

THE LOOMING WORKFORCE GAP – IMAGINE 2010

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We inspire, educate and outfit for a lifetime of outdoor adventure.



What You'll Hear Today:

- Workforce Gaps - why are we worried?
- How long will it last?
- Coping mechanisms- is there an interim solution?
- Will the government help?
- Who will survive?

Workforce Gaps - why are we worried?

How long will it last?

Workforce Gaps – It is going to be tough!

- Some numbers that should scare us all in 2010:
 - 78 million baby boomers, over 10 million are 60-64 years of age.
 - In 2010, 74% are projected to be participating in the US workforce.
 - So, 60 million 'participating' baby boomers will make up 38% of the participants in the US workforce.
 - The remainder of the available workforce is participating at a rate of 66%, and they make up 91 million other workers in 2010.

Source: Bureau of Labor Statistics

Workforce Gaps – It is going to be tough!

- Some numbers that should scare us all in 2010 (cont.)
 - After 2010, the workforce composition projections show a dramatic change in available workforce for the next twenty years:

**Growth in Composition of available Workforce
Over/Under Age 65**

	Available <u>over</u> Age 65	Available <u>under</u> Age 65
• 2020	15.1 Million	5.9 Million
• 2030	15.2 Million	7.4 Million

Source: Bureau of Labor Statistics

Workforce Gaps – It is going to be tough!

- Some numbers that should scare us all in 2010 (cont.)
 - And the workforce composition projections show a dramatic change in age group participation in the next twenty years:

Growth in participating U.S. Workforce over/under 65 years of Age

	Workers <u>over</u> Age 65	Workers <u>under</u> Age 65
• 2020	4.8 Million (32% participation)	4.9 Million (83% participation)
• 2030	2.2 Million (14% participation)	(None) (100% participation)

Source: Bureau of Labor Statistics

Workforce Gaps – It is going to be tough!

- Why are we worried?
 - We expect dramatic increases in workforce turnover for two reasons:
 - Baby boomer willingness to try new things – this is a generation used to participating and seeking new experiences.
 - Rewards of work studies tell us only 34% of those over 50 years of age want to do the same type of work they are doing.
 - Huge numbers of unfilled jobs for long periods with a willingness to take 'time off' to decide.
 - The continuous transfer of work knowledge and experience to other workers dramatically affects productivity.
- **How long does it last?**
 - At least 20 years.

Workforce Gaps – It is going to be tough!

- Why are we worried?

From the *Workspan Weekly News* (March 23, 2007):

'A recent survey by WorldatWork, Corporate Voices for Working Families and Buck Consultants revealed that while 42% of organizations believe the aging workforce is a 'significant' concern, only 20% have done any surveying of their older workers to identify things that might keep them engaged and around awhile longer. Other statistics are equally startling: the baby boomer generation constitutes 40% of the current U.S. workforce, while the generation following (generation X) only constitutes around 25%. So there is a good chance that the replacements for today's executives, senior managers, and long-term line workers are simply not going to be there tomorrow.'

Workforce Gaps – It is going to be tough!

- Why are we worried?

From an **Associated Press** article (March 2007, Mark Jewell) reporting on Fidelity's annual retirement study:

'The typical American household is saving at a rate that would allow it to replace about 58 percent of its income in retirement. ... The best prepared group was the baby boomers aged 43 to 61 who are on track to replace 62 percent of their pre-retirement income once retired ... pre-retirees-- those 55 and older-- are on track to replace 61% of their pre-retirement income.'

Workforce Gaps – It is going to be tough!

- So, what does it mean?
 - We all need to keep baby boomers at work and continuing to augment their retirement savings.
 - It appears baby boomers will need to generate some additional income, but are unlikely to need to sustain their current jobs and work commitments to meet their income needs.
 - Critical need for 'employment offer' change.
 - 'Steady as it goes' will not work.
 - Extraordinary opportunity to align the 'rewards of work' with age/life cycle groupings and maximize the employment value proposition.

Coping mechanisms- is there an interim solution?

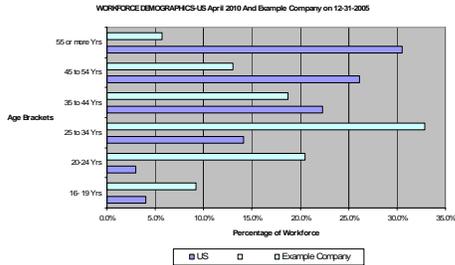
- Yes! Information showing exactly what employees want to stay engaged and involved is already available.
- The keys to attracting and retaining a workforce are clearly articulated in the World at Work 'Rewards of Work' studies.
- Targeting employee messaging, management behavior, and the use of rewards will improve engagement and keep people working.

