

# The Maturing Workforce

## Bad news, good news

First, the bad news. The global workforce is getting older. Vital skills are getting scarcer and many businesses will struggle as a result.

The baby boom that lasted from the 1940s into the 1960s fuelled a global economic boom. But the world that the boomer generation was born into is unrecognizable from the one they will begin to retire into in the next five years.

Across the world, the number of workers aged 55 and older is increasing rapidly. Age is catching up with baby boomers, and more and more of them are leaving the world of work due to retirement or disability.

When they go, they take their skills and their knowledge with them, and the organization they've left behind is much the poorer. For many organizations, the pursuit of the grail of knowledge management – making the best use of the knowledge available in an organization and increasing awareness in the process – has proved disappointing.

From China to Japan, Europe and the US, there is a global shortage of talent – now. For example, in the face of burgeoning demand, the global mining industry is struggling with its greatest issue: finding enough qualified people to employ. And these talent shortages are causing delays costing millions of dollars. Across industries, this situation is going to repeat itself and become far worse because most organizations don't know what skills they possess, and they don't understand how to avoid similar problems.

And now here's the good news. The problem is not insolvable. Some organizations are already responding to individual, age-related workforce issues. But what's really needed is a coherent strategy to bring these responses together and integrate them. That's where IBM comes in. We have the experience and the industry knowledge to make the strategy work.

The other side of the coin is that the problem is also a wonderful business opportunity. If the issue of the aging workforce is tackled properly, it will provide a rare opportunity to create a new and better way of working and a significant competitive edge. Those who act now will be the winners, because they will have been both prudent and visionary at the same time.

Ask yourself this: when the shortages really begin to bite, would you rather be at the head of the line – or jostling at the back with the rest of the latecomers?

*Where do you want to be when the shortages start to bite?*

## We're in unfamiliar territory

This is new and unfamiliar territory. It's clear that the old model with its fixed retirement ages and rigid adherence to standard working weeks is disappearing. The challenge we face is to define and develop new ways of working and living.

After 100 years of rapid demographic change, most bets are now off. Baby boomers will be retiring in their millions in the next few years – but they're largely fitter and mentally younger than previous generations. What's more, many of them are extremely keen to carry on working – but in a new way.

Business and government are struggling to cope with the profound implications of this change. Attitudes, business models, pensions and legislation are all out of step with this new fact of life. When you consider that most people will enjoy around 20 years of life after they become eligible to retire, it's clear the whole concept of retirement needs to be redefined.

Just as importantly, business needs the gray hairs just as much as the old heads need and want the work. What businesses can't afford to do is simply rehire their experienced workers and put them back into their old jobs. Businesses have to think smarter than that. They must learn to leverage the experience and practical intelligence of mature people, and get them to work with younger colleagues and reinvest their experience back into the business.

For their part, businesses have to realize that they must make the working environment and conditions suitable and appealing to older people, if they are to benefit from their considerable talents. They will have to be flexible about working hours and consider how they use technology to solve the kind of 'wear and tear' disabilities like hearing and vision impairment that older people routinely develop.

Seizing the opportunity to change the way an organization deploys and manages mature employees calls for vision and a belief in the ability to make it work. What it will give in return is a huge advantage over those competitors that cling slavishly to their old customs and practices.

## Case study:

The Aerospace Corporation, a federally funded research and development center, leveraged the experience of retired workers by bringing them back to work on a part-time basis.

The Corporation developed a Retiree Casual program. Retirees can work on a project consulting basis for up to 1,000 hours per year with salaries determined by their roles and responsibilities. American Aerospace Corporation benefits from the retention of know-how and the transfer of knowledge to other staff. Participants enjoy the opportunity of continuing to work for as long they want to, and at a pace that suits them.

The program is flexible. About 500 retiree casuals are normally available, with around 200 at work at any time. Most people work two days a week, but others work six months on and six months off. Most participate in work into their mid-sixties; others go on contributing beyond the age of 80.

