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*Executive Search Consultants*

Welcome and Introduction of Keynote Speaker Andrew Sherwood to the SHRM Annual Conference in Puerto Rico.

- **Opening 9/27/06 Welcome Mr. Sherwood.**

  Andrew Sherwood is Managing Director of the Stanton Chase International New York ROC and served as Chairman of Goodrich & Sherwood Associates for almost thirty years.

  His group now also includes Goodrich Capital an international mergers and acquisitions firm. As a Certified Management Consultant, (CMC) Andy's 30-year senior level executive search and consulting background covers a wide range spanning most industries. Sherwood headed the Business Task force for the Reagan and Bush White House and has served as a Congressional Advisor. Listed in Who's Who in Finance and Industry, and Who's Who in the World, his professional affiliations include the Young President's Organization, where he was chapter chairman, the World Presidents' Organization, the Economic Club of New York and Chief Executive Organization. Andy has served on the Board and Executive Committee of Public Television and has participated on a number of outside boards. Andy is a honors graduate from Nichols College where he was named outstanding Alumnus and served as a trustee and head of the executive committee. He majored in management at Fairleigh Dickinson University Graduate School of Business and the Harvard Business School CEO program. He is a member of the Explorers Club, has served on the board of Safari Clubs International and is a lifetime member of the National Ski Patrol.

- Topic **"Leveraging the Mature Workforce"**

**COMING CHANGES IN RECRUITING TRENDS**

The New Workforce: Leveraging the Experience and Talent of the Mature Workforce.

"In the developed countries, the dominant factor in the next society will be something to which most people are only just beginning to pay attention:

- The rapid growth in the older population and the rapid shrinking of the younger generation.

- Politicians everywhere still promise to save the existing pension system, but they - and their constituents – know perfectly well that in another 25 years people will have to keep working until their mid-70's, health permitting.

- What has not yet sunk in is that a growing number of older people – those over 50 – will not keep on working as traditional, fulltime nine to five employees, but will participate in the labor force in many new and different ways”

Peter F. Drucker

## The Talent Shortage

Facing a talent shortage of unparelled proportions, how will your company cope?

Within the next decade, the massive “boomer” generation will begin to move out of the work force.

At the same time, declining birth rates will create a deficit of younger workers entering the workforce.

With these significant changes, companies and particularly those in developed economies will face an unprecented brain drain on one end and available worker shortage on the other.

To and survive and thrive, companies must rethink their workforce strategies and transform their human resource objectives to attract, engage and retain workers of all ages.

This of course presents a huge challenge and opportunity which will involve decisions and revamping from the Board down.  It will change recruiting patterns, how business is managed, mentoring, retention and even retirement as traditional systems wither and are replaced by creative, responsive, flexible and most important, workable solutions to the problems posed by future growth.

Today, we will touch upon only one segment and explore perhaps the most available, willing, overlooked and valuable resource yet to be explored and mined productively, the worker over 50.

## America’s Aging Workforce

Let’s take a look at the specifics of an aging workforce and the changes taking place.

Note:  While most of the information for this talk was gathered from research relating to US data, transposition to most developed economies outside the US should be fairly consistent except in countries where different labor laws are involved.

- The baby boom – nearly 1/3 of all Americans [76 mill people] were born between 1946 and 1964.
- Translates to 10,000 per day

Thanks to healthcare, people are living longer.   47 years life expectancy in 1900 – 77 years today.

- In 2000 – 13% of the workforce was 55 and older.
- By 2015 – 20% [or over 50% increase] of the workforce overall will be 55 and older.  And they will be the senior level workers.
- The highest growth rate in the workforce will be among workers aged 55-64.

- Concurrently this is in part due to a decrease in the population of workers entering the workforce aged 25-44. From 3.7 per family in the 50's to 2 today and a corresponding reduction in the number of the youngest workers entering the workforce. Which is yet another problem for another day.

What does this mean to you and the H-R community?

In a high growth period your companies will lose talent, pay more for less experienced workers and require larger resource pools for training and recruitment.

As we travel about and talk with our clients we hear the same issues as employers share their concerns.

**Employers tell us their concerns**

A majority of these clients [over 65 percent] say it is increasingly difficult to find, recruit and hold qualified job candidates who on average last only about 40 months in the job. And, of yet greater concern, more than half of the managers predict a serious impending shortage of qualified experienced workers within the next 60 months to meet growth demands.

