

Work to Retirement: an Emerging Business Challenge

Final Report

The Conference Board of Canada

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Executive Summary

Overview

As the new millennium unfolds, companies face the dual challenges of finding sufficient talent to replace the substantial number of older workers who are due to retire over the next decade and transferring the corporate knowledge of experienced employees to the next generation. Human Resources and Social Development Canada (HRSDC) recognizes the need to address the issue of an aging Canadian workforce and the implications that this demographic shift will have for the Canadian economy. The Conference Board of Canada was commissioned to examine the perspectives of Canadian employers regarding the transition from work to retirement (WTR).

Although some industries are already facing problems associated with finding enough people with the right skills to fill their workforces and many managers in other sectors realize that the retirement of their older workers will have serious implications for their organizations, the study amply demonstrates that not a lot of action is being undertaken by employers to remedy the situation. At present, other corporate priorities having a more immediate operational or financial influence will usually take precedence over questions of an aging workforce. Nevertheless, if Canadian companies are to be ready for the oncoming changes in their employee populations, awareness has to be turned into action through strategic planning, effective Human Resources (HR) practice development, and partnerships between employers and employees.

Purpose

The purpose of this undertaking was to:

- examine the role employers play in helping older workers transition to retirement;
- identify the barriers employers face in their efforts to help older workers;
- indicate how employers are addressing the various barriers;
- describe the best policies and practices being used by employers in their transition efforts;
and
- highlight employers' concerns with their current pension arrangements.

Methods

To provide as comprehensive a review as possible and to triangulate on the WTR transition issue from several perspectives, the project consisted of the following three components:

- a summary review of the available published literature;
- an online survey of Canadian companies; and
- telephone interviews with key informants who are familiar with the aging workforce topic.

Major Findings

The following is a summary of major findings from this study:

- Although not necessarily a crisis, Canadian businesses and society will face serious challenges in the next decade as older workers retire from their current organizations. Different industries will be impacted to a greater or lesser extent depending on the current age of their workforces.
- Maintaining technical skills, retaining leadership talent and preventing the loss of corporate knowledge are the organizational objectives that were rated by survey respondents as being of high or very high importance.
- The negative impacts of an aging workforce to be expected by Canadian companies include:
 - drops in revenue;
 - greater costs in wages, production and benefits;
 - lower productivity levels;
 - increased risk;
 - degradation in corporate knowledge and memory; and
 - succession planning and leadership problems.
- Few Canadian companies have developed a strategic response to the aging workforce or WTR issues. Instead, the focus has been on creating or improving a set of generic workplace practices, such as flexible work arrangements that apply to all employees, regardless of age.
- Barriers to meeting the needs of older workers include:
 - competing organizational priorities;
 - working conditions, especially in industries with high physical demands;
 - perceptions and stereotypes of older workers;

- government legislation and regulation;
 - collective agreements;
 - lack of funding to implement the necessary policies;
 - lack of time to implement the necessary policies;
 - lack of knowledge about the needs of older workers; and
 - mandatory retirement policies.
- Few attempts are being made by Canadian companies to fashion coherent and comprehensive policies and practices targeted at recruiting and retaining older workers. When the pressures of an aging workforce begin to be felt, however, organizations will have to develop separate recruiting strategies for different segments of the population, including older people, to fill the holes left by retiring employees.
 - Organizations believe that helping older workers transition into retirement serves to retain employees as long as possible and to maintain a positive image. Many companies appear to perform a supportive role by educating their older workers about retirement and by supplying information they will need. Nevertheless, employees also bear a substantial responsibility in their preparation for retirement. Governments have an important role in enabling companies to assist their employees by developing legislation and regulations that remove barriers and assist in the transition process.

Conclusions

Information from the various sources used in this study confirms that the awareness of the aging workforce issue with its potential for organizational problems is increasing in Canadian companies. However, the amount of discernible activity following from this awareness remains small. Competing organizational priorities and the lack of imminent threat work against preparing and implementing strategic responses to retain older workers.

Within the next two decades, the vast majority of the baby boom generation will transition from working life to retirement. The departure of such a large cohort from the labour force will have profound implications for employers, government and society. Already some sectors of the economy are feeling the competitive pressures as the pool of skilled and talented employees dwindles. Others will experience the same problems as the years advance. Hopefully, more and more employers will acknowledge the necessity of confronting the inevitable demographic challenge before it becomes economically debilitating. Only by commencing the crucial planning that will lead to effective and timely solutions for their aging workforces will we avoid a loss of national competitive position and a much reduced standard of living.

Sommaire

Aperçu

En ce nouveau millénaire, les sociétés sont confrontées à un double défi : trouver suffisamment de recrues talentueuses pour remplacer le nombre important de travailleurs âgés qui sont censés prendre leur retraite au cours de la prochaine décennie et transférer les connaissances des employés expérimentés à la nouvelle génération. Ressources humaines et Développement social Canada (RHDSC) reconnaît qu'il faut s'occuper du problème du vieillissement de la population active canadienne et des répercussions que ce changement démographique aura sur l'économie canadienne. Le Conference Board du Canada a été chargé d'examiner le point de vue des employeurs canadiens à propos de la transition du travail à la retraite.

Certaines industries font déjà face aux problèmes associés à la recherche d'un nombre suffisant de gens possédant les bonnes compétences à ajouter à leurs effectifs et de nombreux gestionnaires dans d'autres secteurs se rendent compte que le départ à la retraite de leurs travailleurs âgés aura des conséquences graves pour leur organisation, mais l'étude montre amplement que les employeurs ne font pas grand-chose pour remédier à la situation. À l'heure actuelle, d'autres priorités ayant une influence financière ou opérationnelle plus immédiate ont en général préséance sur les questions de vieillissement de la main-d'œuvre. Néanmoins, pour que les entreprises canadiennes soient prêtes pour les changements que subiront dans l'avenir leurs effectifs, la conscience du problème doit se transformer en gestes et mener à la planification stratégique, à l'élaboration de pratiques efficaces en matière de ressources humaines (RH) et à des partenariats entre les employeurs et les employés.

Objectif

L'objectif de cette recherche consistait :

- à examiner le rôle des employeurs lorsqu'il s'agit d'aider les travailleurs âgés à accomplir la transition vers la retraite;
- à déterminer à quels obstacles les employeurs sont confrontés lorsqu'ils essaient d'aider les travailleurs âgés;
- à montrer de quelle façon les employeurs surmontent les divers obstacles;
- à décrire les politiques et les pratiques exemplaires qu'utilisent les employeurs pour faciliter la transition;
- à mettre en évidence les craintes des employeurs à propos des dispositions existant à l'heure actuelle en ce qui concerne la retraite.

Méthodes

Pour offrir un examen aussi complet que possible et pour mettre l'accent sur la question de la transition du travail à la retraite de plusieurs points de vue, le projet comportait les trois éléments suivants :

- un résumé sommaire des documents publiés disponibles;
- un sondage en ligne auprès d'entreprises canadiennes;
- des entrevues par téléphone avec des informateurs clés qui connaissent la question du vieillissement de la population active.

Principales conclusions

Voici un résumé des principales conclusions de cette étude :

- Bien qu'il ne s'agisse pas nécessairement d'une crise, la société et les entreprises canadiennes auront à relever de gros défis au cours de la prochaine décennie, du fait que les travailleurs âgés prendront leur retraite et quitteront leur organisation actuelle. Les répercussions sur les différentes industries seront plus ou moins grandes, selon l'âge actuel de leurs effectifs.
- Maintenir les compétences techniques, conserver les personnes ayant des qualités de chef et empêcher que les connaissances de l'organisation ne se perdent sont les objectifs organisationnels que les répondants de l'enquête considéraient comme importants ou très importants.
- Les conséquences négatives du vieillissement de la population active auxquelles les entreprises canadiennes doivent s'attendre sont les suivantes :
 - une chute des revenus;
 - l'augmentation des coûts de la rémunération, de la production et des avantages;
 - une diminution des niveaux de productivité;
 - l'accroissement du risque;
 - la dégradation des connaissances et de la mémoire de l'entreprise;
 - des problèmes de leadership et de planification de la relève.
- Peu d'entreprises canadiennes ont préparé une réponse stratégique au vieillissement de la population active ou aux questions de transition du travail à la retraite. L'accent a plutôt été mis sur la création ou l'amélioration d'un ensemble de pratiques générales en milieu de travail, comme les modalités de travail flexibles qui s'appliquent à tous les employés, peu importe leur âge.

- Les obstacles qui empêchent de répondre aux besoins des travailleurs âgés sont les suivants :
 - les priorités organisationnelles concurrentes;
 - les conditions de travail, surtout dans les secteurs d'activité où les exigences physiques sont élevées;
 - les perceptions et les stéréotypes associés aux travailleurs âgés;
 - la réglementation et la législation gouvernementales;
 - les conventions collectives;
 - le manque de fonds pour mettre en œuvre les politiques nécessaires;
 - le manque de temps pour mettre en œuvre les politiques nécessaires;
 - la méconnaissance des besoins des travailleurs âgés;
 - les politiques relatives à la retraite obligatoire.
- Les entreprises canadiennes ont peu tenté d'élaborer des pratiques et des politiques cohérentes et complètes visant à recruter et à conserver les travailleurs âgés. Lorsque la pression du vieillissement de la population active commencera à se faire sentir cependant, les organisations devront formuler des stratégies de recrutement distinctes pour les différents segments de la population, y compris les personnes âgées, pour combler les vides laissés par les employés ayant pris leur retraite.
- Les organisations pensent qu'aider les travailleurs âgés à accomplir la transition permet de les conserver aussi longtemps que possible et de maintenir une image positive. De nombreuses entreprises semblent jouer un rôle de soutien en renseignant leurs travailleurs âgés au sujet de la retraite et en leur donnant de l'information dont ils auront besoin. Les employés ont toutefois aussi une importante responsabilité lorsqu'il s'agit de préparer leur retraite. Les gouvernements jouent un rôle important en élaborant des lois et des règlements qui suppriment les obstacles et facilitent le processus de transition, et permettent donc aux entreprises d'aider leurs employés.

Conclusions

L'information obtenue auprès des diverses sources utilisées dans la présente étude confirme que la connaissance de la question du vieillissement de la population active et des problèmes organisationnels qu'il pourrait entraîner augmente dans les entreprises canadiennes. La quantité d'activités visibles auxquelles cette conscientisation donne lieu reste cependant faible. Les priorités organisationnelles concurrentes et l'absence de menaces imminentes vont à l'encontre de la préparation et la mise en œuvre de réponses stratégiques visant à conserver les travailleurs âgés.

Au cours des deux prochaines décennies, la plus grande partie de la génération du baby-boom passera de la vie active à la retraite. Qu'une si grande cohorte quitte la population active aura des répercussions profondes pour les employeurs, le gouvernement et la société. Déjà, certains secteurs de l'économie ressentent les pressions de la concurrence, du fait que le nombre d'employés compétents et talentueux diminue. Les années passant, d'autres connaîtront les mêmes problèmes. Il faut espérer que de plus en plus d'employeurs se rendront compte qu'il est nécessaire de faire face au défi démographique inévitable avant qu'il n'ait un effet débilisant sur le plan économique. Ce n'est qu'en entreprenant la planification cruciale qui conduira à des solutions efficaces et opportunes pour leurs effectifs vieillissants que nous éviterons de perdre la position concurrentielle de notre pays et d'assister à une forte réduction de notre niveau de vie.

1. Introduction

1.1 Overview

Late in the last century, the aging of the “baby boom” generation was predicted to have profound social and business consequences for Canada.¹ Now, at the beginning of the new millennium, companies face the dual challenges of finding sufficient talent to replace the substantial number of older workers who are due to retire over the next decade and transferring the corporate knowledge of experienced employees to the next generation.² Companies that cannot solve these challenges will suffer a distinct competitive disadvantage.

For the purposes of this report, an older worker is defined as an employee who is 50 years of age or older.

Human Resources and Social Development Canada (HRSDC) recognizes the need to address the issue of an aging Canadian workforce and the implications that this demographic shift will have for Canadian businesses and workers. HRSDC engaged The Conference Board of Canada to examine the perspectives of Canadian employers regarding the transition from work to retirement (WTR).

Although some industries are already facing problems associated with finding enough people with the right skills to fill their workforces and many managers in other sectors realize that the retirement of their older workers will have serious implications for their organizations, the study amply demonstrates that not a lot of action is being undertaken by employers to remedy the situation. Ironically, this reluctance to be proactive seems to stem from executives’ tendency to focus on corporate priorities that have a more immediate operational or financial impact at the expense of those that play out over the long term. Nevertheless, as identified by HRSDC, if Canadian companies are to be ready for the upcoming changes in their workforces, awareness has to be turned into action through strategic planning, development of effective Human Resources (HR) practices, and partnerships between employers and employees.

