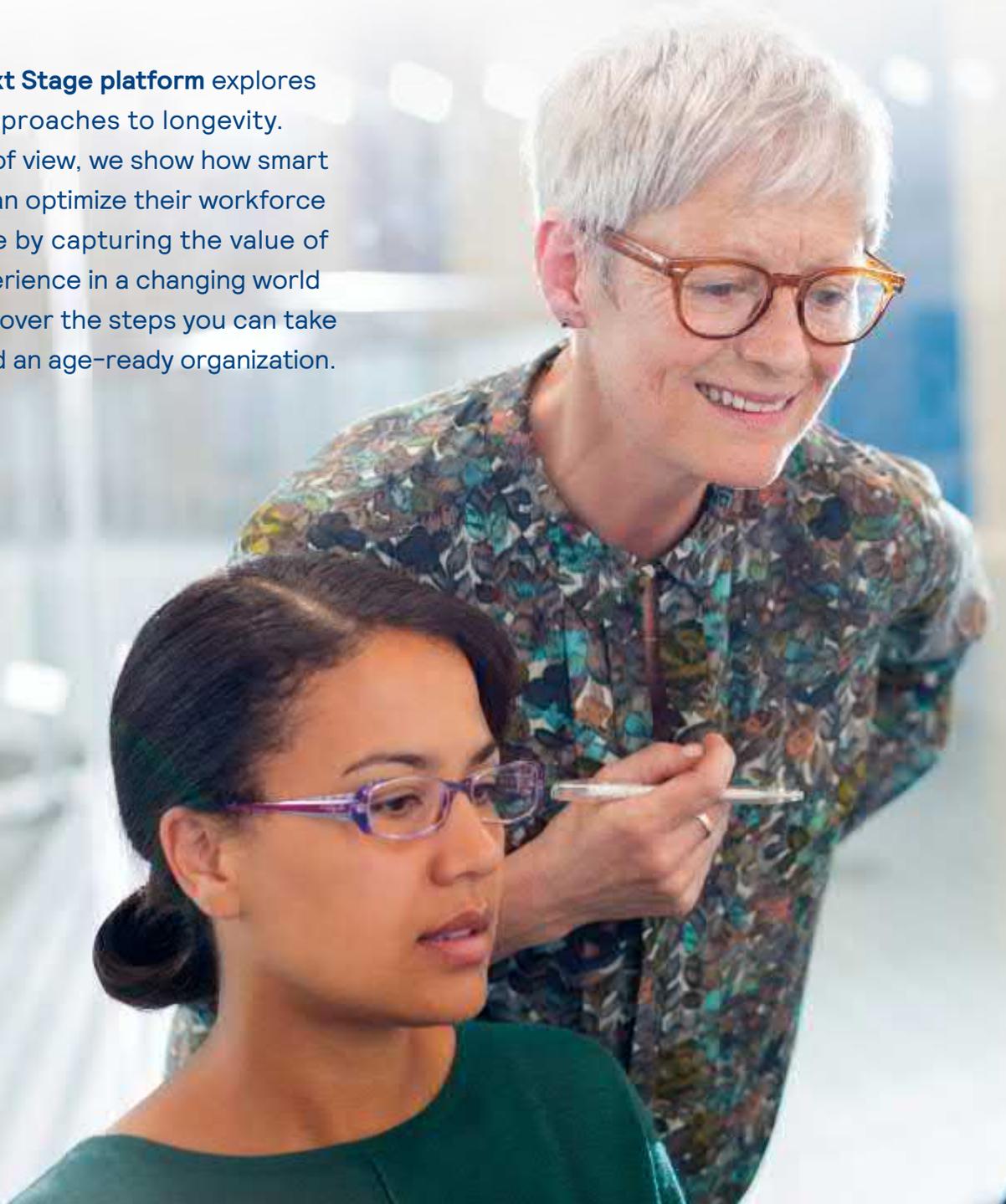


Are you age-ready?

Mercer's Next Stage platform explores future-fit approaches to longevity. In this point of view, we show how smart employers can optimize their workforce performance by capturing the value of age and experience in a changing world of work. Discover the steps you can take today to build an age-ready organization.



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FOREWORD

Across the globe, unprecedented population aging is impacting policies, practices and institutions of all types in dramatic ways. And it's just beginning. Our world will look much older in the years ahead.

Conventional thinkers maintain that the demographic shift portends only a crisis, not an opportunity. They warn that an older population means slower growth and increasing dependency. They accept ageist beliefs that older workers are unproductive, expensive, change resistant and technologically challenged. They fail to recognize the value of experience and the benefits it brings to families, communities and workplaces. They ignore the promise of intergenerational collaboration and the advantages of a diversity and inclusion model that incorporates age, capitalizing on the talents of both old and young.

Enlightened leaders see a different story. They understand the potential of experienced workers. They appreciate the economic and social benefits of gender, racial, religious and sexual diversity, and realize that age is the next frontier in their human resource strategies.

It's time for companies facing 21st-century demographic realities to move beyond outdated ideas and prepare for the workforce of the future. For those seeking expert advice, Mercer's point of view, "Next Stage: Are You Age-Ready?," provides data, analysis and helpful direction.

Aging is here. Is your company ready?

Paul Irving is Chairman of the Milken Institute Center for the Future of Aging, Chairman of Encore.org and Distinguished Scholar in Residence at the University of Southern California Davis School of Gerontology.

A NEW IMPERATIVE

Our population across the industrialized world is aging to the extent never experienced before in history. We are now living 10 years longer on average than our parents' generation, and nearly two decades longer than our grandparents' generation.

This social revolution has implications for every part of our society: how we think about and live our lives, and how we will work in the future. G20 leaders agree that to continue strong economic growth it is vital to support people to live healthier lives and stay in the workforce for longer. By doing so we can not only improve well-being and enable people to remain active and economically productive, but can also reduce dependency, bringing down the burdens on health, pensions and social systems.

Our labor forces fuel economic growth – their size and participation rates, as well as their productivity. We are now experiencing a slowing down in the rate of economic growth after 11 years of strong growth. Unemployment is at a historical low point, fueling wage growth. It is against this backdrop that we examine the imperative for fueling growth through the better utilization of an aging and experienced workforce. To date, this rapidly growing segment of our population is not always in sharp focus through the inclusion and diversity lens, and has often been overlooked as a source of competitive advantage, rather seen as a cost and a burden. It is time for change.

The case for examining the full diversity agenda – including age – and the steps you can take to make your business more age-ready are set out in this paper. It is the first time this evidence and a pathway to success have been collated so clearly and completely, making it easier now than ever to understand why and how to become an age-ready – not to mention a productive and an efficient – employer.

Read on and take up the gauntlet!

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NOT FOCUSED ON YOUR EXPERIENCED WORKFORCE? YOU SHOULD BE

Because experienced workers are largely ignored — or misperceived — in organizations’ strategic workforce plans, businesses are failing to capitalize on the value that workers with decades of experience can deliver. They are also failing to appreciate or effectively respond to the potential risks posed by the extension of working lives resulting from demographic and economic pressures. Further complicating matters are the facts that technology continues to disrupt the nature and requirements of work in ways

that uniquely affect experienced workers and that many older workers seek employment in nontraditional ways.

Given both the significant opportunity and the risk that experienced workers represent, employers cannot continue to neglect this part of the workforce. Instead, they must engage with this issue and build workforce plans explicitly focused on this growing segment of the workforce.

What do we mean by “Experienced Worker”?

