

The Longevity Report

Business Insights in an Aging World

Managing the New Multi-Generational Workforce



BAXTER CONSULTING GROUP

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Foreword

Forecasting future challenges and opportunities can be a formidable challenge for companies. Today's markets shift rapidly, driven by incessant technology revolutions and fast-moving consumer preferences. Competition appears from unexpected sources as new business models materialize. Globally intertwined markets are increasingly complex and often confound analysis.

Workforce demographics, however, are highly predictable and inevitable. We know the workforce will become significantly older because the massive boomer generation is now moving into their pre-retirement and retirement years. We know younger workers will become even scarcer because birth rates collapsed in the second half of the last century. We can predict with certainty that generations will move steadily through the workforce, carrying their distinct attitudes, abilities, and preferences.

And yet, too often organizations ignore these highly predictable changes, and then are caught unprepared when demographic trends catch up with them. In this issue of the *Longevity Report*, we examine how demography is altering the workforce, and will surface some strategies our clients and others are pursuing in order to prepare—and even prosper—in an era of workforce aging and generational change.

In the first article, we examine the impending talent crisis as workforce growth slows radically, and look at how organizations can shift strategies to prepare. In the second article we review innovations and best practices to re-gear for an aging workforce. In the third article we discuss the challenges, risks, and opportunities as companies grapple with intensifying generational diversity. In the fourth article we discuss the importance of fostering learning and knowledge sharing, and examine strategies to disseminate experience and knowledge across generations. Finally, we review a ten-step plan for companies to prepare for the new multi-generational workforce.

We hope this report is useful and thought-provoking as you envision the future of your organization.

Best,



David Baxter
CEO, Baxter Consulting Group





The Impending Talent Crisis

Inexorable demographic forces are creating critical workforce shortages. But employers which adapt will find new opportunities to prosper.

Across almost every industry, employers are now facing two perilous challenges. First, they are contending with critical talent shortages among younger workers. Second, they are confronting a massive potential “brain drain” of their most experienced and knowledgeable workers who are now moving into their retirement years. Without proper foresight and preparation, these two challenges will combine to create an unprecedented and potentially crippling talent crisis in the coming decade.

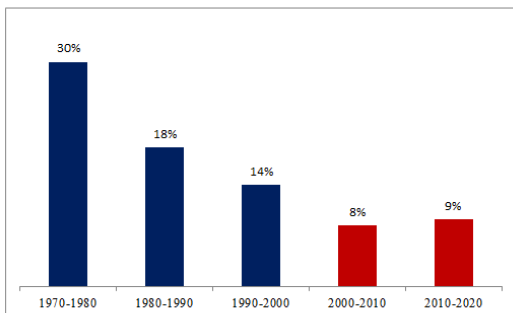
This talent crisis is both highly predictable and inevitable, because it is the result of powerful demographic forces that have been building for decades. Until recently, demographics have been an ally to employers. In the United States, the “baby boom,” a surge in birth rates that stretched from 1946 to 1964, created a massive bulge in our workforce population that would ensure an abundant supply of workers for decades. The Boomer generation began entering the labor force in substantial numbers during the 1970s, producing a large supply of



inexpensive younger workers (while also contributing to higher unemployment). As the boomers matured during the 1980s, 1990s, and 2000s, organizations could count on steady growth in the numbers of talented, experienced workers, contributing to consistent annual increases in workforce productivity.

However, demographic winds are now rapidly shifting. A young, fast-growing workforce is transforming into an aging, slow-growth workforce. The Boomers, who have been powering workforce growth and productivity for decades, are now aging into their retirement years. Meanwhile, there are fewer younger workers to replace the Boomers. Due to falling birth rates following the baby boom of the 20th century, employers are competing for scarcer workers among the smaller Generation X. Although the Millennial generation is larger, it is not large enough to offset the loss of talent as Boomers, who are now turning age 65 at a rate of 3.5 million per year, depart the workforce. In the 1970s, for example, employers enjoyed a 30% growth in the number of U.S. workers. But demographic forces have now hit the brakes, and the labor force is growing less than 10% per decade.