1.2 Purpose

The purpose of this undertaking was to:

- examine the role employers play in helping older workers transition to retirement;
- identify the barriers employers face in their efforts to help older workers;
- indicate how employers are addressing the various barriers;

¹ David Foot and Daniel Stoffman. *Boom, Bust and Echo: How to Profit from the Coming Demographic Shift* (Toronto: Macfarlane Walter & Ross, 1996).

² Nicole Wassink, *Your Workforce is Ageing... Are You Ready?* (Ottawa: The Conference Board of Canada, 2001).

- describe the best policies and practices being used by employers in their transition efforts; and
- highlight employers' concerns with their current pension arrangements.

1.3 Study Methods

To provide as comprehensive a review as possible and to triangulate on the WTR transition issue from several perspectives, the research consists of the following three components:

- a summary review of the available published literature;
- an online survey of Canadian companies; and
- telephone interviews with key informants who are familiar with the aging workforce topic.

2. Published Material

2.1 Literature Summary

Although a *detailed* literature review was not requested, The Conference Board of Canada undertook a summary of the available literature to ascertain what information has been published on the Work to retirement (WTR) transition practices and activities of Canadian companies. The goal was to discover what *published* material was available that examined the actual actions currently being taken by Canadian private sector organizations in the area of an aging workforce. The project team scanned various online academic journals and business press articles for any documented employer practices that relate to WTR transition. It was hoped that the information gathered from these sources would offer some insights into the WTR topic, particularly regarding the current endeavours of Canadian organizations in dealing with the issue.

The review indicates that employers are only just beginning to formulate practices to respond to the aging of the workforce. Forward-thinking organizations and those that are already experiencing labour or skills shortages are testing and implementing new approaches to recruitment, retention, workforce planning and retirement. However, various sources corroborate the finding that, while employers are starting to show an awareness of the issue, the majority have taken very little action thus far to prepare for the impact of workforce aging.³ Moreover, while a great deal is written about what employers *should do* to deal with workforce aging,⁴ actual documented employer practices are scarce and few formally documented Canadian case studies were found.

The report *Aging Workforce Research Project—CARP: 50+ Employees and Retirees* by Dr. Armstrong-Stassen of the University of Windsor provides insight into the extent to which Canadian organizations are engaging in human resource practices that older workers feel are important.⁵ A survey was conducted of members of Canada's Association for the Fifty-Plus—CARP. Of the 624 participants, 291 were employed and 333 were retirees.

Also worthy of note are an unpublished Conference Board of Canada member survey carried out in May 2005 and a U.S. study by The Conference Board Inc. that reports qualitative and quantitative results of working group discussions and interviews. The purpose of both studies was to gauge employers' awareness of labour shortage and workforce aging issues and to investigate their actions to address them.

³ See, for example, Lynne Morton, Lorrie Foster and Jeri Sedlar. *Managing the Mature Workforce: Implications and Best Practices*. (New York: The Conference Board, Inc. 2005); R.A Malatest & Associates Ltd. *The Aging Workforce and Human Resources Development Implications For Sector Councils*. (February 2003); and Jennifer Sergeant, "Aging workforce demands changes." *The Detroit News* (September 23, 2002).

⁴ See, for example, Paulette T. Beatty, and Roemer M.S. Visser, editors. *Thriving on an Aging Workforce: Strategies for Organizational and Systemic Change*. (Florida: Krieger Publishing Company, 2005); Watson Wyatt, *Phased Retirement: Aligning Employer Programs with Worker Preferences*, (Washington D.C. 2004).

⁵ Marjorie Armstrong-Stassen, "Aging Workforce Research Project – Carp: 50+ Employees and Retirees", (Odette School of Business, University of Windsor, November 2004).

2.2 Older Worker Perspective

Following are some of the critical findings of Human Resources (HR) practices from the Aging Workforce Research Project–CARP study, as they apply to older workers:

- Significant differences exist between what employed respondents deem important in their decision to remain in the workforce and the extent to which their organizations engage in these practices;
- Just over a third of the employed respondents reported that their organization is highly engaged in providing flexible working options;
- Only one in five of the employed respondents reported that their organization is highly engaged in training and development activities;
- Less than 10% of the employed respondents reported that their organization is highly engaged in management training;
- A little over a third of the employed respondents reported that their organization is highly engaged in having challenging and meaningful tasks or assignments;
- Less than a third of the employed respondents reported that their organization is highly engaged in showing appreciation for a job well done, recognizing their experience, knowledge, skill and expertise, and ensuring treatment with respect;
- A third of the employed respondents reported that their organization is highly engaged in giving useful feedback on their performance and conducting performance appraisals in a fair manner;
- Less than 15% of the employed respondents reported that their organization is highly engaged in offering incentives for continued employment, increasing financial compensation, improving benefits, and enhancing the organization's pension plan;
- The five most important human resources practices in retaining employed respondents were:
 - showing appreciation for a job well done;
 - recognizing the experience, knowledge, skill and expertise of older employees;
 - providing older employees with useful feedback on their performance;
 - ensuring that older employees are treated with respect by others in the organization; and
 - recognizing the part that older employees can play.
- The five most important human resources practices in encouraging retired respondents to return to the workforce were:

- recognizing the experience, knowledge, skill and expertise of older employees;
- showing appreciation for a job well done;
- recognizing the part that older employees can play;
- ensuring that older employees are treated with respect by others in the organization;
and
- educating managers about effective ways to utilize older employees.

2.3 Unpublished Study by The Conference Board of Canada

While the sample size was small and unrepresentative, a recent unpublished Conference Board of Canada survey of Canadian public and private sector organizations provided a closer look at employers' responses to the aging of the workforce.⁶ Of the 59 respondents, three quarters felt that workforce aging has implications for their current operations and more than eight in ten indicated that it would become a concern in the next few years. Most respondents reported activity in the areas of workforce demographic analysis, succession planning, attrition forecasting, workforce planning and talent management, but few supplied specific solutions.

The recruitment, hiring and retention practices reported by two-thirds of respondents as being important ways to cope with workforce aging focused primarily on recruiting young students and graduates, targeting recruitment to fill specific jobs or roles, hiring more skilled immigrants, increasing diversity recruitment, and retaining younger workers. Eight percent mentioned rehiring retired employees on either a full-time or part-time basis.

Half of the respondents used developmental or training solutions to manage the impact of workforce aging. Many of the solutions involved some form of knowledge transfer from senior employees to their younger colleagues. Mentoring, coaching, job shadowing, formal training courses, high potential and leadership development, and education or training that focuses on preparing younger people to fill senior roles were some of the programs being implemented or considered.

About one third of the survey participants offered forms of flexible work arrangements either to ease the transition of older workers to retirement or to keep older employees in the workforce longer. Many of the approaches involved phased retirement, whereby employees of a certain age or length of service were eligible for a reduction in their work hours. In some instances, older workers were permitted to work in a different role commensurate with their capacities.

Some respondents noted that they have adapted their benefit offerings to better reflect the needs of their employees, including the more experienced ones. The introduction of wellness

⁶ Owen Parker, *Aging Workforce: Research Summary – Customized Research Services for Members of the Human Resource Development Centre*. (Ottawa: The Conference Board of Canada, 2005 unpublished).

programs, in conjunction with competitive pension plans, post-retirement medical plans, and special severance packages, is meeting the needs of older workers.

Five respondents indicated that they are undertaking certain strategic changes to address the aging workforce issue, including the promotion of the organization as an employer of choice, the enhancement of corporate branding, and the creation of an excellent working culture and environment. Initiatives such as these improved recruitment and retention of employees of all ages, and they also fostered an inclusive working milieu for older workers.

For the most part, Canadian organizations in this study realized that workforce aging has implications for them in the not too distant future. The reaction to this reality, however, was neither consistent nor clear-cut. Many organizations were examining or diagnosing the issue, but relatively few had put specific systems and programs in place to deal with it, or considered it a strategic imperative. Since the greatest impacts will not be felt for some years to come, it appeared that the executives of many organizations are choosing to tackle more immediate problems and leave the consequences of an aging workforce to their successors. Indeed, retaining older employees was a less preferred solution than hiring and training younger people or recent immigrants, even though these pools of talent may be inadequate to meet future needs. Unfortunately, the myopic view held by some organizations may jeopardize their future productive capacity and risk their corporate survival.

2.4 South of the Border

The Conference Board, Inc. of New York has conducted research in the area of managing a mature workforce. Their work has spanned a quarter century and, in 2004, was enhanced by the formation of the Working Group on Managing Mature Workers. This group's discussions, plus additional qualitative and quantitative research, including 30 interviews, form the basis of its latest report on the subject, entitled *Managing the Mature Workforce: Implications and Best Practices*.⁷

This study specifically investigated what organizations are doing in the areas of knowledge transfer, corporate culture and phased retirement options. One half of the organizations interviewed felt that workforce aging presents potential knowledge vulnerabilities and about a third diagnosed their workforce to identify their own knowledge vulnerabilities. Half had mentoring programs to facilitate knowledge transfer. None of the organizations were found to have a systematic program in place, but many were seen to implement ad hoc solutions, such as bringing back retirees to provide training, creating web sites to capture and disseminate knowledge, and offering retention bonuses to employees with critical skills.

⁷ Lynne Morton, Lorrie Foster and Jeri Sedlar. *Managing the Mature Workforce: Implications and Best Practices*. (New York: The Conference Board, Inc., 2005), p. 6.

In terms of creating a corporate culture that welcomes all generations, the findings included one organization that offers age diversity training. Several other companies had developed policies to help recruit and retain valued older workers, such as specially targeted recruitment posters and presentations.

The study discovered that flexible work arrangements and phased retirement options were common in industries that are already affected by workforce aging. Examples of specially-targeted benefits include employee discounts and health screening services that appeal to older workers. Other organizations offered such arrangements as casual “on-call” work, a paid time off bank, short-term contract work for retirees, and the ability to “test” retirement using paid time off with the option to return within five years at the same level of seniority. Five case studies provided a more in-depth look at some employer strategies for coping with workforce aging.

The report also highlights several factors that prevent American employers from implementing practices to cater to the needs of older workers, such as having to comply with the *Employee Retirement Income Security Act*, the *Age Discrimination in Employment Act* and the Tax Code. The fear of allegations of discrimination was found to keep many organizations from offering special arrangements for one particular group of employees. A list of tactical and strategic ideas – what organizations should do – rounded out the report.

2.5 International Practices

Canada is not the only country facing demographic stresses because of an aging population. Many countries have a “boomer” generation that is either entering retirement or preparing to do so in the next decade or so. For example, organizations in countries belonging to the Organisation for Economic Co-operation and Development (OECD) realize that they will soon lack sufficient talented people to maintain their competitive edge. In Appendix One, we examine some of the more proactive organizations. It should be noted, however, that detailed results have not yet been reported on the examples provided.

In several ways, a variety of companies in other countries have been more progressive in dealing with the problem. A number have developed age-related strategies to keep their workforces competitive. Others have developed attraction, recruitment and retention practices that focus on older workers. Changes in work design have not only accommodated older workers but have also improved overall operational functioning. Innovative flexible work arrangements are being introduced in an array of settings. To maintain currency and relevance in their workforces, many companies offer continuous learning programs to employees of all ages.

The implications of the international response for Canada are clear. To remain competitive, approaches and practices must be developed to retain and utilize the talent of older workers. While organizations in other countries are already addressing the challenge, Canadian employers – with a few exceptions – have yet to initiate appropriate strategies and solutions.

3. Canadian Employer Study

3.1 Study Methods

Online Survey. To solicit the views of as many Canadian organizations as possible on the Work to retirement (WTR) transition issue, a survey questionnaire was constructed. The survey combined both quantitative and qualitative questions to garner a broad range of responses. Four demographic and organizational variables, including company size, industry sector, geographic location and level of unionization, were applied to detect any significant group differences.

Owing to a short project timeline, an elaborate data collection approach was not feasible. Instead, the Conference Board solicited responses from a sample of its contact database through an online survey. The study targeted the views of primarily private sector companies.

Table 1 profiles the characteristics of the survey respondents. Executives and managers from over 1,300 Canadian companies and institutions were asked to participate in the study. In all, 137 completed questionnaires were submitted, yielding a response rate of 10 %. Although not representative of the Canadian economy as a whole and not necessarily capable of being generalized to all work settings, the information provided through the survey is a key source of insights and evidence of how organizations are handling the issue of an aging workforce.