For the purposes of this paper, we define experienced workers as those age 50 years and older, although this number is necessarily arbitrary and can provoke strong reactions. We use it because age discrimination legislation kicks in at age 50 in many countries, as do early retirement clauses in some employment contracts; it also reflects much of the academic and policy-level research results quoted herein. However, we believe this age demarcation should soon be revised upward given the growing number of people working well beyond this age and the popular belief that 50 is the new 40. In any case, we advise companies to explore a range of ages and related outcomes when undertaking analysis, as research has confirmed that chronological age is a rather imperfect indicator of the desire or need to work or of health, productivity or mental acuity.

In addition, the experienced worker segment includes people spanning two to three decades

and who differ from one another in countless ways. Nonetheless, the fact that this significant and growing segment of the workforce has remained an afterthought in most strategic workforce plans makes it long overdue for serious study. Experienced workers will be a huge part of what powers the organizations of the future — making it imperative to better understand this segment’s specific contributions and costs, and the risks and opportunities these workers offer to your organization. Mercer’s advanced analytics are being deployed by organizations to help identify and quantify the value of experienced workers.

Finally, think of it also in terms of what aging may mean to you. Is aging simply an extension of old age, an extension of what we call middle age, or is it that all stages of life are becoming longer? By adopting the latter definitions, potentially we could push out the definition to 70+.

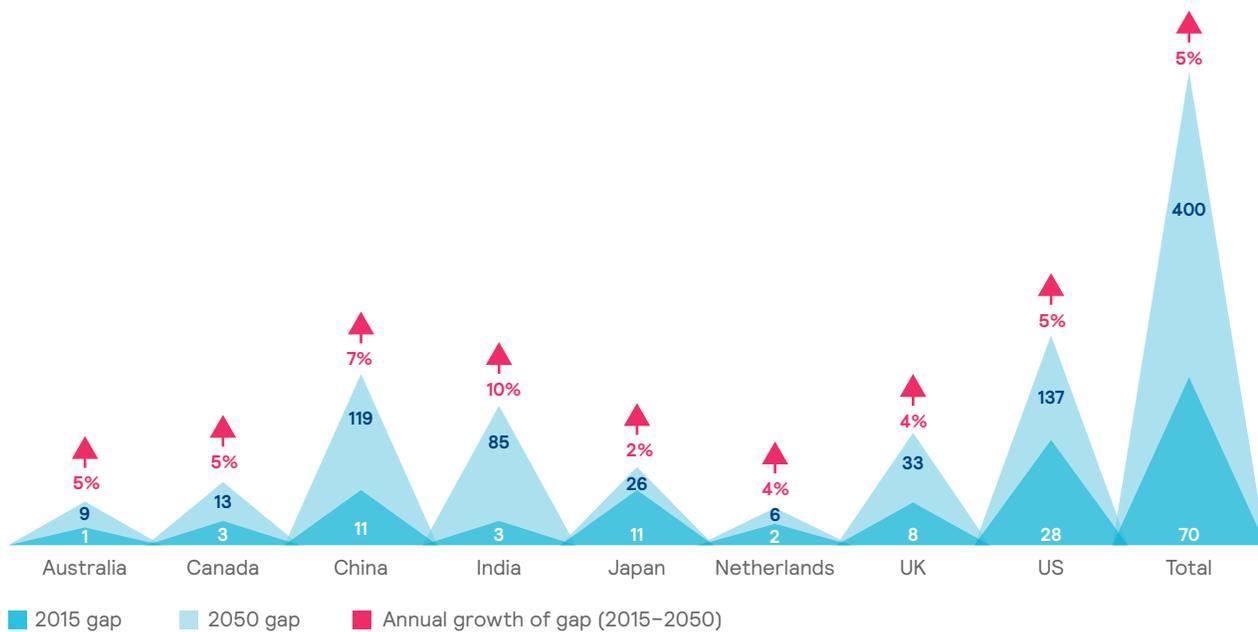
More than ever before, highly experienced people age 50+ are remaining in the workforce and are able and willing to contribute to business success. According to the World Bank, average life expectancy at birth worldwide has risen quickly over the past 50 years – from only 56 in 1966 to 72 in 2016. Among high-income countries, the rise has been even steeper, with life expectancy currently at 80.¹ Although reaching 100 is still uncommon, roughly half of those born today in the developed world are expected to live past 100.²

Asia Pacific is the fastest aging region in the world, with more than 200 million people expected to reach age 65 years and above between 2015 and 2030.³ In fact, by 2030, Japan will become the world’s first “ultra-aged” nation, with those ages 65 years and older accounting for more than 28%

of the population, while Hong Kong, South Korea and Taiwan will be considered “super-aged,” with more than 21%.⁴

Given this increased longevity, some people are choosing to remain in the workforce longer, satisfying a desire to contribute, learn and connect. Many more don’t have a choice because, even as our life spans are increasing, our ability to pay for that longer life is not. Weakening pension systems, inadequate savings and low interest rates have left many experienced workers without the income required to retire. Mercer’s analysis of this phenomenon shows that this gap stood at \$70 trillion globally in 2015 and, based on a 5% average annual growth, is projected to reach \$400 trillion by 2050.⁵ These wide gaps will keep many experienced workers in the workforce well beyond the traditional retirement age.

EXHIBIT 1
SIZE OF THE RETIREMENT SAVINGS GAP (\$ TRILLIONS, 2015)



Source: Mercer analysis

But employers are struggling to take full advantage of this experienced talent pool for several reasons:

1. THE EXTENSION OF WORKING LIVES IS UNPRECEDENTED, AND EMPLOYERS DON'T HAVE GOOD ROADMAPS FOR HOW TO CAPTURE THE VALUE – OR MITIGATE THE RISKS – OF THEIR EXPERIENCED WORKERS

Given longer lives and longer work lives, fewer people today are adhering to the three-stage life model of the past, in which school is followed by work and then by retirement. Instead, a multistage life is becoming more common – one in which individuals may go in and out of the workforce, work part time or join the gig economy, and get new training or credentials in midlife or later.⁶

Yet employment models, practices and policies are not well aligned to this new reality. From the availability of training and development opportunities to the ease of pursuing new roles and challenges in late career, employers have been slow to accommodate the multistage life. Instead, many organizations still view careers in linear terms. In addition, age tends not to be widely used to calibrate decisions made in rewards allocation, hiring, promotion and development despite laws prohibiting discrimination.

Employers have also lost the control they once had over the timing of transitions out of the workforce and into retirement. The wide-scale shift in the design of pension plans – combined with low savings rates and longer life expectancy – has left workers not only less financially prepared for retirement but also with little financial incentive to retire at a predictable time.⁷



EXHIBIT 2
EVOLUTION OF THE THREE-STAGE LIFE



65% of primary school children will ultimately end up working in new job types that don't yet exist



