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ORYX Conference

Dealing with the Aging Workforce

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THE AGING WORKFORCE: BACKGROUND

- United States entering into a population slump.
- The population is not booming like the populations of the less developed countries in the world.
- It’s growing, but not like it was.

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THE AGING WORKFORCE: BACKGROUND

- Between 2000-2010, the United States grew at a rate of 9.7%.
- According to the United States Census Bureau, 9.7% is the lowest growth rate in the United States since the Great Depression.

THE AGING WORKFORCE: BACKGROUND

- During the 1930’s, the United States grew at a rate of approximately 7%.
- Growth peaked at about 19% in the baby boom years of the 1950’s following World War II
- Population growth has been declining ever since.

THE AGING WORKFORCE: BACKGROUND

- Currently the United States population is 308.7 million.
- Global population is expected to grow at a rate of approximately 12.5%.
- It will increase to approximately 7 billion in October of 2011.
- It is expected to increase to 9.3 billion by 2050.

THE AGING WORKFORCE: BACKGROUND

- The population growth rate in the United States clearly lags behind the global population growth rate.
- The United States' slumping growth rate may yield a corresponding loss of influence by the United States on the world stage.

THE AGING WORKFORCE: BACKGROUND

What will the slumping growth rate mean for our struggling economy and businesses?

THE AGING WORKFORCE: BACKGROUND

- The slumping population growth rate in the United States is expected to create a corresponding demand for workers.
- The population in the United States is aging.
- The United States' workforce is now middle-aged.
- The expected imminent retirement of the baby boomer generation may exacerbate the problem.

THE AGING WORKFORCE: BACKGROUND

- The shrinking workforce may weaken our economy as younger people will need to support a larger population of older people.
- Medical services and other related support are EXPENSIVE.

THE AGING WORKFORCE: BACKGROUND

- The retirement of the baby boomer generation is long been anticipated.
- Its effect on the United States workforce and economy isn’t clear.
- The retirement of the baby boomers is expected to increase pressure on the younger generation to sustain these retirees.

THE AGING WORKFORCE: BACKGROUND

- For example, many retirees are expected to lack sufficient retirement income due to:
  - a lack of planning;
  - The changing nature of company “pension plans”;
  - The increased longevity of our population.
    - The life expectancy for the average American 20 years ago was approximately 70 years.
    - Today, life expectancy has increased to 77.7 years.

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THE AGING WORKFORCE: BACKGROUND

- Retirement benefits provided by employers have changed over the years.
- Many employers have shifted the risk of tradition Defined Benefit Plans to employees by offering 401(k) plans pursuant to the Revenue Act of 1978.
- 401(k) are Defined Contribution Plans.
- Defined Benefit Plans are disfavored by many employers because they must comply with the fiduciary rules of the Employment Retirement Income Securities Act of 1974 (ERISA).
- Defined Benefit Plans also have high administrative costs that are paid for by the employer.

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THE AGING WORKFORCE: BACKGROUND

- By comparison, Defined Contribution Plans allow employers to match employee contributions to their retirement funds.
- The increase use of Defined Contribution Plans by employers as a sole retirement option can often work against the employee who may not be familiar with the intricacies of financial investments.
- RESULT: Employees may have less income to meet their needs.

THE AGING WORKFORCE: BACKGROUND

So what?

THE AGING WORKFORCE: BACKGROUND

- The baby boomers are a large demographic consisting of approximately 76 million people.
- They possess enormous political influence which could be used to allocate public funds to their benefit.
- Greater burden on a smaller number of workers in the next, younger, generation.

FEARS AND DOUBTS

According to a recent survey, 51% of employers report that growth could be hindered by the aging workforce.

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FEARS AND DOUBTS

- The loss of talent in key skill areas.
- An inability to attract necessary talent.
- The inability to succession plan for the loss of key talent.

FEARS AND DOUBTS

- The concerns of employers are not unfounded.
- Fewer, younger workers with key skills exist.
- For example, there is currently a severe shortage of qualified engineers in nearly all of the subspecialties in the field.

FEARS AND DOUBTS

Think these problems are recent revelations?