Analysis of the survey responses concentrated on the current activities being undertaken by Canadian employers to address the aging workforce and the WTR transition. The answers from respondents were examined using the SPSS statistical software to yield counts and percentages. Comparisons by the various demographic and organizational groups, such as organization size, industry sector, geographic region and level of unionization, were also made to highlight any substantive differences.

| Table 1 Survey Respondent Characteristics | | | | | |
|--|------|--------------------------------|--|--|------|
| Percentage of Workforce that is 50 Years of Age or Older | | Industry Sector Representation | | Geographic Region | |
| Percentage | | | | Percentage | |
| 0% | 0.8 | | | Atlantic | 7.4 |
| 1 - 10% | 14.4 | | | Quebec | 7.4 |
| 11 - 20% | 31.4 | | | Ontario | 45.6 |
| 21 - 30% | 24.6 | | | Prairies | 26.5 |
| 31 - 40% | 11.9 | | | British Columbia | 8.1 |
| Over 40% | 10.2 | | | Territories | 5.1 |
| Don't Know | 6.8 | | | | |
| Percentage of Unionization | | | | Organization Size (Number of Employees) | |
| Percentage | | | | Percentage | |
| 0% (Non Union) | 55.1 | | | Less than 100 | 12.8 |
| 1 to 25% | 8.8 | | | 100 - 499 | 33.1 |
| 26 to 50% | 5.9 | | | 500 - 999 | 21.1 |
| 51 to 75% | 16.2 | | | 1000 - 4999 | 25.6 |
| 76 to 100% | 11.8 | | | 5000 - 9999 | 3.0 |
| Don't Know | 2.2 | | | 10,000 and more | 4.5 |

Telephone Interviews. The WTR transition issue has been examined by a number of industry associations, academics, consultants, labour and other interested parties. The Conference Board identified 25 of these “key informants” and requested their participation in an hour-long interview. Seven individuals agreed to be interviewed (see Table 2). The information gleaned from these interviewees provided an important context for interpreting and understanding the survey results.

| Table 2 Profile of Interview Participants |
|--|
| Academic - Director of an Institute of Aging |
| Mature Workforce Consultant |
| Chamber of Commerce Representative |
| Automotive Industry Representative |
| Petroleum Industry Representative |
| Electricity Industry Representative |
| Human Resources Association Representative |

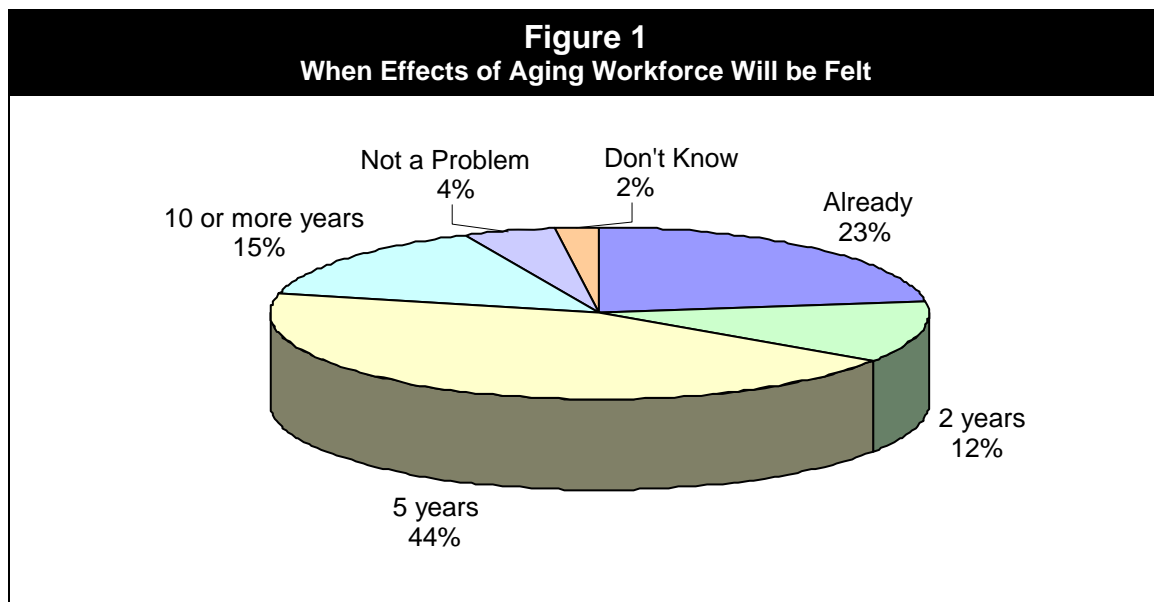
3.2 General Views on an Aging Workforce

The Current Situation. At present, some difference of opinion exists regarding the immediacy and seriousness of the problem raised by the aging of Canada's working population. While most informants interviewed for the study agree that the issue has potentially serious negative ramifications for the country's economic health, the impacts vary according to industry. For example, interviewees from several industries indicate that staff shortages are imminent within the next few years, but those from other sectors believe the problem will be less critical owing to the comparative youth of their workforces. Indeed, one interviewee believes that, although Canada will face some serious challenges in the future, one should not talk about a crisis because our business and social systems will adapt to the new workforce realities.

The proportions of older workers are defined as follows:

- "high" is over 30% of the employee population;
- "moderate" is 11% to 30% of the employee population; and
- "low" is 10% or lower of the employee population.

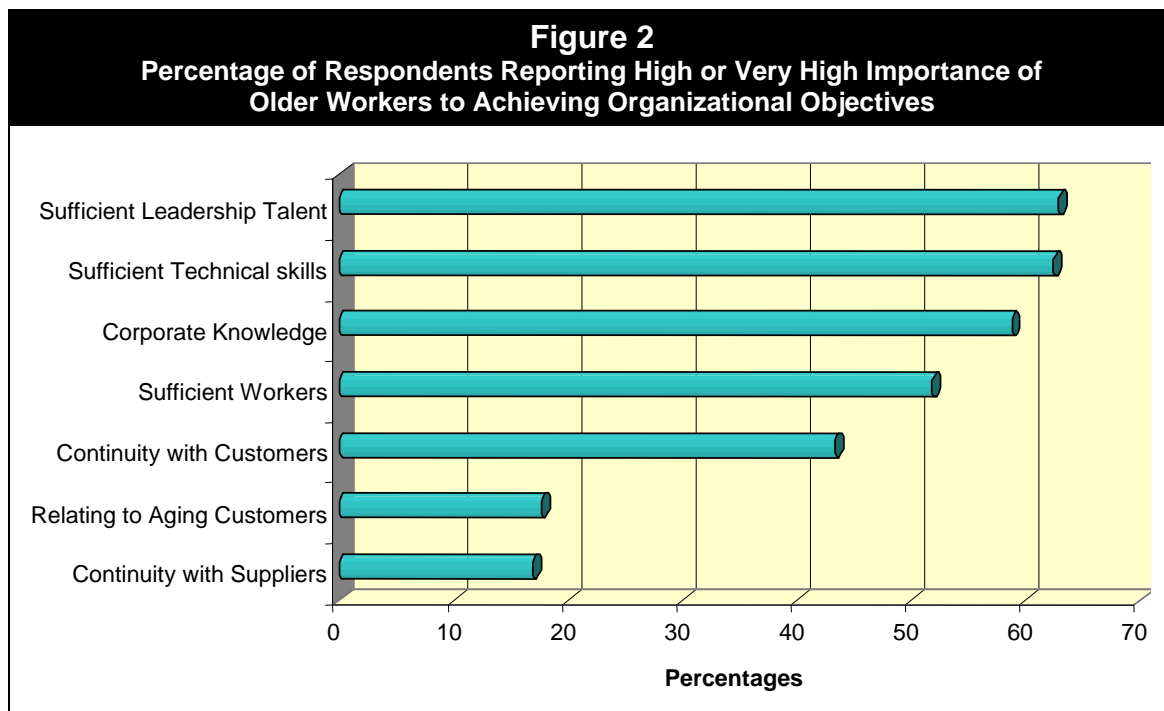
Almost a quarter of the survey respondents describe their workforces as having a high proportion of older workers, such as those from government, education and health, and manufacturing. However, a majority have a moderate proportion of older workers, in particular from the primary, finance, high tech and service industries. As seen in Figure 1, some organizations are already feeling the effects of an aging workforce but a majority will be impacted over the next five years. The small number that does not perceive a problem from an aging workforce attributes the relative youth of their employees as being the reason.



When asked about the importance of older workers to achieving organizational objectives, almost two-thirds of the survey respondents indicate that they are of high or very high importance in reaching the following three objectives:

- maintaining technical skills;
- retaining leadership talent; and
- preventing the loss of corporate knowledge.

Half also think that older workers are of high or very high importance to ensure a sufficient supply of employee talent, skills and knowledge, and to secure the continuity of customer relationships (see Figure 2).



Respondents from small organizations tend to view these objectives as being of greater importance than those from medium or large organizations, which may be due to the fact that they are more negatively impacted by shifting workforce trends and are less able to attract the replacement workers they need. Similarly, respondents from the western provinces (i.e., the Prairie Provinces, British Columbia, and the Territories) rate older workers' impact on the objectives as being more important than respondents from other regions. Respondents from the manufacturing and professional services sectors believe that older workers are important to retaining corporate knowledge and maintaining customer continuity. Respondents from the professional services, education and health, manufacturing, and transportation sectors feel that older workers are important to maintaining technical skills. However, an examination of the other objectives did not yield any significant differences among the various industry sectors.⁸ Likewise, the level of unionization did not produce any significant differences in relation to the organizational objectives for retaining older workers.

⁸ The Chi-square inferential statistic was used to identify statistically significant differences among the groups of the various demographic and organizational variables.

The size of an organization is defined as follows:

- “small” is fewer than 100 employees;
- “medium” is 100 to 999 employees; and
- “large” is 1000 or more employees.

The Impacts of WTR Transition. The interviewees believe that the retirement of aging workforces will have important consequences for most Canadian companies and that the impacts will vary by industry. The expected impacts include:

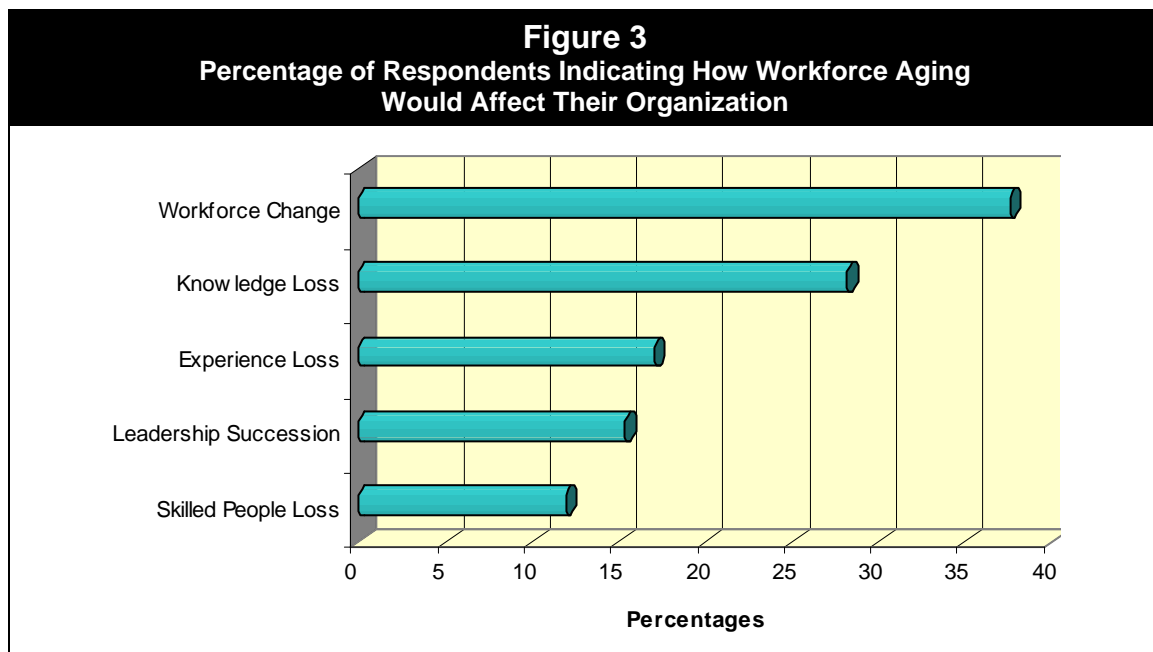
- substantial drops in revenue;
- lost customer relationships;
- greater costs in wages, production and benefits;
- lower productivity levels;
- fewer skilled employees;
- increased risk with greater dependence on automated systems; and
- lower rates of growth.

Most employers will suffer degradations in corporate knowledge, as experience walks out the door in the form of retiring workers. Succession planning will be a problem for many since the available pool of talented leaders will shrink perceptibly. A few companies will not be affected too adversely because they believe they will be able to tap into alternate sources of skilled labour and people with the potential to become skilled, including immigrants, aboriginal peoples, and retired people who return to the labour force on either a part-time, full-time, or contract basis. At this stage, however, the challenge for many organizations is to recognize and deal with the approaching threats implicit in an aging workforce.

The three levels of unionization were defined as follows:

- if no one in the company is in a union, it is classed as “non-union”;
- if up to 50% of the company’s workforce is in a union, it is classed as having “low unionization”;
- and
- if more than 50% of the workforce is in a union, it is classed as having “high unionization”.