Coping mechanisms- is there an interim solution?

- What matters most is understanding a workforce's demographic profile, then using employee opinion survey highlights to focus on factors supporting ongoing engagement.
- As long as the employee is in a particular demographic period, their primary expectations of what they want from their employment relationships rarely change.
- The next slides share the reasons this works.

Coping mechanisms-
is there an interim solution?

□ Here is a possible workforce depiction:



Coping mechanisms-
is there an interim solution?

□ In this example, the employer has:

- employees in every life cycle stage;
- most employees highly valuing 'work content' as their key 'value driver' at work;
- an opportunity to employ more baby boomers;
- a majority of employees who are at mid-life stages and will continue to be so for many years;
- a need to clearly state the employment value proposition to engage and reward retention; and,
- A need to draw baby boomers into jobs that fit with 'mid career' work.

Coping mechanisms-
is there an interim solution?

□ Managers in this company need:

- an easy way to communicate the employment offer and how employees' investment in work is rewarded; plus,
- a general method to easily identify what 'value drivers' will be most important to different employees.

□ The company needs:

- employee time and attention focused on work content, which is the most important factor in the employment value proposition's for their desired workforce; and,
- effective reinforcement for retaining the workforce.

Coping mechanisms- is there an interim solution?

- Managers engagement tool – an easy way to share the employment offer and work on retention factors:

Employee Name	Job Title	Age	Years at REI	Most Highly Rated Items From REI				Summary Comments Work Value Propositions
				Benefit #1	Benefit #2	Benefit #3	Benefit #4	
Jim Tallbarter	Sales Rep	25	1.8	Benefits	Company	Flexibility	Work/Life Balance	Learning to invest for career, 401k, cost of company programs
Sally Connor	Sales Rep	58	1.5	Benefits	Company	Flexibility	Team/Support	Maintaining skills, experienced operator, contributes knowledge
Bill Hovata	Supervisor	34	4	Benefits	Company	Career	Direct Pay	Applying and deepening skills, wants work that is purposeful and which provides full array of pay, benefits, values, & opportunities
Mark Manager	Asst. Mgr.	47	7	Benefits	Company	Career	Direct Pay	Applying and deepening skills, want work that is purposeful and which provides full array of pay, benefits, values & opportunities
Melissa Leader	Manager	39	5	Benefits	Company	Career	Direct Pay	Applying and deepening skills, want work that is purposeful and which provides full array of pay, benefits, values, & opportunities

- Red** Critical Requirement, typically > 70% of the employee's life cycle group consider this critical in deciding to stay in current job. Reinforce company offer and values.
- Yellow** Very important requirement, typically more than 50% of employees in the employee's life cycle group consider this critical to stay in current job. Reinforce content and quality of factor.
- Green** Important requirement, more than 40% of employees in the employee's life cycle group consider this factor to be important. Reinforce how this item can be fulfilled.
- Blue** Moderate requirement, with 20% - 40% of employees in the employee's life cycle group considering this factor important. Emphasize combined engagement factors.

Coping mechanisms- is there an interim solution?

- Managers and the company need, a simple way to show what the employment value offer means and what is gained over time.
- The next slide shows a simple list that managers can use to share the employment value offer and reinforce key components.

Coping mechanisms- is there an interim solution?

