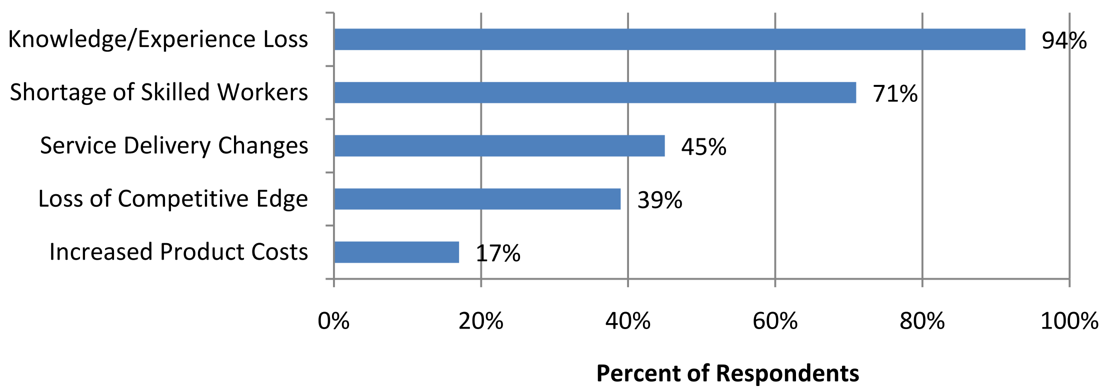
CAREER PARTNERS INTERNATIONAL RELEASES RESULTS OF GLOBAL MATURE WORKFORCE SURVEY

Chapel Hill, North Carolina, October 8, 2010 – **Loss of critical knowledge** and **shortage of skilled workers** ranked highest among concerns related to the maturing workforce according to CPI's 2010 Mature Workforce Survey results released today. Over 1600 individuals responded to the survey including more than 560 senior executives and 700 HR executives and managers. A conference call was held on October 7th to discuss findings. To hear the discussion, visit www.cpiworld.com/webinar.

Figure 1

What are the likely effects of the retirement of workers for your organization?



Source: Career Partners International 2010 Mature Workforce Survey

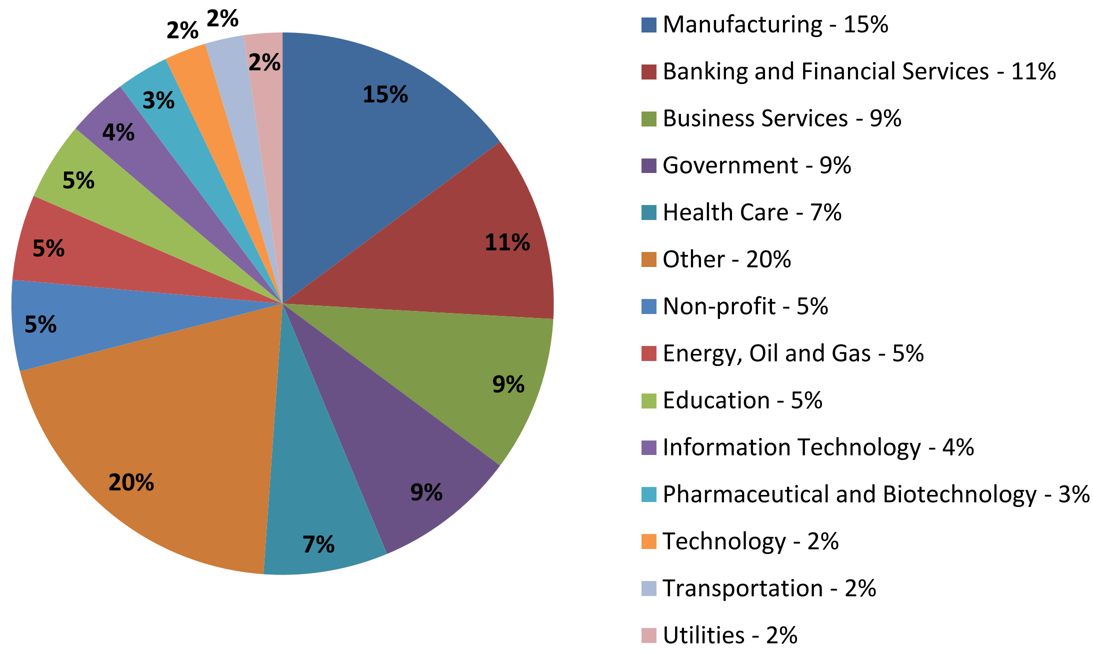
"The recent recession has hidden a rapidly evolving threat in many organizations. Despite an elevated unemployment rate, a lot of companies are in imminent danger of losing knowledge and capabilities critical to future performance due to the looming retirement of so many highly-skilled Baby Boomers," said Dr. David DeLong, an expert on the strategic impacts of the changing workforce and author of *Lost Knowledge: Confronting the Threat of an Aging Workforce.*