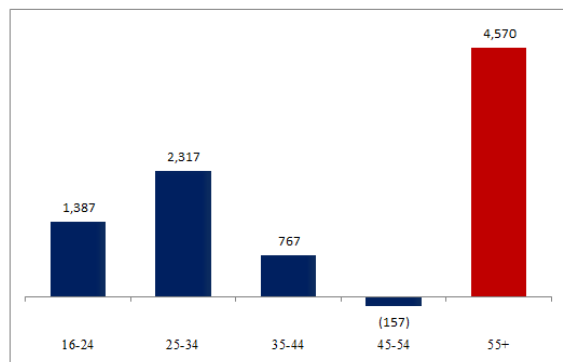
Increase in U.S. Workforce Size, by Decade



Source: Bureau of Labor Statistics, Labor Force Statistics from the CPS; IMF, Recent U.S. Labor Force Dynamics: Reversible or not?, 2015

During the Great Recession, few employers felt the impact of slackening workforce growth as hiring slowed. Today, an accelerating economy and decelerating labor force is creating a potential train wreck. Organizations are now battling for scarce talent in order to sustain growth and capitalize on new business opportunities. According to Manpower’s 2016 Talent Shortage Survey, 46% of U.S. employers report having difficulty filling jobs with the appropriate talent. Globally, this percentage is at the highest level in a decade. In Japan, the economy with the fastest-aging workforce, 86% of employers report difficulty finding skilled workers.

Workforce Growth by Age Group, 2011-2015 (thousands)



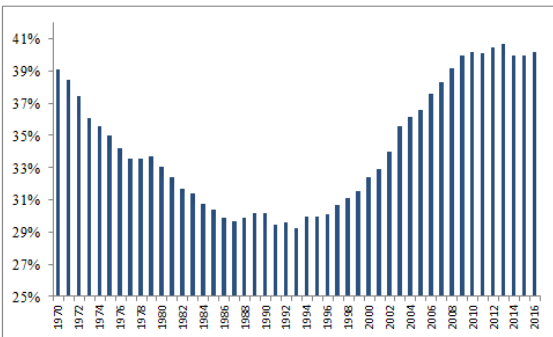
Source: Bureau of Labor Statistics, Labor Force Statistics from the CPS, 2017

So where will employers find the workers of the future? Organizations fishing in younger talent pools face dwindling numbers of candidates. Older workers are now overwhelmingly driving workforce growth. Between 2011 and 2015, the number of age 55+ workers increased by 4.6 million—more than all other age groups combined.



This massive growth in older workers is in part due to there simply being more older people as Boomers age. However, there is another powerful force at work. Not only are there more older people, more older people are working. Labor force participation rates among those age 55+ have recently taken a surprising U-turn. After decades of decline in labor force participation rates among older people, almost four in ten people age 55+ are now at work.

Age 55+ Labor Force Participation Rates



Source: Bureau of Labor Force Statistics, 2017 from the Current Population Survey

Because over half of the U.S. labor force growth is now among age 55+ workers, companies across industries and geographies are now challenged to rethink their workforce strategies to better attract and retain older workers. And yet, many organizations persist in recruiting, training, engagement, and retention strategies that were designed for a youthful workforce. For example, according to a recent study by the Society for Human Resource Management, only about a third of companies have even attempted to assess the impact of “brain drain” of retiring Boomers on their talent needs.

This continued focus on the young workforce will exacerbate the coming talent crisis. As organizations battle over an increasingly scarce pool of young workers, they will face growing recruitment costs, declining skills and productivity among available candidates and diminishing retention. Moreover, as older workers exit the workforce, organizational know-how, culture, and relationships with customers and partners created and maintained by mature workers will simply walk out the door.

Preparing for an aging workforce requires thoughtful strategies that anticipate powerful demographic trends and align with future business needs. Increasingly, human resources leadership will be front and center with a growing responsibility for the success or failure of their organization. And they are now facing some very challenging questions: How can an organization overcome shortages in available younger workers? How can employers best leverage the vast talent and experience of older workers? How can recruitment and retention strategies be re-gearred to appeal to older workers? Can the most valued older talent nearing retirement be retained? How can a multi-generational workforce, encompassing diverse groups of older and younger employees, work together most effectively?

In the years ahead, employers will need to learn to quickly adapt to imminent demographic trends. Those who do will find new ways to thrive with in an era of new workforce demographics.





Re-Gearing for an Aging Workforce

Aging-readiness workforce innovation is now a necessity for many organizations, and can also help improve workforce engagement across generations.