	Heavy Demand	Year One	Year Two/Three	Year Four/Five
Heavy - Non Emerg	<ul style="list-style-type: none"> Great company & Values Employee Development Apprenticeship/Non-union Knowledge/Skills/Co-workers On-the-job training Flexible Hours 	<ul style="list-style-type: none"> Communicate value-examples Recognize contributions & achievements Recognize learning Recognize product training Employee's input/voice Keep flexibility Feedback/Recognition aspects of job 	<ul style="list-style-type: none"> Recognize contributions to values Recognize contributions & achievements Recognize learning, adding to values Recognize product training & growth Employee's input/voice & values Keep flexibility Feedback/Teamwork aspects of job 	<ul style="list-style-type: none"> Recognize contributions to values Recognize learning, adding to values Recognize product training & growth Employee's input/voice & values Keep flexibility
Medium & Emerg	<ul style="list-style-type: none"> Plan Time Health Care Benefits Competitive wages Pay increase in 7th month Annual Pay Increases Job Training Flexibility Plan Travel Subsidy for Plan Time Hourly Statement and Profit Sharing Plan Educational Assistance eligibility Life Insurance Disability Insurance 	<ul style="list-style-type: none"> Plan Time Health Care Benefits Flex Benefits (if the requirement met) Competitive wages Annual Pay Increases Job Training Flexibility Plan Travel Subsidy for Plan Time Hourly Statement and Profit Sharing Plan Educational Assistance eligibility Life Insurance Disability Insurance 	<ul style="list-style-type: none"> Plan Time Health Care Benefits Flex Benefits (if the requirement met) Competitive wages Annual Pay Increases Job Training Flexibility Plan Travel Subsidy for Plan Time Hourly Statement and Profit Sharing Plan Educational Assistance eligibility Life Insurance Disability Insurance 	<ul style="list-style-type: none"> Plan Time Health Care Benefits Flex Benefits (if the requirement met) Competitive wages Annual Pay Increases & position in range Job Training Flexibility Plan Travel Subsidy for Plan Time Hourly Statement and Profit Sharing Plan Educational Assistance eligibility Life Insurance Disability Insurance
Full Time Emerg	<ul style="list-style-type: none"> Great company & Values Knowledge/Skills/Co-workers Challenging work Chance to contribute to team and REI Chance to grow assignments with REI 	<ul style="list-style-type: none"> Communicate value-examples Recognize learning Recognize key contributions Recognize teamwork Recognize assignment growth 	<ul style="list-style-type: none"> Communicate value-examples Recognize learning Recognize key contributions Recognize teamwork aspects of job Recognize assignment growth 	<ul style="list-style-type: none"> Communicate value-examples Recognize learning Recognize key contributions Recognize teamwork aspects of job Recognize assignment growth
Work & Emerg	<ul style="list-style-type: none"> Competitive Wages Flexible Benefits- one of the best Employee Plan Plan Vacation & Holidays 1 Paid Holiday per year Training (as approved for job) Discretion on company products Medical Insurance (Self & Long Term) Life Insurance Travel Subsidy Family Leave/Personal Leave Employee's Learning program- help with daily living, services, and balance 	<ul style="list-style-type: none"> Annual pay increase, growth-in-range Flexible Benefits- one of the best Employee Plan Plan Vacation & Holidays Educational Assistance Training (as approved for job) Discretion on company products Medical Insurance (Self & Long Term) Life Insurance Travel Subsidy Family Leave/Personal Leave Employee's Learning program- help with daily living, services, and balance 	<ul style="list-style-type: none"> Annual pay increase, growth-in-range Flexible Benefits- one of the best Employee Plan Plan Vacation & Holidays Educational Assistance Training (as approved for job) Discretion on company products Medical Insurance (Self & Long Term) Life Insurance Travel Subsidy Family Leave/Personal Leave Employee's Learning program- help with daily living, services, and balance 	<ul style="list-style-type: none"> Annual pay increase, growth-in-range Flexible Benefits- one of the best Employee Plan Plan Vacation & Holidays Educational Assistance Training (as approved for job) Discretion on company products Medical Insurance (Self & Long Term) Life Insurance Travel Subsidy Family Leave/Personal Leave Employee's Learning program- help with daily living, services, and balance

Coping mechanisms- is there an interim solution?

- Providing managers the ability to articulate the advantages of gains in the employment value proposition can then be tied together with tools that quantify value, including:
 - total compensation statements.
 - summaries of educational and training opportunities provided;
 - awards and recognition;
 - employee survey results showing company engagement scores and efforts to support workforce engagement;
 - company contributions and support of community and events;
 - review of the value of the individual contributions and rewards from the employee; and,
 - identify how ongoing contributions can be rewarded.

Coping mechanisms- is there an interim solution?

- For employers, the outcome from following these practices becomes a 'continuous improvement cycle' for building the right 'product mix' and execution models to deliver the employment value proposition.
- For those who choose to truly differentiate their value propositions with baby boomers, the three additional factors likely to create the greatest value are:
 - *paid time off* for financial and retirement planning;
 - opportunities for phased retirement; and,
 - experiential time for learning and contributing.

Will the Government Help?

- Sorry, no. With \$43 trillion now committed to pay for Social Security and Medicare over the next seventy five years, and only 39% of government spending currently accessible as 'discretionary' spending, new government help is not expected.
- From David Walker, Comptroller General, at the White House Conference on Aging in October 2005:

"The status quo is not an option. Faster economic growth can help, but there is no way we're going to grow our way out of this problem. The sooner we start to address it, the better."

Who will survive?

- In the end, none of us survive, but all of us have an impact and an opportunity to help our companies adapt and prepare for change.
- From Ken Dychtwald (author of *The Age Wave*), quoted in the *Baltimore Sun*, on March 27, 2006:

"Boomer men and women have the greatest concentration of education, skills and work experience of any generation in history. I believe there are tens of millions in this generation who can become an elder corps, an army of high energy, contributing men and women. A lot of boomers already have that gnawing feeling of trying to make the transition from success to significance."

Questions and Comments?

- Plans you've made in your company?
- How many of you feel ready for the changes ahead?
