of the national culture in every country of the world, beginning with basic education and continuing through retirement. Assessments of an individual's skills, attitudes and attributes must be used at regular intervals throughout a person's lifetime to create a clearer picture of one's own potential (or lack thereof). These assessments would be used by both the individual and the employer in order to find the best fitting role for the individual in the organization at each stage of her career.

Figure 2: Optimizing Talent Flow

Strategically assessing, developing and redeploying individuals over the course of their careers where they are most needed and where they can be most successful.





As shown in Figure 2, to optimize the talent flow in the organization, the employer must begin by strategically attracting the most in-demand individuals – for both low-skill and high-skill positions – directly from schools and universities. As these new recruits are brought into the organization, the process should begin by immediately assessing their skills, matching them to the right roles within the organization and creating career development plans that help advance their abilities to ensure they continue to have relevant capabilities in the future, and that these capabilities are aligned with the talent needs of the employer.

At regular intervals throughout the individual's career, assessments should be undertaken to evaluate where she fits into the organization's future talent needs. At this point, management must determine:

- Should her career development plan be adjusted to improve competencies?
- Is reskilling necessary because her skills are likely to become obsolete with the advent of new technology or shifting business plans? Or,
- Are her abilities and aptitudes in such high demand that she should be engaged in a fast-track training and development program to enable her to make a greater contribution to the organization more rapidly?

The mid-career assessments would also enable her to express her desire to shift her career path into another area of interest, and for discussions to take place to determine whether or not her wishes can be accommodated within the organization's talent portfolio.

In the later years of the individual's career, the key elements of assessment, training and career development remain just as relevant as before, although there are new factors to consider. As a member of the most senior employee group, she is likely to hold considerable levels of experience and knowledge, and there is an increased risk of brain drain if she should choose to leave the organization for other opportunities or to retire early. It is, therefore, necessary to consider a wider variety of alternative paths for the individual and the company. For example, there will be some senior employees who possess a high amount of valuable intellectual capital, and others who perform low-skill roles their entire career that are not in high demand for the company, and as a result, their intellectual capital is also of lower value. It is

reasonable, therefore, to expect that varying options would be available for those individuals who possess the highest and lowest value to the organization.

An employer may want to offer incentives to retain a senior employee longer in a full-time role, such as job design changes that make the role more attractive to the individual, like flexible work hours or work-at-home options. If she is seeking to phase into retirement, it may be possible to offer a sabbatical that gives her a needed break from work, or provide a formal transition to contracting, consulting or part-time work arrangements that allow more flexible schedules and a lighter workload. Alternatively, she could be outplaced to a consultancy or employment services firm if she is only interested in working on an "as needed" basis. Of course, other individuals will retire on time, or accept early retirement incentives, if they are offered, because they are truly ready to begin the second phase of their lives. All of these alternatives, of course, are subject to labor laws, which vary widely around the world, and should be carefully vetted before implementing a talent utilization model such as the one explained in this paper. Employers may also want to work with their governments to adjust labor laws if they are too restrictive and outdated for today's labor market challenges.

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## Understanding and Engaging Older Workers

One of the key reasons that employers are not doing more to try and recruit or retain older workers as part of their talent management strategy is simply that they do not yet understand how to do so effectively. While employers have done much in recent years to provide better work-life balance for working parents, they have not yet gained a full understanding of what work-life balance means to the older worker. As employees move past the child-rearing years and transition to the next stage, they begin to look at life differently and their priorities change.

Many are caring for aging parents in ill health, or helping their adult children to care for their growing families. Many are also exploring the world through travel and other activities that they were unable to enjoy during their younger years. These active adults are not the stereotypical aging adults of prior generations.

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Rather, this generation's older adults are much more likely to feel empowered to make life-changing decisions like leaving their long-term jobs for other opportunities such as starting a business or going back to school, which may have seemed unachievable to previous generations. Much has been written about the large percentages of women in the U.S. who are opting to leave the corporate world in their 40s or 50s to start their own businesses, rather than stay on the corporate career track. This is a similar situation, in that the corporate world has not been paying enough attention to engaging older workers in a way that will ensure they remain active members of the organization through to retirement.

It is well-documented that older workers tend to be more reliable, more dedicated and more loyal to their employers than their younger counterparts, and therefore, they should be viewed as key retention targets, but this is not necessarily the case. Why?

Part of the explanation lies in the fact that there are also other older workers who fulfill the age-old stereotype of the aging adult whose skills are lagging his peers, attitude is somewhat cynical, and health is waning, which causes absenteeism and – in the case of countries like the U.S. where the employer pays for his health care – more expensive to have on the payroll. These employees are in the minority, but their presence creates a bigger impression, albeit negative, on those around them because it is so pronounced. Active, capable older adults tend to be viewed not by their age, as much as by their contributions, and therefore, they make less of an impression on their colleagues as representatives of the older workforce.

The key to engagement of the older adult in the workforce is to focus on the same issues that are important to other age groups:

- **Performance-based compensation:** Sending a clear message about the value of the individual rather than just paying more due to job tenure allows the older worker to know how he is performing compared to his peers. Failing to do this leaves the individual wondering if he has reached the point of being paid more than his perceived value just because he has worked for the company for a longer period of time.
- **Being treated with respect:** It is important for both management and younger peers to treat the older worker with respect and dignity, just as it is with other employees. Thoughtless jokes about an individual's age, for example, can be viewed as disrespectful and de-valuing the individual.
- **Having a clear understanding of what is expected:** Don't assume that an older employee knows what is expected of her just because of her tenure. New management and a rapidly changing business world can leave an older worker uncertain of her priorities; just as it can her younger peer.
- **Having a sense of belonging:** As the demographic composition of work groups evolves, care should be taken to ensure everyone is included in team-building activities and informal communication channels.