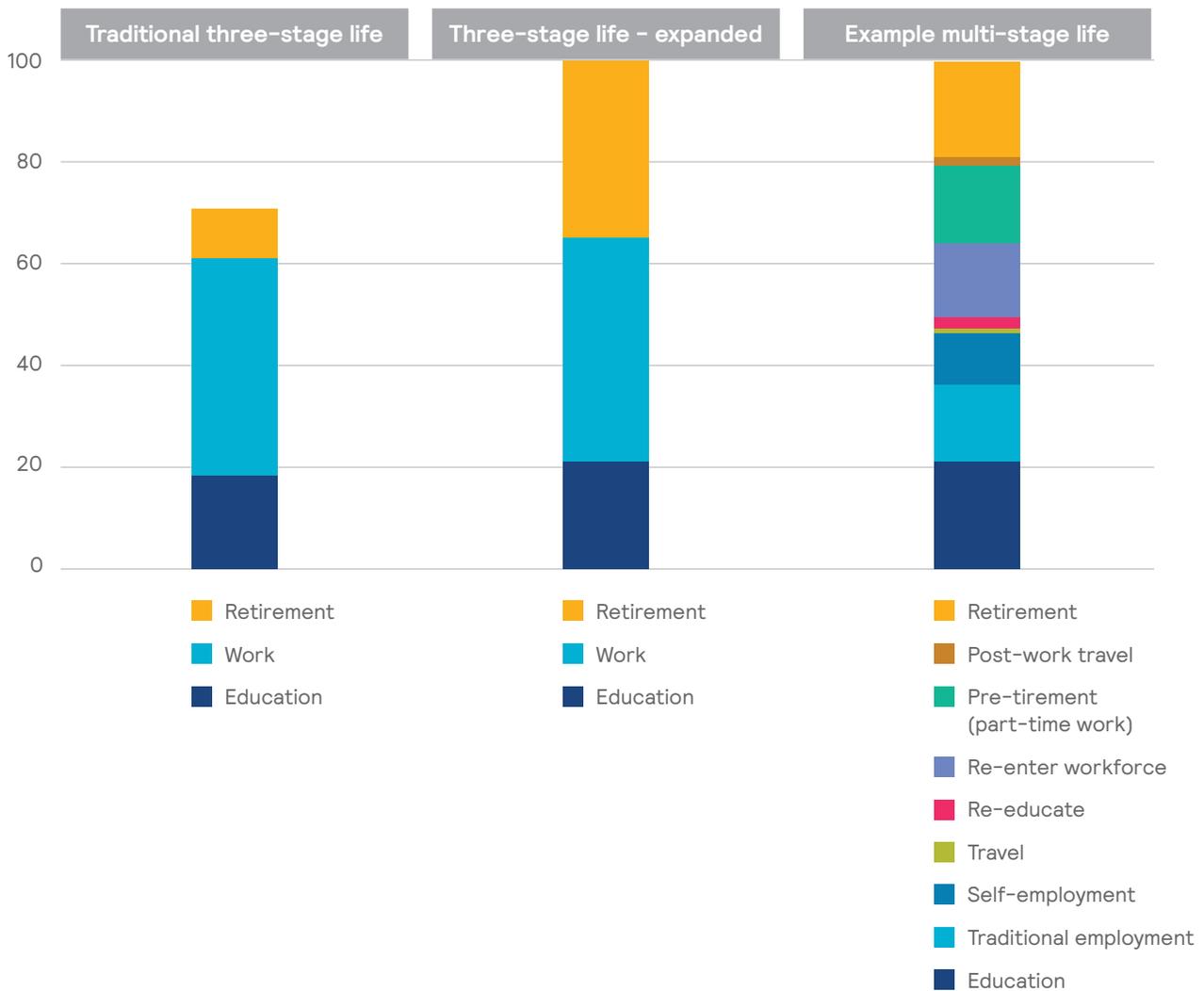
The cliff-edge approach to retirement is changing



39% already acknowledge they will have to work beyond their favored retirement age

PREPARING FOR THE 100-YEAR LIFE

Estimates show that over 50% of the UK population born after 2007 will live to be 100



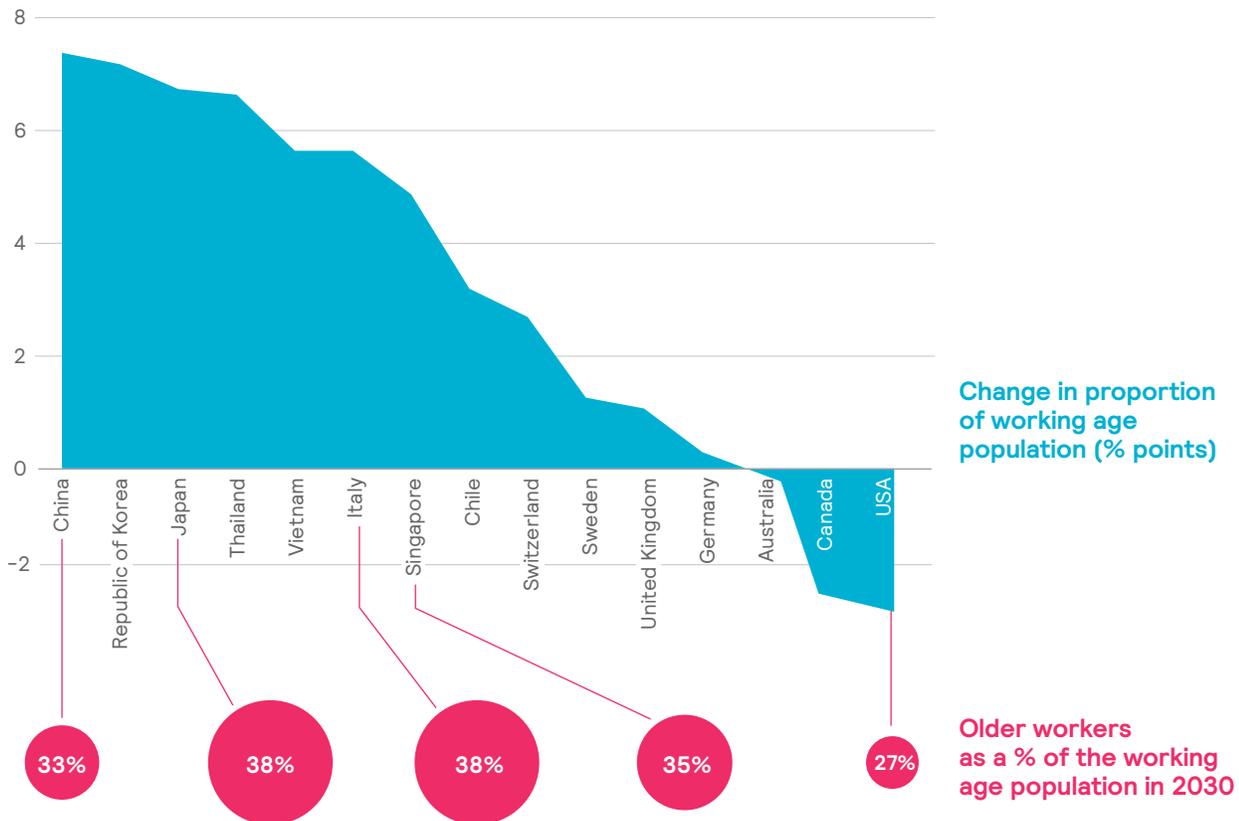
2. EMPLOYERS AREN'T FOCUSED ON GENERATIONAL DIVERSITY

While increasingly recognizing the need to tap all segments of the workforce in order to compete and thrive, few employers turn the diversity lens toward their experienced workforce. This is a significant oversight given the size of this segment – and it impacts businesses all over the world. In the US, for example, the average annual growth rate for those 55 and older is projected to be three times that of the overall workforce between 2014 and 2024; by 2024, 25% of the

US labor force will be 55 and older.⁸ Across Organisation for Economic Co-operation and Development (OECD) countries, workers 50 and older have been increasing as a share of the labor force since the mid-1990s.⁹

In Japan, roughly 6.1 million people 65 and over worked in 2016 – at 22.8%, this was the highest proportion of people 65 and older in the workforce among G7 nations.¹⁰

EXHIBIT 3
CHANGES IN OLDER WORKER POPULATIONS BETWEEN 2015 AND 2030



Source: APRC analysis of UN World Population Prospects dataset

Reaching the 50+ consumer

Apart from their contribution in the workplace, those 50 and older also represent the most critical global consumer segment. The European Commission reports that the European “Silver Economy” — that of people over 50 — is today the third-largest economy in the world, behind only the US and China.¹¹ In the US, those over 50 have fueled more spending growth than any other age cohort over the past 10 years and now account for more than half of all spending.¹² Companies may have more success in serving their customers age 50+ with a workforce age profile that matches that of their customers.