As one program participant, a former Executive Vice President, explained: "The Retiree Casual program keeps expertise around and helps transfer it to others. People often remark that we don't have many consultants around here. Actually we do, but they are called retirees, and they already know the business inside out."<sup>1</sup>

*After 100 years of rapid change, all bets are now off*

### The worst of times, the best of times

Think of the current situation as the human capital equivalent of disruptive technology. Because of the aging workforce phenomenon, organizations are now facing a period of enforced change. They can either move early, innovate and adopt a new way of working, or they can cling to existing practices and face the inevitable consequences.

It's natural to focus on the issue of potentially losing talented, qualified workers and the difficulties associated with replacing them, but the impact and implications of aging are more profound. There was a time when businesses would routinely replace older, higher-salaried staff with younger colleagues. Now, with longer career spans, using older people is a much more viable option, providing employers change strategy and use them intelligently in roles like shadowing and mentoring.

According to their business goals and strategies, organizations will face the need to extend the life of their existing models by investing in the restaffing and training it requires. Or they will look to transform the business, perhaps by radical changes in process, enabled by technology or by shedding noncore activities, processes and systems, rather than reinvesting in outmoded models.

Extending the life of your current model may feel like the comfort zone option. But is it a good idea to invest in a model that was created some time ago based on a different set of business goals and talent pool? For example, many of these models assume that there is sufficient time to train people while they are on the job. As significant numbers of mature workers retire in a short time, that option will disappear.

Just like with disruptive technology, the scariest times make for the greatest opportunities. This is a wonderful chance for business to look at the situation and if appropriate make changes in a wide variety of areas from technology to business process models.

### Case study:

De Beers' research and development division has used expert systems to retain and leverage technology know-how associated with mining machinery.

De Beers chose ClickFix, a Web-based diagnostic and predictive maintenance tool, which uses a combination of model-based and case-based reasoning.

To get the most from the tool, the company identified and interviewed individuals with expert knowledge, and resolved contradictory diagnostic processes. They then built an expert system based on this knowledge, with automatic updates from field technicians who were using ClickFix and modified any diagnostic procedures that were impractical in the field.

By entering fault symptoms into the tool, mining machinery technicians can identify potential fault causes, access recommended tests and suggested actions and find information regarding replacement parts.

Using the tool has reduced downtime and costs resulting from erroneous and belated fault diagnoses, incomplete fault registers, and missing machine part specifications.

De Beers say that using the tool has assured that the mines no longer have to rely on the availability of a small core of top engineers.<sup>2,3</sup>

*The scariest times make for the greatest opportunities*

## The diagnosis – who, what, when and how?

Over time, organizations have refined their ability to understand, in realtime, just about every facet of their business – except one. Organizations have tended to know far more about things like cash flow, customer management, supply chain and stock levels than they know about their own staff – until now.

IBM has developed a diagnostic tool and services that help employers identify the risks and impacts associated with their maturing workforce, evaluate their overall readiness to respond, and recommend a course of action.

The diagnostic provides an accurate analysis of workforce aging and transition data that shows the potential changes in a workforce's composition due to age-driven attrition. It also categorizes job types by their criticality to the business, surveys the assets available to manage maturing workforce risk and assesses the employer's readiness to do so.

Using the diagnostic, we find the answers to four questions that help the employer to understand what their attrition will be, its business impact, and how to develop an effective response:

- *Who will be retiring?*
- *What is their business value and what will be the impact of losing them?*
- *When is this going to happen?*
- *How to respond for the greatest business benefit?*

These four questions are answered by investigating such issues as:

- *Which of your employees is eligible to retire?*
- *How many will reach eligibility during the next year? During the next five years?*
- *How many of those eligible are likely to retire during this period?*
- *How many people could you lose due to disability?*
- *What might the timeline be for these departures, as well as to implement measures to compensate?*
- *What impact will departures have on your organization's business?*
- *Are qualified replacements available internally?*
- *Are training or external recruiting viable replacement options?*
- *How much time do you have to execute your replacement strategy?*

Many companies think they know the answers to these questions. They usually base their opinions on infrequent snapshot surveys compiled by their human resources departments. These surveys don't consider the relative importance of different job roles or the likely impact of attrition on operations. In our experience, an operational problem like this needs to be tackled at an operational and not a functional level of the organization.