The workplace we have today was largely designed for a younger workforce. The desks we sit in were designed for younger bodies. The

font sizes and screens were designed for younger eyes. Recruitment strategies, such as campus recruiting, have often focused on young



talent pools. Career paths were developed for the life stages and goals of young people. Work hours and locations were created to fit with the lives and lifestyles of young workers and their families. Compensation and benefits were developed to reward and retain young workers, not older ones.

This all used to make sense—until very recently most of our workforce was quite young. But the workforce is aging rapidly among almost all advanced economies, and, as a result, many organizations, in shorter supply of young employees, are developing creative solutions to attract and retain older workers. For those that succeed, the payoff is access to a motivated workforce of highly experienced and loyal employees.

Fortuitously, just as the growth in the numbers of young workers is slowing, more and more older workers say they want to stay in the workforce. 73 percent of pre-retirees age 55+ say they want to work in retirement, according to a recent Baxter Consulting Group national survey. However, very few are seeking traditional, full-time positions. Our studies indicate that flexibility is a top priority for older workers, ranking even higher than compensation among those in or nearing retirement age. Workforce strategies that include sabbaticals, part-time work, flexible hours, and flexible locations can be highly effective at retaining valuable older talent. For example, creating a “retiree corps” of recently retired valuable employees that can be engaged for select projects on part-time or consulting basis allows a company to have needed talent at the ready. To succeed, membership should be selective, and the capabilities of members

should be promoted and easily accessed by the company.

Our recent survey also indicates that over half of older employees are seeking new kinds of work or career paths. With a vast repertoire of experience, contacts, and capabilities, many view later career stages as an opportunity to leverage their capabilities to pursue work they are most passionate about. Creating a “retiree retention panel,” which can meet personally with the most valuable executives and employees nearing retirement to craft personalized career paths can help organizations thwart the “brain drain” of retiring leadership and top talent. Positions that include mentorship are often of high appeal to older employees, and can add considerable value to an organization seeking to leverage the knowledge and experience of senior workers.

As workforces age, benefits must evolve as well. While time off for childbirth and childcare is a core part of many company’s benefit offerings, many older employees find themselves needing extra time for “eldercare,” providing care to aging parents or relatives. Providing work schedule flexibility, eldercare leave, and eldercare support, such as guidance on eldercare services and support groups, can be important to older workers and help them remain productive during difficult times.

Promoting wellness among employees can also help workers be healthy and productive throughout their careers, and can help reduce a company’s health care liabilities as its workforce ages. To succeed, wellness initiatives should be front and center in an organization, championed at the highest levels. These initiatives, which may include everything from



fitness classes to healthy food in the company's cafeteria, both help a company's bottom line and deepen positive relationships with employees. Workplace re-design can also help workers be healthier, safer, and more productive. An "ergonomic audit" can reveal ways to design the workplace to be more injury-free, and to reduce fatigue and discomfort particularly among older employees. Re-thinking workstation layout, injury risks, lighting, and accessibility can make a workplace more aging-ready, and safer for all generations. For manufacturing companies and positions requiring manual labor, robotics can help reduce physical demands and injuries.

Financial wellness matters too, particularly among employees planning and saving for retirement. A recent study by

PriceWaterhouseCoopers revealed that over half of employees are stressed about their finances, which can diminish presenteeism and productivity. Beyond traditional strategies such as 401(k), financial education programs can help employees manage everything from debt to college savings to retirement planning.

Innovations to engage older workers can be profitably applied to younger workers as well. Just like older workers, younger workers are also increasingly looking for ways to be more flexible in their work time and place. Wellness programs can build goodwill and loyalty among all employees. Many organizations find that re-thinking strategies for older workers can lead to more motivated and engaged workers across all generations.

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How to Thrive with Generational Diversity

Workforce management is no longer one-size fits all.

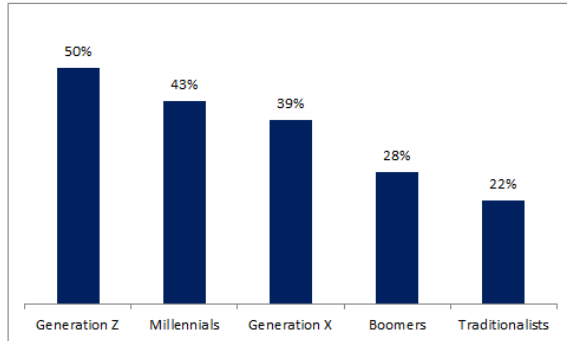
Never before have organizations faced such a diverse mix of generations in their workforce. Due in part to the aging of the workforce, many organizations can now count five generations among their employees: Traditionalists (age 72+), Boomers (age 53-71), Generation X (age 37-52), Millennials (age 20-36), and the incoming Generation Z (< age 20).

