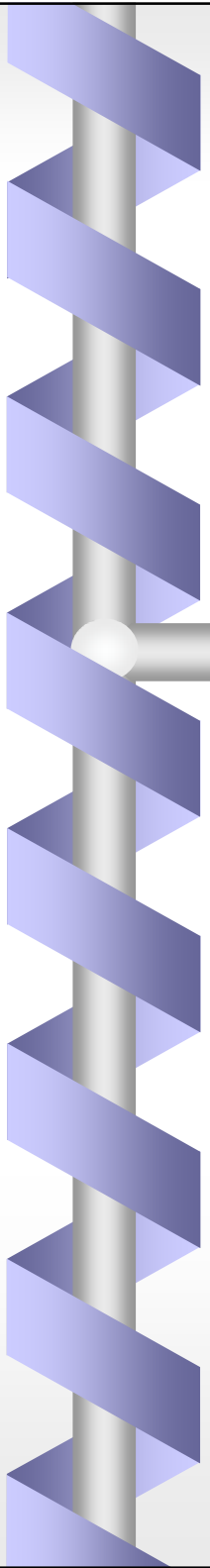




How the Aging Workforce and Generation “Y”

will affect Recruitment, Retention, and Succession Planning

Karen M. Kehr
Hawthorne Services, LLC
September 2006

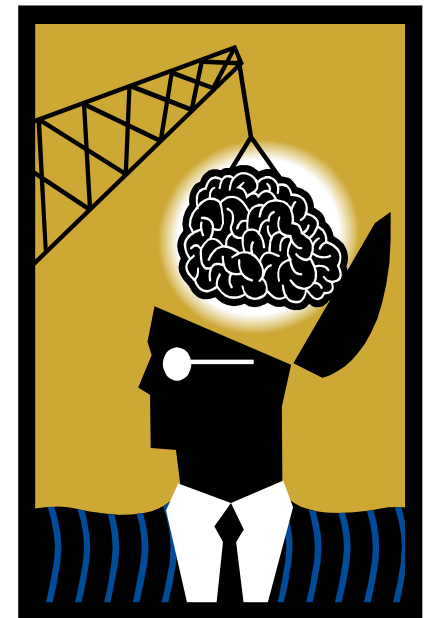


Modern business and governments have consistently made every decision based on the assumption that populations will always grow.

Peter Drucker, Management Challenges for the 21st Century

By the Numbers: Brain Drain Coming

- **More than 6 of 10 companies report signs of talent drain**
- **Only 32% have taken action to update their selection, recruitment and succession criteria**





Stagnant Labor Growth

- **Baby Boomers begin retiring in 2010**
- **Annual labor force growth will slow from 1.2% to 0.6%**
- **Growth will decelerate to just 0.2% between 2015 – 2020**

From Trends Magazine, "The Graying Planet Revisited", Aug. 2005

The Reality

- **The last American labor force shortage occurred in 1830**

Labor force growth over the next 50 years will average 0.6%, compared to 1.6% over the past 50 years





Prime Age Workforce

(age 25-54)

- **Between 1980 and 2000, the prime age labor force grew by 35 million, or 54%**
- **From 2000 to 2020, growth will slow to 3 million people, or 3%**



Prime Age Workforce

- **Over the next 40 years, the share of prime working-age adults will decline from 59% of the population to 56%**
- **The share of older adults (65 and older) will increase from just over 12% to almost 21% of the population**

Urban Institute, *Economic Consequences of an Aging Population*



The Skills Gap

- **Baby Boomers entered workforce better educated than those they replaced**
- **Now, new workers are at same level as retiring workers**
- **Immigrants joining workforce are much less educated**

Converging Trends

- 1. Slower labor force growth**
- 2. An older labor force**
- 3. The skills gap**

From *Trends Magazine*, "The Graying Planet Revisited", Aug. 2005



Economic Impact of Converging Trends

- **In the past decade, real GDP grew 3.3%, in line with 50 year average**
- **Real GDP growth will slow to 2.3% between 2014 and 2024**
- **Below average market returns likely in next 20 years**

From *Trends Magazine*, "The Graying Planet Revisited", Aug. 2005





Risks of Losing Key Employees

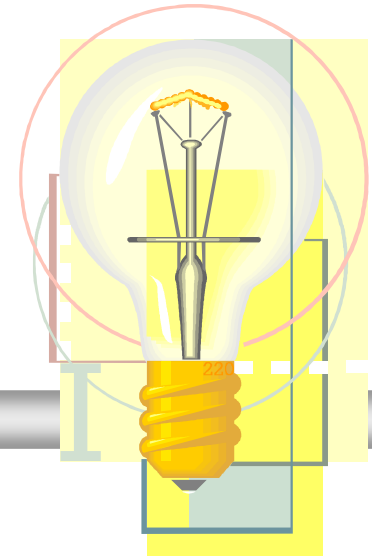
- **Lost customer confidence; customer perceived the key employee lost as “the reason” they were your customer**
- **Lost business opportunities; no one knows what that key leader was working on that wasn’t yet named or expressed**



Risks, continued

- **Lost momentum; employees become disheartened or fearful**
- **Lost dollars; key employee was critical financial brains and no one knew what he or she knew re: the financial situation**

A Hopeful Trend: Delayed Retirement



- **20% of men aged 65 + are still in workforce**
 - **Retirement plans were hurt by stock market**
 - **Mandatory retirement outlawed by Congress in 1986**
- **Radical shift in attitudes re: aging and work**

4 Generations at Work



- 1. Traditionals**
- 2. Baby Boomers**
- 3. Generation X**
- 4. Generation Y**

Traditionals: 1909 - 1945

- **When you think of this generation think: Duty, Sacrifice**

Formative events:
The Great Depression
Pearl Harbor
WW II
Hiroshima





Traditionals at Work

- Loyal to employer and expect the same in return.
- Possess good interpersonal skills.
- Enjoy flextime arrangements so they can work on their own schedule.
- Believe promotions, raises, and recognition should come from job tenure.
- Measure a work ethic on timeliness, productivity, and not drawing attention.