Moreover, talent shortages in some geographies and industries will make the experienced workforce a key talent segment. In the UK, for example, a long history of inward migration has helped mask the country’s dramatically aging population and plug essential labor force gaps.¹³ Post-Brexit — and already at almost full employment — the UK could face a shortage sure to increase demand for experienced workers — the only growing labor pool in the UK.

Although the US doesn’t face the same sort of economy-wide talent shortage, certain jobs, industries and regions are feeling the pinch. Job openings are at their highest level on record, with industries like hospitality and food service, professional and business services, education and health services and finance — and regions like the Midwest — finding it hardest to fill jobs.¹⁴ Wisconsin, for example, projects 45,000 more job openings by 2024 than workers available to fill them because of its aging population and lack of in-migration.¹⁵

Even where talent shortages don’t exist, per se, many companies are struggling to attract the younger workforce they desire. Although many of the high-growth technology companies of today are flush with millennials — the median employee age is 28 at Facebook and 30 at Google¹⁶ — more stable and traditional employers are finding it harder to compete. This is spawning how-to articles, such as the recent *Harvard Business Review* article, “The Right and Wrong Way to Attract Young Workers to a ‘Boring’ Company,” as well as efforts by more traditional industries to rebuild their employee value proposition to appeal to millennials. But given the relative scarcity of that younger talent, the jury is out on whether some of these more traditional industries will be able to compete. More forward-thinking employers are recognizing the importance of the experienced workforce to their talent strategy and business success. A diverse age spread should be the aspiration, as it can bring with it the most business and economic benefits.

3. EXPERIENCED WORKERS INCREASINGLY SEEK ALTERNATIVE ARRANGEMENTS THAT PROVIDE FLEXIBILITY AND ACCOMMODATE NON-WORK-RELATED INTERESTS

Phased retirement – or offering employees reduced working hours and/or extended employment as a means of transitioning from fully employed to fully retired – is one of the early forms of flexible employment sometimes offered to experienced workers. Although this particular approach may be losing relevance as fewer people fully retire and the age of transition from employed to retired is becoming more blurred, alternative work arrangements are more important than ever for workers of all age groups and employers alike.

Today, many additional forms of working flexibly – working remotely, working on flexible schedules and gig work – are appearing and appeal to older workers. Just as is true for employees with young children, experienced workers often have caregiver responsibilities that require flexibility at work. Aligning opportunities for flexible work arrangements with the interests and preferences of experienced workers can be an effective way for employers to make the most of what highly experienced employees – and other employees – can offer. But offering flexibility in a way that is fair and consistent is challenging for many organizations.

Are you letting critical knowledge and skills walk out the door?

“NASA no longer has the knowledge to put a person on the moon”

As researchers like David DeLong of MIT’s AgeLab have warned, organizations risk the loss of critical institutional knowledge that can’t easily be replaced when their experienced workforce leaves. From “remembering” how to disarm nuclear missiles built in the 1960s to retaining client relationships built up over decades, organizations are at risk when they lose the people who know how to do what needs to be done.



4. TECHNOLOGY CONTINUOUSLY DISRUPTS THE NATURE AND REQUIREMENTS OF WORK

At the same time that the workforce is aging, employers and employees are also grappling with unprecedented change in the nature of work itself, creating extraordinary complexity in developing a long-term people strategy.

Jobs today are being destroyed, created and changed at a speed never before experienced. According to one estimate, 75 million jobs may be displaced by machines over the next five years while another 133 million new jobs emerge.¹⁷ Job skills are also changing, with employers represented in the World Economic Forum's *The Future of Jobs Report 2018* expecting 42% of the core skills required to perform jobs shifting significantly between 2018 and 2022 and estimating that more than half of employees will require significant reskilling.¹⁸ The future of work is now.

This transformation is creating unprecedented risk for experienced workers. A recent study by Marsh & McLennan Companies' Global Risk Center found that the risk of displacement at the hands of advancing technology was higher for older workers than for their younger colleagues in many countries across the world.¹⁹ Across all OECD countries, the study found that, on average, 40% or more of the tasks done by older workers are automatable.

At the same time, the transformation is imperiling organizations, many of which do not have the people or the skills necessary to compete and thrive as the Fourth Industrial Revolution progresses. Since automation alone won't be able to fill the significant talent and skills gaps already beginning to emerge, managing this disruptive change and all the risks and opportunities that come with it will require a clear focus on all segments of the workforce.



5. AGEISM AND AGE-RELATED BIAS OBSTRUCT THE CONTRIBUTIONS OF EXPERIENCED WORKERS

Significant cultural and psychological barriers create unique challenges in optimally leveraging the experienced workforce. Acknowledging and addressing ageism and age-related bias are critical if organizations are to derive the full value of this important and growing talent segment.

Ageism is the last diversity frontier

No one is immune to aging. Despite this — and in stark contrast to norms surrounding other diverse populations — voicing age-related bias is not only socially acceptable but also routine. A quick walk down the greeting card aisle may provide some laughs but also a glimpse into the pervasiveness of ageism.

Less funny is the impact of this overt bias on employment and careers. A recent AARP study of adults over age 45 in the US found that almost two-thirds had either seen or experienced age discrimination in the workplace, including hearing negative remarks about older age from a colleague or supervisor (25%), not getting hired for a job they applied for because of their age (16%) or being passed up for promotion or another chance to get ahead (12%).²⁰

In another recent study, researchers from Tulane University sent more than 40,000 resumes in response to 13,000 lower-skilled job openings posted online in 12 cities. The resumes all listed similar work experience but different ages — early 30s, early 50s or mid-60s. The study found that older candidates received 20%–50% fewer callbacks than the younger applicants — a result that could only be explained by age.²¹



Having made significant progress in battling stereotypes and bias when it comes to other diverse segments of the workforce, considerable work remains ahead in changing hearts and minds about the value that experienced workers bring to organizations – and to society. Changing our language around aging is one step. *Allure* magazine announced last year that it would no longer use the term “anti-aging” in its editorial content and, instead, would recognize aging as both the inevitability and the privilege (given the alternative) that it is.²²

Ageism and sexism — is this double barrier for experienced women finally crumbling?

The intersectionality of ageism and sexism has long put older women at a disadvantage in the workplace, even at the highest levels, where experience is often considered an asset for men but where experienced women have remained far too undervalued and under-represented. The good news is that some evidence shows biased perceptions about experienced women are finally giving way to a new appreciation of their expertise and value. A recent article in *The New York Times* reported on the ascendance of experienced women into some of the most powerful roles in US government, business and entertainment — including US House of Representatives Speaker Nancy Pelosi, who is 78; incoming President of CBS News, Susan Zirinsky, who is 66; and winner of the Golden Globe for best actress, Glenn Close, who is 71. According to recent analyses by Harvard economists Claudia Goldin and Lawrence Katz, nearly a third of women ages 65 to 69 in the US are now working, up from 15% in the late 1980s, while 18% of women ages 70 to 74 work, up from 8%.²³

People don't self-identify as “older”

While people tend to identify with certain gender, race, ethnic or cultural identities across most or all of their lives, age is different. Older people become “older” only at some indeterminate point and tend to think of themselves much less in terms of this transient characteristic than in terms of other, more immutable identities. The secondary nature of this identity coupled with society’s negative view of aging means that people are much more likely to dye their hair and skip their birthdays than they are to demand business resource groups or form support groups with other members of the experienced workforce.