- **Being treated equally:** Disparate behavior toward older workers can happen in subtle ways such as planning team-building activities that the older worker cannot relate to, or giving all of the new learning opportunities to the younger members of the team. Supervisors need to be vigilant in recognizing the diversity of their team and making decisions that provide equal treatment to everyone.
  - **Access to tools, resources and information to perform:** As with all other employees, the older worker needs the same level of tools, resources and information to perform effectively in her role.
  - **Receiving the training that is needed to perform in the role:** Just because an individual is older and quite capable in her role, it does not mean that she is no longer interested in receiving training, or that the training is no longer necessary. All training necessary to perform a role must be offered equally. Companies that create a culture of continuous learning for all employees will be more successful in engaging their workforces than their counterparts that do not.
  - **Open and honest two-way feedback:** Often, the older worker whose skills have faded is unaware that she is falling behind because supervisors and peers do not want to hurt her feelings, out of respect for her age and stature. This is a disservice to the individual, who continues to require honest feedback in order to address performance issues adequately. Conversely, if the older worker does not have a two-way communication channel with her supervisor, she may feel unable to express her wishes to adjust her work relationship due to changing priorities in her life. As a result, the supervisor misses the opportunity to retain the employee in a modified role and instead, loses her to retirement prematurely.
  - **Strong teamwork:** As with all employees, a strong sense of teamwork results in greater productivity for the team members, and this remains true throughout an individual's career, regardless of his full-time or part-time status.
  - **Recognition:** It is never a mistake to recognize a job well done. The need to provide recognition of employees across all age groups and levels is often overlooked by management, especially during the extremely busy periods when recognition matters most.
  - **Opportunities for career advancement:** Career development and advancement opportunities should remain available to all employees throughout the duration of their careers. It is a mistake to assume that an individual is "coasting to retirement" and no longer needs this fuel to enhance his performance, just because he is approaching the end of his working years.
  - **Understanding how the role contributes to the success of the business:** As business continues to evolve at a rapid pace, it continues to be important for all employees to have a clear understanding of how they are contributing to the company's overall goals. This is particularly important when roles and departments are changing around the older worker.
  - **Security:** In many organizations, particularly those that have downsized in the past several years, the older worker with a higher salary can become paranoid that he is too costly to keep. Providing a sense of security is key to the retention and productivity of the older worker.
- Clearly, some of these factors matter more than others to the older worker, and there may be other important factors as well, such as the physical work environment, which may need to be adjusted to accommodate some of the minor physical aspects of aging, in order to make it easy for the individual to work more comfortably. For example, there are a variety of office equipment options that make it easier for arthritic hands to be more comfortable when working, including larger-diameter pens and other writing instruments, padded keyboard and mouse pads, calculators and telephones with larger buttons, etc. There are also uncomplicated ways to make print larger on computer screens that will make it easier for aging eyes to read them. By making these options available as part of the normal course of business (e.g. just another alternative to choose from the office supply vendor, or part of the normal instructions on new software) rather than requiring the individual to call special attention to their physical limitations, the employee will feel more respected and valued within the organization.

## *Finding and Keeping the People You Need*

One of the biggest mistakes that employers commonly make, which alienates their age 50+ employees, is to assume they are no longer interested in training and career development. If a senior executive who is over age 50 is considered to be wise and seasoned enough to make a quality CEO, and someone younger may be considered too young for such a high-caliber job, then why is it assumed that those who are in middle management are disinterested in challenging work at the very same age? And if a former CEO is still qualified to serve as a member of a Fortune 500 firm's board of directors in his 70s, then why wouldn't a middle management person be just as capable of serving in another capacity at the same age? And why would one assume that all older workers are qualified only to serve in roles with low responsibility such as volunteering at a hospital or non-governmental organization, or serving as a "greeter" at a retail establishment? Here lies part of the challenge for employers – how to recognize the changing priorities of older workers and find innovative ways to keep them engaged in the business longer term, in roles that are of value to both the organization and the individual.

As medical advances have enabled the average lifespan to extend decades beyond where it stood in the 1950s, and most jobs are much less physically demanding than in years past, it is perfectly reasonable to expect that older employees still have quite a lot to contribute to the workplace. Of course, there are many examples of older workers who have allowed their skills to become obsolete – partly due to their own lack of awareness and responsibility for continuing to stay on top of the latest skills – and partly due to failure of their employer to instill a philosophy of lifelong learning and ensure that its employees remain current in their competencies. However, this lax learning attitude is not universal in every organization, nor is it true of every individual.

There are also considerable differences regarding the interests, long-term plans, financial well-being, relative health and longevity expectations among the individuals who comprise the group of employees who are over age 50. These variables make a huge difference in the expectations that individuals have regarding their ability and willingness to remain a viable part of the workforce

for the next five, 10 or 20 years of their lives. Care should be taken to avoid assuming that all employees are aiming to exit the workforce as soon as they are financially able, as there is a growing proportion of this population that may be quite willing and able to continue contributing for years to come, provided they are engaged and encouraged to do so.

According to the U.S.-based American Association for Retired Persons (AARP), nearly 70 percent of workers who have not yet retired say that they plan to work into their retirement years or never fully retire. Through its research, AARP has found that with the expectation of working later in life comes the individual's expectation that he will be working differently. For example, flexibility is very important to older workers and they want to be able to set their own hours, take time off to care for relatives or attend to other life priorities, and work a reduced schedule prior to full retirement.

After years of advancing early-retirement schemes (to avoid redundancies and higher unemployment), many OECD governments are now looking at persuading people to stay in work until they are older.

Source: Willi Leibfritz, "Retiring later makes sense," *OECD Observer*, January 2003

This directly contradicts most employers' idea of extending one's working life. To date, the typical American corporation's answer has been to offer the individual more money to simply stay and perform the same full-time job for an extended period of time, when in reality, the individual wants to work in some part-time arrangement. In fact, in a recent AARP survey, older workers were asked about the essential parts of the ideal job. Fifty-three percent indicated working part-time and 41 percent listed working from home as essential elements. Adequate paid time off and a flexible work schedule topped the list at 86 and 76 percent, respectively (The AARP Work and Career Study, 2002).

Long working hours are suspected to be a factor pushing older workers into retirement and OECD research indicates this is particularly prevalent in Japan, Australia, the U.S., Canada, Switzerland and the U.K., where the proportion of older male employees who work 50 hours or more per week is much higher than in other countries ("Live Longer, Work Longer," OECD, 2006, p.79).

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

An employer that determines how to offer flexible, contemporary work options to both older and younger employees is likely to find a distinct competitive advantage in recruiting and retaining employees as the balance of power in the employer-employee relationship continues to cater more toward the employee in the talent-poor future. It stands to reason that employees who are allowed to explore contemporary work alternatives to achieve improved work-life balance, such as attending a grandchild's school play or caring for an ill parent or spouse, are more likely to have a higher level of loyalty and remain employed with the organization. Companies should take great strides to offer a wide variety of job design options including job sharing, downsizing workloads, working on a project basis, etc. Paid sabbaticals for mature workers are also a good way to retain key skill sets and give your company experts a way to "recharge their batteries," especially if they have been with the organization for a number of years.

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But how can an employer create contemporary work options that are less than full-time job commitments, without losing productivity, quality and continuity of the work product that is produced by employees in these roles? The answer lies in taking a holistic view of the workforce and re-defining jobs according to tasks and

competencies. It will then be possible to determine logical ways to divide full-time roles into new roles that can be effectively performed in new ways. It also requires the employer to gain a better understanding of the interdependencies of the new job with other roles in the organization and determine how to ensure continuity of information flows among the affected work teams. Training supervisors on ways to set up and manage alternative, contemporary work arrangements, and developing appropriate success measures to ensure high-quality work and high productivity are also critically important for the newly-defined work arrangements to succeed.

