

# Baby Boom or Bust

## Strategies for dealing with a rapidly aging workforce

By Lisa Bolton

It is no secret that Alberta's workforce is aging – quickly. The number of workers in Alberta over 45 years of age grew by almost 70% between 1997 and 2007. Workers over 45 years of age now represent more than 35% of Alberta's total workforce.<sup>1</sup> With this trend expected to continue, employers need to plan now to ensure they are able to effectively manage and maintain their businesses.

Until recently, many Alberta employers were able to recruit a seemingly endless supply of younger workers eager to stake their claim in one of Canada's economically strongest provinces. Indeed, until recently, the primary challenge for many Alberta employers was how to transition older workers out of the workplace to reduce costs and make room for younger workers.

However, *the times they are a changing*. Alberta's relatively strong long-term economic outlook, increasing numbers of baby boomers approaching retirement, and a decreasing birth rate mean the province's employers are likely to experience significant labour shortages in the not-so-distant future.<sup>2</sup>

In anticipation of this labour shortage, many employers are exploring new and creative ways to ensure they can meet their future workforce needs. Immigration and technological advances in productivity offer some strategies to meet workforce needs. However, without additional workplace plans, these strategies are not likely to remedy the impending workforce shortage.

### Appreciate the Aging Workforce

One important and potentially significant workplace strategy is to re-think existing retention and recruitment strategies that focus primarily on younger workers, and to weigh the potential benefits of keeping older workers working longer. Older workers typically command higher salaries, it's true. However, employers should consider some of the benefits older workers offer over their less mature, less experienced co-workers. Older workers typically:

- already have the skills and experience to do the job
- have highly developed institutional and industry knowledge
- are loyal to the workplace, a trait likely to result in a lower rate of turnover
- have existing relationships with customers and clients
- have networking connections and
- have an established profile in the industry.



How successful an employer's efforts will be in capitalizing on the benefits of older workers depends in part on the employer's ability to anticipate and understand the work expectations of aging baby boomers and to adapt workplace policies and culture to accommodate their needs and desires. For example, while baby boomers are typically retiring younger than their parents did, many boomers predict they will forego full retirement and instead continue to work longer, but in a reduced capacity. Understanding the factors that influence older workers to work past the traditional retirement age, or alternatively, to leave the workforce early, will help employers attract and retain older workers as productive members of the workforce for many years to come.

Some factors include:

	Factors influencing older workers to work past traditional retirement age	Factors influencing older workers to retire
Personal Circumstances	<ul style="list-style-type: none"> <li>• Desire to remain mentally and/or physically active</li> <li>• Desire to maintain social interaction</li> </ul>	<ul style="list-style-type: none"> <li>• Poor health</li> <li>• Family responsibilities</li> <li>• Lifestyle choices (travel, community involvement)</li> </ul>
Employment Policies and Practices	<ul style="list-style-type: none"> <li>• Alternative working conditions permitted</li> <li>• Flexible work scheduling</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of flexible work conditions</li> <li>• Shift work</li> </ul>
Financial Considerations	<ul style="list-style-type: none"> <li>• Need or desire for more savings to fund retirement</li> <li>• Longer retirement anticipated</li> <li>• Access to benefit plan/insurance coverage</li> </ul>	<ul style="list-style-type: none"> <li>• Pension benefit availability</li> <li>• Tax consequences of earning post-retirement income</li> </ul>
Knowledge and Skills	<ul style="list-style-type: none"> <li>• Availability of training and education to facilitate desirable work opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of re-training</li> </ul>

### What Can Be Done?

Of all the factors influencing employee retirement decisions, Alberta employers have the greatest control over their own employment policies and practices. The majority of workers in Alberta do not have access to employer-sponsored pension plans; they must rely on the public pension system and their own savings to fund their retirement. As such, the provision of flexible workplace arrangements is a key factor in retaining and attracting older workers. Some policy changes employers can consider to facilitate ongoing and productive employment of older workers include providing opportunities for:

- less physically demanding work assignments
- flexible scheduling of work hours
- voluntary reduction in work days/hours
- phased retirement or workload reduction
- alternative compensation such as increased vacation in lieu of pay increases
- unpaid leave or self-funded leave opportunities
- flexible benefit options
- training and education
- post-retirement consulting projects or overflow work at peak times.

### Phased Retirement

Recent tax and pension reforms have paved the way for employers with defined benefit plans to offer more attractive phased retirement programs to eligible employees. A phased retirement program can be used to help employers accommodate workers who aren't yet ready to fully retire, but would welcome the chance to reduce their workload. This also helps employers reduce payroll costs while still retaining employees on a part-time basis.

In Alberta, employers with approved phased retirement provisions in their defined benefit pension plans may allow workers 60 years of age and older or workers age 55 or over who are eligible for an unreduced early retirement to continue working and accruing pensionable time while receiving up to 60% of their retirement pension benefits. Since there is no requirement for the participating employee to reduce either hours or days worked, eligible workers can collect pension benefits while continuing to work full-time. This enables eligible workers to "double-dip" by collecting both pension benefits and wages without leaving their employment. This helps employers retain workers who, prior to these changes, would have had to retire and look for a job with another employer, often a competitor, in order to "double-dip."

While phased retirement is likely to be received as a positive option by eligible workers, few Alberta employers have yet to amend their pension plans in order to implement it. One possible concern for employers—that may account for this reluctance—is the challenge of structuring a phased retirement plan to ensure the take-up rate among eligible workers is manageable. If the provisions are too popular among older workers, an employer may experience an unwanted reduction in available workforce because too many employees choose to reduce working hours as part of a phased retirement program.

### Dealing with Generational Diversity

One by-product of increased participation of older workers in the workplace is increased generational diversity. This presents additional challenges for employers that must find ways to harness, integrate and co-ordinate the different learning styles, methods of communication and perspectives unique to each generation of workers. While employers can't eliminate the impact of a generationally diverse workplace, they

should take steps to ensure all workers have the resources to develop positive work relationships and perform effectively within the workplace. This includes providing older workers with training opportunities so they can continue to develop their skills and remain productive alongside younger workers who, in many cases, may have had greater and more varied formal education and training.

Some steps employers might consider to help older workers integrate or re-integrate into the workplace include:

- ensuring corporate values, leadership and brand value older workers
- establishing mentor programs to foster relationships between older and younger workers
- conducting age diversity training for managers

- providing inter-generational social and recreation opportunities for workers
- offering workshops or information sessions of interest to older workers
- establishing workplace wellness programs
- improving workplace technology and equipment to meet the needs of aging workers
- providing opportunities for older workers to upgrade education and skills.

## Final Thoughts

Managing and maintaining an aging workforce through an impending labour shortage will no doubt present challenges for many Alberta employers. The good news is that with proactive and strategic planning, employers can reduce or even eliminate the risk of a labour shortage adversely affecting their businesses. Employers that wait until a labour shortage is upon them will have waited too long. The time to start thinking and planning is now. ○

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1 Statistics Canada, Labour Force Historical Survey, 2007.

2 See Alberta's Occupational Demand and Supply Outlook, 2009—2010.