

THE LOOMING WORKFORCE GAP – IMAGINE 2010

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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?
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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 over <u>Age 65</u>	Available under <u>Age 65</u>
• 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 <i>over</i> <u>Age 65</u>	Workers <i>under</i> <u>Age 65</u>
• 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 (cont.)

- Relationships of Life Cycle to the More Highly Valued Aspects of Work are clear.

By Life Cycle Stage (Age is the Proxy for Life Cycle Stage)

Ranking of Importance	<i>Less Than 25 Yrs</i>	<i>26 to 45 yrs</i>	<i>45 to 54 yrs</i>	<i>Greater than 55 Yrs</i>
1	Benefits (55%)	Work Content (72%)	Work Content (72%)	Work Content (67%)
2	Affiliation with the Company (54%)	Tied for all other Elements: Benefits/Indirect Fincls 59% Affiliation with Co. 59% Career Opportunity 59% Direct Financial Pay 58%	Tied for next two Elements: Direct Financial Pay (64%) Benefits/Indirect Fincls (63%)	Benefits/Indirect Financials (61%) Affiliation with Company (59%)
3	Career Opportunity Work Content (Both at 52%)		Affiliation with the Company (57%)	Direct Financial Pay (52%)
4	Direct Financial Pay (44%)		Career Opportunity (45%)	Career Opportunity (39%)

Source: Rewards Of Work Study-1999

Coping mechanisms (cont.)

- Attributes of life cycles (how employees view their work investment):

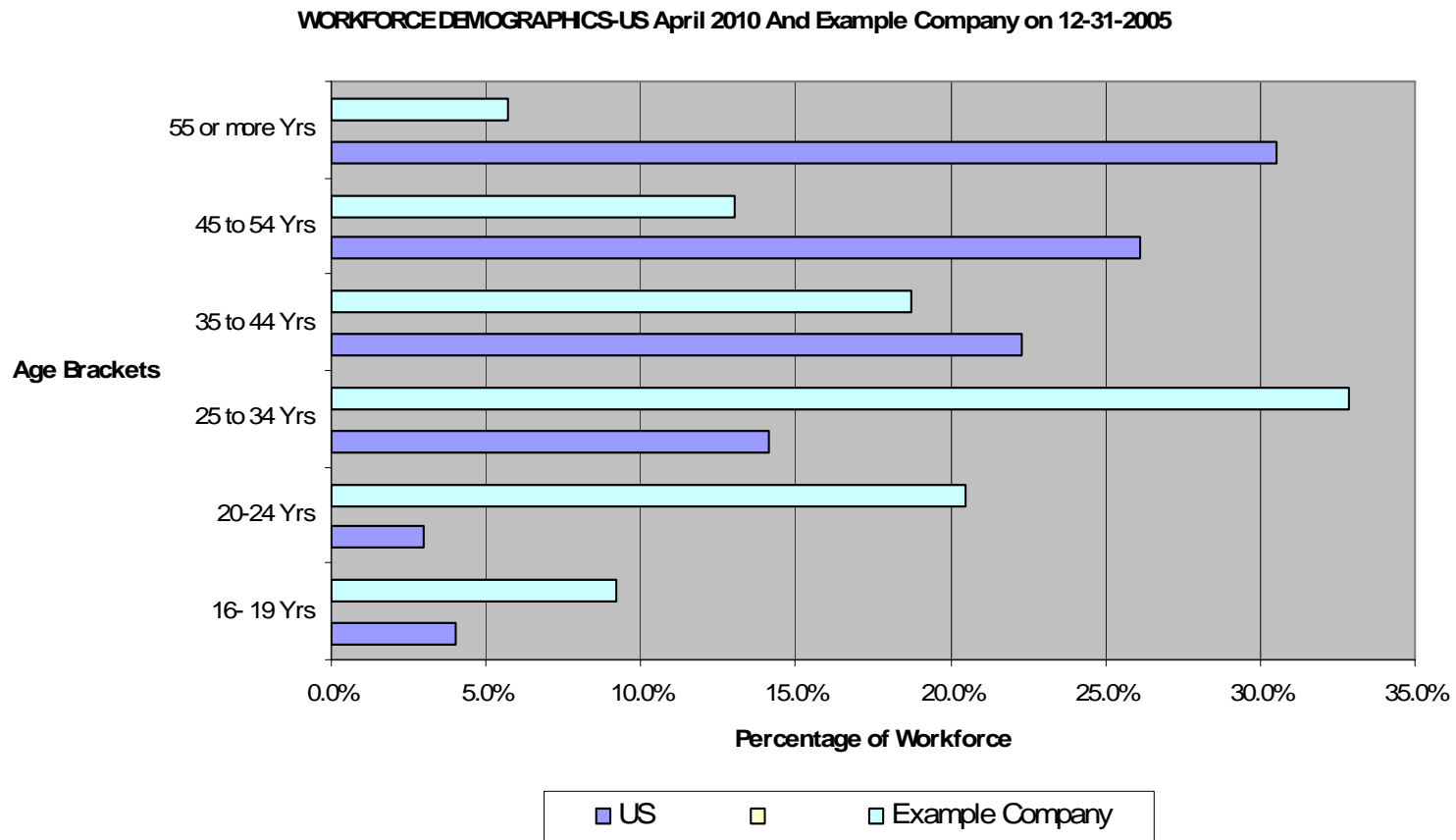
Under Age 25	26 to 45 yrs	45 to 54 yrs	> 55 Yrs
Learning to Invest	Applying Investments	Invested Portfolios	Portfolio Maintenance
<ul style="list-style-type: none"> • Learning/acquiring skills- not expecting 'top' pay • Need higher skills and knowledge to generate higher value • Drawn to company where growth is possible • Value those who help with: <ul style="list-style-type: none"> - Career definition - Work content - Understanding how to get more pay - Understanding how to use and access benefits 	<ul style="list-style-type: none"> • Applying learned skills and disciplines, contributing more, and expecting rewards • Expect all programs to support work/life and longer term horizons- critical of solutions that 'fall short' • Accepting 'career' definitions and 'settling' into life management processes, purchases • Value those who help with: <ul style="list-style-type: none"> - Definition of Success - Managing and directing work content - Finding solutions and opportunities to change work, develop solutions, apply changes 	<ul style="list-style-type: none"> • Applying learned skills and disciplines, contributing more, and expecting rewards • Expect all programs to support work life and longer term horizons- critical of solutions that 'fall short' • Accepting 'career' definitions and 'settled' in life management processes • Value those who help: <ul style="list-style-type: none"> - Definition of work success - Managing and directing work content - Finding solutions and opportunities to change work, develop solutions, apply changes 	<ul style="list-style-type: none"> • Applying learned skills and disciplines, contributing highly, and sharing satisfaction of work content • High value placed on benefits and late-stage tools to prepare for retirement • Less tolerant of 'new' ways (especially those that look like reincarnations of prior ineffective changes) and more wary of management change • 'Career' no longer at issue • Affiliation values are strong (and often of lengthy duration)