But it's about a lot more than headcount. Generational diversity is intensifying on multiple dimensions that require re-thinking of how different generations are engaged and managed. Generational diversity often intersects with and magnifies other types of diversity. For example, younger generations are far more ethnically diverse than older generations. Members of Generation Z are



almost twice as likely to be ethnic minorities (50%) as Boomers (28%).

Percent Ethnic Minority, by Generation



These percentages only tell part of the story. While older generations are more ethnically siloed, younger generations are more of an ethnic cultural blend, with greater comfort in fusing a variety of ethnic and cultural ideas and perspectives in both life and the workplace. Consequently, younger generations can often serve as catalysts and champions in ethnic diversity and inclusion initiatives.

Women's expectations and roles in the workplace are also reaching new levels among younger generations. Traditionalists and Boomers spearheaded the battle for women's equal rights in the workplace. But younger generations are far more accustomed not just to women's equality, but to women's leadership. Among younger generations women have far outperformed their male counterparts in education. According to the latest government statistics, there are a third more female college graduates than male graduates each year, and women are 50% more likely to earn a master's degree. When engaging younger generations, employers must understand and align with these new gender dynamics.

Moreover, a more complex mix of generational life stages, life priorities, and work attitudes requires a deeper understanding of different generational segments and how they relate to work and life. Traditional life paths are being replaced by more fluid and diverse life stages as younger generations delay marriage and children, and older workers return to school or seek work in retirement.

Faced with an increasingly generationally diverse workforce, a "one-size fits all" approach to managing different generations is rarely the best strategy. Just as marketers target different segments of consumers with different product offerings and marketing messages, employers are increasingly using a "segment-based" employee engagement strategy to shape incentives targeting different generations of employees. This doesn't mean offering game rooms and free snacks to Millennials. Instead, by developing a deep understanding of generational differences and trends in their workforce, employers can shape incentives, benefits, career paths, micro-cultures, and managerial styles to engage and motivate each generational segment as effectively as possible.



Generational Differences in the Workplace

	Traditionalists (Age 72+)	Boomers (Age 53-71)	Generation X (Age 37-52)	Millennials (Age 20-36)	Generation Z (< Age 20)
Formative Experiences	Great Depression, WWII	Moon landing, Vietnam War, Watergate	Oil crisis, space shuttle, AIDs, End of the Cold War	9/11, Great Recession	Global warming, Wiki-leaks
Formative Technology	Radio	Television	Personal Computer	Internet	Smart phone and devices
Preferred Communication	Letter	Phone, face-to-face	Email	Text/IMs	IMs
Attitudes to Technology	Technology challenged	Technology adaptors	Technology savvy	Technology natives	Hyperconnected
Key to Work Success	Loyalty, sacrifice	Hard work	Problem solving	Adaptability	Break the rules
Career Path	Corporate ladder	Loyal to employer	Loyal to profession	Career morphers	Career multi-taskers
Life Priorities	Retirement, legacy	Retirement, family	Financial security, work/life balance	Financial security, marriage and children	Student debt and work stability
Compensation Priorities	Health care, retirement income, reduced hours	Health care, retirement savings, flexible schedule	Career advancement, wealth accumulation	Cash compensation, purpose, learning opportunities	Cash compensation
Learning	Formal classes	Group discussions	Learn by doing	Online and interactive learning	Social media and interactive learning
Gender roles	Rigid gender roles	Women's rights	Gender equality	Empowered women	Women leadership
Attitudes to Ethnic Diversity	Discomfort with diversity	Accepts diversity	Comfortable with diversity	Thrives with diversity	Diverse