Of the 137 survey respondents, 117 identified impacts that will affect their organizations (See Figure 3).⁹ Over a third anticipate important changes in the composition of their workforces as the generations shift. About a quarter identify the loss of corporate knowledge as a potential difficulty. Problems with leadership succession are foreseen by almost 15% of respondents. A small proportion expects to lose people with important talent and skills. Further comments focus on the inability of older workers to maintain their productivity in environments involving high levels of physical activity and the attendant increases in health costs.



Respondents from small companies expect fewer impacts on their organization than do their counterparts from medium-sized and large organizations, probably because their immediate corporate pressures leave them little time to worry about future potential workforce problems. More western-based respondents have concerns about potential problems related to leadership and succession than do those from the other regions. Conversely, a larger number of respondents from Quebec believe their organizations will be impacted by talent shortages and costs. Higher proportions of respondents from the wholesale and retail, and primary industries sectors are anxious regarding changes to their workforces, whereas those from education and health are concerned about leadership shortages. Respondents in the transportation and utilities sectors worry about the loss of corporate knowledge. No substantial differences were detected among the three levels of unionization with regard to the impacts they expect.

⁹ Because a number of qualitative questions allowed multiple responses, the percentages discussed often exceed 100%.

Strategies and Practices. While most interviewees believe that the aging workforce will have important consequences for Canadian companies, they also believe that Canadian companies are doing very little strategic planning to cater to the needs of their aging workforce. The issue varies across industries. For example, the electrical industry is already facing a significant departure of skilled technicians and is taking steps in collaboration with its largest unions, to identify strategic alternatives and build an industry brand that will attract talented people. The petroleum industry perceives little strategic action is occurring because the youth of the workforce mitigates any immediate reaction, with the exception of companies operating in the tar sands of Alberta. And, while the very largest corporations in the automotive industry are taking steps to deal with the issue, the majority of small and medium sized companies are doing virtually nothing because of more immediate corporate concerns.

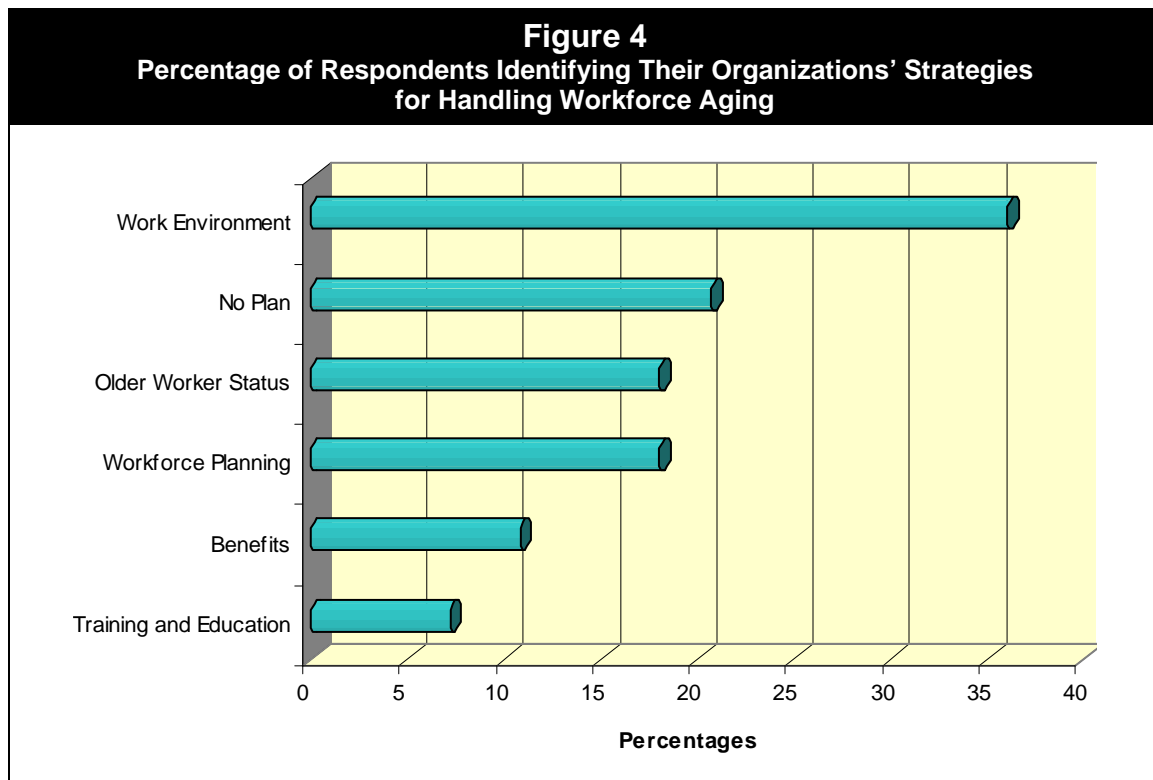
At a practical level, the interviewees indicate that companies wanting to retain their older workers are launching a variety of activities and initiatives. For the most part, in the private sector, early retirement programs are a thing of the past because, over the past decade, many companies have remodeled their workforces through “downsizing” and “right sizing” to the point at which they must maintain their current talent to stay competitive. Some of the initiatives include:

- new work arrangements to accommodate workers of all ages, including flexible work hours, part-time alternatives, telecommuting, job rotation, and so forth;
- on a very limited basis, extended vacations, more time-off, opportunities to mentor or train others, and special assignments;
- in one instance, the industry has a culture of older, experienced workers moving from heavy physical labour to more supervisory positions, managerial roles, training responsibilities or professional association involvement; and
- the creation of a new work environment in which managers and executives are educated to understand and lead employees from the various age strata, including young, middle-aged and older workers.

Although most of the survey respondents (111 individuals) answered questions about their organizations’ strategies for catering to the needs of an aging workforce, the responses tend to focus on current practices and programs, not policies and plans. This suggests that WTR transition has not advanced much on the corporate priority list at many companies because its impacts will not likely be felt in many companies for some years yet. In fact, as presented in Figure 4, one in five respondents reports that their organization has no strategic design. However, about a third stress that changes have been implemented in their organizations’ work environment to accommodate the older worker, such as:

- reducing work weeks and hours;
- having flexible working hours;
- instituting non-age discriminatory hiring and promotion practices;

- introducing part-time employment;
- eliminating mandatory retirement age;
- re-hiring retired staff; and
- engaging retired staff on a contract basis.



A few others list activities associated with the older worker status, which emphasize working as part of the team, not feeling pressured to retire, meeting with individuals to determine their needs, implementing an employer of choice program, providing ergonomic assistance, having progressive retirement (i.e., partially working and partially retired), and paying retention bonuses. Some organizations have established workforce planning to examine succession requirements, identify workforce demand and supply, develop competencies, and direct talent management programs. One in ten respondent organizations is examining benefits, exploring such options as improving plans to benefit all employees, adopting flexible pension provisions, enhancing pensions, extending benefits coverage, and introducing or upgrading benefits. Several respondents report providing training and education options to older workers, including additional skills training, subsidized education courses, retirement preparation seminars, and employing older workers as trainers.

According to survey respondents, when it comes to catering to the needs of older workers, the work environment is the primary focus for many WTR practices and activities, irrespective of their size, industry, region or level of unionization. However, more respondents from large companies devote attention to succession planning and affording greater status to older workers, while those from medium-sized organizations concentrate on the status of older workers and those from small organizations focus on benefits. Respondents from the Atlantic region are doing the least to cater to older workers, but a greater number of those from Quebec are pursuing succession planning. Lastly, more respondents from the transportation and finance sectors are implementing succession planning, and the wholesale and retail sectors are applying practices to give greater status to older workers.

Only 83 respondents answered the question about their organizations' future plans to handle the WTR issue. However, 14 of these admit that there is nothing being considered. Of the remaining 69 respondents, half anticipate changes in the work environment, a third foresee new retirement packages, and a quarter predict a different status for their older workers.

Summary. Many companies are aware of the impending impacts that an aging workforce and the work-to-retirement transition might have on their business. Hardly any, however, have developed a strategic response. Instead, the focus has been on creating or improving workplace practices, such as flexible work arrangements. But, for most organizations, these practices are generic in nature and apply to all employees, regardless of age. Only in a very few instances have specific solutions been introduced to cater to the needs of older workers.

3.3 Perceived Barriers to WTR Transition

Context. During the interviews with the key informants, a number of factors arose that are perceived as barriers by employers as they attempt to develop policies and practices to address the aging population conundrum. What's more, the kinds and number of barriers vary by industry, with some companies facing multiple barriers, while others deal with only a few. The following section summarizes the concerns and responses of employers as they pertain to barriers in work-to-retirement transitions.

Interviewees confirm that working conditions are a key contributor to older workers' decision of whether to stay or leave: the more physically demanding an environment, the more likely older workers will retire when it is financially feasible to do so. Moreover, the physical wear and tear experienced by employees over the long term in certain industries often leads to increased health problems for the individual and higher medical benefit costs for the employer. Some organizations are trying to mitigate the physical stresses by introducing ergonomically designed equipment, automated systems, modified shift schedules and revised operating procedures.

Interviewees believe that a stereotype exists in many workplaces that older workers are slower physically and mentally, less adaptable to change, and averse to technology. Although some older people may display some of these characteristics some of the time under some circumstances, most are able to compete very effectively with their younger colleagues.

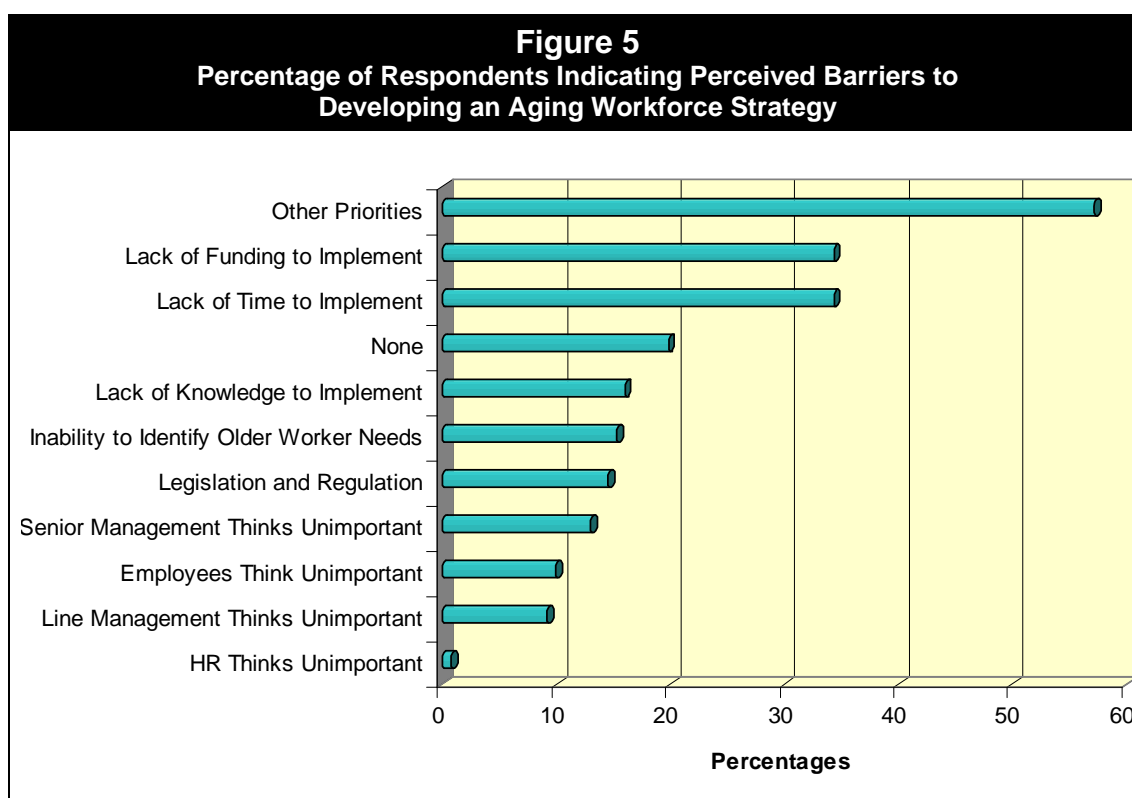
Conversely, older workers frequently demonstrate greater experience and knowledge, lower turnover rates, lower absenteeism, and higher quality work. Managers and executives have to be educated about the life course of their employees and learn to manage the expectations of workers at different points in their careers.

According to interviewees, employers believe that legislation and regulations, primarily at the federal and provincial levels, add additional barriers to the employment of older workers. Interviewees mention several specific government barriers, including:

- pension regulations, especially those governing defined benefit (DB) plans, hinder the ability of many companies to set up phased retirement programs, whereby an older worker can work part-time and maintain a nearly full salary by drawing on a pension;
- income tax rules act as a financial disincentive for people to continue working after retirement because assessments are levied on pension payments as well as any salary earned;
- immigration parameters make it extremely burdensome and overly bureaucratic for companies to hire skilled technicians and journeymen from other countries if they lack the necessary advanced academic qualifications or language levels;
- regulatory bodies that oversee some industries are routinely out of date regarding contemporary workforce realities, such that imposed hiring freezes fail to account for attrition through retirements or the time needed to train replacements; and
- human rights legislation prevents organizations from establishing programs specifically geared toward older workers because they are seen as being discriminatory against younger workers.

