



Talent Management: Reaping ROI from Third Agers **Are you neglecting a critical part of your workforce?**

Have you carried out an age profile analysis of your workforce lately? What proportion are over 50 years of age? Is your training dollar expenditure favouring the lower age groups at the expense of your older workers? An analysis of a company's own data – your workforce demographic -is the only way you can tell if this issue is a ticking time bomb or a non-event not worthy of your thinking time. Just how many on your payroll are over 50? Are you one of the 17% of employers in Australia who have strategies to recruit older staff? There are twelve following niche labour market job boards for those over 50 which would not exist unless there was demand from employers as they are paying to advertise vacancies on them.

An analysis of ABS labour force data by Monash University demographers found in 12 months to end of February 09 almost all employment growth has been in people aged 55 and over. It grew by almost 120,000 of which 70% was in full time work. The participation rate for those over 55 has grown 3.3% during this period. . “Within just seven years about 85 percent of labour market growth will come from people over the age of 45 “ comments a Queensland Government spokesperson. By 2012 1 in 6 will be over 55 in the workforce. Now is the time to start preparing programs designed to influence an increase in the engagement of third agers as they are going to grow GFC as a proportion of your workforce.

What to call them?

Third agers, second lifers, grey pathers, baby boomers, older workers, seniors, the sandwiched generation and many more labels are being imposed on those who are over 50 by sociologists, demographers, political commentators and the media. In fact there is no consistency in their reports as to whether the third age starts at age 45, 50 or 55! Our Government favours use of the term older workers; demographers –sociologists favour baby boomers; author-researchers favour third agers, though here again there is no consistency of usage. And there are more:

Senior citizen; seasoned citizens; OWLS for Older Wiser Livelier Souls; Life 102; Gere-Actives; Sage age; and P.S generation as in postscript to a letter = more to come.

This inconsistency of terminology and age is indicative of how short the number of years since we have been parcelling the life span into segments and labelling them e.g. Generation Z, X, Y, etc. Researcher-author, Gail Sheehy, kicked it off with her book *Passages*, then Martin Kimmeldorf in *Gourmet Ageing*; Helen Harkness in *Don't Stop the Career Clock*; in Australia books by Robert Critchley about third age issues in *Rewired, Rehired or Retired?* (2002) and, more recently, *Rewire or Rust* followed by *Doing Nothing is Not an Option*.

You may say that you are providing attention to the third agers in your workforce but be careful to distinguish between two types of programs:

- programs that assist the employee prepare for transition to a form of retirement (we 'old hands' in HR used to call this Pre-Retirement Planning Seminars). Such programs have little or no improvement in productivity value to the employer and were usually initiated for goodwill purposes. Today we may call such programs social responsibility.



- programs with the objective of improving the degree of engagement, retention and productivity of this age group – engagement to both the content of their job role and to their employer. From improving the engagement factor can be an increase in personal productivity and quality of performance of assigned tasks ... a rejuvenation of energy and commitment.

A study (June 2008) of more than 2,000 by Right Management reports 62 per cent of Australians are disengaged at work. Just over a third (36 per cent) of Australian workers are 'Stars' - employees who are connected to their job and feel their organisation is a great place to work. However, an even higher proportion is 'Disconnected' - 42 percent are neither engaged, nor do they like where they work. The study reports third agers more committed but less engaged, with just 30 per cent of the 50-65 age group engaged, compared to 39 per cent for those in their 30's and 40's

Many third agers are aware of the following facts of our society due to media reporting and their own research. Many of these facts encourage third agers to continue working or try to return to employment. Life expectancy in Australia in 2009 is predicted to be 80 years for males and 84 for females. The Australian Bureau of Statistics reports that over the next four decades the number of people aged over 65 will almost double. Those over 65 today number 13% of the population. 30 to 40 % of Australia's current population will reach early or full retirement age during the next three to five years. Many are baby boomers, who are currently aged between 44 and 62 and account for 5.3 million people or a quarter of the entire Australian population.

Australia has a workforce participation rate reported in March 2009 for people aged 55 - 64 of 55.8%: those over 64 the rate is 8.3% (Productivity Commission) but those third agers trying to get work are not counted.