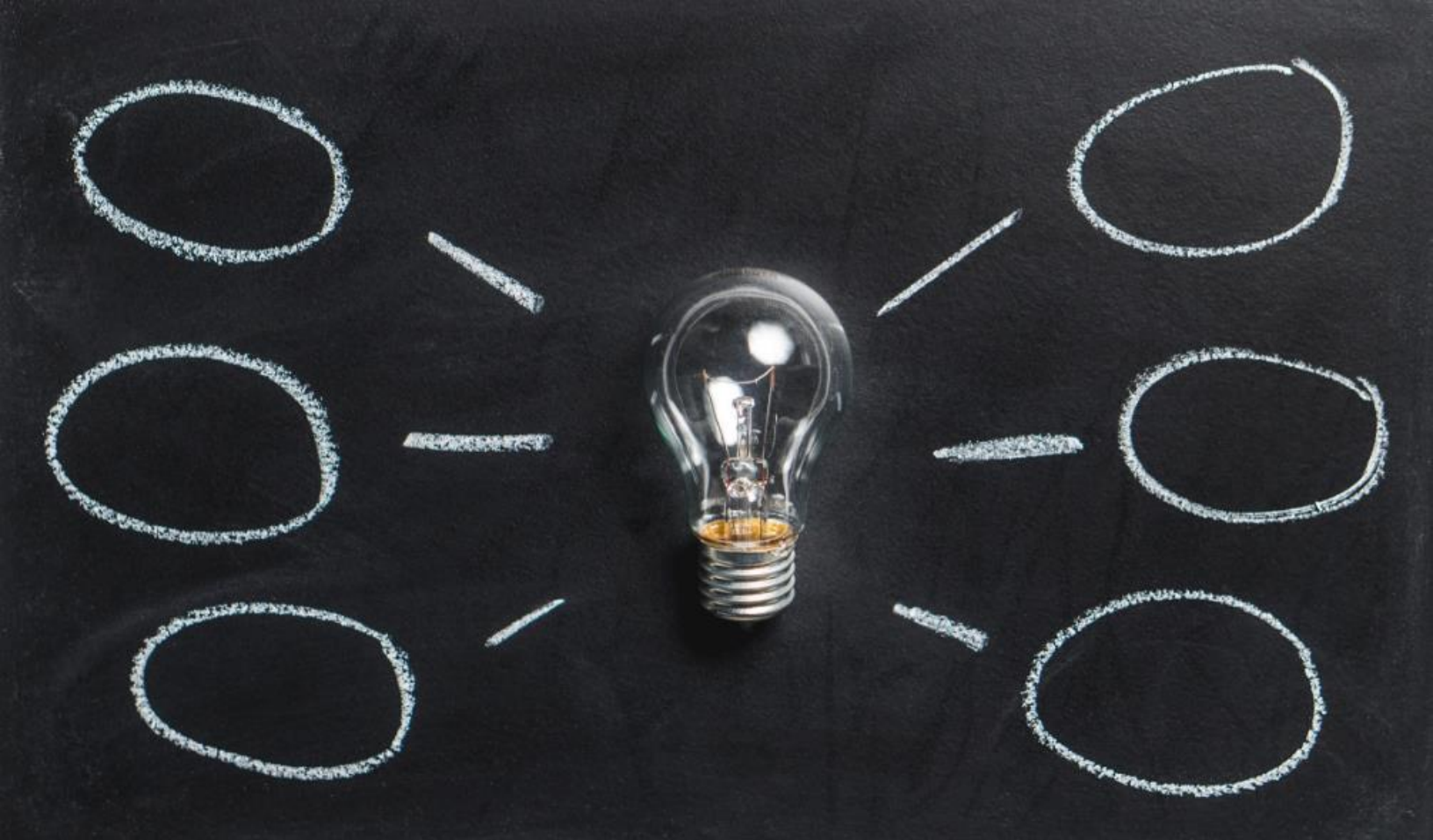


A successful generational diversity initiative can quickly reward an organization's effectiveness and bottom line. Generationally targeted compensation and incentives can not only better motivate employees, but can also be more financially efficient since they address more precisely what each generational segment values. Programs such as multi-generational team-building that overcome barriers to intergenerational communication and cooperation can help disseminate valuable institutional knowledge and empower employees to work together far more effectively. Leadership training that incorporates learning communication and management styles that work for different generations can empower managers to be more

effective in getting the most out of employees across all age groups.

As with any diversity initiative, a generational diversity initiative requires leadership commitment and highly visible senior executive support. Clarity and planning are critical to develop a well-defined path to achieve predetermined, measurable goals. To succeed, generational diversity should not be viewed as a separate process, but rather as an integral part of the business.





Creating an Intergenerational Learning Organization

Generational differences can both help and hinder.