Although not verified, the interviewees perceive that some collective agreements also act as barriers. Mandatory retirement provisions in a number of these contracts require people to retire at a prescribed age, making it difficult to retain skilled employees beyond their normal retirement age. Unions tend to support mandatory retirement so as to relieve older workers of work-related demands and to bring new members into the workforce and the union. Employers believe that the abolition of mandatory retirement will require the negotiation of collective agreements to reflect the new reality.

Organizational Barriers. Survey respondents were queried regarding a specific set of organizational barriers in meeting the needs of older workers (see Figure 5). Over half of the respondents believe that the greatest single barrier to dealing with WTR transition is other organizational priorities and issues. About one third also recognize the lack of funding and lack of time to implement the necessary policies. The lack of knowledge as to how to implement policies, the lack of an ability to identify the needs of older workers, and legislation and regulation are other important barriers. Interestingly, a fifth of the respondents feel that there are no barriers.



In examining the barriers according to organization size, geographic region, industry sector and level of unionization, the problem of a lack of urgency dominated with a few exceptions. More respondents from large organizations indicate legislation and lack of funding to implement the necessary policies to be barriers. Lack of funding was also more of a barrier for those from highly unionized companies, and in the education and health sectors.

Organizational Response to Overcoming Barriers. Fifty-four respondents gave indications of what their organizations are doing to overcome the barriers. About a quarter have commenced planning activities, such as conducting research, developing policies, creating a communication strategy, and preparing workforce plans. A fifth of the respondents are pursuing workplace alternatives, including education programs, re-negotiating collective agreements, mentoring programs and workplace assessments. A small proportion of respondents are making changes to various benefits, such as benefit extension, phased retirement, and special recognition programs. Remarkably, a quarter reveals that nothing is being done to address the barriers, possibly because the problem is not recognized or the barrier is considered to be inconsequential.

Mandatory Retirement. In addition to the general remarks written by respondents on the subject, mandatory retirement was explicitly examined as a survey item. Of the 137 organizations, a third have a mandatory retirement age policy. Of these companies, a little over half intend to eliminate the policy in the future. Some of the impacts – both positive and negative – that the respondents expect from the demise of mandatory retirement include:

- increased performance issues among older workers;
- higher pension and benefit costs;
- the need to re-write job standards and competencies;
- decreased workforce renewal and upward mobility;
- loss of younger talent;
- accommodation of the needs of older workers;
- increased health and safety issues;
- higher retention of experience and knowledge;
- improvement in workforce management practices;
- greater flexibility in meeting project and client requirements; and
- better compliance with legislated requirements.

Pensions. Depending on the industry and individual employee, pensions have a considerable effect on the retirement decision, according to the study interviewees. Under the defined benefit (DB) plans of many companies, older workers receive a set payment upon reaching an actuarially predetermined retirement date. Since they will receive no additional pension benefit from continuing to work, there is no financial incentive for them to remain with the organization. The generous early retirement provisions that existed in a host of pension plans have been modified, reduced or removed. Moreover, given the rigidity of the pension regulations for DB plans, no option is available to alter plans to give a partial payout in combination with a salary. Generally, the problems of a DB plan are not found with other forms of pension plans, such as a defined contribution (DC) plan, group registered retirement savings plan (RRSP), or hybrid plans. As with most benefits, the costs associated with pension plans keep rising, but are most pronounced with DB plans. The expectation is that the Canada Pension Plan will have to raise its eligibility age to keep some older people at work.

Over three-quarters of the companies in the survey have a formal pension plan. Whether a DB, a DC or a group RRSP, all survey respondents whose organizations have a plan believe they are reasonably good and meet the retirement requirements of their employees. Three respondents indicate that contribution limits imposed by the Canada Revenue Agency hurt employees with higher earnings because they cannot make larger contributions for larger pension payments upon retirement.

About a third of survey respondents report that their pension plans have changed in the past five years. For eight out of ten respondents, the change involves a modification to the pension plan, such as altering or updating the plan's provisions, introducing a new plan, moving from one form of plan to another (i.e., from a DB to DC or to a group RRSP, or vice versa), harmonizing plans amongst business units, or shifting plan vendors.

Only one in five respondents expects to make changes to their pension plan over the next five years. The major changes anticipated include: introducing a pension plan, changing from a DB to a DC plan, adding more formality, modifying some provisions, increasing contribution levels, reducing costs, and investigating a phased retirement option.

Summary. While companies are not implementing strategies or practices targeted toward their older workers at present, a number of barriers exist to impede their future efforts, ranging from working conditions and stereotypes to higher organizational priorities and the lack of an ability to recognize the needs of older workers. Nevertheless, as the number of retirements grows, companies will have to deal with barriers as part of their overall strategy for dealing with the aging workforce.

3.4 Retaining and Recruiting Older Workers

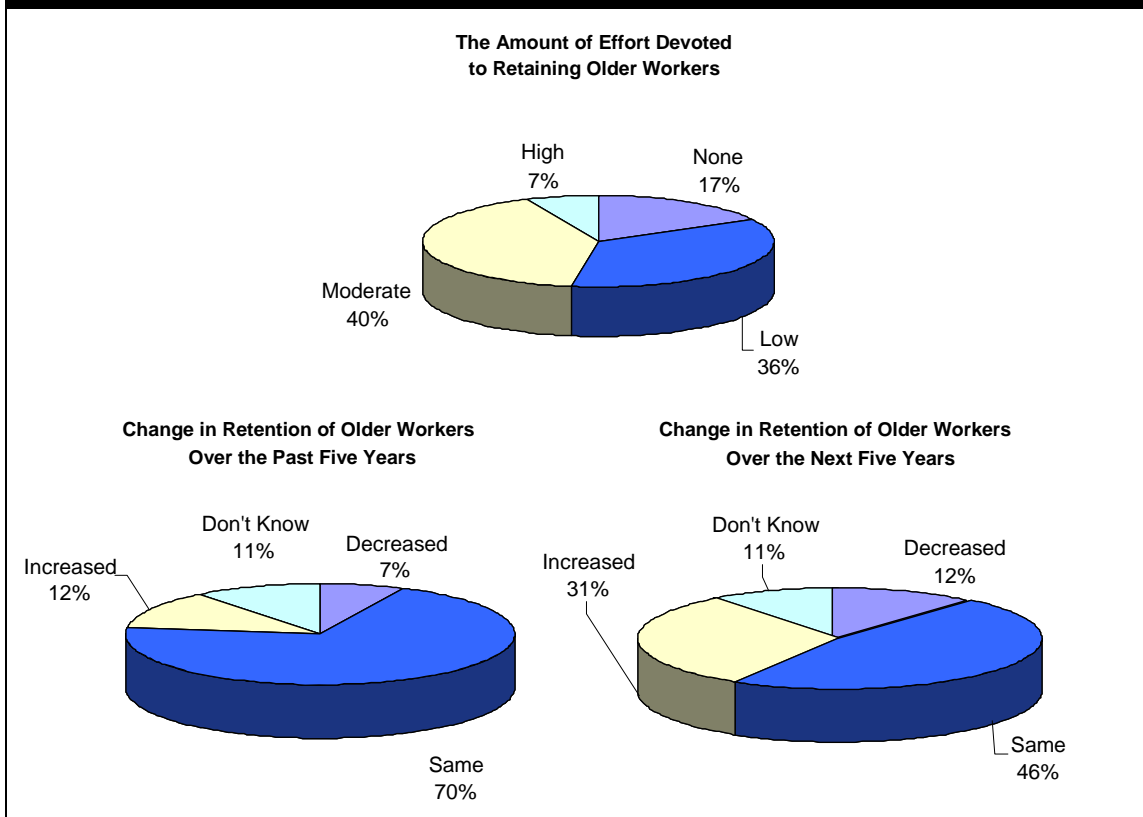
Retention. The interviewees confirmed that some schemes are in place to retain older workers, although they tend to be the exception rather than the rule, and depend on the practices of particular industries and individual companies. In some environments, extra compensation, bonuses, perquisites (or “perks”) and recognition are commonly used. Other approaches include less physical labour, increased job choice, and more flexible work arrangements. Additional training, mentoring opportunities, removing the ceilings to promotion and instituting new organizational structures to accommodate older workers have a positive influence on the retention decision. In the next five years, as the aging workforce issue becomes more pressing, the interviewees expect to see greater efforts to retain older workers.

Just over half of the survey respondents judge their organizations as assigning no or low effort to retaining older workers, and a further 40% expend merely a moderate effort (See Figure 6). Over the past five years, most respondents report that retention efforts targeted at older workers have remained the same, while a few say there has been an increase. The picture shifts slightly over the next five years, with over a doubling of the number of respondents saying there will be an increase in the retention of older workers. No statistically significant differences were found in the retention efforts of older workers in relation to organization size, industry sector, geographic region or level of unionization.

Retention Initiatives. Seventy survey respondents responded to our request for examples of their companies’ activities to retain older workers, although eleven of these admitted that their organizations were not doing anything. Particular retention initiatives include:

- creating a positive work environment with flexible work arrangements, fewer physical demands, meaningful work, effective communications and respect for older workers, although a few respondents emphasize that these activities are available to all workers regardless of age;
- identifying specific positions for which special efforts are taken to retain people, such as in mentoring, succession, management, supervision and technical areas; and
- altering benefits, compensation and service recognition.

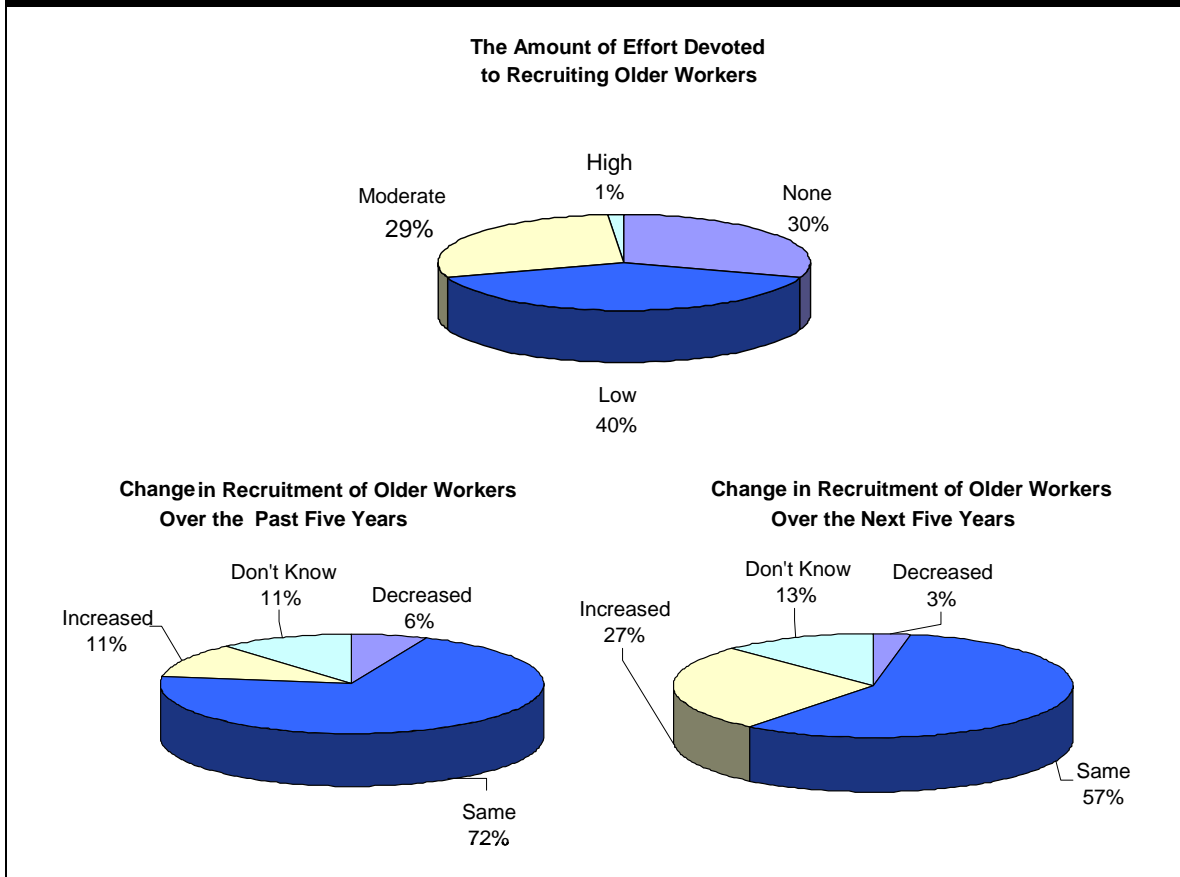
Figure 6
Respondent Organizations' Involvement in Retaining Older Workers



Recruiting. Our interviewees believe that very little has been done to date to specifically recruit and hire older workers because the need has not yet been widely recognized. In only a few industries, such as retail, has there been any attempt to prepare policies or practices to specifically target and recruit older workers. Because of safety or technical standards, some industries must grow their people internally with little chance of hiring from other sectors. Hence, in a few cases, “poaching” occurs where a company will seek a person with specific skills from another organization in the industry to fill a certain job. One interviewee speculates that human rights legislation actively deters companies from developing recruiting and hiring programs targeted at older people because of potential accusations of discrimination against the young. Typically, when needed, a recruiting strategy targets people from all sectors of society, including women, immigrants, aboriginal people, the young and the old. Unless the aging of the workforce becomes a critical problem for companies, the recruiting situation is unlikely to change over the next five years.