WRONG

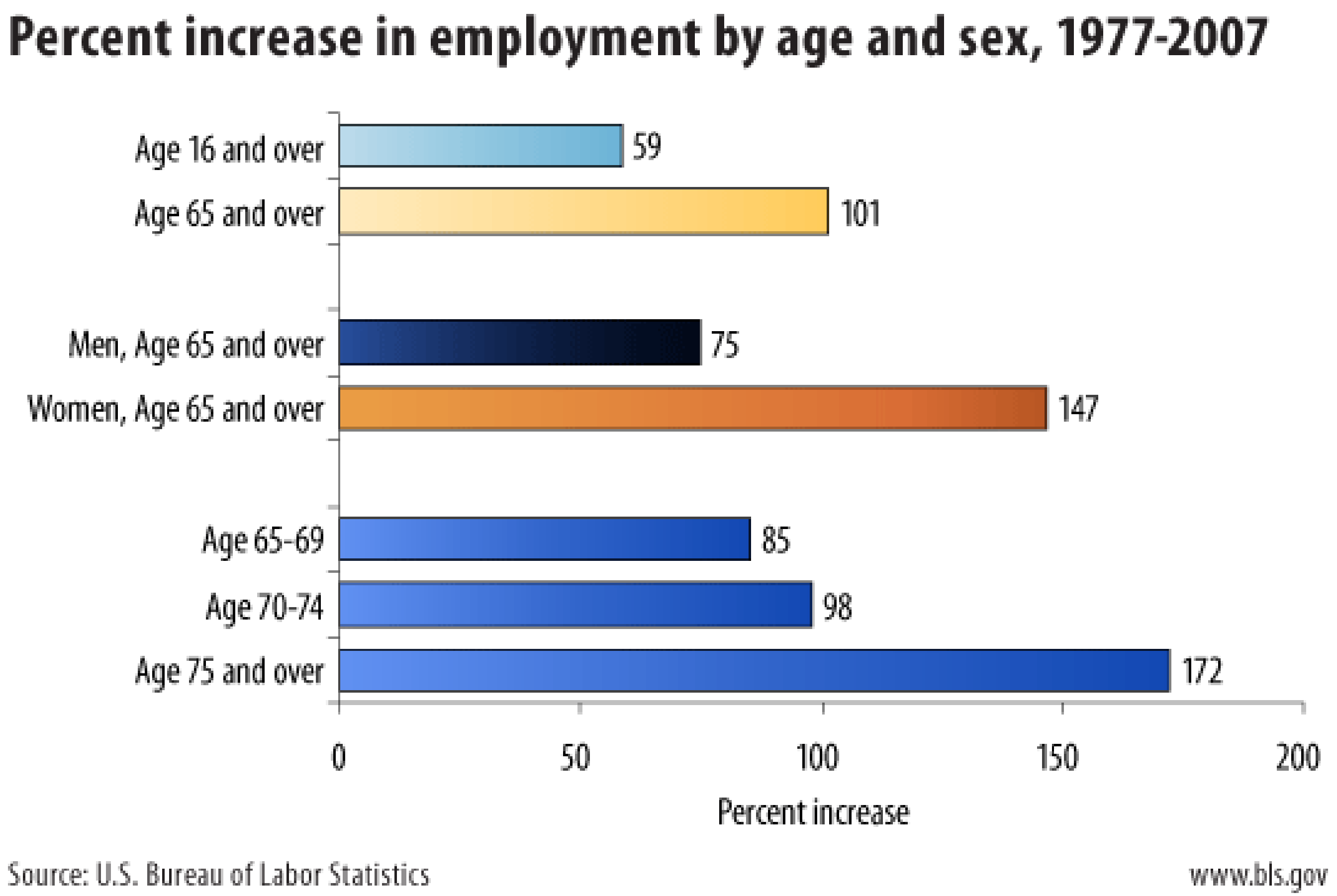
FEARS AND DOUBTS

- In 1983, the United States Department of Labor published a series of articles regarding the implications of an aging population on the workforce.
- The Department of Labor predicted dramatic changes in the age demographic of the working population by the turn of this century.
- Of course, the prediction was based upon the retirement of the baby boomers.

STATISTICS

In July 2008, the United States Bureau of Statistics reported a 101% increase of workers age 65 and over between 1977-2007.