Excellence in organizational learning is crucial to success in today's highly competitive, knowledge-based economies. To respond to accelerating changes in markets and competition, organizations must be smarter, more agile, and more adaptable than ever. They must outclass their competition in their ability to rapidly access, share, and build upon their knowledge and expertise. Continuous organizational learning is perhaps the most powerful competitive advantage today.

When it comes to organizational learning and knowledge, workforce aging is a two-edged sword. On the one hand, workforce aging increases an organization's storehouse of knowledge and experience. Older employees, with their decades of experience and on-the-job learning, are a vital reservoir of an organization's capabilities, cultural values, business relationships, and leadership skills.



On the other hand, workforce aging is both presenting new obstacles and new urgency for excelling in organizational learning and knowledge. Workforce aging creates three organizational learning imperatives. First, organizations are facing a potential “brain drain.” There is an African proverb that when an old person dies, it is like a library burning down. Without proper foresight and preparation, organizational knowledge literally walks out the door when older employees leave. Because the massive boomer generation is now moving into traditional retirement ages, many organizations are now risking a perilous loss of knowledge and a depletion of leadership as large numbers of senior level employees retire.

Second, many employers, as workforce growth slows and fewer younger workers enter the labor force, find there are simply too few workers available for the positions they are trying to fill. The few workers that are available often lack the talent and skills needed for today’s economy. While there is little organizations can do about the workforce shortage, organizational learning can help ramp up necessary skills and capabilities and increase productivity among the workforce that is available.

Third, there is an escalating knowledge and skills chasm between generations due to the rapid pace of technology and business innovation. Younger generations adapt more readily to new technologies and business models, while older generations have the decades of learning and experience younger generations lack. Generational learning silos that hinder the intergenerational transfer of knowledge are all too common, and can lead to

cultural breakdown and substandard organizational innovation and agility.

To prepare for workforce aging, organizations can implement strategies designed to capitalize on the vast knowledge of their older workers and to address the three imperatives listed above.

Lifelong learning should be an important part of an organization’s strategy to optimize worker productivity and engagement. Although older workers are often overlooked during training initiatives, because turnover is actually lower among older workers, providing training to all age groups makes good business sense. Investing in learning can also help retain older workers and help them be as productive as possible. Learning initiatives that are tailored to the preferences of older workers, including more interactive and group learning, are most effective.

A growing number of organizations partner with educational institutions or reimburse tuition to foster lifelong learning. United Technologies, for example, has invested over \$1.2 billion to further employees’ formal education through their Employee Scholar Program. Different generations may have different learning style preferences as well. While older workers may prefer interactive group classroom style learning, younger employees may gravitate toward more flexible individual online learning.

Knowledge networks can also be an effective mechanism to internally share organizational skills. For example, an online “mentor network” can match younger employees with experienced older employees who can provide specific guidance or knowledge they need. The



network can include searchable mentor profiles that list each mentor’s skills, capabilities, and interests. But mentorship goes both ways. Many organizations are also implementing “reverse mentorship” that pair younger, tech-savvy employees with senior employees looking to get up to speed.

Learning mostly happens on the job, and collaboration and job shadowing can also be effective strategies for intergenerational knowledge-sharing. By promoting the development of multi-generational teams, younger employees will have the opportunity to interact and learn from older, more experienced workers—and vice versa. These multi-generational team programs can also

foster better organizational cohesion and creativity.

A strong culture of intergenerational learning can lead to efficiency gains, increased productivity, leadership development, better adaptive abilities, and greater profits. It can also encourage greater employee loyalty, retention, and engagement. Increasingly, employees recognize that working in an environment that prioritizes learning and professional growth is one of the most valuable benefits an employer can provide. Offering a rich learning environment can not only create a powerful advantage in the marketplace, but can also enable an organization to attract and recruit the best employees.





Ten Steps to Prepare for the New Multi-Generational Workforce

Demography is destiny. But with planning and preparation, the talent crisis is avoidable.

Preparing for an aging workforce requires thoughtful strategies that anticipate powerful demographic trends and align with future business needs. While every organization's needs are different, our clients generally find there are ten fundamental steps to reorient to today's workforce.

Step #1: Predict your workforce demographics. Knowing how the demographics of your workforce will change in the next five and ten years will enable you to identify the potential

talent shortages you will need to address. What are recruitment and retention patterns among different generations? What are your projected internal mobility and retirement trends? How are your organization's demographics correlated with resources? How will your workforce demographics and aging impact different sectors, e.g. departments, skillsets, roles, etc.? What will be the future stress points created by demographic trends?