Rather than put all of the responsibility for the above on the human resources department, we recommend that employers share some of the responsibility with employees who wish to work in such arrangements, and set up the situation as a pilot program that can serve as a model to the rest of the organization. Past experience with job sharing and other options designed to improve work-life balance for working mothers has proven that the individuals who are best suited to find the right way to structure the jobs are those who have the greatest personal investment in making it work. The same should hold true for older workers who wish to try an alternative work arrangement.

A pilot project would also enable the company to move forward more quickly with contemporary work arrangements and demonstrate to its older employees that the company is committed to meeting their needs. This level of demonstrated commitment is critically important to having a credible employer brand for the older worker segment. And a strong employer brand, combined with jobs that are attractive to older workers, are the most important elements when attempting to recruit older workers to fill open positions.

It is important to note that most employers will likely require a few more years before they determine how to effectively offer the part-time roles that mature adults would prefer. Until that time, older workers must realize that finding a challenging job with a fixed and consistent part-time schedule could be difficult to obtain. Instead, it may be necessary to compromise in some ways, such as working on a project basis, with full-time hours for a few weeks followed by time off when the project is completed.



One of the biggest challenges for employers wishing to recruit older workers is actually finding them. While the best way to attract older workers is to have jobs they want, there are some good emerging resources to find older adults who are seeking work:

- **Hire recruitment specialists experienced in sourcing and hiring older workers:** Older job candidates will have a much different set of work objectives and personal priorities than do their younger counterparts, and recruiters must understand these differences if they are to compete for talent in this critical age segment.
- **Partner with a national or local association for older persons:** A formal recruitment partnership with an organization that promotes the well-being of older people can provide access to a great number of people looking for a variety of work arrangements, including full-time, part-time or project work.
- **Search out industry associations to address specific talent gaps:** To fill a specific talent shortage, such as engineers, it may be wise to approach a national engineering society that has a network of retired engineers who would be interested in coming back to work on either a permanent, temporary or contract basis.
- **Partner with a respected employment services firm:** Because older workers often desire the flexibility that contingent work assignments offer, employment services firms typically have a network of qualified, reliable workers of all ages and demographics that are available for immediate employment.
- **Develop an alumni organization:** Maintaining a connection with employees who have left the organization, especially those with critical skills, may make it possible to hire them back in the future for part-time or consulting work, even after they have entered retirement. The firm's retirees may also be interested in mentoring younger employees.
- **Ensure recruitment advertising conveys the diversity of your organization:** If your employment advertising does not reflect a multi-generational workforce, it could convey that your organization is not friendly to older workers.

- **Strategically fill talent shortages by recruiting older workers:** A recent Manpower survey of nearly 37,000 employers in 27 countries and territories (Manpower Talent Shortage Survey, 2007) showed that the 10 most difficult to fill positions globally were:

### 2007 Hot Jobs Worldwide

1. Sales Representatives
2. Skilled Manual Trades (primarily carpenters, welders and plumbers)
3. Technicians (primarily production/operations, engineering and maintenance)
4. Engineers
5. Accountants
6. Laborers
7. Production Operators
8. Drivers
9. Management/Executives
10. Machinists/Operators

Source: Manpower Talent Shortage Survey, 2007

By specifically recruiting older adults to fill some of these jobs where critical talent shortages exist, it may be possible to fill open positions more quickly than competitors, particularly if the jobs are designed in a manner that is attractive to mature adults.

- **Redeploy workers upon retirement:** When employees choose to “downshift” their careers to enjoy semi-retirement, it may be possible to outplace them to an employment services firm where they can work for other companies, and also remain available for your organization to engage them for project work. Note that to ensure legal compliance, local labor laws will need to be carefully vetted regarding the transition of an employee to an employment services firm.
- **Avoid age discrimination:** In the labor markets of most developed countries, legislation protects older workers from age discrimination; however, the extent of this protection varies from country to country. In order to protect your employer brand and ensure your organization maintains an attractive image to potential older workers, it is critically important to comply with both the letter and the spirit of age discrimination laws and guidelines.

## *Helping Older Employees to Choose the Right Life Options*

Older workers are faced with a dizzying array of options, concerns and potential risks when they begin to consider retirement, which can be very stressful. Add to this the fact that retirement is not defined the same way now as it was a generation ago and, therefore, most of us have no real frame of reference to know whether we are making the right choices. Considering that in a recent survey of those age 55 and over, only 22 percent viewed retirement as “winding down” or “extended vacation” (“Revisioning Retirement,” Ken Dychtwald), it is clear that things have changed. When most government retirement or pension programs were devised several decades ago, the life expectancy was far shorter than it is currently, which means that individuals have to plan their retirement assuming that they could be determining their future for a period of 20 to 30 years, or more. In addition, most older adults are not doing the kind of hard, physical labor that their predecessors were doing until retirement and, therefore, can work much longer, if they so choose, due to the lesser physical strain.

With all of these factors to consider, it seems apparent that the planning process for the second half of life should be managed just as carefully as the first half, if not more. Retirement can now be defined as the freedom to plan a new life including new work options, rather than necessarily withdrawing or giving up work. Many employers will suggest that it is not their place to become involved in such personal decision processes of employees, however, we disagree. If the employer is to be a relevant and credible potential part of the individual's future plans for continued employment in any form, it should play at least a minor role in helping the individual to understand their work options, their skills and attributes, and the degree to which the company is willing to work with them to find an acceptable way for the two parties to remain engaged in the future.

The employer should consider providing a pre-retirement decision process for employees as part of the company's career development or employee assistance services.

This process, typically delivered via a qualified consultant, will assist employees in deciding if they possess the personal motivation to continue working, as well as gauge their financial, psychological and physical readiness to retire. As part of this process, the employee will need to explore questions such as:

- Have I been taking advantage of training opportunities in order to ensure my skills are up to date so that I remain relevant to my employer?
- If I continue working, do I want to continue in the same role or try something new?
- If I retire now, do I have the financial means to support myself and my dependents through my (and their) potential remaining lifespan?
- If, at some point in the future, something changes and my government- or employer-paid retirement income is reduced or eliminated, can I still pay my bills or would I need to get a job?
- If I retire completely and then run out of money, will my skills still be sufficient to enable me to find employment 10 or 20 years from now?

If the employee is ready to retire (within a few months to five years), it is advisable to provide him with the resources to develop an effective personal transition plan. This planning process helps retiring employees to prioritize how they want to spend their time (e.g. time spent with family and friends, community service activities, spirituality, education, leisure and wellness activities); determine where they want to live; define the financial implications of retirement; and explore continued work options.

