

Revamp HR policies to retain older workers

Inducing a 60-year-old with a decent pension to delay retirement is the new staffing challenge

BY GRAHAM LOWE

The national debate on mandatory retirement that Prime Minister Paul Martin called for last December has yet to materialize.

The debate is long overdue because the changes brought about by an aging workforce will be nothing short of revolutionary and are getting closer with each year.

Last year in Canada, there were more people between 45 and 59 years of age in the labour force than those aged 15 to 29. More elderly and fewer youth spells labour and skill shortages in the coming decade.

With only a slim chance that immigration will increase, employers will have no choice but to look to baby boomers as a major source of skills and experience. Indeed, the current pool of some four million 45- to 54-year-old workers provides the best hope for averting future labour shortages.

As *The Economist* magazine recently reported, "The rise in the proportion of the world's old will be the century's defining demographic trend." It predicted the workplace revolution ahead will rival the gender revolution a quarter century ago that saw the workforce feminized, as women's educational attainment and labour force participation soared.

There have been, of late, some encouraging developments. The average retirement age is starting to rise in Canada. Statistics Canada reports that in 2003, employment growth was partly due to older workers, who pushed up the median retirement age to nearly 62. While this marks the third year that older workers led job gains, it is too soon to call it a trend.

The pivotal question in the debate over retirement is this: What changes in retirement policies, practices and attitudes will help to enlarge the pool of older workers? The challenge is

determining how employers, governments and individuals can continue to raise the average age of retirement.

While the numbers prove that a discussion about retirement is long overdue, employers should not be waiting for it to occur. Instead, employers should be leading with fresh ideas and new practices of their own.

Bias is the first problem

Across the Organization for Economic Co-operation and Development nations, fewer than one-half of workers aged 55 to 64 are employed. Despite trends in both Canada and the United States for people to work longer, the big question is what will induce a 60-year-old with a decent pension to stay employed?

While there are many personal motivations, including financial necessity and personal fulfilment, organizational barriers must first be broken down.

One of the most imposing

barriers is a prevalent bias against older workers. Too often, employers feel that older workers are more expensive, lacking in fresh skills, less adaptable and less technology-savvy. The list goes on.

All this is based on stereotypes, not solid evidence, because there is little research on the productivity of older workers. If judges can function at peak form into their 70s, why can't other knowledge workers?

Ken Dytchtwald, Tamara Erickson and Bob Morison, writing in a March 2004 *Harvard Business Review* article, "It's Time to Retire Retirement," are critical of a wide range of human resource management practices that demoralize older workers, devalue their potential contributions, and disengage them.

Work environments, they argue, alienate anyone older than 50 by not fully valuing their experience and capabilities. It is rare to find an employer that places equal emphasis on providing both older and younger workers with training and development opportunities.

The authors' warning to employers is that "most baby boomers want to continue working — and they may need to for financial reasons — but they may not want to work for you."

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The solution is to retire the concept of retirement as we know it. What's needed are more flexible approaches to work, careers and retirement in later life that meet individuals' and employers' needs.

This signals a major shift in thinking and practice. For example, the authors' research did not identify a single employer that had created high-retention pools among workers 55 and older, as many have done for younger workers.

The case for (and against) mandatory retirement

Morley Gunderson, a University of Toronto economist, clarifies the Canadian approach to mandatory retirement in a March 2004 C.D. Howe Institute paper, *Banning Mandatory Retirement: Throwing out the Baby with the Bathwater* (www.cdhowe.org/pdf/background_79.pdf).

Gunderson shows that the legal status of mandatory retirement in Canada (unlike the U.S., where it was banned in 1986) is complex and therefore the source of much confusion.

There is no law or regulation imposed by governments that require workers to retire at 65. Rather, in provinces where mandatory retirement is still a reality, there is no law preventing an organization from forcing someone to retire at 65. (Ontario is, however, planning to legislate

against mandatory retirement. For a look across provincial jurisdictions, visit www.hrreporter.com, select "Advanced Search," and enter article #3461.)

Gunderson argues that Canadian governments have not presented convincing reasons to override company personnel policies or collective agreements that set a retirement age.

A fixed retirement age is a basic feature of the employment relationship in many organizations. Consequently, it will be difficult to change.

While evidence is mixed on the impact of mandatory retirement bans on retirement decisions, several recent studies show that under certain conditions (for example, knowledge workers with defined contribution pension plans), bans result in postponed retirement.

But most crucial, Gunderson points out, is that retirement policies be integrated with a host of other HR policies and practices. Because most workers retire early, the immediate challenge is encouraging some of these individuals to delay that departure until they reach 65.

Achieving this objective depends on how effectively employers resolve potential problems in three areas: performance management, succession planning, and fairness and equity.

Deciding which older workers to retain will require changes in perfor-

mance management systems. A long-range workforce plan defines future skill and competency requirements, which helps to identify which older workers' contributions will be most valuable to the organization in the next five to 10 years.

Employers also need to know more about the options being weighed by their older workers. Succession planning requires some predictability in this regard, so employers may have to consider negotiating flexible transition arrangements, with a delayed retirement date, for workers in key positions.

Also important to consider is that the best use of an older worker may require lateral career moves and job redefinitions. Furthermore, there are mutual advantages in enabling older workers to retire early, or at 65, and then negotiating a new employment contract in which they return for a set period to contribute in new ways.

An employer's actions on these issues must be perceived as fair and equitable by all employees. Treating older workers with dignity and respect sends positive signals to all workers. The converse is equally true.

Other groups — such as mid-career women and high-performing younger employees — may interpret delayed retirement for some as delayed promotion opportunities for themselves.

Determining how to com-

pensate employees who return after retirement can also raise additional concerns. Other workers may view it as double-dipping, while the returning older workers expect compensation at market rates.

Clearly, whether retirement will be revolutionized is more than idle speculation. The extent and effectiveness of changes to careers and retirement for people older than 50 could well determine Canada's future economic prosperity.

While the Prime Minister may be the one calling a national debate on retirement, employers are best advised to start acting now to reshape these demographic forces.

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