Step #2: Identify recruitment risks. Workforce aging and shrinking talent pools will increasingly stress recruitment efforts for many organizations in the coming decade. What are your current recruitment strategies, and which demographic groups do they target? Where are they likely to have the most success in the coming years? What are your talent pool demographics, and how will your talent pool demographics alter over the next decade? What future hiring needs are most susceptible to projected shortages?

Step #3: Identify retention risks. Identifying retention risks and talent losses will inform how you need to improve retention strategies, re-think succession planning, and shore up capabilities. What are retention rates among different demographic groups in your organization? What triggers put retention at risk? What are retirement patterns and trends? Which groups within your organization are nearing retirement? How will retirement losses among key personnel and work teams impact your corporate knowledge, culture and effectiveness? Are there pre-retirees who are critical for you to retain?

Step #4: Survey and analyze your multi-generational workforce to better understand needs, motivations, and contributions from different age groups. How are the different generations of your workforce different? What are different generations of workers seeking from you? What are their ideal career paths? What matters most in terms of compensation, benefits, managerial styles, and work opportunities? What are their greatest frustrations? What do they feel they contribute most? What retention and engagement strategies are most effective for each demographic segment?

Step #5: Build the business case for your workforce strategy to engage your organization's top leadership. An aging or multi-generational workforce strategy will be most

effective if there is buy-in and support from the highest levels. What are the business goals you are trying to meet? What are the top risks to the organization? How will potential strategies impact the bottom line? What are the solutions you recommend?

Step #6: Prioritize efforts to target employees and work teams that are most critical to maintaining vital organizational capabilities. Demographic changes and workforce aging will impact many dimensions of most organizations. It is important to focus efforts and secure "quick wins" to build momentum for your initiative. What are the greatest near-term risks? How can these be addressed? What is your approach and timeline to address your top priorities? How will success be measured?

Step #7: Improve your capability to recruit workers across generations. As competition for shrinking numbers of younger workers heats up, organizations can beat the competition by turning to the fast-growing numbers of older workers. Many organizations excel in recruiting younger workers, but lack experience and expertise in attracting and recruiting older workers. For example, recruitment on college campuses is often a familiar and favored strategy, but channels to find and recruit older workers may be less obvious. What are your current recruitment channels? What generational and age stereotypes do your organization and recruiters have that may get in the way of recruiting older workers? Do your job promotional language and job promotion channels align with older workers? What is your onboarding process, and how well does it fit with different generations of workers? Do you have a reputation as an active recruiter and a good employer of older workers?

Step #8: Implement flex-retirement programs to retain and engage older workers. As workforces age, retirement of top talent can deplete an organization of leadership and capabilities. Retirement retention strategies can



help keep your valuable workers even as they move into retirement. Flexibility and innovative positions, such as reduced hours or schedules, temporary work, consulting assignments, job sharing, telecommuting, and mentoring positions, can often appeal to retirees seeking better work/life balance and opportunities to pursue work they are most passionate about.

Step #9: Build your culture and management practices to motivate all generations of your workforce. A culture that values and respects experience, promotes continuous career development, and offers continued learning and training opportunities will appeal particularly to older generations in your workforce.

Step #10: Continuously assess and refine your workforce strategy to ensure you are meeting your stated goals. Set objectives that are

measurable and align with your organization's business goals. Which strategies are working? Where are you falling short? How have your initiatives improved your organization's capabilities, competitiveness, or bottom line? What adjustments and refinements are needed to excel in your leadership of an evolving multi-generational workforce?

Demographic changes will present significant workforce challenges in the coming years. But organizations which prepare wisely will find themselves well ahead of the competition. Demography is destiny, but the planning and creative actions taken today will determine whether we are facing a talent crisis or an opportunity to re-think and reshape how we engage, manage, and motivate the workforce of today and tomorrow.



About Baxter Consulting Group

Baxter Consulting Group is a leading national expert on the business implications of population aging, generational research, lifestage strategies, and the age 50+ marketplace. Baxter brings vast expertise and decades of experience working with Fortune 500 companies in the financial services, health care, housing, technology, travel, food, entertainment, and other industries, helping them identify new market opportunities and build powerful brand, product, and marketing strategies.

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