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Aging workforce puts off retirement as nest eggs shrink

Many companies don't effectively tap into senior workers as an important knowledge commodity

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Sue Myers decided last fall to postpone her retirement.

Myers was to retire this June from an administrative role with the North Vancouver School District, but will probably work another three years, pending the economy's rebound.

With their nest eggs shrinking as a result of the economic recession, aging workers like Myers, 60, are putting their retirement plans on hold.

"When the market started changing, I realized that retirement probably wouldn't be the wisest thing right now," said Myers, who had been planning her retirement for the last three years.

Ian Cook, director of HR knowledge and research at the BC Human Resources Management, noted that there are upsides and downsides to having the aging workforce postpone its retirement plans.

Before the economy headed south, a few savvy employers were actively recruiting and retaining older workers to fill the talent shortage.

In a report dubbed Harnessing the Power: Recruiting, Engaging, and Retaining Mature Workers, the Conference Board of Canada found that the loss of experienced leaders and loss of corporate knowledge are top concerns for private and public sector firms.

The report noted, however, that few firms have policies in place to recruit older workers.

That's less of an issue now than when the Conference Board's report was released last October: today, many businesses are reducing their headcount in a bid to cut costs, rather than looking for new hiring strategies. Paying out early retirement packages is typically a painless way to address layoffs.

Today, senior employees may no longer be as easily enticed into retirement as they once were. Retirement rates are slowing down as investments – even those once labelled secure, such as RRSPs – decline on the heels of the falling equity markets.

While Myers has a guaranteed pension with the district and can receive old-age pension in a few years, her RRSPs have lost a third of their value in the last year. Including her investments in the stock market, Myers has seen her retirement nest egg decrease by roughly $200,000 in the last year. As well, the value of her house has decreased by roughly $100,000 in the same time frame.

"When you've projected in your mind that you are going to retire at a certain point and made plans around that, you get a mindset," said Myers. "But there's so many other people in the same boat I am, that I realize that I'm lucky to still have a job and still have an income coming in."

As a result of Myers and other senior workers who are putting off retirement, companies are creating more attractive severance packages.

Cook noted that the provision of benefits for workers older than 65 has also become an issue since B.C. eliminated mandatory retirement last year.

"Older workers, on pure statistics, have more frequent health problems, therefore their health costs are higher," said Cook.

As well, he said that there is a generational clash in the workplace, particularly between senior leaders and young emerging leaders.

Upon discovering that they won't be succeeding their superiors as soon as anticipated, junior leaders may look for job opportunities elsewhere.

"They're saying, 'Oh, that guy was supposed to retire in a few months' time – I've been groomed for that job,'" said Cook.

Cook noted however, that in the current market downturn, senior employees are particularly effective. Unlike many junior employees, senior workers have experienced a recession of this magnitude in their lifetime.

"This is where experience transcends speed," said Cook. "They're not running for the door screaming that they can't cope."

Companies that address generational differences among employees and acknowledge the wisdom that can come with age stand to benefit.

Some firms have implemented reverse-mentoring programs, where young tech-savvy employees train older workers on how to use certain technologies, while older workers impart their experience to junior workers.

BC Hydro has created an early-replacement strategy to address the fact that one-third of its work force is over the age of 50 and that 65% of its front-line supervisors are eligible for retirement within five years.

The company recruits new workers three to six months before they're expected to replace a retiring employee.

"Somebody who has been around for a long time that is about to retire can impart some knowledge from their experience in these specialized positions," said BC Hydro spokesman Dag Sharman.

The company also rehires retirees on a temporary basis or as consultants in key technical areas.

Gloria Gutman, co-leader of the BC Network for Aging Research at Simon Fraser University's Gerontology Research Centre, said the aging workforce will continue to be a major issue for human resource departments – in both recession and boom time.

"There's a birth dearth all over the world," she said. "We're just not making babies like we used to." •

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