STATISTICS



Percent increase in employment by age and sex, 1977-2007
Age 16 and over
59
Age 65 and over
101
Men, Age 65 and over
75
Women, Age 65 and over
147
Age 65-69
85
Age 70-74
98
Age 75 and over
172
0
50
100
150
200
Percent increase
Source: U.S. Bureau of Labor Statistics
www.bls.gov

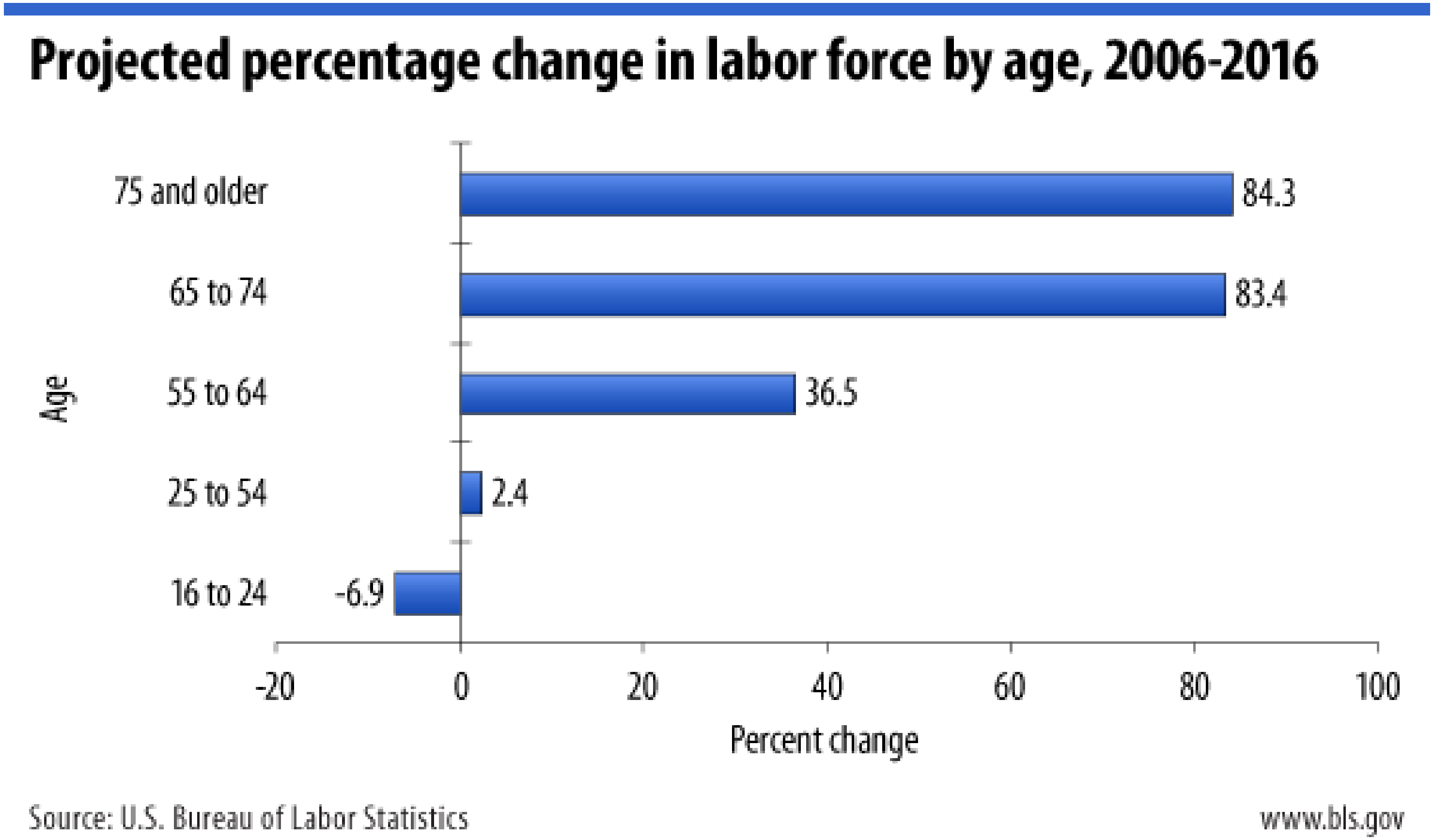
STATISTICS

- Surprisingly the increase in older workers in the workforce as of 2007 did not reflect the retirement of the baby boomer population as they had not yet reached the ages 65 in 2007.
- We can anticipate that the problem will only increase.
- Or can we?