Given increasingly complex demographics in the workplace and the potential for up to four generations at work, CPI set out to capture business leaders' expectations about the impact of the maturing workforce in the wake of the recession. Defining the boundaries of the problem is an essential step before cost effective solutions can be identified and implemented. Responses from the recent survey came from more than 20 countries, including 57% from the US, 21% from Canada and 12% from Brazil.

> "Labor force participation rate of Early Boomer men and women is at a 15 year high and trends suggest that it will rise even higher in the future."
> www.maturemarketinstitute.com

Figure 2

Respondents by Industry



Source: Career Partners International 2010 Mature Workforce Survey

A Striking Finding

One of the most striking findings from the survey is that executives and managers have not made the connection between expected effects of an aging workforce and business impacts. Leaders clearly are concerned about the potential of lost capabilities and the increased likelihood of skill shortages. (See Figure 1) But responses show that leaders do not see a clear connection between those threats and resulting risks of increased product costs or decreased service delivery capabilities. Government (69%), education (57%), and banking and financial services (52%) were most concerned about the effects on service delivery, but overall only 45% of respondents in major industries saw this as a problem.

The links between a declining experience base and skill shortages and increased product costs were even more obscure. Less than 28% of the energy, education, business services, and utilities sectors identified increased product costs as a concern, and that was the highest response rate for this category. On average, only 17% of respondents across industries expect product costs to increase, despite substantial changes in the workforce skill base. “Of course, this would make sense in sectors and functions where skilled labor and experienced leaders are not an important part of the cost structure,” said Dr. DeLong. “But it seems clear, most executives and managers are not making a connection between the aging workforce and tangible business impacts.” One other notable finding was that senior executives were more concerned about the impact of retirees on their organization’s competitiveness (45%) than were respondents in HR departments (35%).

> “Retirement eligible baby boomers are followed by a smaller group of Generation Xers – an estimated difference of 30 million.”

A Costly Contradiction

The study’s findings revealed a serious contradiction. While, not surprisingly, 64% of respondents thought that retiring workers would have a significant impact on their organization, only 34% anticipated making changes to employment practices or benefits in the next two years to make their organization more attractive for current employees or recruits. Table 1 highlights industry differences.

Dr. DeLong, who collaborated with CPI in analyzing the results, observed, “Many leaders know their organizations will be hurt by the wave of retirements that’s about to hit. But, right now, they aren’t planning to invest in solutions to increase their ability to retain high-performing mature workers, or to recruit younger staff more effectively. Thus, we are looking at the ultimate ‘predictable surprise’ when business performance suffers as critical capabilities are lost.”

One of the most notable findings from the study was the different perceptions of the problem and expected responses by industry or sector. For example, respondents from government, utilities, and energy companies were clearly most concerned about the effects of looming retirements.

Table 1: Most Concerned About Impact of Retirees by Industry *and* Not Expecting to Change Recruiting and Retention Practices

Respondent's Industry/Sector	% Expecting Significant or Very Significant Impact of Retiring Workers	% Expecting ***Not*** to Make Changes to Recruiting and Retention Practices in next 2 years
Government	93%	76%
Utilities	79%	71%
Energy	77%	63%
Manufacturing	67%	64%
Healthcare	67%	58%
Pharmaceuticals	58%	65%

"What is most concerning is that industries that expect the most serious impacts from retirements, seem least likely to change their recruitment and retention programs," observed Dr. DeLong, president of David DeLong & Associates, a consulting firm with expertise in the strategic implications of changing workforce demographics. The survey findings showed a clear correlation between those sectors expecting the biggest impact as a result of increased retirements and those least likely to make changes to mitigate the risks.