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*The employer should consider providing a pre-retirement decision process for employees as part of the company's career development or employee assistance services.*

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## Managing the Talent Pipeline

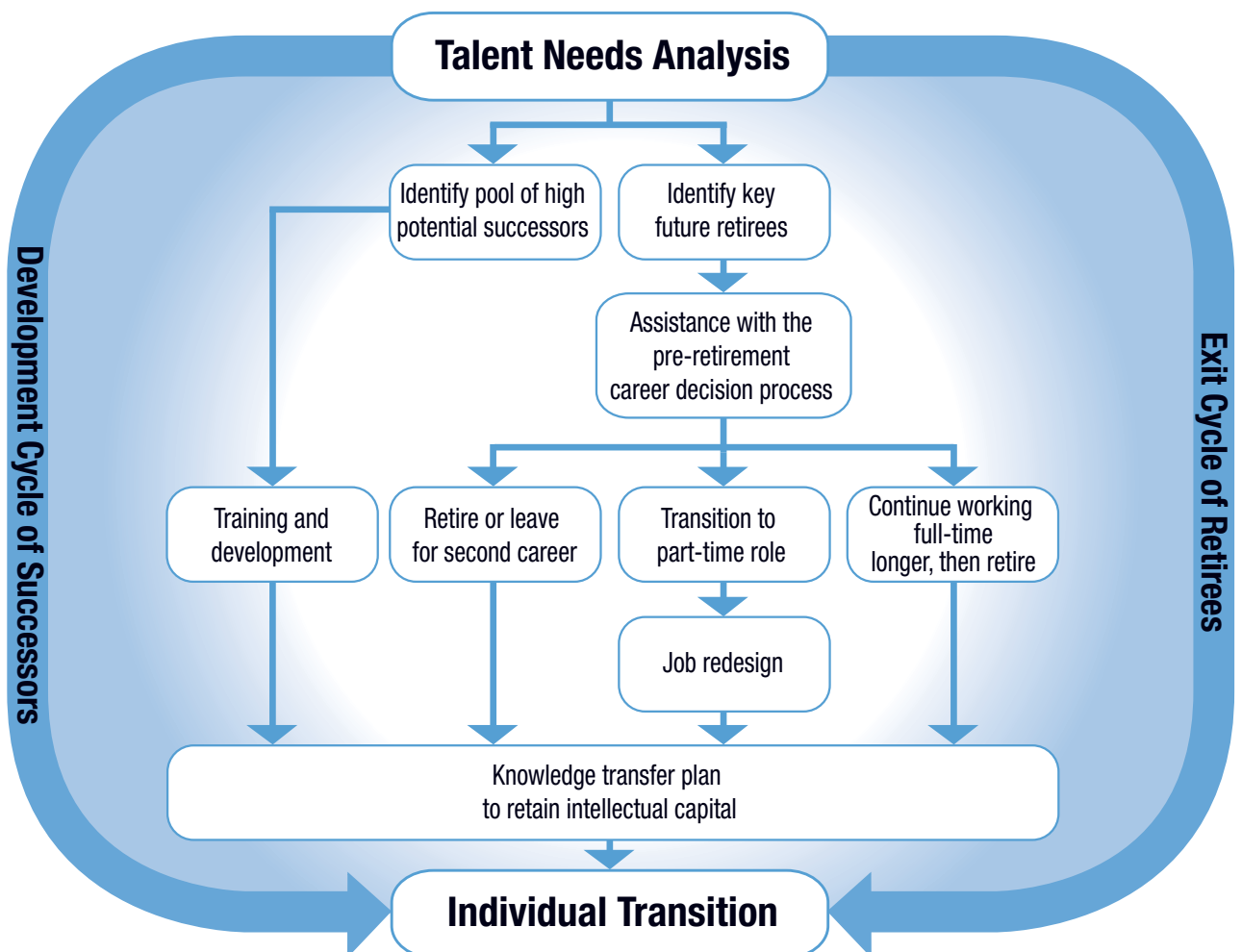
Long before the exodus of key older employees from the organization, it is necessary for the company to develop its own transition plans to ease the change process, including a knowledge transfer plan, to ensure that as much intellectual capital as possible can be retained within the organization.

As shown in Figure 3, the first step is for the company to conduct a Talent Needs Analysis to determine which roles in the organization are at the highest risk of brain drain if an older employee decides to retire. The roles of the organization can be segmented in order to prioritize according to the importance and risk to the organization so that supervisors and human resources staff can focus their efforts on succession planning for these roles first.

The next stages of the process are focused on succession planning, as high-potential candidates are identified to possibly replace the individuals who are the highest priority for business continuity following their retirement. These high-potential successors must be developed and prepared for their next potential roles in an efficient process to ensure that their development cycle is aligned with the exit cycle of the key individuals who are moving toward retirement.

Next, there must be a clear process to ensure knowledge transfer occurs between the retiring employee and his successor. Typically, a key retiring employee identified through this process will have a longer tenure with the employer and, therefore, greater institutional and industry knowledge that is at risk of leaving the firm when the individual exits the organization.

Figure 3: Managing the Talent Pipeline





It will not be possible to transition all of this knowledge, but it is entirely possible to:

- identify critical knowledge and projects to be transferred,
- document important information, processes and contacts, and
- create a mentoring program where the departing employee is able to coach his successor and impart knowledge through on-the-job activities.

Other options to help retain intellectual capital include creating communities of practice where companywide groups meet in person and online to share information. These communities of practice can include recently retired managers to engage in the community directly, as well as teach a variety of seminars. They can also be designed to provide new employees with opportunities to “shadow” more senior colleagues as part of a mentoring process designed to accelerate the learning process.

Employers can also develop a pool of retired employees who are available to work on a variety of projects in order to preserve institutional knowledge. This provides retirees with the freedom to plan their schedules and devote time to other life activities, while maintaining their skills and continuing to do challenging work on a periodic basis. Partnering a full-time employee with an experienced retiree can also be an effective way to transfer intellectual capital.

Individual transition planning is the last part of the transition process, and this occurs directly with the retiring individual and his supervisor. It involves mainly the alignment of the timeline for retirement, the action steps and success measures required for completing the transition.

A qualified consulting firm can advise organizations on some or all of these steps to transfer intellectual capital within an organization.