STATISTICS

- The “Graying” of the workforce is expected to continue by 8.5% between 2006-2016.
- The number of workers in the youngest demographic (16-24) is expected to decline.
- The number of workers in the 25-54 demographic will only increase slightly.
- The number of workers aged 55-64 will climb by 36.5%.
- The most dramatic growth is projected in the two oldest groups.
  - By 2016 the workers aged 65 and over are expected to account for 6.1% of the total labor force.
  - Up sharply from their share of 3.6% in 2006.

STATISTICS



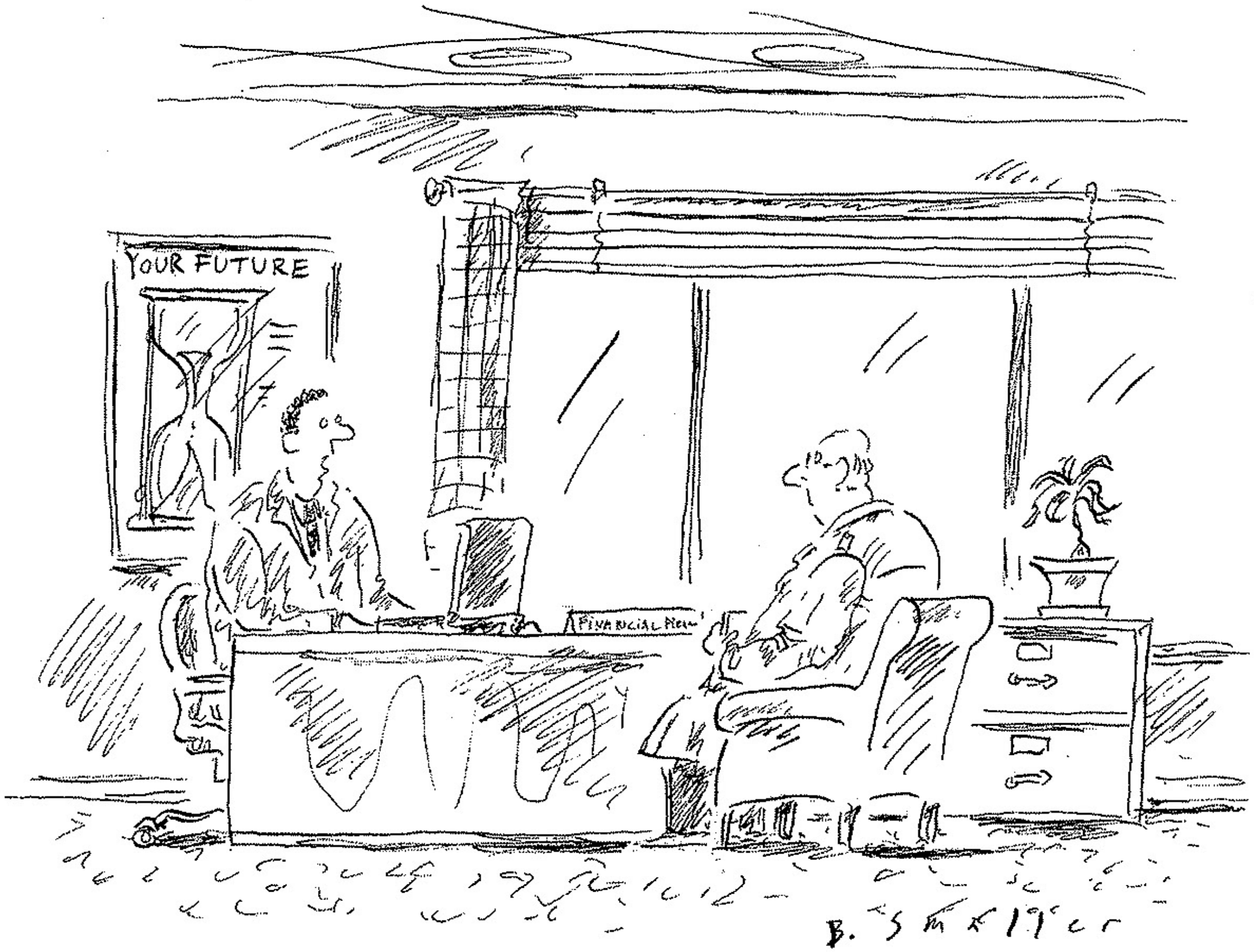
Projected percentage change in labor force by age, 2006-2016
75 and older
65 to 74
55 to 64
25 to 54
16 to 24
Age
84.3
83.4
36.5
2.4
-6.9
-20
0
20
40
60
80
100
Percent change
Source: U.S. Bureau of Labor Statistics
www.bls.gov