This puts experienced workers at a disadvantage when it comes to advocating for their needs and interests. It also makes it easier for employers to ignore this crucial cohort, thus missing a great opportunity to better support and enhance their engagement and productivity.

The contributions of experienced workers

Through Mercer's work with client organizations, we have identified the following channels through which experienced workers may contribute value to their employers beyond their own measured performance:

- Lower costs because they are less likely to leave voluntarily
- As supervisors, tend to help workers stay and lower voluntary leave of their teams
- Increase productivity of those around them through knowledge sharing
- Help develop and enhance career progress of their direct reports and mentees
- Enable innovation and customer connectivity
- Strengthen group cohesion, collaboration and resiliency, among other things

Fear prevents employers and employees from having productive conversations about careers

The prevalence of actual age-related bias and fears about even the perception of discrimination hamstring both employers and employees from proactively planning for the future. Concerned about litigation and potential damage to the brand, employers are afraid to discuss career and life plans with experienced workers — or ask employees about their intentions regarding retirement. At the same time, experienced workers are fearful of rocking the boat and pessimistic about their prospects of being given new challenges and new opportunities — or a new job. This makes experienced workers less likely to invest in new credentials, put their hand up for promotion or quit their job in search of a new one.

SEIZING AN OPPORTUNITY — OR SQUANDERING IT?

While the challenges are significant, demographic and economic trends are putting unprecedented pressure on organizations to develop a robust strategy related to their experienced workforce. Those that do so, based on a deep understanding of how their experienced workforce contributes and the obstacles to optimal deployment, will be well positioned to navigate the changing times and accelerate growth.

But employers that don't — and continue to neglect this growing talent segment — will face increased risk on several fronts: talent gaps and blockages, mismatched skills, age discrimination and wrongful termination claims, failure to capture the potential contributions of experienced workers and decreases in motivation and, thus, productivity resulting from people staying in the organization not because they want to but because they can't afford to retire.



IS THE EXPERIENCED WORKFORCE DIFFERENT?

COMMONLY HELD BIASES IMPACT HOW EXPERIENCED WORKERS ARE SEEN AND LEVERAGED

The experienced workforce as we define it is huge – and diverse. The UN World Population Prospects data project that by 2050, more than one-third of the entire world population will be above age 50.²⁴ Within such a big cohort, individual differences are often more pronounced than generational differences, making it difficult and counterproductive to generalize experienced workers in terms of needs, desires and abilities.

Nevertheless, the experienced workforce has one unfortunate thing in common – the widespread and largely unacknowledged bias it continues to

confront in the workplace. While employers and society as a whole have become much more aware of – and thus better able to neutralize – the bias that has plagued other segments of the workforce, from women and racial minorities to those in the LGBT community, we have not yet owned up to the biases that commonly impact experienced workers. Some of the most prevalent and pernicious include the ideas that:

“Experienced workers are less productive”

“Experienced workers have difficulty learning new skills and technologies”

“Experienced workers are more costly”



Although research on the contributions and costs of experienced workers is conflicting, it does point to the fact that a lot of what employers think they know about experienced workers just isn't true. For example:

“Experienced workers are less productive than their younger peers”

Extensive research dispels the myth that job individual performance declines with age. A meta-analysis by Ng and Feldman (2008) found age and performance to be “largely unrelated.”²⁵ Moreover, a recent study from the UK's Health and Safety Executive's laboratory found little evidence that chronological age is a strong determinant of health, cognitive or physical abilities, sickness absence, work-related injuries or productivity in the workplace.²⁶

Yet Mercer's systematic review of findings from deep analytical work with client organizations finds a consistent pattern of experienced workers receiving lower performance ratings, on average, than their younger colleagues.²⁷ What is not clear is whether this reflects an actual drop in individual productivity, more time spent mentoring, training and guiding others rather than achieving individual results, or the conscious or unconscious biases of managers. Intriguingly, Mercer has also found multiple cases in which the productivity of business teams or groups, such as branches within a bank or factories within a multisite firm, was higher when the work groups were older or comprised mixed-age teams.

Not your grandparent's workforce

Laura Carstensen, Professor of Psychology and Fairleigh S. Dickinson Junior Professor in Public Policy at Stanford University and Founding Director of the Stanford Center on Longevity, and Paul Irving, Chairman of the Center for the Future of Aging at the Milken Institute, report that today's experienced workers — and today's jobs — are quite different from those of earlier generations:

- **Physical strength** is no longer the key requirement of job performance it once was, when more work was agricultural rather than service-oriented.
- **Education** once differentiated younger from older workers when rates of higher education among younger people soared during the second half of the 20th century. Today, however, experienced workers are as likely as their younger peers to be college-educated.
- **Physical health** has also improved substantially for people in older cohorts, with each US cohort arriving at old age healthier than the previous one.

“[Some companies] see the Boomer generation as a bunch of old people stuck in the past who can’t figure out how the internet works. News flash — Baby Boomers invented the internet.”

— John Legere, CEO, T-Mobile

“Experienced workers have more difficulty learning new skills and technologies”

Several studies point to a lack of information, communication and technology skills among experienced workers. For example, a 2016 survey conducted by the OECD found that although 42% of adults age 25–34 can complete new multiple-step tasks requiring the use of technology applications, only 10% of adults age 55–65 are able to do so.²⁸

Yet the gaps found are in large part due to cohort effects rather than cognitive ones; it is not that experienced workers can’t learn new skills, only that they are less likely to have been taught certain skills already. These skills can be acquired through education and training — and there is evidence that experienced workers are proactively seeking this training. In a widely acclaimed book, *The 100-Year Life*, Professors Lynda Gratton and Andrew Scott cite survey results showing that almost 60% of workers age 45 and older were investing in new skills for work.²⁹ At the same time, research by The Age of No Retirement found that 85% of respondents from every age cohort want to keep active as long as possible and keep learning new things.³⁰

“Experienced workers are more costly”

Consistent with research literature on labor economics, Mercer pay research comprising more than one million data points has found that at all job levels, from unskilled to executive roles, pay climbs during the earlier years only to plateau and then fall as workers age. For unskilled and administrative jobs, a 25-year-old earns roughly the same pay as a 55-year-old. Among professionals and middle managers, a 35-year-old earns a similar amount to a 60-year-old. By age 50, pay begins to decline between -0.1% to -7.4% per annum, depending on age and job level. At the unskilled level, the decline, albeit small, actually starts as early as age 40.