Boomers: 1946 - 1964

- **When you think of this generation, think:** Individuality, "Me" Generation

Formative events:

The Civil Rights Movement
Kennedy, Martin Luther King assassinations
Vietnam War, Cold War, Woodstock
Roe vs. Wade





Boomers at Work

- Believe in, champion, and evaluate themselves and others based on their work ethic.
- Work ethic is measured in hours worked. Measuring productivity in those hours is less important.
- Believe teamwork is critical to success.
- Believe relationship building is very important.
- Expect loyalty from those they work with.

Xer's: 1965 -1978

- **When you think of this generation, think: Skeptical, Reluctant**



Formative events:

Watergate, Fall of the Berlin Wall
Challenger explosion, The Gulf War
The PC boom, The Reagan Presidency



Xer's at Work

- Don't buy into the hard-core, super-motivated, do or die Boomer work ethic.
- Want open communication regardless of position, title, or tenure.
- Respect production over tenure.
- Value control of their time.
- Look for a **person** to whom they can invest loyalty, not a company.

Y's: 1979 - 1988

- **When you think of this generation, think: Coddled**

Formative events:
Oklahoma City Bombing
9/11 Terrorist Attack
The Internet boom





Y's at Work

- Expect high levels of technology and real time access.
- Want open, constant communication and positive reinforcement from their boss.
- Find working with someone of the Mature generation easy to do.
- Search for a job that provides great, personal fulfillment.
- Are searching for ways to shed the stress in their lives.

Evaluate Your Realities

Corporate Office - 28 Employees					
Length of employment	0-1 year	1-3 years	3 -5 years	5-10 years	10+ years
	4	7	1	2	14
Age of employees	20-29	30-39	40-49	50-59	60+
	0	2	7	9	10

Strategy #1: Keep the Older Worker Longer



Get More Flexible!

- **Pay and retirement systems**
- **Work settings: home office, mobile office, etc.**
- **Work assignments, special projects, training, mentoring**

Strategy #2: Plan for Succession by Developing from Within

- **Mentoring programs**
- **Leadership Training**
- **Document & train knowledge base**





Succession Plan Goals

- **Give a clear, immediate path of action to those who will assume authority**
- **Maintain and advance company goals /mission even in the absence of key leadership**
- **Develop internal successors**



Successors Must Know:

- **Organizational direction and vision**
- **Procedures for unique responsibilities**
- **Locations of key information**
- **Communication plan in case of crisis or loss of leadership**



Areas to be Resolved Prior to Key Leader Exit

- **Senior management job descriptions**
- **Leadership replacement process defined**
- **Clarification of board/ owner's expectations**
- **Key contacts/ networking connects defined**



Strategy #3: Reduce Need for Labor By Improving Processes

- **Automate human processes**
- **Use Continuous Improvement strategies to uncover redundant jobs/roles**
- **Hold managers accountable for results and elimination of non-value added activities**

Strategy #4: Develop /Recruit Gen Y

- **Advertise where they are (internet, schools)**
- **Get involved with “Gen Y” through school/ college programs**
- **Use a systematic hiring system / Top Grading**



Strategy #5: Recruit Nontraditional Candidates

**...and develop the systems to
support them**

- Foreign born**
- Disabled**
- Little or no work history**



Strategy #6: Improve Supervisors

- **People leave people, not companies**
- **Gen Y the most sensitive to the effects of poor supervision**



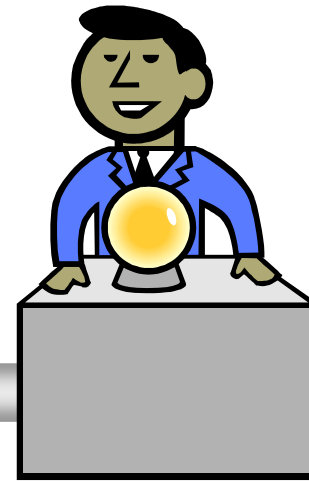
Strategy #7: Improve and “Sell” Your Offerings to Candidates

**Buyer’s Market:
Employees
Demand More...**

- **Flexibility**
- **Respect**
- **Opportunities**
- **Compensation**
- **Benefits**



Forecasts



- 1. The shortage of skilled workers will threaten the growth plans of most companies unless they start adjusting to this new reality NOW**
- 2. High skilled service companies will face a severe labor crunch because they will be hurt by all 3 labor trends**

(Slow labor growth, older labor force and the skills gap)

Forecasts, cont.



- 3. The shrinking labor supply will be good news for workers' salaries**
- 4. Global outsourcing will continue, not because of cost savings, but because of lack of workers in US**
- 5. Financial realities will force many older workers to remain in the workforce beyond age 65**

Change Is Coming....

**Will you be
prepared?**

Hawthorne Services, LLC
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