Coping mechanisms- is there an interim solution?

- ❑ Arraying a company's current or desired workforce profile with the US Population data can quickly identify where workforce gaps are likely to prevail.
- ❑ These allow the assessment of opportunities for aligning 'rewards of work' and what belongs in the employee value proposition to attract and retain employees.
- ❑ Arraying the employment offer effectively, then ensuring direct managers 'know' their employees like they 'know' their customers ensures engagement.
- ❑ An example of this practice follows.

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 Valued Items From Work					Summarizing Comments Work Value Descriptors
				Ranked #1	Ranked #2	Ranked #3	Ranked #4	Ranked #5	
Jim Trailblazer	Sales Rep	25	0.8	Benefits	Company	Career Opportunity	Type of Work	Direct Pay	Learning to invest for career, skills, use of company programs
Sally Climber	Sales Rep	58	1.5	Type of Work	Benefits	Company	Direct Pay	Career Opprtnty	Maintaining skills, experienced explorer, contributes knowledge
Bill Novara	Supervisor	34	4	Type of Work	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	Type of Work	Direct Pay	Benefits	Career	Career Opprtnty	Applying and deepening skills, want work that is purposeful and which provides full array of pay, benefits, values, & opportunities
Melissa Leader	Manager	39	5	Type of Work	Benefits	Company	Career	Direct Pay	Applying and deepening skills, want work that is purposeful and which provides full array of pay, benefits, values, & opportunities

- Critical Requirement, typically > 70% of this employee's life cycle group consider this critical in deciding to stay in current job. Reinforce company offer and values.
- Very important requirement, typically more than 55% of employees in this employee's life cycle group consider this critical to stay in current job. Reinforce content and quality of factor.
- Important requirement, more than 49% of employees in this employees life cycle group consider this factor to be important. Reinforce how this item can be fulfilled.
- Moderate requirement, with 30% - 40% of employees in this 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?