Moreover, there is evidence that people of all ages — including experienced workers — are willing to trade compensation for flexibility. A 2016 report by My Family Care and Hydrogen detailing findings from a survey of more than 2,300 employees and more than 440 employers in the UK, Europe, Middle East and Asia Pacific found that 53% of people would rather work flexibly than receive a 5% salary increase, and 45% of those would sacrifice pay rises of 10% to have flexible-working opportunities.³¹





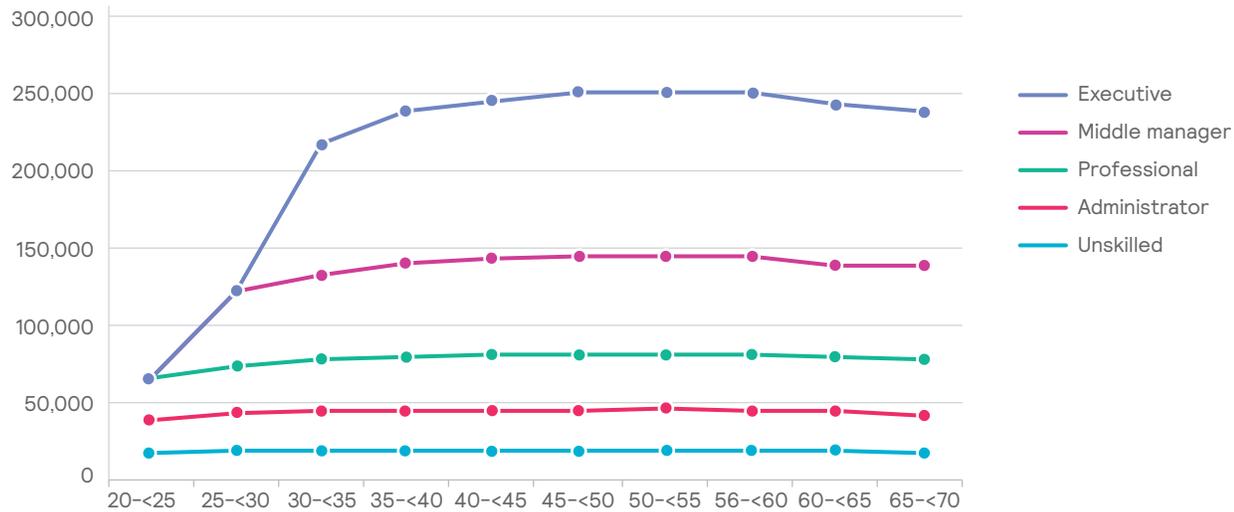
Age-diverse workforces can also reduce costs for employers through reduced turnover. Turnover can be expensive, costing employers anywhere from one-fifth of an employee’s annual salary to more than 200% of salary for senior jobs.³² Mercer

data from a review of turnover modeling work with client organizations show that experienced workers are consistently and significantly less likely than younger workers to leave the organization, potentially creating substantial savings.³³

EXHIBIT 4

MERCER MARKET PAY DATA

Age-banded results for position classes: unskilled labor, administrator, professional, middle manager and executive³⁴



BUT WHAT ABOUT YOUR EXPERIENCED EMPLOYEES?

Research into the experiences of others is informative, but the best way to ensure that your organization is appropriately capturing the value of experienced workers is to “look inside.” Happily, in this age of big data and advanced analytics, organizations already have what they need to best manage their highly experienced workers — and should routinely be taking advantage of data to drive their strategic workforce decisions.

GETTING THE MOST FROM YOUR EXPERIENCED WORKFORCE

Mercer has developed a series of diagnostics and support tools to help employers optimally engage and leverage their experienced workforce. They are:

Strategic and tailored to your organization's unique circumstances

Developing a people strategy aligned to the business strategy is essential. Only when an organization understands the talent it needs to power its business can it make a deliberate decision to optimize the power of experienced workers. How the business is changing, what consumer segments it is targeting and where it plans to expand will significantly influence its people strategy in general and its experienced-worker strategy in particular. For example, a company aiming to grow its consumer base among people over age 50 may decide it can best design products for and sell to this market by tapping the expertise of its over-50 workforce, which can leverage extensive experience in new product introductions and offer the perspective of the intended consumer.

Innovative and far reaching

Tools and solutions in development at Mercer are based on a human-centered, design-thinking approach often worked in a co-creation environment with our clients to solve real-time pain points. The process must encompass an exploration not just of the implications for the organization as a whole but also of the wants and needs of the employees themselves, while any solutions developed must have global application.

Based on data and analytics

An effective people strategy cannot be based on generalized assumptions about an organization's current workforce or future talent requirements. Instead, it must be developed by applying the same analytics to the experienced workforce that are commonly applied to the workforce overall so the organization can understand which people in which roles are critical to success.

Every organization has the data it needs to answer these empirical questions. By applying advanced analytics to that data, employers can uncover the true contributions of experienced employees as well as the unique needs and requirements of those the organization most wants to keep and motivate.

You should be using workforce analytics to:

1. Understand how your experienced workforce aligns with your workforce needs of the future
2. Accurately measure the contributions of your experienced workers
3. Ensure that your practices and policies are enabling you to maximize the contributions of experienced workers
4. Predict your retirement (or often, nonretirement) risk and the factors that most influence it
5. Assess the flexibility of work, workplace and workforce

Answering the following questions for your organization will propel the development of a winning talent strategy and help ensure you are optimally leveraging this critical segment of your workforce:

1. HOW DOES YOUR EXPERIENCED TALENT ALIGN WITH YOUR FUTURE WORKFORCE NEEDS?

Without analysis of how jobs and skill needs are changing in your specific organization – and a careful evaluation of the skills different segments of the workforce offer – your organization is in danger of failing to secure the talent you will need to thrive. Rather than make generalized assumptions, companies need diagnostics that help them understand their needs and gaps in different parts of the organization.

Example

An advanced manufacturing company well along in transitioning its factories from a 20th-century model to one embracing automation, digitization and artificial intelligence (AI) wanted to understand the talent implications, specifically for the highly experienced workers who rise to managerial positions. What skills would be needed of those who will manage and operate these plants of the future? In partnership with Mercer, the company tapped the expert knowledge and opinions of those closest to the work – plant leaders and their teams – and helped them think through the new talent requirements. Counter to conventional wisdom, some of the skills identified as most critical to managing in the digital age were not technical skills but cognitive skills, such as visualization and problem solving, as well as social skills like communication, coaching and team building.³⁵

Understand how your jobs will change

Technology – AI, automation, robots – will change the nature of work. While some jobs will be eliminated and others created by it, the emerging consensus is that technology will have its greater impact by changing the requirements of existing jobs. Further, these changes will differ from one enterprise to the next, depending on the organization's specific catalogue of jobs.

A first step in developing strategic plans for experienced workers, then, is to anticipate technology's impact on the jobs they perform. For example, in some instances technology will enable workers to stay employed longer, as when "cobots" perform the physically demanding activities of a job and free the job incumbent to do other things. In other instances, AI may reduce the need for people to perform work activities that required years of built-up expertise yet increase the need for those job incumbents to engage in other, more creative activities in their work. Mercer's approach is to help organizations identify how technology will affect their specific jobs and to discern the implications of those changes for experienced workers.

Example

A global engineering firm in Europe analyzed a range of workforce data to explore how its senior engineering jobs and incumbents will change in the future. It found that, along with being populated mainly by experienced workers likely to retire over the next five years, the roles themselves were changing as more product digitization was likely to come into play. The company concluded that two urgent actions were required. First, it set in place a retention program, including a phased retirement program, to ensure it would not lose all of its skilled engineers in a short timeframe. Second, it decided to reconstruct the engineering jobs to be partly coaching roles with more consulting and troubleshooting responsibility so those employees could help develop the next generation of engineers and more mental instead of physical strength. These two changes highly motivated employees and helped reduce a major business continuity risk.

Is the success profile for your organization fit for the future?

Also critical is understanding the characteristics of those who have historically done well in the organization – the kind of experience they have attained, their level of educational attainment and who they have worked with – so it can be compared to future requirements. By translating future business requirements into supporting workforce requirements and then developing the talent management policies and programs necessary to attain the workforce needed, companies can ensure they have the right talent in the right jobs to power their business into the future.