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# Defining Government's Pivotal Role in Work & Retirement

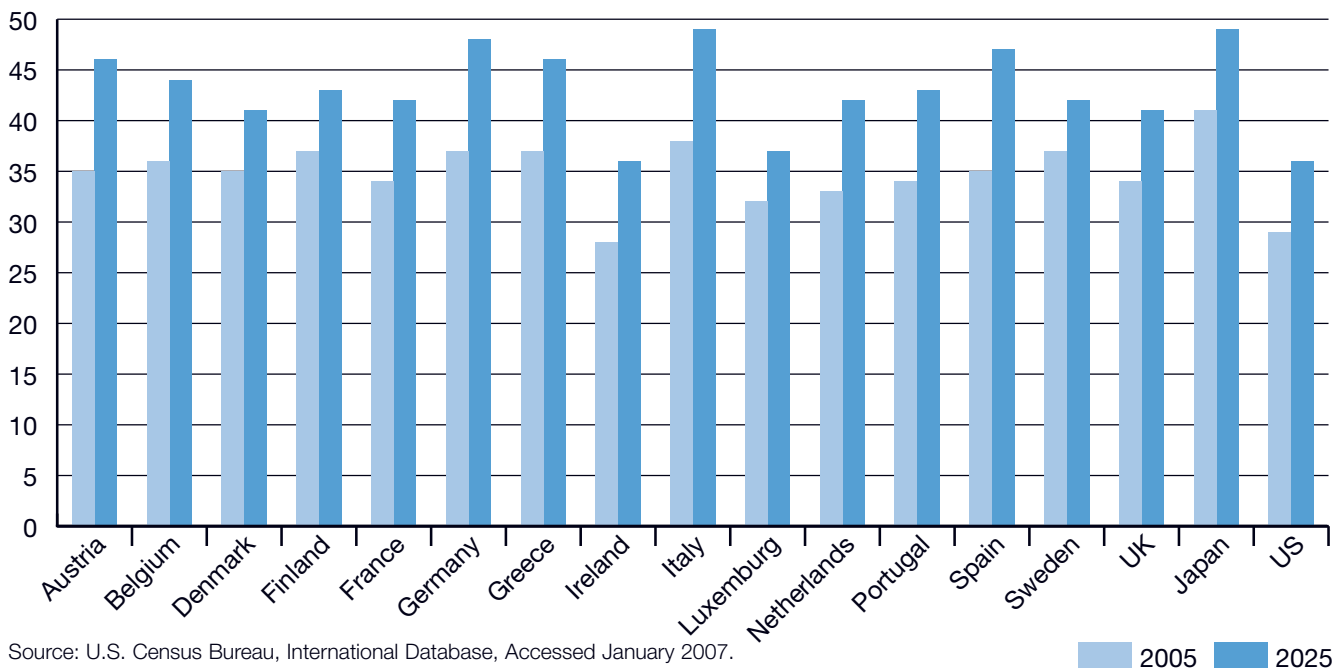
## *Managing the Cost of an Aging Society*

Most governments around the world are struggling to determine the best strategy to overcome a major societal and financial hurdle caused by the large proportion of individuals expecting the government to provide for them throughout their retirement years. The reality is that many national governments' funding for pension and social security programs is going to fall short of the financial requirements. There simply will be too many people receiving funds from the government programs and too few actively engaged in the workforce paying for these programs through their payroll taxes.

The projected population that will be age 50 or older by 2025 in the EU-15 Countries, Japan and the United States (See Figure 4) reveals how large the proportion of non-working adults will grow in the near future, how daunting the challenge will be for the younger generations to support those who have come before them and for governments to determine how to bridge the funding gap.

The U.S. Social Security program provides a fitting example of why governments are in such a predicament. When this program was instituted in 1935, financial benefits began to be accessible for retirees at age 65, but the average life expectancy at the time was only 61. Today, with early retirements and greater longevity, the retirement life stage can last 20 years or more, whereas in 1935 the average person did not live long enough to receive his benefits. Current budget projections are a significantly larger financial burden than the 1935 government ever envisioned, which is why the system is in danger of going into a deficit situation by 2017 and running out of funds by 2040 if actions are not taken in the near future to correct the situation. This is a rather chilling scenario for today's 30-year-olds who will be approaching retirement when the funds are due to run out.

Figure 4: Percent of Population Aged 50+ (EU-15 Countries, Japan, United States – 2005 vs. 2025 Projected)



The French government is already in a deficit situation with the shortfall expected to reach €3.5 billion (US\$4.5 billion) in 2007, compared to a €2.4 billion shortfall in 2006, according to a 11 January 2007 report from the French Orientation Council on Pensions (COR) to Prime Minister Dominique de Villepin, which described “an urgent need for reform.”

A large part of the challenge in France is that 62.2 percent of the country's 55 – 64-year-olds are not employed. This is due, in part, to a relatively low statutory retirement age of 60, when individuals can begin receiving government benefits, as well as a high unemployment rate for the overall workforce.

The pension reform test is one that governments must address soon and aggressively if they are to ensure the financial future of their people. It will continue to be a very difficult battle to push through the reforms that are necessary because the people will not easily accept many of the sacrifices that will likely have to be made, which may include higher taxes, reduced benefits and longer working lives. However, there are some countries that are demonstrating that change can happen.

For example, the pension model in Sweden has attracted attention from many countries that are seeking other options, and Brazil, Russia and Poland have adopted some elements of Sweden's plan. This updated model ties public pensions to individual earnings and life-expectancy rates. It compares to conventional pension models in the sense that current workers support current retirees. However, by calculating benefits according to individual's salaries and demographic projections, the government is provided extra flexibility to account for population and revenue shifts. Should the country's economy experience a downturn, future benefits would decrease. Similarly, the longer people in a particular age group live, the smaller their payments would become. It is important to note that this model has only been in place since 1999 and the Swedish economy has been healthy, therefore, it has not yet been tested in an environment where individuals begin to receive less due to economic or longevity factors. However, for governments that need to act before their pensions go bust, the Swedish approach to pension reform, or certain elements of it, may provide some viable options

for other national governments to consider. (“Pensions Going Swedish,” *The Wall Street Journal-Europe*, 5 March 2007).

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*There's no magic solution to the pension problem. But governments worldwide are looking at Sweden. It's starting to be seen as the best among what are now seen to be imperfect options.*

Kent Weaver, Georgetown University, interview in *The Wall Street Journal-Europe*, 5 March 2007

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Governments play the largest role in ensuring older workers remain in the workforce and continue to contribute to their country's economy, as they are responsible for setting the employment and social benefits rules to which both employers and individuals must adhere. In the past, the majority of government programs targeted toward older adults were designed to facilitate older workers' exit from the labor force to make way for younger workers. However, with today's issues, governments are now shifting their thinking 180 degrees. They are beginning to provide incentives for older workers to remain in the workforce as long as they are able to contribute to meaningful work, and they are also providing incentives for employers to recruit and retain older workers.

## Inspiring Change

In a recent Manpower survey of over 28,000 employers in 25 countries and territories, only 14 percent of respondents reported that they have specific strategies in place that are designed to recruit older adults into their workforces to help fill open positions, and only 21 percent of employers reported that they have strategies in place to retain their older workers (See Figure 5).