How are managers coping? Largely by working harder, longer, staying plugged into the job thru both advances in technology often 24x7 and even on vacations. And, the worst is yet to come as the supply of talent dwindles and overworked managers become tapped out.

**Age at "Retirement"**

Often steeped in entitlement with dual careers providing a solid nest egg, the boomers are an independent group.

On the one hand they have some flexibility. On the other as a more physically fit, better traveled, better educated, higher compensated healthier group than their parents, they reject the stereotypes and, into their 60's and 70's they run marathons, scuba dive, climb mountains and are much less likely to associate retirement with the age of 65. When asked, they reject the idea.

Let's look at the profile of some "unretired" prominent people.

- In 2001 – GM named Bob Lutz then 69 as VP new Product Development. Within 3 years at age 72 he had introduced 4 new products including the Chevy Cheyene Pick up, certainly not an "old folks" product.
- In 2005 Clint Eastwood at age 75 won an Academy Award as best film Director.
- And then there are Rupert Mundock, Sumner Redstone, Warren Buffett and John Reed all over 70 and even some over 80.
- And how about William Safir of the New York Times who wrote his ("farewell) column" at 75.?

- And Mick Jagger still touring the world at over 60, or how about Tony Bennett at 80+ on and on.

So, people are seeing first hand and understand that talent is not necessarily hampered by age as long as they stay healthy and able to perform, which is certainly key to this discussion.

**Employee Profile and Perspective**

Let’s take a look

Today’s senior workers. Those people 55 and older are relatively well educated and well off. They hold college degrees in about the same proportion (35%) as their younger counterparts. The major difference is that despite heavier debt burden, they have also developed a stronger asset and network base, are used to traveling more and have financial flexibility.

They also have fewer daily issues than younger workers with finance related problems like mortgages, credit card indebtedness, marriage troubles, office relationships and parenting and bring fewer daily problems to the office.

What matters most and why people, think they will work in Retirement.

Seniors with an average of 14 years with their company are often also in the top ranks of their company as managers (54%). They tend to be more satisfied (68%) and 59% report taking a high measure of pride and satisfaction from their work.

In return, they want meaningful work and responsibility, opportunity to learn, work in a congenial, respectful work place with fair pay, adequate benefits and most important, respect.

**Financial Need**

More than half (54%) of those continuing to work express a desire for money, to maintain their active current life style.

With the stock market slide or crash in 2001, many people who had invested in the market need to re-assess their living.

Compared to their parents, this group has spent readily to enjoy life. Work life balance is highly important and faced with perhaps the expense of a child returning home after college or perhaps support for an elderly parent, combined with an active, expensive personal life style, they may not be financially prepared to step down even if they wished to.

So, in addition to income needs, why do people think they will continue to work.

## Why People think They'll Work in Retirement/Work Life Balance

## Employee Perspective

Interestingly the overwhelming majority of pre-retirees state that they want to stay mentally active and not vegetate.

According to Dr. Larry Hanson in his book Stress for Success, the old Vince Lombardi football legend "you have to stay well to play" also works for mental health maintenance. Dr. Hanson advises that "you have to play to stay well" both mentally and physically.

So it is not surprising that mental and physical activity with pre-retirement workers score 87% and 85% respectively followed by a desire to be productive at 77%

Employer Perspective – for the most part employers are not yet connected with either the severity of the upcoming problem, the impact, the immediacy or the desires of the senior employees.

## To employers, aging is not a big issue………yet.

Over 80% of employers offer no inducements for valued employee to continue working.
60% of CEO's polled, have not built aging into H-R or business plans;
And the squeeze is just beginning.

## Environmental Analysis

What do employers face?

- Rapidly aging workforce
- Tough recruiting challenges especially with increased skilled worker requirements.
- Legal barriers which can create difficulty in a number of areas but particularly in moving incapacitated or unwell workers out of the company, while retaining the healthy, productive worker.

To compound this problem often the smartest, most able and most competent older workers the ones companies need most, and, are often those who have invested well and are most able to afford to retire should they choose.

## Positive Employer Perceptions of Older Workers

So what do employers feel about their grey partners?