THE GOOD NEWS

BABY BOOMERS ARE NOT REALLY RETIRING

THE GOOD NEWS

- Working in retirement.
- 21st Century has brought a new and unexpected phenomenon of the "retirement job".
- Workers currently in their 50's and 60's have redefined the notion of retirement.
- 75% of workers age 50 and older expect to have retirement jobs in the future.



"Have you given much thought to what kind of job you want after you retire?"

THE GOOD NEWS

- The retirement job has become a new stage in the career procession of older working Americans.
- Driven in part over retirement finances but also by:
  - Cost of healthcare and healthcare coverage.
  - The desire to keep active in their older years.

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THE GOOD NEWS

- Typical assumption is that retirees will work primarily for money.
- Certainly money is a consideration,
  - 31% of older workers report that staying active is a motivation for the retirement job
  - 18% report they want to contribute and remain productive.
- Many working retirees report actually enjoying their work.
- Still others report they are not simply coasting in their positions, but are motivated to work fulltime.
  - Over half of these have no plans to leave their employment for at least another five years.
  - 10% of report desire to continue working in the same type of field until they are unable or pass away.

MORE GOOD NEWS

- The working retirees have a great depth of experience and talent.
- Contrary to assumptions they remain highly motivated.
- Good news for the employer concerned about an inability to attract talent and loss of talent in key areas.