	Newly Hired	Year One	Year Two -Three	Year Four - Five
Hourly - Non Exempt				
<u>Attractors/Retainers:</u>	Great company & Values Employee Discounts! Opportunity to learn gear Knowledgeable co-workers On-the-job training Flexible Hours	Communicate values-examples Recognize purchases & discounts Recognize learning Recognize product training Emphasize what's next Keep flexibility Teamwork aspects of job	Recognize contributions to values Recognize purchases & discounts Encourage learning, teaching others Recognize product training & growth Emphasize what's next & when Keep flexibility Reinforce Teamwork aspects of job	Recognize contributions to values Encourage learning, teaching others Reinforce Teamwork aspects of job Recognize product training & growth Emphasize what's next & when Keep flexibility
<u>Satisfiers:</u>				
<u>Wages & Benefits</u>	Part-Time Health Care Benefits Competitive wages Pay increase at 7th month Incentive Plan Job Training Transit Subsidy for Part-Time Hourly Life Insurance Disability Insurance	Part-Time Health Care Benefits Flex Benefits (if hrs requirement met) Competitive wages Annual Pay increases Job Training Incentive Plan Transit Subsidy for Part-Time Hourly Retirement and Profit Sharing Plan Educational Assistance eligibility Life Insurance Disability Insurance	Part-Time Health Care Benefits Flex Benefits (if hrs requirement met) Competitive wages Annual Pay increases Job Training Incentive Plan Transit Subsidy for Part-Time Hourly Retirement and Profit Sharing Plan Educational Assistance eligibility Life Insurance Disability Insurance	Part-Time Health Care Benefits Flex Benefits (if hrs requirement met) Competitive wages Annual Pay increases & position in range Job Training Incentive Plan Transit Subsidy for Part-Time Hourly Retirement and Profit Sharing Plan Educational Assistance eligibility Life Insurance Disability Insurance
Full-Time Exempt				
<u>Attractors/Retainers:</u>	Great company & Values Knowledgeable co-workers Challenging work Chance to contribute to team and REI Chance to grow assignments with REI	Communicate values-examples Recognize learning Recognize key contributions Recognize teamwork Recognize assignment growth	Communicate values-examples Recognize learning Recognize key contributions Reinforce Teamwork aspects of job Recognize assignment growth	Communicate values-examples Recognize learning Recognize key contributions Reinforce Teamwork aspects of job Recognize assignment growth
<u>Satisfiers:</u>				
<u>Wages & Benefits</u>	Competitive Wages Flexible Benefits- one of the best! Incentive Plan Retirement and Profit Sharing Plan Paid vacation 7 Paid Holidays per year Training (as approved for job) Discounts on company products Disability Insurance (Short & Long Term) Life Insurance Transit Subsidy Family Leave Breavement Leave Employee Assistance program- help with daily living, services, and balance	Annual pay increase, position-in-range Flexible Benefits- one of the best! Incentive Plan Retirement and Profit Sharing Plan Paid Vacation & Holidays Educational Assistance Training (as approved for job) Discounts on company products Disability Insurance (Short & Long Term) Life Insurance Transit Subsidy Family Leave/Personal Leave Breavement Leave Employee Assistance program- help with daily living, services, and balance	Annual pay increase, growth-in-range Flexible Benefits- one of the best! Incentive Plan Retirement & Profit Sharing Plan-Contrib Paid Vacation & Holidays Educational Assistance Training (as approved for job) Discounts on company products Disability Insurance (Short & Long Term) Life Insurance Transit Subsidy Family Leave/Personal Leave Breavement Leave Employee Assistance program- help with daily living, services, and balance	Annual pay increase, growth-in-range Flexible Benefits- one of the best! Incentive Plan Retirement & Profit Sharing Plan-Contrib Paid Vacation & Holidays Educational Assistance Training (as approved for job) Discounts on company products Disability Insurance (Short & Long Term) Life Insurance Transit Subsidy Family Leave/Personal Leave Breavement Leave Employee Assistance 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?