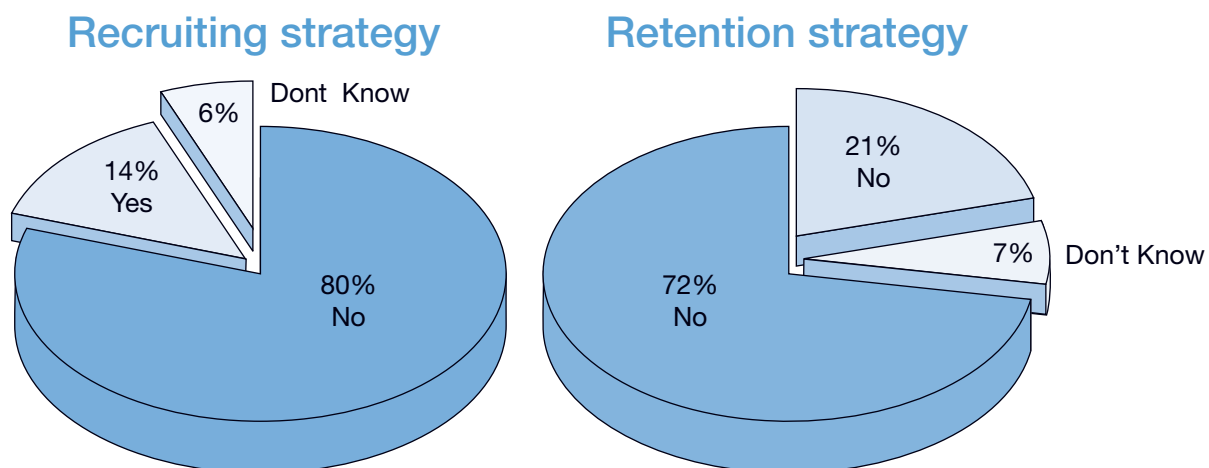
However, the study also found that employers in some countries and territories are well ahead of the others on both recruiting and retention strategies for older workers compared to their international colleagues (See Figure 6). For example, in Singapore, 48 percent of employers cited having an older worker recruitment strategy and 53 percent have a retention strategy in place.

The high positive response rate from Singapore's employers is due, in part, to the lead role that the Singaporean government is taking to enhance the employability of the mature workforce by offering incentives to business. The Singapore Workforce Development Agency (WDA) has implemented an incentive program called the Advantage! program that encourages companies to employ workers over age 40, or re-employ workers beyond age 62.

The program is comprised of four components – job redesign grants, training grants, job placement services and re-employment support – and employers can earn up to S\$300,000 (US\$200,000) based on their level of involvement in the program.

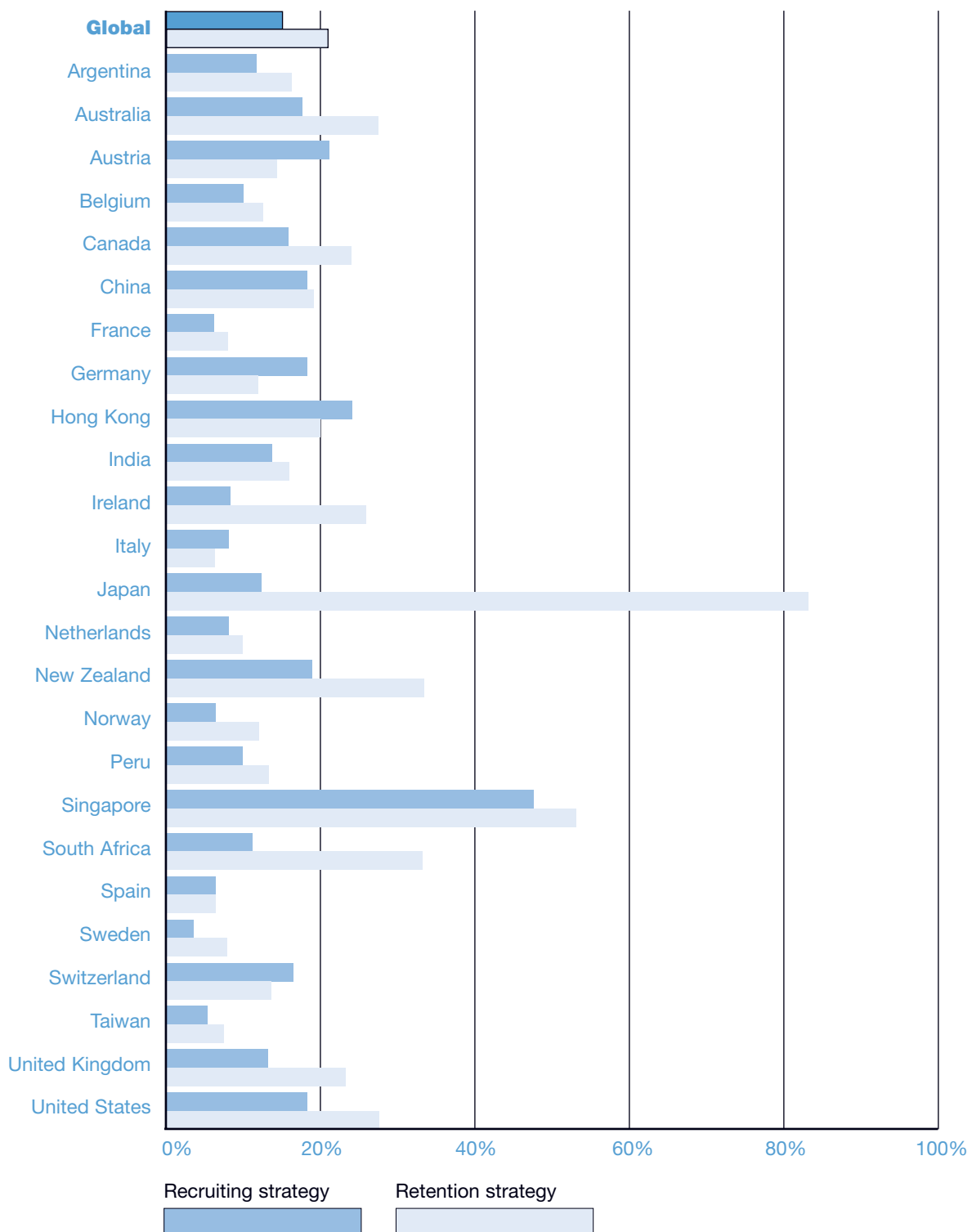
We also see a similar situation in Japan, where 83 percent of employers have developed retention strategies to ensure they are able to avoid losing their experienced employees. This is particularly important, as one million Japanese workers will be eligible to retire within the next three years. To help stem the tide of people exiting the Japanese workforce, government officials recently amended the Law Concerning Stabilization of Employment of Older Persons that was originally established in 1971. The general purpose of this law is to promote the welfare and job security of older persons, as well as to stabilize the labor market for the future. Over a 13-year period beginning in April of 2006, this law provides that the retirement age be incrementally raised to age 65 and encourages employers to continue employment if individuals are willing and able to work productively.

