

## **Readying for the Reality of an Aging Workplace**

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This year marks an important milestone for BC baby-boomers, as the leading edge of this large generation reaches age 65. There are hundreds of thousands more who are poised to follow the front-end of the boomers out of the work force over the coming decade.

While the ranks of retiring British Columbians are bound to swell, there will also be more boomers who – by necessity or choice – remain in the work force once they hit 60 or even 65. This is consistent with increasing life spans. Since 1960, life expectancy at age 65 has risen from 13 to 17 years for men, and from 15 to 20 years for women. With longer life spans, more people approaching the “normal” retirement age are interested in staying employed. And, indeed, the data for the past several years show an appreciable increase in labour force participation rates among both men and women aged 60 and over. The trend is gaining momentum for at least four reasons.

First, people aged 60 or 65 today are typically healthier and more active than their predecessors 20 or 30 years ago. Second, the proportion of jobs that impose heavy physical demands on employees has diminished, as the economy has shifted increasingly toward services and “knowledge-intensive” work. Third, changes in public policy and the evolution of legal standards have combined to narrow the scope for mandatory retirement in most occupations. Finally, the declining role of defined benefit pension plans in the private sector, coupled with generally disappointing equity market returns over the past dozen or so years, has added to the financial pressures facing significant numbers of households contemplating retirement.

For BC employers, all of this points to a more complex environment for managing human resources. Not only will many current workers be moving into retirement, but in most industries the average age of those still on the job will creep steadily higher. Workforce aging is already quite visible in industries like health care, utilities, forestry, mining, transportation and education.

The impact of aging varies by occupation as well as by industry. In 2009, the average age of those in “senior management” jobs in BC was 47, while for “middle managers” the average was just under 44. This compares to an average age of 40.7 across all occupations. Occupations with relatively old workforces are found throughout the natural resource industries and in health care and public administration. In contrast, occupations with younger age profiles are mainly in the services sector – notably food services, tourism, and retail trade – and in some segments of advanced technology.

How will employers respond to the reality of an aging labour force, particularly at a time when finding qualified employees is likely to become harder? Succession planning and initiatives to facilitate knowledge transfer are sure to assume greater importance in many

organizations. Some employers are already thinking about how to retain experienced staff. In a recent global survey of CEOs by PricewaterhouseCoopers (PWC), 60 per cent of the Canadian respondents said they intend to boost efforts to recruit and retain older workers.<sup>1</sup> Four in five Canadian CEOs are worried about a limited supply of people to fill key positions, with most of these respondents keen to hold on to older employees with valued skills.

Organizations committed to retaining older employees will need to look at providing more flexibility in job schedules, work arrangements, and access to non-wage benefits. For some businesses, managing a multi-generational workforce comprised of individuals ranging in age from their early 20s to their mid-60s is apt to pose some rather novel challenges.

Traditionally, economists and human resource professionals were united in believing that once workers reach approximately 50, productivity generally declines. This reflects both a loss of physical capacity as well as some diminution in cognitive abilities. However, the view that aging necessarily reduces worker productivity has been undermined by an expanding body of research that highlights the continued positive contributions made by older employees in many occupations.

Nor should it be forgotten that mandatory retirement has wider social costs that spill beyond the boundaries of the organization itself. When workers are encouraged to retire earlier than they wish, there is a collateral negative impact on tax revenues, the financial health of pension plans, and overall economic growth. This helps to explain why some developed countries – although not yet Canada – are gradually increasing the age at which people qualify to receive the maximum public pension. The United States, for example, is on track to establish 67 (rather than 65) as the age for full Social Security entitlement; a few European countries have committed to a similar path.

As population aging accelerates and skill shortages become more common in an era of growing talent scarcity, society clearly has an interest in finding ways to encourage more people to extend their productive working lives.

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<sup>1</sup> PWC, 14<sup>th</sup> Annual Global CEO Survey (2011).