As shown in Figure 7, almost three quarters of survey respondents indicate that their companies are doing little or nothing to recruit older people, with a quarter expending only a moderate effort. For almost three quarters of the respondents, this situation has remained the same over the past five years, and for about half, it will remain the same over the next five years. However, over a quarter of the respondents predict an increase in their recruitment of older workers. No statistically significant differences were found in the recruitment efforts of older workers in relation to organization size, industry sector, geographic location or level of unionization.

Figure 7
Respondent Organizations' Involvement in Recruiting Older Workers



Recruiting Initiatives. Sixty-six survey respondents detailed the practices that their companies are using to recruit new employees, including older workers. Some, however, are doing nothing to recruit older workers. Recruiting initiatives specifically mentioned involve:

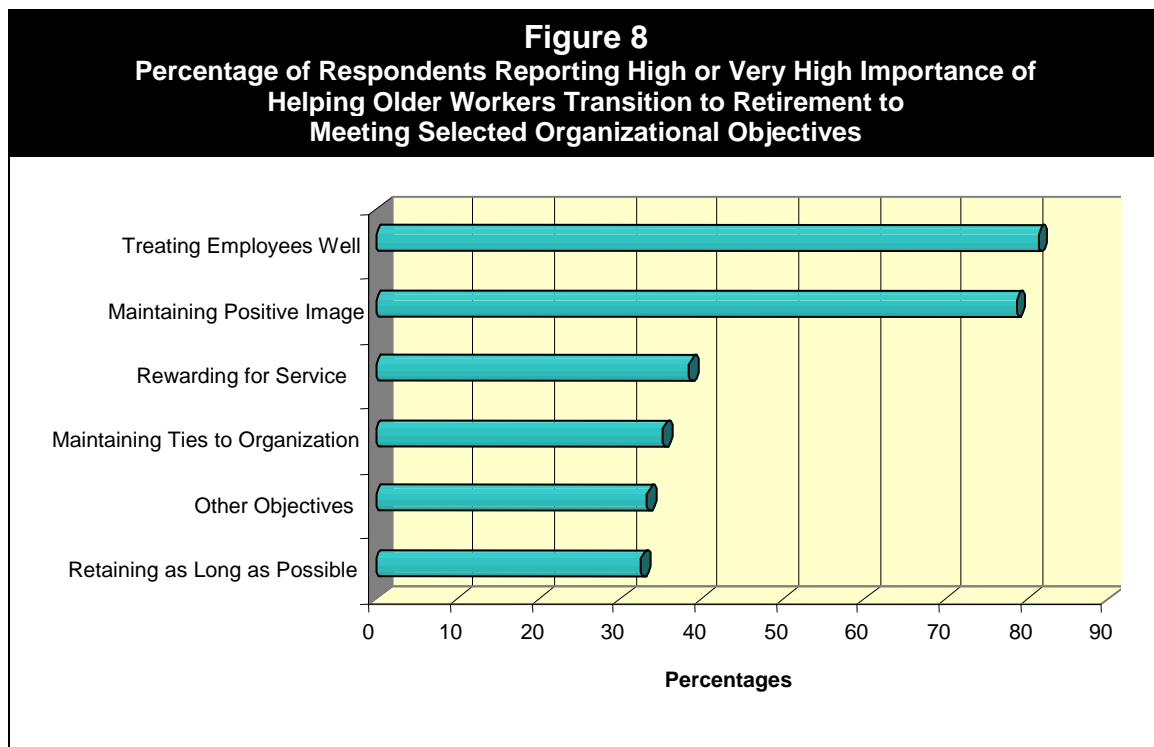
- seeking experience, which frequently translates as older workers, including job and industry experience, length of experience, technical and project experience;
- promoting the organization's working environment, especially striking a balance between younger and older workers;
- supplementing staff with retired employees;
- using search firms to identify senior managers; and
- highlighting that their hiring process focuses on equity, fairness, networking, comprehensiveness and communication.

Summary. Canadian companies are making few attempts to fashion coherent and comprehensive policies and practices that target the recruitment and retention of older workers. Generally, such efforts form part of general corporate programs to recruit, hire and retain all employees, both so as to minimize cost and so as to act in a non-discriminatory

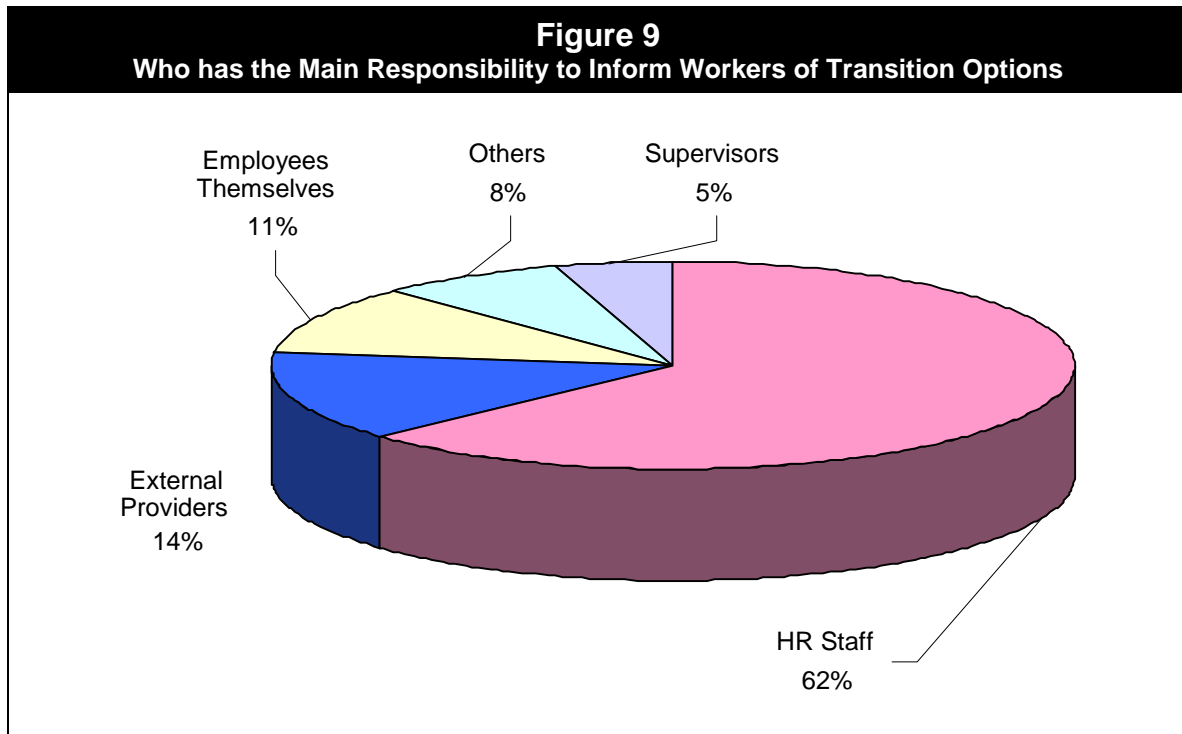
manner. All the same, when the pressures of an aging workforce begin to be felt, organizations will have to develop separate strategies for different segments of the population, including its older members.

3.5 Transitioning to Retirement

Overview. In the survey, respondents were asked how important assisting older employees with their transition to retirement was in meeting certain organizational objectives. Most of them indicated that assisting the transition of older workers had high importance or very high importance in helping their company's retention efforts by being seen to treat employees well (see Figure 8). A similar number agree that the assistance they provide also had high or very high importance in maintaining a positive image of their organization in the community. Many fewer, however, judge assisting the transition of older workers as having high or very high importance in rewarding long service, encouraging retired workers to maintain ties to the organization or retaining older workers for as long as possible. Interestingly, almost three quarters of the respondents in the manufacturing industry believe that assisting older employees with their transition to retirement is of high or very high importance to their objective of rewarding long employee service.



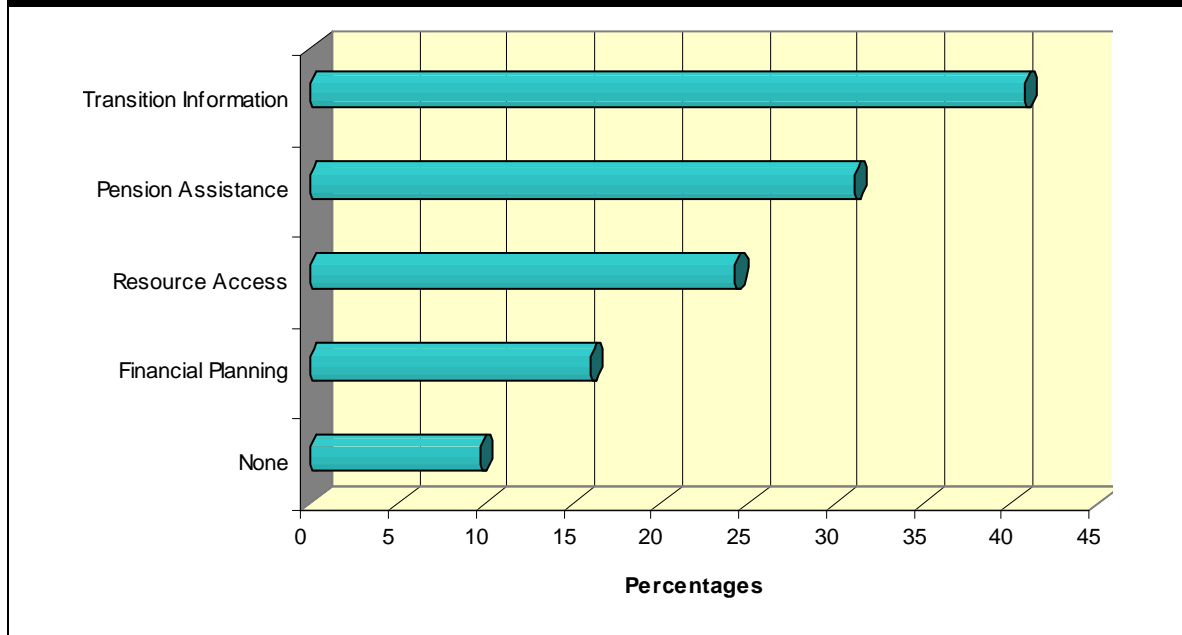
When identifying the function within their organization that has the main responsibility for informing older workers about their options for retirement, almost two-thirds single out the human resources (HR) staff (see Figure 9). The remainder use external service providers, the employees themselves, supervisors or other sources.



The Role of Employers. Several interviewees outlined actions that employers should undertake to ease the transition of their older workers. There is a strong educational component, whereby the organization has to ensure early on that the employee is aware of his or her entitlements, is psychologically aware of the changes involved with retirement, and is well prepared financially. The degree to which employers inform their employees varies dramatically by such factors as industry, and companies' willingness to assume this responsibility. Where collective agreements exist, organizations' responsibilities toward their older workers are contractually itemized.

Survey respondents were also asked what roles their organizations play in helping older employees to transition to retirement. In all, 105 respondents provided comments with ten of these saying their organizations are doing nothing (see Figure 10). Many appear to provide a supportive role with specific transition information given to older workers, including financial and lifestyle counseling, retirement planning, pension details, and administrative procedures. Almost a third ensure that pension consultants are available, that pension information is correct, that pensions' benefits are paid and that pension education sessions are held. About a quarter of respondents say that they make resources, such as administrators, HR staff, external sources and managers, available to retiring employees. Some also supply financial planning services.

Figure 10
Transition Activities Reported by Respondents



More respondents from smaller organizations report that their employers are not doing anything in the way of transition assistance than those from either medium or large organizations. Organizations in Quebec and the West report a higher incidence of furnishing the type of information listed above to their older workers.

The Role of Employees. When preparing to leave a company, older workers have some distinct responsibilities. According to the interviewees, communication is a key element, whereby employees need to provide their employers reasonable notice of their plans to retire and to discuss their pension preferences. They must also make certain that their knowledge and skills are passed to the next generation of employees. They should be open to flexible work arrangements, such as a progressive retirement, part-time work or sabbaticals, as part of their exit strategy. Furthermore, the observation is made that many older workers are wholly unprepared financially, so they have the responsibility well in advance of retirement to undertake financial planning. One interviewee noted that employees tend to deny the issue – almost like a serious disease – and do not want to recognize or take action proactively to solve any problems. Given today’s economic environment, many older workers should plan on doing some form of work, either on a part-time or full-time basis, after departing their current employer. Of course, all of these factors depend on individual circumstances and the person’s industry.