Figure 5: Percentage of Employers in 25 Countries and Territories with Recruiting and Retention Strategies for Older Workers in Place Today



Source: Manpower survey of more than 28,000 employers across 25 countries and territories, October 2006.

Figure 6:  
Prevalence of Recruiting and Retention Strategy for Older Workers



Source: Manpower survey of more than 28,000 employers across 25 countries and territories, October 2006.

Japanese legislators have also strengthened protections against age discrimination as part of this amended law, with measures including an employer's obligation to provide a work reference for an older person's application to a new job, and the obligation for a hiring company to inform an older jobseeker of the reasons for setting an age limit for entry into a specific job. Continuous employment programs were also implemented to retain older workers should they choose to continue to extend their work life.

This step toward stronger anti-age discrimination legislation is particularly important because in nearly all OECD countries, the incidence of long-term unemployment is higher for older persons who are unemployed than for the unemployed who are aged 25-49. In addition, older adults who lose their jobs typically suffer substantially greater wage reductions when re-employed, in comparison to their previous job. ("Live Longer, Work Longer," OECD, 2006, p. 35). Although most developed nations now have anti-age discrimination laws in place, there is much more that governments can do to help older workers to overcome the obstacles to employment.

In the previous Japanese example, it is clear that a government initiative has been the catalyst for business to take proactive employee retention measures, which is evidenced by the fact that while 83 percent of Japanese employers indicate having older worker retention strategies, just 12 percent have implemented recruitment strategies (see Figure 6). In short, employers have not taken action on the recruitment side of the equation because action is not yet compulsory.

The extent to which employers have addressed the recruitment and retention of older workers to ease talent shortages depends upon a variety of complex factors. However, the major variables appear to be:

- the size of the national labor pool;
- the demographic profile of the labor pool;
- the degree to which talent shortages are being experienced at present; and
- government legislation or programs that either promote or discourage labor force participation by older workers.

If a government is seeking to expand employment of older adults within its population, part of the answer appears to lie in its willingness to be an agent of change and require employers to take action to address the issue through new incentives and stronger requirements.

Other ways in which governments can act to enable change is to improve the flexibility of legislation and policies that currently serve as deterrents to older adults remaining in the workforce longer. In addition to the strategies described above that Singapore and Japan have implemented to resolve the older worker conundrum, other countries are also exploring combinations of raising or removing the statutory retirement age at which financial benefits begin, and providing other incentives for employers to hire and retain older workers.

Beyond these initial steps, governments will need to consider enacting policies that make working longer more financially rewarding for the individual. In many countries, tax and social benefit programs can actually encourage early retirement and discourage people from working at all, as they will not be able to receive distributions from pension plans if they are still working, or earning too much money from their jobs. In some instances, if taxes are high and incremental pension benefits for people staying on the job are slim, it makes more sense to take early retirement, rather than continue working. To reverse these trends, it will be necessary to remove the disincentives toward working longer, and consider offering financial rewards such as providing older workers with tax credits for continuing to contribute to the workforce.

As an example of such an overhaul of legislation, in November 2006, the German government approved increasing the retirement age to 67, when it also unveiled a drive to get more workers over the age of 50 back to work. As part of this newly launched "50 plus" initiative (July 2006), German employers will be offered "integration subsidies" as incentives to take on older workers, while people who accept a job which is lower-paid than their previous position can receive "a combination wage," which is a supplemental income provided by the government to help compensate for shortfalls in their new salaries.

The 50 plus initiative consists of both government measures and efforts to work together with labor and management organizations in pursuit of four specific objectives:

- Increasing the employment rate to 55 percent for persons above the age of 50 by 2010;
- Significantly lowering the rate of early retirement among persons 55 and older;
- Improving the reemployment rate for older unemployed workers via wage subsidies; and
- Significantly increasing enrollment in supplementary training programs to help people develop the skills they need to meet the growing requirements to qualify for new jobs.

Like Germany, other governments will also need to do a better job of creating national education and training programs to improve participation rates of older workers and instilling a continuous learning mindset. Training initiatives cannot be left to employers alone. By investing in development and training programs that allow older workers, who may have been out of the workforce for a period, to gain proficiency on more recent technologies and work processes, governments will improve employability of the lower-skilled individuals in the older worker segment of the population. These programs can be ideal options for individuals who must re-enter the workforce after being retired for a number of years, as well as those who worked in physically demanding jobs that they are no longer able to perform, or those who want to transition to a different form of work for other reasons.

It is important to note that these government-sponsored training initiatives are a significant opportunity for governments to strategically align training with the areas where their countries are experiencing the greatest talent shortages. For example, suppose a country like India has determined that it does not have enough individuals in its national labor force with the correct skills to fulfill the need for data networking support technicians in the rapidly expanding IT-enabled Services (ITeS) industry. This would be an opportunity for the government to develop training designed specifically for older workers who are re-entering the workforce to fill this talent shortage.

By anticipating future talent needs and designing training programs to meet these needs, countries can create a clear competitive advantage in the global marketplace.

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## Driving Sustainable GDP Growth Through Labor Market Strategy

In the borderless global labor market that drives gross domestic product (GDP) potential for national economies, many countries may find they are at a competitive disadvantage if they cannot provide adequate skilled labor to enable businesses to succeed in their markets. Older workers are only one segment of a healthy labor pool, and ensuring their engagement with the workforce for a longer period of time is only one area where national governments need to focus their attention if they want to have a competitive labor market strategy that will help to strengthen the country's economy for the future.