Example

In response to profound market transformations, a global products company launched new product/service lines and reorganized the business accordingly. It failed, however, to adapt its workforce and workforce strategy to this new market, leaving in place a workforce without the knowledge, skills and expertise to deliver. HR programs, like rewards and performance management, also were not sufficiently adapted to the new strategic requirements and continued to value and reward skills no longer essential to success. Despite bold changes in other areas, the business continued to struggle and its market value imploded. Although the company survived, it never really recovered from its failure to adapt its workforce strategy and is a shell of its former self today.



2. ARE YOU ACCURATELY MEASURING THE CONTRIBUTIONS OF YOUR EXPERIENCED WORKERS?

While experienced workers likely contribute to your organizational performance through technical or content expertise honed from years of practice on the job, deep institutional knowledge and social capital specific to the organization, as well as superior “soft skills,” such as listening, communication, collaboration and team building, this contribution is often not measured and is undervalued. Organizations that rely only on common proxies for performance, such as performance ratings, promotion probability and pay, are likely to undervalue the contributions of their experienced workers and miss opportunities to better leverage their skills, knowledge and experience.

To truly understand the contributions and costs of experienced workers, organizations should:

Assess the value of skills and experience to new roles

Analysis of the productivity and costs of individual employees in current roles is critical to rigorous workforce planning. This analysis may reveal that for certain roles – such as those that are physically strenuous – there is an age at which costs outweigh contributions. But analysis can also reveal alternative roles in which the skills and experience accumulated by experienced employees can be redeployed to boost business results.

Example

Statistical modeling of labor productivity and cost for a distribution company revealed that for employees responsible for making deliveries to customers, physical productivity waned as employees aged. At the same time, these employees experienced rising health costs, which were in part driven by the nature of their work. Consistent with traditional thinking about experienced workers, our analysis revealed a tipping point at which the cost of these employees exceeded their productivity. However, these frontline employees had had frequent contact with customers over many years and possessed detailed knowledge and deep relationships with customers critical to the organization. The company recognized that losing this accumulated customer knowledge would be a huge waste for the organization, so it built a new career path that enabled some experienced workers to transition from the heavy-lifting jobs into direct customer service, where their knowledge and relationships were tremendous assets.

Measure direct contributions at the group level

The individual performance measures commonly tracked by organizations generally fail to capture all the direct contributions of experienced employees. Instead, employers should be analyzing the drivers of performance across business groups to identify the extent to which demographics drive productivity.

Example

Our analysis of multiple years of branch-level performance data for a midsize regional bank revealed that the single greatest predictor of branch performance was the average tenure, which in this case was also strongly correlated with older age, of employees in the branch, particularly in frontline jobs. Homegrown, experienced employees got to know their customers and developed deep knowledge of product and service offerings that they could connect to these customers to grow the business. Our estimate was that each additional year of average tenure of front-line employees in the branches was worth about \$40 million in increased revenues – \$25 million from expanded market share, \$15 million from increased revenue from existing customers.



Measure indirect “spillover” effects of age diversity

Individual performance measures also fail to account for the indirect contributions that experienced employees make to group performance. This indirect contribution may derive from the coaching, knowledge transfer and other forms of guidance offered by older workers to their younger colleagues. It might also result from the increased stability (lower turnover) typical of groups that include experienced workers.

Our research has found that these indirect contributions often show up at the group level, in the performance of particular units within the business, even when individual performance measures don't capture these effects.³⁶ Focusing only on individual and direct performance measures may produce a misleading view of what experienced workers actually contribute at work.

Example

Statistical modeling of the running record of performance across the operations of a national health services organization showed that a five-point reduction in turnover would lead to a \$66 million reduction in cost per unit and an additional \$31 million in operating margin. These were quite substantial sums for this low-margin business. Further analysis showed that older workers were far less likely to leave and that employees who reported to more experienced managers were also significantly more likely to stay. These two effects combined meant that facilities consisting of more experienced workers were more stable than those staffed with younger employees.³⁷



3. ARE YOUR PRACTICES AND POLICIES MAXIMIZING EXPERIENCED WORKERS' CONTRIBUTIONS?

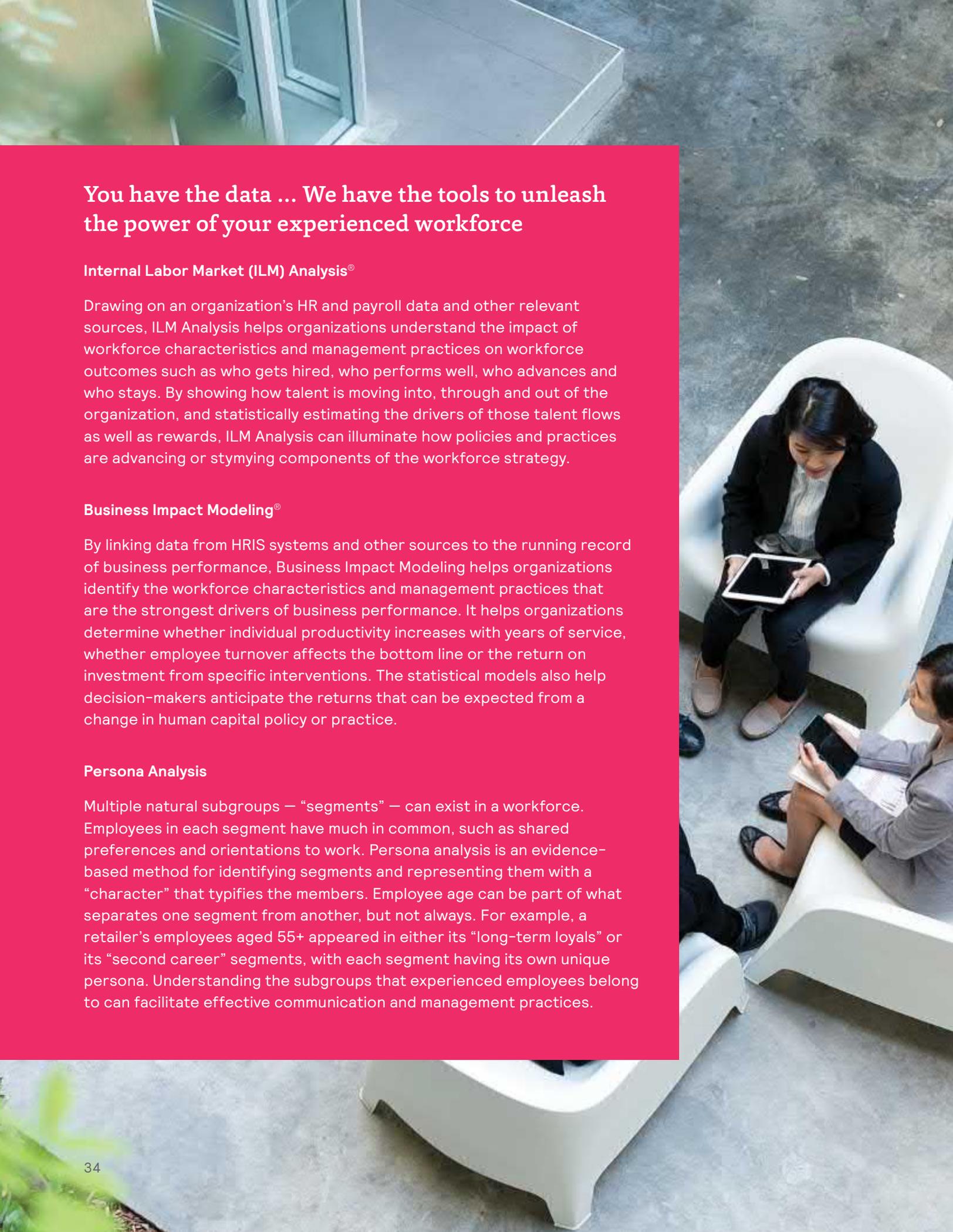
Once the value of the experienced workforce is understood, the next question is whether this workforce is being deployed and managed in a way that maximizes its contributions. Organizations can use workforce data to analyze how the experienced workforce is being hired, trained, promoted and exited — and whether these flows are consistent with business needs. The results of this analysis can then help to identify any policies and practices that should be changed so the organization can secure the right workforce at the right pay in the right jobs.