Sea changing is declining as people delay relocation because they want employment or to continue with current employers. In addition house prices need to recover in cities in order to finance relocation out of them. (Bernard Salt 2009).

Third agers have a new reluctance to retire early, many more now wanting to extend employment beyond 'normal' retirement date, as a consequence of the May Budget.

Federal Budget May 2009:

The new 'rules' relating to the third agers does nothing to encourage them to retire, in fact quite the opposite. The progressive increase in retirement age eligibility up from 65 to 67 years; tougher aged pension eligibility terms in regard to both income and asset levels plus reduction changes in the taper levels for part pensions; super salary sacrifice halved; the employer paid super cap halved; dividend imputation rate reduction; the reduction in the government co-contribution amount; the change from age 55 to 60 over the next few years before retirees can access their own super;



The reduction in tax rate for many older people for working beyond retirement age of males: 65 and females: 63.5 plus the raising of the income level before income tax applies is designed to increase the labour supply of third agers to employers. Plus reduce the take up rate of Government pensions for those eligible through inadequate personal superannuation to be self-funded.

All these changes are influencing thousands of third agers to put off their transition to gradual or full retirement, who, before this Budget, had settled on a planned date. One million Australians of the close to 4 million between ages 45 and 65 were planning to retire in the next 10 years. Those aged 50 today will have to wait two years longer for retirement (i.e. pension eligibility) when they will be 67. The average age of retirement in 2006-7 for those who had stopped work in the previous five years was 60.3 years. The Budget changes are likely to influence this age level to rise.

Those 55+ have had a shorter working lifetime accumulating super as well as contending with a stock market downturn that is taking years off their potential self funded retirement income stream plus falls in other assets such as the resale value of their home, i.e. property market decline, interest rate reductions affecting investments other than super, plus the much lower share dividends now being paid by for profit organisations.

What third agers think.

A recent survey of 278 third age managers by Exec-U-Net found:

- 72% fear being victimised by age discrimination.
- 40% are worried they will be forced into retirement due to age.
- 36% fear becoming too old to find a new job.
- 22% are concerned their skills are becoming outdated.

Another Survey reported May 2009 by Kelly Services of 100,000 people in 34 countries – 13,000 in Australia – shows more than 75% believe their skills will be outdated within 5 years and think that the level of training provided by their employer is inadequate. In particular, Baby Boomers –ages 48-65 - are the most worried about lack of training for upgrading skills; women are generally more concerned than men across generations about their skills and expect more help out of HRMs in their workplace.

The surveyed evidence (Centre for Workplace Research sources) of attitudes of third agers is conducive to many continuing some form of work:

- acute concern that GFC effect on superannuation fund level will continue to reduce levels substantially
- delay conversion to self-funded pension income for full time retirement, or even part-time.
- wanting to explore clear and imaginative progressively phased retirement plans
- fears of being outplaced and having to look for ways to begin anew in a labour market that appears to discriminate against the 50+
- seeking to define their purpose away from traditional linear careers toward a range of paid and unpaid activities
- perceptions of experiencing ageism bias in current employers' attitudes
- being confronted by the employer presented option of voluntary redundancy
- looking to improve their work-life balance
- wanting to turn partly defined or suppressed dreams into realities



Too many employers skew their resources to support the career and life aspirations of younger workers of whom many don't intend to stay as long as their more experienced colleagues. As one 50+ said to me recently "When you get to your mid 40s, the organisation stops spending money on you. Most career development is on Generations X and Y.

If you are 55 and haven't had any training since you were 50, by definition your productivity will have been in decline over the last decade. It makes it harder and harder to hang onto what work you are assigned. Older people want freedom to work in more satisfying ways, not freedom from work".

What third agers would like:

My research has found the following desires among third agers:

They say :-Skilled help could help me:

- Produce a holistic plan for my next life stage.
- Pragmatic assessment of what is possible; what is less so.
- Expand my awareness of my options – paid and unpaid.
- Enhance my feeling of being more in control of my life and work direction.
- Empower me to turn my work role plans into realities and eager to implement them.
- Improve my self-esteem
- Increase commitment to my employer after well thought out future plan is in place
- Change my feelings that after 50 my employer lost interest in providing me with any form of meaningful career development.

