

Better Super, Baby Boomers and the Challenge of Tomorrow's Workforce

A Discussion Paper by Right Management

The demographic shift towards an ageing population has put Australia on the brink of a seismic shift which will impact all facets of our culture and economy.

Nowhere will this shift be felt more keenly than in the workforce, as the nation's baby boomers leave their paid work without a comparable number of younger people to replace them.

The figures are stark: according to Peter Costello's *Intergenerational Report 2007*, the number of workers expected to enter the workforce in the decade 2020-2030 is equivalent to the number who entered in just one year in 2002-2003. The fastest growing group of traditional working age people is that aged 55-64, rising by nearly 50 per cent over the next 40 years.

Coupled with the ageing population is the nation's booming economy. It is boosting the demand for workers and creating record low levels of unemployment, so that Australia appears to be heading for what is, essentially, full employment. The war for talent is fast becoming a pitched battle.

But just as the need for workers is growing, we know that 26 per cent of Australia's workforce is now 50 years or over, and thus approaching retirement ageⁱ. Australian employers need to do everything they can to keep these people working, or face an exodus of mature age Australians from the workplace.

As things stand now, this is a fairly likely outcome. The vast majority of employers (75 per cent) do not have a retention strategy for their older workersⁱⁱ. And this is despite the fact that 97 per cent of these people believe that working for an organisation which is supportive of older workers is 'important', or 'very important', in influencing their decision about whether to remain in the workplaceⁱⁱⁱ.

Unfortunately, it is not just the number of baby boomers who leave their employment that will affect business; it is also the performance and commitment of those who remain.

Why? Because there is a clear link between engagement, retention and productivity; yet baby boomers are the least engaged group in the workforce. On average, 69 per cent of employees aged 50 – 65 are disengaged at work, compared to 60 per cent for those in their 30's and 40's.

The implications for retention are also clear, as only half of disengaged workers plan to stay at their organisation for more than five years, compared to 72 per cent of those who feel engaged^{iv}.

Moreover, having a high proportion of disengaged workers not only puts employers at risk of high staff turnover, it actually affects company performance. Research shows that highly engaged organisations produce, on average, 29 per cent more revenue, are 50 per cent more likely to have above average customer loyalty and are 44 per cent more likely to turn above average profits^v.

Better Super: less work, more freedom for baby boomers

When the Federal Government announced a major overhaul of superannuation in 2006, it handed employers a powerful tool for engaging and retaining their older workforce.

However, it also created a catalyst for change, reshaping the way baby boomers will approach retirement.

The 'Transition to Retirement' aspect of the Better Super regime makes it possible for some older workers to work less while continuing to earn a comparable income (see case studies). The Individuals who have reached their preservation age but are still working can access their accumulated superannuation in the form of a non-commutable allocated pension (NCAP).

Put simply, the strategy involves maintaining employment status, drawing a NCAP from accumulated benefits, and salary sacrificing a proportion of salaried income back into superannuation.

This has the effect of moving current superannuation benefits from an environment where earnings are taxed at 15 per cent to the pension environment where earnings are exempt from tax.

Many boomers will be keen to take advantage of this option, and as their dependants and mortgages decrease, many will also be happy to cut their disposable income.

And let's face it – who wouldn't want to work less if they had the choice?

This is where employers face a real test: those who step up to the mark and offer flexible, part-time work arrangements to their older workers will be much more likely to retain them. And they won't just retain their labour, but also their life and work experience, corporate history, common sense and mentoring capabilities.

On the other hand, some employers will fail to engage with the new regime, and those who are unable or unwilling to meet the demand for flexible work, risk developing a cohort of disengaged and disappointed workers within their workforce. These baby boomers will most likely do their time and then leave as soon as possible.

Alternatively, these older workers will be in a strong position to dictate the terms of their employment, knowing the issue to be supply and demand.

The end result is that employers who are proactive and progressive, and who are able to re-think the way they work with their older workforce, will be the winners in tomorrow's world.

Considering the Options

Right Management has been thinking a lot about how to assist employers in adapting to this new environment. Their solution, called Life Options, is based on helping employers to empower their people, to give them the tools and roadmap towards a new style of working. However, while the employer is involved, it is the individual who takes the reins on planning for the next phase of their life.

Life Options is a unique life planning program offered to individuals to help them assess, plan, explore and develop a transition bridge to their future lifestyle. It is part of career transition services and enables individuals to explore how they

want to plan their transition to retirement, whilst remaining a valuable and productive member of the workforce.

It is based on the following process:

Self-assessment – consider dreams, values, mission, drivers, interests and strengths.

Plan - identify life and work activities that provide meaning to life, including lifestyle and environment, family/social network, leisure activities, education/learning, community service, wellness, spirituality, work options, and financial planning

Explore – test drive the plan by networking and utilising trials to test and refine the plan

Transition – develop transition strategies, action steps and timelines for implementing the plan

While the traditional model of paid employment dictates that individuals are either working or not working, under the new model of 'active retirement', they will create a portfolio of paid and unpaid activities, with part-time work being a core element of this.

While individuals must share accountability for setting their new direction, employers also have an important role. Their key challenge is being able to say "yes" to older workers when presented with an individual's plan for flexible work. Right Management helps to prepare for this new paradigm, from an organisational perspective: how to say "yes", and mean it.

The ultimate outcome is that individuals and employers build a positive and mutually beneficial relationship, and Life Options is about giving them the tools and knowledge to achieve this.

It is essentially one part of a broader approach to retaining older workers, boosting their engagement and making work an attractive proposition. Employers need to consider this in the context of a holistic program aimed at keeping their talent within the organisation.

ⁱ Manpower 2007, The New Agenda for an Older Workforce

ⁱⁱ Manpower, *ibid.*

ⁱⁱⁱ Assoc Prof Graeme Russell, Grey Matters

^{iv} Right Management 2007, E8 Engagement Study

^v Izzo & Withers, Values Shift: the new work ethic and what it means for business