Range of Expected Impacts Varies – By Industry

There were some particularly interesting findings when the expected impacts of retirements were analyzed by industry. At least 90% of respondents in every sector expect retirements to significantly increase the loss of knowledge and experience. But there was a much wider range of anticipated impacts in other areas. For example, more than 80% of respondents in sectors such as energy, healthcare, manufacturing, and government are seriously concerned about shortages of skilled workers. But, skill shortages were considerably less worrisome to respondents in pharmaceuticals and bio tech (53%), nonprofits (56%) and transportation (56%).

There was also a significant variation in the expected effects of retirements on an organization's competitiveness. For example, those respondents most concerned about the loss of their competitive edge due to retirements included energy (55%), business services (51%), and manufacturing (47%). On the other hand, other sectors were much less concerned about the impact on their competitiveness, including government (26%), nonprofits (27%) and transportation (35%).

> "The whole leadership team will retire putting the culture at risk."
> Respondent to the survey

A range of other effects were predicted in open-ended responses such as:

- "Diminished risk control, reduced mentoring & coaching, lost relationships with customers and suppliers."
- "In my organization, many of the 35+ year employees are set in their ways and are holding our organization back...."
- "The turnover may be an opportunity for newer fresher thinking and management."

Large vs. Small Organizations

CPI's Workforce Survey also showed some interesting differences when comparing the expected impacts of the aging workforce on large and small organizations. For the purpose of analysis, we defined "large" organizations as those with more than 5,000 employees and "small" entities as having less than 500 employees. Using these criteria we found some substantial differences that should raise concerns about how well prepared smaller firms are for the workforce changes that are coming.

For example, 73% of respondents from large organizations expect retiring workers to have at least a "significant impact" on their entity, while 59% of respondents from small entities expressed this concern. Big companies are noticeably more worried about skill shortages (78% of respondents) than their counterparts in small organizations (66%). They also have more mechanisms and processes in place to respond to workforce changes. (See Table 2)

Table 2: Practices Reported by Small and Large Organizations

	Positive Responses	
	Small Organizations	**Large Organizations**
Mechanisms for gauging when workers plan to leave or retire	33%	47%
Actively evaluate demographics of line workers/recruitment pool	38%	63%
Actively evaluate demographics for key executives or technical roles	50%	72%
Support a retiree alumni association	8%	30%
Provide generational education/awareness	21%	38%
Provide succession planning for executives	32%	69%
Provide mentoring/succession planning for key technical & operational roles	38%	53%

"It's no surprise that smaller organizations have fewer formal processes in place to identify and mitigate risks created by the aging workforce," said Dr. DeLong. "But one concern raised by these findings is whether more small companies will be blind-sided by workforce changes and be unprepared to respond. On the other hand, my research shows much of the talent management infrastructure in place in large organizations is relatively superficial and not delivering the results needed to build long-term workforce and leadership capabilities."

Different Perceptions by Country

Analyzing the CPI Workforce Survey data by country also provides important insights. First, it confirms that the aging workforce is a global problem, although expectations about the effects vary noticeably. For example, 78% of Canadian executives and managers were concerned about the significant effects of retirements on their organization, compared to 62% of respondents in both Brazil and the United States. Canadian respondents were also considerably more concerned about skill shortages (80%), while 74% of respondents in Brazil and 67% in the U.S. identified this as an anticipated impact.

More Canadians also expect retirements to affect service delivery (60%), compared to 47% of those responding in Brazil and 39% in the U.S. About 22% of both Canadians and Brazilians also expect changing workforce demographics to impact product costs, while that number dropped to 14% for U.S. survey participants. One other interesting finding was that managers in these three countries showed identical responses when asked whether they expected to make changes to their employment practices and benefits to enhance recruiting and employee retention. Only about one-third of respondents in each country predicted changes would be made, despite the widespread belief that the changing workforce will negatively impact skill levels in organizations.