During my research I found at least a quarter want to move to paid work roles that has a dominant utilitarian value. In other words deep satisfaction is not sought but rather the money the work role provides. Their motivations may be reduction in hours worked, to slow down, to stop taking so much work home or limit travel so that they can invest their time in their passion and talents in their hobbies, family, and communities.

Their objectives to transfer to a less onerous job have been brought about by many reasons, such as:

- competitive pressures
- their workplace culture
- pressure to serve or find more customers
- rapid change
- overwhelming work task burdens
- declining energy levels

These new work role ambitions often extend beyond the utilitarian value of income to the need to belong to something, to keep active and connected with people through their workplace colleagues. But their higher need in Maslow's self-actualisation construct is not being sought.

Increasingly other third agers are rejecting the traditional notions of retirement. They cannot contemplate life without the fulfilment of work. They want to channel their experience and capabilities into a portfolio of activities that are rewarding to them. This portfolio could include different corporate roles, mentoring or being a board member or project expert.

Why HRMs should act now:

It is clear that for many reasons – financial and others- more third agers want to continue work or find paid work than was customary for the previous generation. The actions of the Government in the May Budget with new limits to pension access and the effects of the current GFC making the accumulation of sufficient funds to self fund retirement more difficult is influencing third agers to delay. Many third agers feel age discrimination prevails in recruitment processes both in external and internal recruitment. Third agers do go to work with the apprehension that their continued employment is not secure. By default there is a substantial opportunity to increase their engagement and consequential productivity increase by programs that meet their needs.

There are other influences that will arise as the GFC effects recede: -

Need for healing:

As the current recession recedes HRMs may be influenced as in previous recessions to increase career development support for the redundancy survivors on the payroll. The need to re-unify work teams, discourage post recession resignations from those who have delayed their plans to resign; the possible re-emergence of skills shortages; the need to restore and increase engagement leading to hoped for productivity gains. If healing activities take place these should include third agers as their exclusion would be unwise for morale.

Post-recession labour turnover:

HRMs may be influenced to focus on third agers when the usual post recession voluntary departures off their payroll occur as they have in past post-recession periods. The past pattern of these resignations being among those in the lower age groups could stimulate focus on retaining and engaging third agers. The Chandler McLeod Group reported 2/5/09 their survey of those currently working for organisations that have and continue to make redundancies reveals an extraordinary high 76% stating that they will change employers post-recession.

Industry segmentation:

There will be a return to skills shortages in some industries. Do note that the May Budget is reducing the number of skilled migrant intakes. One example of a looming industry problem is the resources and infrastructure sector where 535,000 are currently employed. The 2009 Environmental Scan – a May 2009 Report by national industry skills council SkillsDMC says about 25,000 recruits will be needed during next five years to satisfy demand for vital roles now held by workers nearing retirement age. Civil infrastructure, for example, is about to grow substantially due to increased investment from Federal, State and Territory governments. HRMs in this sector will feel pressure to take some action for retaining and optimising the third agers in their workforces.

Cost of not acting:

If you don't act the fallout of losing third agers from the payroll by employee initiated or involuntary reasons will be:

For companies:

- Corporate history is lost as people leave
- Business relationships go with them
- Industry knowledge is lost
- Competitors often hire them when they leave
- The costs of replacing them are substantial

For staff:

- Resentment towards the organisation grows
- Stagnate in their careers before they leave
- Goodwill, and hence engagement, to the company evaporates

By acting now you could:

- Reduce the costs associated with employee knowledge loss
- Increase the productivity and morale of your mature age workforce
- Improve your organisation's ability to capture and transfer knowledge between workforce generations
- Heighten your reputation and help you differentiate your organisation in "employer of choice" endeavours
- Attract new talent to your organisation and retain your existing talent
- Demonstrate your commitment to social responsibility.

With the current demographics of our population and the third age workforce proportion expanding employers will have the competitive advantage who think about the messages they convey explicitly or implicitly to third agers and who create programs to connect with their senior talent. Profound words are in the latest Mercer Report :-‘In times of economic turmoil the issue of talent management does not subside; in fact it becomes more critical than ever.’

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