Seventy-six survey respondents provided their opinions about the responsibilities of older workers. Almost a third believe that older workers should make themselves ready for retirement by initiating the retirement procedures, undertaking financial and personal planning, and taking part in any educational or training programs offered by their employers. About another third feel that older workers should communicate their plans to supervisors, managers and their HR department, request the appropriate administrative

information and keep informed of any changes that might affect them. One in five feels that the employee is responsible for everything in the process and to make the necessary arrangements. A few respondents stress that it is important for older workers to use the resources available to them and to become familiar with their pension options.

A higher proportion of respondents from larger companies indicate that older workers have the responsibility for the transition to retirement and for informing their organizations. Likewise, more respondents from companies located in the prairies, in the primary industries or in low union environments indicate that employees had to inform their organizations of their plans.

The Role of Government. The views of interviewees regarding the role of government in assisting companies with the transition of older workers to retirement varied appreciably. A few believe that the role of governments should be restricted to identifying and communicating trends. However, most recognize the value and importance of an active governmental role, particularly in terms of regulatory and legislative change, as presented in Table 3. The failure of governments at all levels to measure the outcomes and impacts of their policies and programs is a concern of several interviewees because it does not bode well for future endeavours and effective cost management.

In total, 93 survey respondents delivered input regarding government's role in assisting in the transition of older workers to retirement, although seven wrote that there was no role. Just under a third indicated that government has a role, primarily in the program and legislative arenas of assisting companies with their aging workforce and retiring older worker issues, although some want it to be a very restricted one.

Enabling the initiatives of employers resonated with some respondents. The implications of changes to mandatory retirement are mentioned by other respondents, including allowing people to continue working, the inability of employers to release unproductive employees, altering workforce management practices, and limiting the hiring of new staff. Workforce change issues, such as immigration, downsizing, retaining workers and training are concerns for about one in five respondents. The need for changes to Canadian pension plans, both private and public (Canada and Quebec Pension Plans), and the taxation of pension plans was also identified. A few respondents would like to see the development of specific programs to support the transition of older workers to retirement.

So, although a number of respondents believe that government has a role, relatively few see this as being in the area of specific transition support programs. This may mean that respondents see government's role in the work to retirement transition as less important than other aspects of government activity, or that they may be uncertain as to how government can actually assist with the transition process.

Table 3
Areas in Which Respondents Want Legislative or Regulatory Change

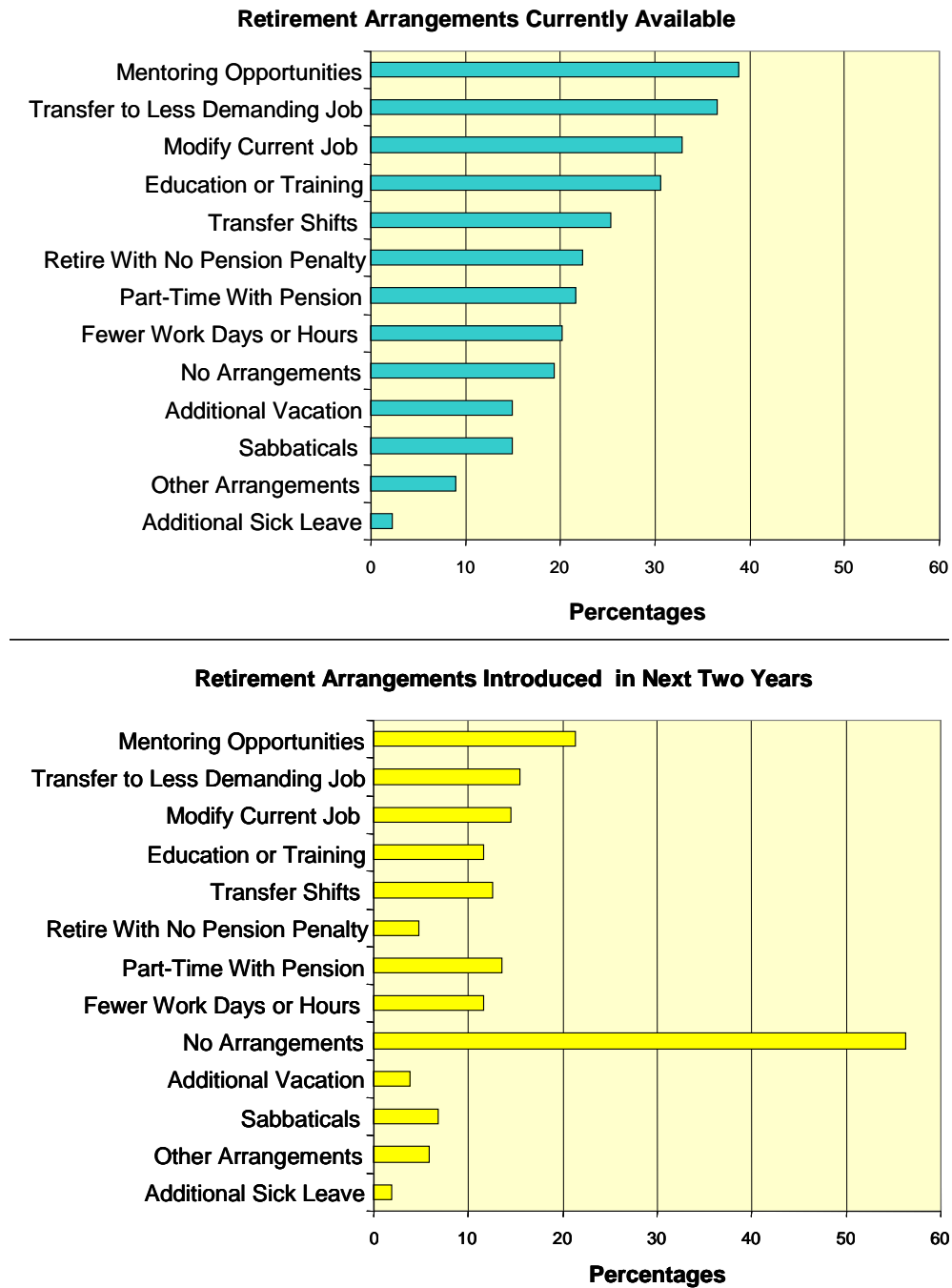
| Government Activity | Federal Responsibility | Provincial Responsibility |
|--|-------------------------------|----------------------------------|
| Lifting mandatory retirement age limits | | √ |
| Reducing the number of labour force jurisdictions from 13 to one | √ | √ |
| Easing accreditation and certification requirements between provinces and for immigrants | | √ |
| More effectively supporting skills training and certification requirements to create environments of continuous learning | | √ |
| Improving the timeliness of labour force and demographic statistics | √ | √ |
| Changing immigration rules to allow the entry of more technically skilled workers | √ | |
| Developing assistance programs beyond employment insurance (EI) eligible people to self-employed people who need skills upgrading or geographic relocation support | √ | √ |
| Modifying pension rules to create less rigid structures and allow for greater pension flexibility | √ | √ |
| Educating employers and employees alike to change their attitudes and stereotypes of older workers | √ | √ |
| Supporting financially and through regulation companies that support older workers | √ | √ |
| Conducting workforce planning beyond the period leading up to the next election | √ | √ |

In this survey, respondents did not perceive government as being actively involved in tackling the aging workforce problem. A higher proportion of respondents from large companies perceive that governments are unwilling or unable to provide the funding and support that individual employers require in such areas as education and trades training, retention initiatives, health and wellness, and pension reform. Smaller organizations would like to see government sponsored programs created or modified to address their WTR issues, such as altering employment insurance rules, assisting seniors with job searching, or relaxing immigration policies. A larger number of respondents from Quebec see a role for government, while those from the Atlantic provinces do not see the need for a significant government role.

Existing Transition Activities. About one in five survey respondents reports that their organization offered no pre-retirement arrangements in 2004 (see Figure 11). Among the remaining respondents, mentoring, transferring to a less demanding job or to a more desirable shift schedule, job specification modification, and pre-retirement training or education are the most common activities offered. Fewer small companies provide opportunities to transfer to less demanding jobs or to modify job specifications than medium or large organizations. A higher proportion of respondents from the Atlantic provinces are doing nothing in this area and fewer agree that their companies provide prospects for mentoring, job modification, or shift change. A higher proportion of respondents from the wholesale and retail sectors provide transfers to less demanding jobs, but those in the primary industries and professional

services sector had lower proportions for allowing pre-retirement training and education than the other sectors.

Figure 11
Retirement Arrangements Available to Older Workers in 2004
and Introduced in the Next Two Years



When asked what pre-retirement arrangements might be introduced for the first time in the next two years, over half of the survey respondents indicated that none would be introduced. However, the remaining respondents are considering initiating opportunities for mentoring, allowing transfers to a less demanding job, modifying job specifications, instituting collection of a partial pension, and transferring to a more desirable shift. More respondents from the Atlantic provinces believe that their companies will not be introducing any pre-retirement arrangements over the next two years.

Past Trends and Future Trends. Survey respondents were queried regarding any changes their companies have made to WTR policies or practices over the past five years. The majority believe that no changes have been made in their organizations. In those organizations where changes were undertaken, they tend to revolve around modifying the work environment to incorporate greater flexibility, changing retirement policies, such as eliminating mandatory retirement, or giving more attention to retention issues.

To project into the future, survey respondents answered a question about how the policies and practices of their companies might change over the next five years with respect to WTR issues. Of the 86 who responded, about a quarter expect no changes. But, half imagine that the work environment will change to reflect greater flexibility for all employees, including the older worker, and that greater attention will be paid to retirement and its practices.

Summary. Organizations believe that helping older workers transition to retirement helps them to retain employees as long as possible and to maintain a positive image of the organization. Many companies appear to perform a supportive role by educating their older workers about retirement and by supplying information they will need. The HR staff plays a critical role in informing employees about their retirement options. Nevertheless, employees themselves also bear a substantial responsibility in their preparation for leaving their employers. Governments have an important role in enabling companies to assist their employees by developing legislation and regulations that removes barriers and assists in the transition process.

4. Summary

4.1 The Issues of an Aging Workforce

The major issues stemming from the aging population and the WTR transition include:

- as the boomer generation passes into retirement over the next decade or so, many organizations and industries will experience significant skill, experience and leadership shortages;
- mass retirement will lead to critical losses of technical and corporate knowledge;
- the supply of new employees, including younger generations and immigrants, will be insufficient to fill all of the positions left vacant;
- succession planning will become more difficult as the number of qualified and experienced people in companies' talent pools declines precipitously;
- benefits costs will likely rise as companies retain older workers beyond the traditional retirement age;
- corporate productivity, performance, growth rates and revenue may decline as fewer people are available to do the work; and
- to compensate for fewer workers, organizations will have to look to new technologies, higher levels of automation, different work processes and untapped sources of labour, such as unemployed, underemployed and retired people.

4.2 Results

Owing to the small sample sizes of the organization survey and the key informant interviews, some caution should be exercised in interpreting the results of this study. Nevertheless, the findings indicate that:

- the executives and managers of many organizations are aware of the issues related to the impending retirement of the baby boom generation;
- with a few exceptions, companies are not forming or implementing strategies and practices to deal with the issues related to the aging workforce;
- organizations' major concerns are having enough quality leaders, finding people with the necessary technical skills, and ensuring the transfer of knowledge from older to younger workers;
- the main reason why organizations are not taking action is that other corporate priorities have more immediate operational or financial impacts;

- more programs aimed at retaining older workers have to be created; and
- recruiting efforts designed specifically for older and retired workers need greater consideration.

4.3 Policies and Programs

In many organizations, the policies and programs that have been created to improve the overall working environment also help to recruit older people and to meet the needs of older workers. Very few companies have designed specific activities that pertain only to older workers. Some practices in current use involve:

- promoting a positive work environment for all employees;
- instituting flexible work arrangements, including flexible working hours, telecommuting, part-time work, contract work, and reduced work weeks;
- changing the work to lessen the amount of physical labour required of older workers;
- providing opportunities for mentoring younger staff, moving to a training role, or assuming administrative or supervisory functions;
- supporting older workers to attend education or training programs;
- introducing special compensation, bonuses or perks for older workers;
- implementing education programs to increase respect amongst workers, especially older workers; and
- ensuring that hiring and promotion processes do not discriminate on the basis of age.