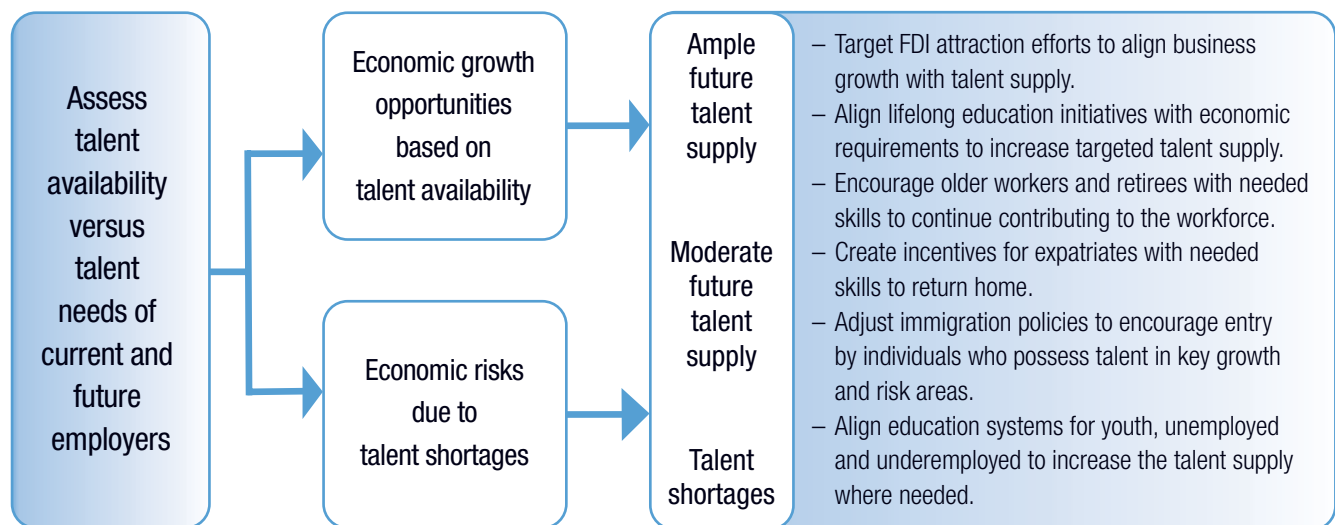
It will become necessary for national governments to be more proficient at analyzing their total workforces and determining how to leverage their strengths for competitive gain, particularly in the international competition to attract foreign direct investment (FDI). As shown in Figure 7 below, the first step is to assess the country's available talent pool and the future talent pipeline, and measure this against the talent requirements of current and future employers. From this data, it is possible to

identify the economic growth opportunities that may be available for further development, based on the talent pools which are in abundant supply, as well as identify potential economic risks that could be caused by inadequate supply of individuals with the skills needed by certain sectors of the national labor market.

The creative strategies that some governments are beginning to use in order to induce older adults to remain in, or re-enter, the workforce are good starting points for developing a sustainable labor market strategy, but more needs to be done to optimize the full potential of tomorrow's workforce.

By aligning labor market strategy with the economic risks and opportunities of the country's economy, a clearer path emerges from which to create the education and training initiatives required to build a high-caliber talent pool for the future. In addition, aligning education systems for youth, the unemployed and underemployed, as well as older adults, with the economic requirements of the country, will mitigate the threats posed by emerging talent shortages, while expanding the available talent pools in areas where the country is capable of attracting FDI.

Figure 7: Sustainable Economic Growth Through Labor Market Strategy





For example, the Mexican government benefited for many years from the country's reputation for having an abundant source of inexpensive, low-skilled workers with a strong work ethic. As the world discovered the same was true for China and other Asian countries, the growth of the Mexican factories, or maquiladoras, slowed dramatically due to the increased international competition. Now, the country is grappling with the challenge of creating an effective labor market strategy that will enable the attraction of new FDI from multinationals based not just in the U.S., but all over the world. The question is, with a weak education system and widespread poverty can Mexico develop a talent niche that will drive the economic prosperity of future generations? Only time will tell if they are able to succeed in this strategic endeavor.

Migration policies and programs are another area where governments can make great strides in enhancing their available talent pools, both by adjusting immigration policies to attract individuals with the skills that are needed, and by creating incentives for expatriates and students studying abroad to return to work in their home country.

China and the Philippines are currently working to reverse the brain drain that has occurred as large numbers of their best and brightest workers have left the country to pursue education, in China's case, and work, in the Philippines' case. Now, both countries are suffering from talent shortages in some of the very areas where these expatriates are qualified and capable of filling the gaps, so it has become a priority to try and lure them back to their home countries to contribute to their own society's future.

A sustainable and growing economy will not be possible in the talent-poor future without a strong and vibrant labor market that includes older workers and other groups that are currently under-represented in today's workforce. The challenge for national governments is to determine how to align the interests and abilities of mature adults with the interests and requirements of employers, and to do this before the pension bubble bursts, wreaking havoc on other areas of society.

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## Conclusion

The first priority of today's employers should be forecasting and workforce planning for the future, when much of today's key talent will retire and there will be few available candidates to replace them. Without such critical analysis and planning, it is likely that many companies will find they are incapable of growing their businesses and meeting customer needs because of unexpected and pervasive talent shortages in critical roles. Two of the key reasons that employers are not doing more to try and recruit or retain older workers as part of their talent management strategies are simply that they neither understand how to do so effectively, nor grasp why this should be a high priority for them now.

While employers have done much in recent years to provide better work-life balance for working parents, they have not yet made sense of what work-life balance means to the older worker; namely that these individuals expect to work differently in flexible work arrangements where they can work more on their own terms, not the employer's. There is a growing proportion of this population that may be quite willing and able to continue contributing for years to come, if they are engaged and encouraged to do so. The best way to attract older workers is to have jobs they want, and they tend to want part-time jobs. The employer who wins the competitive war for talent will be the one who determines how to make plenty of part-time jobs available to attract older workers, and how to redesign existing jobs into part-time roles in order to retain current staff a few years longer.

As talent becomes more difficult to find and retain, it will be essential for employers to optimize talent flow by ensuring alignment of employees' skills with the needs of the business over the course of each individual's career. This requires strategic recruitment; ongoing assessment of skills, interests and abilities at regular intervals; alignment of abilities with the current and future needs of the business; and making lifelong learning a high priority.

The conundrum of the older workforce lies in the fact that the most in-demand individuals with the strongest skills are also those who have the greatest financial flexibility to retire early or explore other options throughout their careers, and particularly as they grow older. This means that the people who are most needed are also those most likely to leave, taking their skills,

knowledge and experience with them. Savvy employers will develop innovative ways of retaining these critically important contributors as long as possible.

Nonetheless, it is inevitable that even the most engaged employees will eventually retire. Managing the talent pipeline to ensure that high potential employees are identified as potential successors and developed at the same rate as the older workers who are exiting will be an important aspect of workforce management in the future. An effective knowledge transfer plan that is properly executed can make an enormous difference in an employer's ability to retain critical intellectual capital and sustain consistent performance levels in the transition from retiree to successor.

Meanwhile, many national governments' funding for pension and social security programs is projected to fall short of the financial requirements because there simply will be too many people receiving funds from the government programs and too few actively engaged in the workforce paying for these programs through their payroll taxes. If a government is seeking to expand employment of older adults within its population to reduce the pension burden, part of the answer appears to lie in its willingness to be an instrument of change and require employers to take action to address the recruitment and retention of older workers through new incentives and stronger requirements.

A sustainable and growing economy will not be possible in the talent-poor future without a strong and vibrant labor market that includes older workers and other groups that are currently under-represented in today's workforce. National governments need to focus their attention on talent development and utilization strategy if they want to have a competitive labor market that will help to strengthen the country's economy for the future. The challenge for national governments is to determine how to align the interests and abilities of mature adults with the interests and requirements of employers, and to do this before the pension bubble bursts, wreaking havoc on other areas of society. Solving this puzzle should be high priority on the agenda of today's government leaders.



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