Organizations manage their workforces in a way that is very different than the manner in which realtime analytics are used to manage and monitor all the other assets in a business.

*Organizations must learn to manage people – their most critical asset – in the way they manage everything else*

## The solution

The diagnosis is not the solution. But once you understand the likely attrition, its cost to the business and your readiness to respond, you're well on the way to being able to chart an effective course of action.

Complex issues such as this require comprehensive responses. Our experience providing clients with support on workforce planning and management, talent management, learning and development, knowledge management and collaboration, technology solutions, operational techniques and industry-specific solutions can all have an important role to play in developing the right and comprehensive approach.

Understanding a client's goals is vital. That's why we carry out executive interviews to understand the future business goals of the organization and to make sure we are aligned with those plans. In this way, we develop a specific, complementary, value-adding strategy and the plan of action needed to implement it.

There are three levels of strategic execution – your business plans and your appetite for change will determine which is right or you.

**Mitigation.** This approach doesn't change the business model but it does ease the damage caused by workforce attrition. This can involve keeping employees part-time who would have otherwise left, or bringing retirees back as direct labor or as employees of a third party. The key here is to use these workers in a much more leveraged way, mentoring younger staff or consulting in their area of speciality.

Technology has a great role to play too for businesses that want to quickly bring on more people as replacements for retirees. We have experience using e-learning to deliver accelerated, focused training to qualify current employees as replacements.

Experienced workers are often those who know how best to make poorly integrated technology and applications work together. Improving the integration of your technology and application infrastructure can soften the impact of losing valuable people.

It's important to remember that mitigation is, at best, a temporary strategy – one can only extend people's working lives for so long.

**Transformation.** Radically altering the way you operate is a more strategic response. This can involve altering your business processes. Successor generations X and Y are generally much more innovative and receptive to technology than baby boomers, so changing the organizational technology and the processes it supports can be a wise move. And such transformations can yield substantial and permanent incremental capabilities and increases in productivity.

**Outsourcing.** For some, this can be the next logical step beyond transformation. Seizing the opportunity afforded by a radical, natural alteration to the workforce to take away noncore functions and to concentrate on core capabilities can create significant value. IBM has vast experience and can provide sound advice and execution for a wide range of outsourcing options.