On the positive side, loyalty, dedication, hard work, high quality experience, team play, all adding up to commitment to the company. They also bake the cookies and hold employee birthday parties.

**Negative Perceptions of Older Employees**

On the less positive side.

Senior employees are often viewed as technologically not up to speed, resistant to change, intolerant of younger managers and are overall at higher salaries just too expensive given the demands of the business today.

**So what is the value proposition?**

**The Business Case for 50+ Workers**

Management needs to change thinking and strategy. Where to start first. Engagement with the employees and an end to the corporate retirement mentality.

In the higher growth sectors of the business community in the 1970's and 80's, McKinsey predicted a coming War for Talent that will escalate and the price per hire for the younger employee will increase dramatically along with turnover, search replacement fees and relocation costs.

To safeguard and expand the company's talent supply management must begin now to plan your workforce strategy.

What will be the cost of worker replacement? First is training up to the demand? To be safe, your plans should include specific strategies for continuing to employ your senior workers including those already past the conventional retirement age as the training problem is addressed.

**The Young Workers**

High turnover with young workers coupled high training costs and little ROI until 3$^{rd}$ yr.

The Management perception of extra costs associated with continuing employment for older workers such as higher salary is in reality more than offset by new (expensive) turnover tith young workers and a delay in payout which often runs into the 3$^{rd}$ year. And, with average tenure of young workers lasting only 3.7 years, younger workers just become productive before they are picked off by competition or leave the company for new careers elsewhere.

**Employer Action**

How to go about this process is the question most frequently asked.

First – take action. Go ahead and actively recruit and hire senior workers. At the same time, inventory your current talent, define future needs and see where you are.

Based upon your present growth rate, future expansion plans, new product introductions etc., are companies ready and able to provide the Human Capital necessary to meet needs?  Or, will they be scrambling for “the” candidates everyone wants as the bidding war escalates.

Study available labor pool, locally in defined areas and internationally as an available source a stocking pool of talent.

Are there a number of competitive companies locally who will all be looking for the same talent?  If not, companies will have more control but how about the transferability of skills from one industry to another?

When the war for talent heats up, employers will make concessions on job requirements.

## Costs

Re-align incentives like reward programs.  For instance, if senior employees would like more flexible time perhaps for early morning golf or exercise or travel time for excellent performance provide flexible programs.  Now that the kids are grown and “hopefully” out of the house being tied to former life patterns is less likely.

CVS the major pharmacy chain looked at its explosive growth and concluded that it needed to employ more senior workers for many of the reasons we’ve covered.

They looked at Compensation, Benefits, Pensions and paid time off and concluded that they would be far better off serving the customer with senior workers.

During the past 13 years CVS has more than doubled their workforce of people over 50, has no mandatory retirement age, promotes itself as a senior friendly employer and most important has experienced explosive growth in a highly competitive, fast paced category.

By creatively addressing and understanding that Flex retirement for instance can cover peak periods while satisfying senior workers desires for more flower smelling time all parties can benefit.

Several recent surveys have indicated that senior workers will happily accept lower pay with more freedom to take time off and will actually bring more energy to the job when they are working.

## High Growth Industry Categories

High Growth industries will be the most impacted by retirement and talent replacement.  Not only are they growing requiring new people, they are also losing on the retirement end creating a double loss.

**High Growth sectors**

- Technology
- Energy
- Financial Services
- Health care
- Retail
- Consumer Products
- Pharmaceutical
- Construction
- Distribution

So, after all this, if you are a Human Resources manager or recruiter in a growth business sector you will absolutely need to address this issue.

- Look at your Corp. growth and plans.
- Estimate employee demand.
- Evaluate how will your employee pool be affected by aging?
- Will you have a talent replacement pool?
- Where will talented workers come from?

Fact: There will simply not be enough talented workers to go around.

<u>So finally </u>What's in it for Business and how will companies build for the future?

In summary, the boomers "who have dominated the economy for the past 50 years will continue their influence for the foreseeable future and be in a position to strengthen and control their careers as workers have never experienced in the past."

This new "old" resource will bring continued expertise, wisdom and perspective to companies in need of talent in the years to come and give companies the time to address the problems of staffing.

In the words of Ken Dychtwald author of the best selling book Workforce Crisis "**it is time to retire retirement"**