4.4 Implications for Government

As one of the partners in any WTR transition initiative, government can reduce the impediments that companies face in their efforts to support older workers, and promote practices that will assist organizations in creating positive work environments for older employees. Some areas where governments can make major contributions are:

- modifying immigration policies to allow highly trained technicians to enter the country and the workforce;
- challenging various professional and technical licensing bodies to recognize the credentials of individuals with foreign training and experience;
- proceeding with the elimination of mandatory retirement but working with companies to alleviate the negative impacts that occur;
- changing pension rules that act as a disincentive for people to stay employed;

- reviewing tax systems to make working a more financially viable option for retired people;
- assisting, both legislatively and financially, people and organizations in their efforts at developing their skills and capabilities; and
- implementing education programs that dispel the myths and stereotypes about older workers and older people.

5. Conclusions

Data from the survey participants and the key informants confirm that the awareness of the aging workforce issue with its potential for organizational problems is increasing in Canadian companies. The amount of discernible activity following from this awareness, however, remains small. Competing organizational priorities and the lack of imminent threats work against preparing and implementing strategic organizational responses. Progressive employment practices that have been instituted for all employees, such as flexible working arrangements, positive working environments and improved benefits, are also seen as meeting the requirements of older workers. Many employers do not distinguish between the needs of older and younger employees.

To help retain current employees and to enhance their corporate image, a number of employers have introduced mechanisms to support older workers as they transition to retirement, such as pre-retirement preparation programs, financial counseling and pension plan support. Nevertheless, employees bear a substantial part of the responsibility to ensure that they are ready for retirement, particularly from the psychological, financial and social perspectives. For example, while an employer can provide a pension plan, the ultimate responsibility for understanding the benefits that flow from the plan lies with the employee. Hence, the transition to retirement is a mutual responsibility; it can be supported by companies through various programs and initiatives, but the employee is the one who will actually live it. Government has the key role of enabling the retirement transition process of employers by updating legislation, streamlining bureaucratic procedures, removing regulatory barriers and harmonizing programs across jurisdictions.

Within the next two decades, the vast majority of the baby boom generation will transition from working life to retirement. The departure of such a large cohort from the labour force will have profound implications for employers, government and society. Already some sectors of the economy are feeling the competitive pressures as the pool of skilled and talented employees dwindles. Others will experience the same problems as the years advance. Hopefully, more and more employers will acknowledge the necessity of confronting the inevitable demographic challenge before it becomes economically debilitating. Only by commencing the crucial planning that will lead to effective and timely solutions for their aging workforces will we avoid a loss of national competitive position and a much reduced standard of living.

Appendix A

Examples of International Organizations' Responses to Workforce Aging

Human Resources (HR) Strategic Management

The aging of the workforce is clearly a strategic human resource management issue and business imperative. The changing demographic affects the availability of employee talent and impacts the flexibility that organizations may have in developing and implementing their overall business goals and objectives. Moreover, as the population ages, the demands of potential customers will also change, requiring organizations and companies to adapt and modify their products and services to meet the changing needs of an older customer base.

The Nationwide Building Society is a large, member-owned, financial services organization, similar to a Canadian credit union, located in the United Kingdom. As a result of a merger in 1987, the firm instituted an age diversity program that “aims to attract and retain employees across the age spectrum.”¹⁰ Of note, all of Nationwide’s employment policies integrate age as a factor, thereby ensuring that the contribution of all employees, regardless of age, is recognized, and that the requirements of employees at different life stages are met. Some of the outcomes have been reduced overall turnover, improved performance at both ends of the age spectrum, increased employee satisfaction, and reduced recruitment and retention costs.

Deutsche Bank is one of the world’s premier financial services institutions, based in Germany. The company recognized that the changing age demographic of their customers, the longer working life of its employees, its impending talent shortage, and its need for knowledge transfer from older to younger workers required the Bank to implement innovative age diversity policies and business practices.¹¹ Several age related programs include: forming intergenerational investment teams for wealthy clients, recruiting experienced relationship managers in the consumer business, hiring retired managers to support junior employees as “door openers,” creating systems to transfer knowledge from one generation to the next, and promoting phased retirement and other flexible work arrangements.

¹⁰ Business Council of Australia, *Age Can Work: A Business Guide for Supporting Older Workers*. (Melbourne, Australia, 2003), p. 16.

¹¹ Deutsche Bank, “Age Diversity at Deutsche Bank: Initiatives and Challenges,” *Presentation at a Joint Conference Board Diversity Conference*, May 5 and 6, 2005.

B&Q is the largest home improvement and garden centre retailer in the United Kingdom and Europe, and the third largest in the world. Age diversity is a key element in the company's strategic planning.¹² As the result of a skills shortage and the need to keep senior employees, B&Q launched its "Grey Revolution" in 1989. The organization believes that age discrimination in any employment practice disregards the reality of important social and demographic transitions. To that end, steps were taken to attract and retain older employees who were knowledgeable of home improvement and gardening. One approach was to introduce its "Over 50" stores as a means to meet the needs of both older employees and customers by giving them an environment that specifically caters to their needs with products and services. An independent study by Warwick University compared the performance of the "Over 50" stores with other B&Q stores and found that these establishments outperformed many of the others with higher profits, lower staff turnover, lower absenteeism and better customer satisfaction.

Attraction, Recruitment and Retention

Since the populations of many countries are aging, the pool of talented and experienced workers is shrinking. Organizations must consider attracting people from non-traditional age groups if they hope to meet their future workforce staffing demands.

Netto is a large supermarket chain in Denmark that has operations in all of the Scandinavian countries, Germany and the United Kingdom.¹³ The company has two key policies for attracting and retaining older workers. First, it has a program targeted at hiring older people because older customers like dealing with people in their own age group. Second, three "senior supermarkets" were opened where half of the staff was 50 years of age or older, which contrasted significantly to other stores where almost all of the employees were relatively young. From these initiatives, profitability in the senior stores matched that of the best of the regular stores, excellent customer satisfaction ratings were achieved and sick leave costs were lower. From this experience, the chain plans on introducing higher age diversity in its supermarkets across Europe.

During the 90s craze of online book shopping, Borders, the American bookstore chain, examined the demographic composition of its customers and found that 50% of all books were purchased by people over 45 years of age.¹⁴ The company established a formal hiring and retention initiative for older employees. Now, 16% of its workforce is over the age of 50, up from 6% in 1998. Borders' "passport" program allows employees to work half their time in a store in one part of the country and the other half in a different part of the country, ideal for employees who spend the winter in a warm state and the summer in a northern state. The 401K pension plan is also being adjusted so that part of an older worker's salary can be invested in a deferred-income annuity, which ensures a monthly

¹² International Labour Organization, "Promoting Decent Work for an Ageing Population: Actors, Partners and Corporate Social Responsibility," *Paper presented to G8 High Level Meeting on Employment*. Paris: May 12-13, 2003.

¹³ European Foundation for the Improvement of Living and Working Conditions, "Ageing and Work in Europe", *Office for Official Publications of the European Communities*, (2004).

¹⁴ Jessica Marquez. "Novel Ideas at Borders Lure Older Workers" *Workforce Management*, May 2005), p. 28.

income upon actual retirement. Borders has found that the turnover rate of older workers is ten times less than that of their younger colleagues.

To reflect the changing demographic makeup of Australia, Westpac, a large financial services company, has made a concerted effort to hire older people, particularly to work in its call centre operations.¹⁵ In 2001, only 18% of the bank's workforce was over 45 years of age but this had increased to 23% by 2004. Westpac reports that these employees tend to relate better to customers, especially those in the "boomer" generation. Moreover, older workers had lower rates of absenteeism and turnover, and higher rates of productivity and employee satisfaction.

Work Design and Organization

With aging comes changing physical capabilities. Nevertheless, even in the industrial sectors, "brawn power" is giving away to "brain power" for everyone. It makes sense, therefore, to redesign work to capitalize on the abilities of experienced employees.

Volvo's Torslandaverken plant in Sweden experienced a severe labour shortage in the early 90s.¹⁶ In 1994, two new departments were created for staff members who were older than 50 years of age or who had acute medical problems. These departments perform specialized service or preparatory tasks on vehicles before they are moved to the assembly line, leaving the heavier work to the younger employees. In addition to retaining the experience of older workers, the company achieved considerable cost savings through reductions in early retirements and sick leave. Moreover, the integration of different aged employees in the work teams generated greater harmony in the work environment.

Ruoka-Saariöinen Oy, a large Finnish food production company, has instituted a program with the goal of extending its older employees' working life by one or two years by improving the physical work environment.¹⁷ The purchase of new, ergonomically-designed equipment, along with the introduction of fitness and weight loss programs, has improved the physical and mental health of employees. In addition, employees retire later in their working life, thereby repaying the investment outlays through reduced recruitment and training costs.

International Truck and Engine Corporation is a large American truck manufacturer. In an effort to reduce injuries and increase productivity, the assembly line at one of its large plants was modified so that the truck chassis was rotated upside down so that they could be worked on from above rather than from below.¹⁸ In combination with new, ergonomically designed tools, the work became less physically demanding and safer. Older employees who might have found some jobs too physically demanding could now continue in their jobs.

¹⁵ Human Resources Magazine, "Business, Boldness and Benefits: How Westpac Tackled the Ageing Workforce" www.humanresourcesmagazine.com.au, (May 12, 2005).

¹⁶ European Foundation for the Improvement of Living and Working Conditions. "Ageing and Work in Europe", *Office for Official Publications of the European Communities*, (2004).

¹⁷ European Foundation for the Improvement of Living and Working Conditions. "Managing an Ageing Workforce: A Guide to Good Practice", *Office for Official Publications of the European Communities*, (1998).

¹⁸ American Association of Retired Persons, "Staying Ahead of the Curve 2004: Employer Best Practices for Mature Workers", *AARP*, (2004).

Work Flexibility

In addition to physical changes, older employees experience significant social and psychological changes as spouses retire, children leave home and health concerns arise. Progressive organizations establish flexible working arrangements that allow employees of all ages to meet personal and familial demands.

To meet the needs of its senior employees, a Belgian finance company, Fidisco NV, has instituted a policy of flexible working patterns.¹⁹ Most notably, older staff members (i.e., men over 60 and women over 55) are permitted to work two hours less per week without a loss in salary. Employees also have the option of converting these reduced working hours into extra holidays.

At St. Mary's Medical Centre, a large American medical facility, employees who are approaching retirement can reduce their hours of work without having negative impacts on their pensions or other benefits.²⁰ This initiative was undertaken in response to employee demands.

In 1991, IBM-Sernet was inaugurated as a partnership between a group of older managers and IBM Italy.²¹ The firm offers consulting services to organizations of all sizes and in all sectors. The arrangement is one of outsourcing where a set of highly experienced professionals are kept in the IBM sphere and the ex-employees maintain a connection with their former employer.

Training and Development

Because organizations have to keep pace if they are to remain vital and viable, continuous learning remains a key ingredient in the development and productivity of individuals. Older employees need to maintain a reasonable level of learning to be creative and current, and employers must provide the opportunities to learn. As the workforce ages, the core employability skills are likely to change, and several international organizations have responded.

A high proportion of Air France's workforce is above the age of 50.²² The company has instituted a complex system that permits 500 employees every year to evaluate their careers based on their experience and motivation with the aim of allowing greater reorientation and mobility. Every employee in the scheme can access a tutorial system that endeavours to facilitate intergenerational cooperation as a means of enhancing knowledge transfer. In addition, the company has a map that identifies positions where prior experience is necessary. Within three years of retirement, employees are also given the opportunity of being involved in a training module designed to ease the transition to retirement.

¹⁹ European Foundation for the Improvement of Living and Working Conditions, "Managing an Ageing Workforce: A Guide to Good Practice", *Office for Official Publications of the European Communities*, (1998).

²⁰ American Association of Retired Persons. "Staying Ahead of the Curve 2004: Employer Best Practices for Mature Workers", AARP, (2004).

²¹ European Foundation for the Improvement of Living and Working Conditions, "Managing an Ageing Workforce: A Guide to Good Practice", *Office for Official Publications of the European Communities*, (1998).

²² European Foundation for the Improvement of Living and Working Conditions, "Ageing and Work in Europe", *Office for Official Publications of the European Communities*, (2004).

The Environment Service Department (EDS) is a service branch of the town council of Groningen in the Netherlands. In 2003, the EDS was an award winner from the Dutch Taskforce of Older People and Employment.²³ More than half of the organization's workforce is over 40 years of age. The Department's basic philosophy is that people have permanent employment but the work they do may vary. Employees are strongly encouraged to take responsibility for their own development, training and career advancement. In addition, the organization constantly monitors individual development, training and education. Employees who are temporarily unable to perform their job are given another opportunity that fits with their capabilities. If employees cannot permanently work in their regular job, they are trained to be coaches to younger employees.

The Ohio State University Medical Center has developed educational programs targeted specifically at older employees.²⁴ The "Program 60+" provides older employees with the opportunity of auditing any college class free of charge. And, the "Bridge Program" is intended for any mature worker who has been out of school by helping them overcome the anxieties they may face about returning to or beginning college.

²³ Ibid

²⁴ American Association of Retired Persons, "Staying Ahead of the Curve 2004: Employer Best Practices for Mature Workers", *AARP*, (2004).