### A new way of working

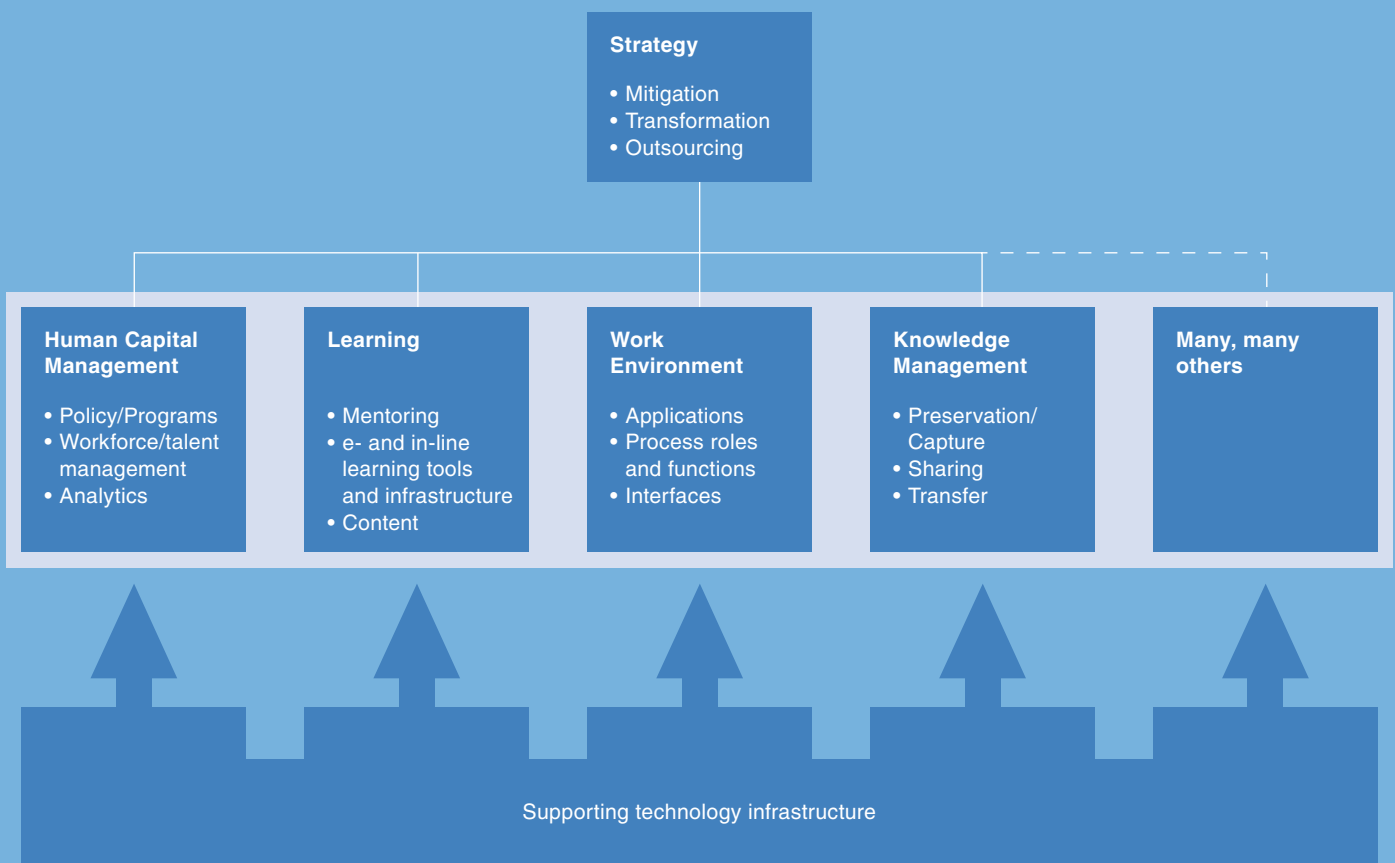
At some point in the near future, fundamental changes in workforce demographics will force organizations to abandon their current business models. Valuable people will leave either by choice or through age-related disability, and replacing them will prove increasingly difficult. We are moving rapidly away from an over-supply of labor into a global shortage of talent. Importing qualified expertise from the third world, Eastern Europe or the Far East will not suffice – all these places have, or will have, their own problems, as well as their growing talent requirements. There will be global competition to recruit and develop people from a finite labor pool.

As we said, this is not all bad news.

The time window for action is closing, but there is a definite first-mover advantage for those who are prepared to look carefully and act shrewdly to combat the problem of the aging workforce.

*We are moving rapidly towards a global talent shortage*

### Managing the maturing workforce: strategy and supporting responses





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- <sup>1</sup> Dychtwald, Ken, Tamara Erickson and Bob Morison. "It's time to retire retirement." Harvard Business Review. March, 2004.
- <sup>2</sup> Harding, E. U. "Knowledge Retention Reduces Downtime at a Diamond Mine." Software Magazine. Jun/Jul 2001, Vol. 21, Issue 3.
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