Aging of the U.S. Workforce: Employer Challenges and Responses

National Academy of Social Insurance

January 19, 2006

William Arnone

Human Capital Practice

Ernst & Young LLP

Survey Methodology

- Conducted by Ernst & Young, ExecuNet and The Human Capital Institute
- November-December 2005
- Target Group: Human Resource Executives at Large Employers

Characteristics of Respondents

- Number of Employees:

--1,000-4,999:	25.9%	--10,000-24,999:	12.9%
--5,000-9,999:	20.0%	--25,000-99,999:	9.4%
--100,000+:	8.2%		

Characteristics of Respondents

- Industry Sectors:

--Manufacturing:	23.5%
--Government/Nonprofit:	18.8%
--Financial Services:	9.4%
--Natural Resources:	8.2%
--Retail:	8.2%
--Technology/Communications:	5.9%
--Health Sciences:	4.7%
--Transportation:	4.7%
--Energy:	3.5%
--Consumer Products:	3.5%
--Industrial Products:	3.5%

Workforce Demographics

- Over Age 55

--More than one-quarter of workforce: 13.3%

--21-25 percent of workforce: 18.1%

--More than one-fifth: 31.4%

--Nationally, 16% of U.S. workforce (22.8 million workers)

--Nationally, number of older workers is growing 4x faster than overall U.S. workforce

Workforce Demographics

- Over Age 50

--More than one-quarter:	27.4%
--21-25 percent:	15.5%
--More than one-fifth:	42.9%

Workforce Demographics

- Eligible to Retire Over Next 5 Years

  --More than one-quarter: 16.9%

  --Nationwide, over 40% of the U.S. workforce estimated to be eligible to retire over next 5 years

Workforce Demographics

- Likely to Retire Over Next 5 Years

--More than one-quarter:	4.8%
--21-25 percent:	9.5%
--More than one-fifth:	14.3%
--Do not know:	8%

Workforce Demographics

- Average Age of Those Retiring During Last 12 Months

--65+:	19%
--63-64:	22.9%
--61-62:	21.7%
--55-56:	2.4%
--Do not know:	23%

Attitudes Toward Human Capital

- Top Human Capital Concerns

  --Availability of Talent: 38%

  --Talent Management: 29.1%

  --Retention of Key Employees: 20.9%

  --Maintaining Intellectual Capital: 17.4%

  (Respondents were able to rate more than one)

Attitudes Toward Human Capital

- View of Aging Workforce

--An issue to be dealt with:	42.4%
--An opportunity to be leveraged:	24.7%
--Little or no impact:	32.9%

Attitudes Toward Human Capital

- Those viewing aging of workforce as an issue to be dealt with:

--Will lead to workforce shortage: 52.9%

--Will lead to excess of older workers: 8.8%

--Barriers to dealing with this issue:

>Legal statutes: 11%

>Costs: 10%

>Cultural concerns: 8%

Attitudes Toward Human Capital

- Aging of Workforce and Organization's Goals and Strategy Over Next 5 Years

--Very Important:	18%
--Important:	30%
--Somewhat Important:	41%
--Not important:	11%

Business Wisdom

- Will expected retirements over next 5 years cause talent gap or brain drain?

--Yes:	60%
--No:	24%
--Don’t Know:	14%

Business Wisdom

- Which levels will be most affected?

--Middle Management: 25.4%

--Senior Management: 22.1%

--Supervisory Positions: 18.9%

--Hourly Employees: 16.5%

--C-level Leadership: 12.3%

(Respondents were able to select all that applied)

Business Wisdom

- Has your organization attempted to define “business wisdom” and identify where it resides?

  --Yes: 29.8% --No: 70.2%

- If yes, how?

  --Informal discussions with business line leaders: 50%

  --Formal programs: 22.7%

  --Other methods: 27.3%

Business Wisdom

- Most Popular Formal Processes to Capture and Transmit

--Leadership Succession Planning:	21.6%
--Mentoring:	18.6%
--Informal Knowledge Networks:	17.5%
--Web-based tools:	15.5%
--Interviews with retiring employees:	9.3%
--Training Programs:	9.3%
--Performance Reviews:	7.2%

(Respondents were able to select all that applied)

Business Wisdom

- Most Effective Processes

--Mentoring:	47.6%
--Leadership Succession Planning:	19%
--Informal Knowledge Networks:	14.3%
--All others:	19.1%

Business Wisdom

- Ongoing and Formal Programs to Retain Older Workers

  --Only 14.3% have programs

  --Why not?

>Not a priority:	42.9%
>Costs:	18.6%
>Cultural barriers:	8.6%
>Other:	29.9%

Business Wisdom

- Most Popular Retention Programs

--Continuous Learning/Training:	12.9%
--Flexible Work Schedules:	11%
--Pre-Retirement Planning:	10.3%
--Hiring Retirees:	10.3%
--Flexible/Special Benefits:	9.7%
--Culture of Generational Diversity:	8.4%
--Retention Bonuses:	8.4%
--Career Counseling:	8.4%
--Workforce Restructuring:	5.2%
--Phased Retirement:	2.6%

Business Wisdom

- Retention Programs Being Considered in Next Few Years

--Hiring Retirees:	11.2%
--Flexible Work Schedules:	11.2%
--Phased Retirement:	10.2%
--Mentoring:	10.2%
--Flexible/Special Benefits:	10.2%
--Continuous Learning/Training:	9.2%
--Pre-Retirement Planning:	7.1%