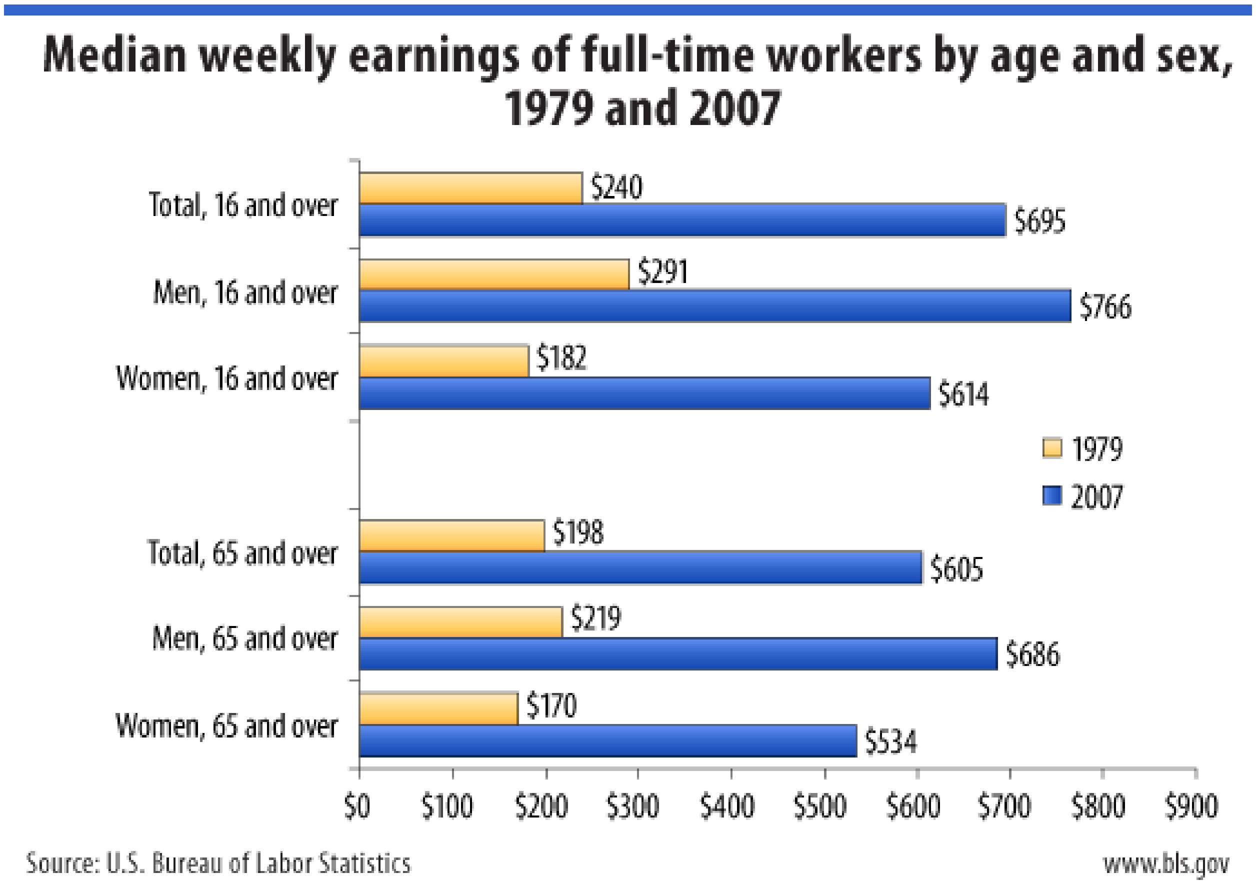
EVEN MORE GOOD NEWS

- Older employees are often more engaged than younger workers.
- It may be critical to retain older workers because:
  - They tend to be more reliable employees.
  - The employer retains the institutional knowledge necessary to remain competitive.

EVEN MORE GOOD NEWS

- Some employers may believe that older workers are more expensive and require further accommodations from younger workers.
  - In 2007, the earnings of older workers were actually less than the median for all workers.
  - Older workers were earning on average $605.00 per week, whereas the median for all workers was $695.00.

EVEN MORE GOOD NEWS



EVEN MORE GOOD NEWS

- Furthermore, older workers are motivated by many of the same things as younger workers.
    - Opportunities for learning.
    - Job clarity.
    - Flexibility.
    - Concern with their well-being and recognition for the quality of performance.

EVEN MORE GOOD NEWS

Workers in their 50's and 60's may just be reaching their peak productive years in certain fields.

REALITY: THE NEEDS OF OLDER WORKERS

- A financial services company recently conducted a global health and wellness program to improve employee and dependent healthcare.
- It discovered that many employers abroad provide medial coverage for the dependent parents of their older employees.
- It subsequently offered all of its employees abroad dependent care coverage for their dependent parents.
- This is an example of one of the innovative ideas to meeting the needs of the aging workforce and allowing the employer to direct older talent.

REALITY: THE NEEDS OF OLDER WORKERS

- Notwithstanding the benefits of retaining older employees, recognize that there are still limits.
- We change as we age.
- Changes are physiological and social.

REALITY: THE NEEDS OF OLDER WORKERS

- Physical changes.
  - Physical strength decreases by 25-30% at age 65.
  - Flexibility decreases by 18-20% at age 65.
  - Balance decreases.
  - All aspects of sight deteriorate.
  - Reaction time and speed decreases.
  - Hearing decreases.
  - Manual dexterity and textile feedback/motor skills deteriorate.
  - Body fat increases at age 65.

REALITY: THE NEEDS OF OLDER WORKERS

- Physiological changes also occur at age 65.
  - Oxygen exchange rates decrease by 40%.
  - Respiratory system heart rates at 25% less efficiency.
  - Cardiovascular system operates at 15-25% less.
  - Systematic blood pressure increases.
  - Fatigue incurs more rapidly.
  - Extreme temperatures become more challenging for older workers.

REALITY: THE NEEDS OF OLDER WORKERS

- Psychosocial changes also occur through aging.
- Older workers prefer mornings with less shift work.
- Disenfranchisement and disengagement can also occur.

REALITY: THE NEEDS OF OLDER WORKERS

- Many of the age-based changes can be addressed through accommodations through the workplace.
- Ergonomics of the workplace.
- Many insurers offer programs to deal with the ergonomic requirements of older workers.

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