“The demographic shift is definitely a global phenomenon,” said Dr. DeLong. “The population is aging at slightly different rates in industrialized countries. For example, Japan, Italy, Spain, and Germany all have populations aging considerably faster than the U.S. But this trend is going to impact almost every country eventually -- even China. Leaders who think they can solve the problem by hiring skilled workers on another continent are likely to discover they are truly locked in a global war for talent.”

Priorities Are Focused on Recruiting –
Not Retaining Workers

Given the aging skilled talent pool, a significant majority of respondents (53%) ranked “attracting new workers” as their top priority in terms of recruiting, developing and retaining workers. Recruiting was either a 1st or 2nd priority for 79% of respondents as compared with only 44% rating controlling retirements to minimize performance impacts as a 1st or 2nd priority.

> “Most workers would consider working longer if health permitted and more than 88% of those 65 – 74 are healthy enough to work.” Carstensen, L., A Long Bright Future, 2009.

“This focus on recruiting junior staff fits a pattern we have seen for several years,” said Dr. DeLong. “Many organizations become fixated on attracting younger employees, completely ignoring how they might get more out of the resources they have in their mature workforce.”

With regard to planning for retirement, 38% of respondents said they have a mechanism in place for gauging when workers plan to leave or retire and a comparable number said they actively evaluate their demographics. About 57% have identified potential knowledge/skill gaps to be managed as workers depart. This means more than 40% of organizations responding have yet to identify critical knowledge at risk due to retirements and midcareer turnover. At this time, 23% of respondents said their organizations had some type of “phased retirement” or “trial retirement” offering.

SUMMARY

The bottom line is the “aging workforce problem” is too amorphous for any organization to take on effectively. It must be broken down into actionable objectives such as:

- Improving the performance of mature workers, and all employees for that matter
- Improving the retention of high performing mature workers
- Accelerating knowledge transfer from more experienced to less experienced across generations of employees
- Maximizing the retention of critical knowledge before employees leave the organization.
- More effective recruiting of mature job candidates
- More effective utilization of retirees, either returning as part-time workers, or as a source for referrals in recruiting
- Properly preparing employees for retirement and helping get them through retirement

DeLong concluded, “Executives will increasingly be held accountable for how their organization responds to performance risks posed by changing workforce demographics.” Leaders need to decide which of these areas listed above are most critical for developing and implementing solutions with measurable outcomes directly linked to organizational performance. Given current practices, the negative business effects of an aging workforce are going to be an unwelcome but predictable surprise. Leaders who ignore what is coming, increasingly put their organizations at risk every quarter they fail to take action.

ABOUT CPI

Career Partners International (CPI) is one of the world's largest providers of talent management solutions with more than 160 offices in over 23 countries around the world. Established in 1987, CPI focuses on talent management, outplacement and executive coaching services backed by the expertise and experience of more than 1,600 highly trained professionals.

CPI provides services to companies in all industry sectors and a variety of public and governmental organizations. Services include assessment, career development, executive coaching, leadership development, transition and outplacement support. In the mature workforce arena, CPI assists companies with identifying vulnerabilities and deploying strategies for attracting, developing, training and retaining top talent. For more about CPI, visit www.cpiworld.com or contact your local CPI office.

ABOUT DAVID DELONG & ASSOCIATES

David DeLong & Associates is a research and consulting firm that helps organizations design and implement practical solutions to address the strategic impacts of changing workforce demographics. Based on Concord, Mass., the firm's president, Dr. David DeLong is a leading expert on how to mitigate the risks of critical knowledge loss and how to overcome organizational barriers to building future workforce and leadership capabilities. More about our recent research at www.LostKnowledge.com.

END NOTES

DeLong, David W., *Lost Knowledge: Confronting the Threat of an Aging Workforce*, New York: Oxford University Press, 2004; Gordon, Edward E., *Winning the Global Talent Showdown*, San Francisco: Berrett-Koehler, 2009.