Some key questions to explore include:

- Are your talent acquisition, development and training, assessment and rewards processes sufficiently flexible and adaptable to retain the right workers at the right pay in the right jobs?
- Do you offer job flexibility to support the needs of all workers, including experienced workers?
- Have you identified alternative career pathways that can better leverage experienced workers while also minimizing risks and blockages in the organization and/or actively considered hiring experienced workers for newly designed roles?
- Do you offer training and reskilling opportunities to experienced workers — or only to younger workers? (Evidence indicates that lifelong learning improves health and well-being as well as relevance to jobs of the future.³⁸)
- How are your benefit programs influencing demographic flow in the organization, and do they adequately cover the changing needs of experienced workers?
- Do you offer benefits, counseling and education to improve health and financial literacy, including pre-retirement courses and support for caregivers?
- Have you made any workplace adaptations that will support an aging demographic?

Example

A number of banks operating in the UK have recently outlined their plans to address some of these questions. Their actions have included actively recruiting experienced workers as apprentices into customer service roles to more closely match the demographic of their customer base. These roles are very flexible around time at work, enabling them to recruit from populations that are juggling work with caregiver responsibilities. Customer satisfaction feedback has been exceptionally positive. In addition, caregivers' leave is becoming increasingly popular within the financial services sector in the UK, together with providing online and phone support for new caregivers who are facing the prospect of managing work and later-life caring responsibilities. Employees' reactions to these benefits have been hugely positive.



You have the data ... We have the tools to unleash the power of your experienced workforce

Internal Labor Market (ILM) Analysis[®]

Drawing on an organization's HR and payroll data and other relevant sources, ILM Analysis helps organizations understand the impact of workforce characteristics and management practices on workforce outcomes such as who gets hired, who performs well, who advances and who stays. By showing how talent is moving into, through and out of the organization, and statistically estimating the drivers of those talent flows as well as rewards, ILM Analysis can illuminate how policies and practices are advancing or stymying components of the workforce strategy.

Business Impact Modeling[®]

By linking data from HRIS systems and other sources to the running record of business performance, Business Impact Modeling helps organizations identify the workforce characteristics and management practices that are the strongest drivers of business performance. It helps organizations determine whether individual productivity increases with years of service, whether employee turnover affects the bottom line or the return on investment from specific interventions. The statistical models also help decision-makers anticipate the returns that can be expected from a change in human capital policy or practice.

Persona Analysis

Multiple natural subgroups — “segments” — can exist in a workforce. Employees in each segment have much in common, such as shared preferences and orientations to work. Persona analysis is an evidence-based method for identifying segments and representing them with a “character” that typifies the members. Employee age can be part of what separates one segment from another, but not always. For example, a retailer's employees aged 55+ appeared in either its “long-term loyals” or its “second career” segments, with each segment having its own unique persona. Understanding the subgroups that experienced employees belong to can facilitate effective communication and management practices.

4. WHAT IS YOUR RETIREMENT RISK, AND WHAT FACTORS MOST INFLUENCE THE RETIREMENT DECISION?

Employers that don't pay attention to retirement risk often end up with unexpected outcomes that hurt the business. This can take the form of bottlenecks and high turnover among up-and-coming talent as a result of delayed retirements. It can also result in the damaging loss of accumulated institutional knowledge, specialized skills and customer relationships when too many retirements happen at once.

Example

A global consumer products company had, like almost all its competitors, gotten rid of its defined benefits retirement plans in the 1990s with the goal of reducing costs and eliminating liabilities. Fifteen years later, when the company hired Mercer to help with its diversity strategy, an ILM Analysis found little talent movement in the organization. Choke points quite low in the career hierarchy meant that there was little opportunity for promotion — causing lots of up-and-coming talent, and particularly diverse talent, to leave. Digging deeper, we found that a prime cause of the talent-movement stagnation was that employees were delaying retirement due to the lack of an incentive to retire (that is, a guaranteed income for life). This bottleneck eliminated opportunities for others to move up in the organization and made it difficult for the organization to build its talent pipeline for the future.³⁹

Influencing the retirement decision

By drawing on a range of data sources, from employee pension plans and health data to performance ratings and job profiles, organizations can segment the experienced workforce to gain clarity on which employees are likely to retire when and what might influence their decision. Clustering employees according to relevant characteristics, such as their financial and physical well-being, can help you target interventions and communications to influence behaviors in ways that benefit your organization and employees.

Example

A large employer in the health sector wanted to better gauge where the risks of retirement were concentrated in its workforce and, in the process, gain insights into what factors – financial, health, career and others – most influence the choice to retire. Working with Mercer, the company leveraged vast amounts of data to develop predictive models of retirement decisions. These models were then used to pinpoint where in the enterprise the risks of losing highly experienced workers to retirement were greatest. In many cases, retirements were deemed detrimental to business interests. Findings from the analyses provided insights about actions that would help the employer forestall unwanted retirements.

Are your HR processes limiting your ability to get full value from your experienced workers?

What is limiting you from building the experienced worker strategy best suited to your business needs? In some companies, the limiting factor is a suite of HR programs that fail to value and reward the experienced workforce appropriately. For example, programs that automatically tie compensation to length of service may cause some talent to be overpaid relative to their value to the business while others are underpaid. This makes it difficult to secure the right talent in the right roles for success. In other cases, if HR processes such as bonus and pay awards, promotions, performance grading, hiring and training budget allocation fail to account for the distribution of outcomes by age, then the current systems could have inherent demotivating and unfair practices. Age-equality checks across these processes will be a simple way to ensure the organization is compliant and able to power growth across all segments of the workforce.

5. HOW FLEXIBLE IS YOUR WORK, WORKPLACE AND WORKFORCE?

For both employees and employers, flexibility will be a key feature of work in the coming years. However, where flexible policies exist, data show they are generally two dimensional – limited to where and when people can work. This type of 2D framework is too limited to satisfy the full scope of future flexible working needs and is often inconsistently applied.

Companies are still struggling with how to flex job content and are trying to work out how roles should be resourced in the future. But this is why companies should be looking at workplace flexibility across multiple dimensions, such as when work is done, where work is done, what work is done, how work is performed and rewarded, and who (or what) does the work.

Systematic analysis, with organizational changes based on this, will ensure the outcome will be a framework for workplace flexibility that enhances your employee value proposition, minimizes the inconsistency risks of flexible working that we have come to know, and reflects the workforce and job changes that will be needed in the coming years. In addition, research shows that a well-implemented workplace flexibility framework has a clear link to improved physical and mental well-being for employees.

Example

A large engineering company in Europe was worried about its 80:20 male to female staffing ratio and wanted to attract more women into the workplace. It used Mercer's Adaptive Working™ (a 5D flexible working methodology) to examine the potential for flexibility of a range of jobs and was pleased to discover ways to flex all jobs on at least one of the five dimensions. As a byproduct, this work also enabled the company to identify changes that would need to be made to jobs with experienced-worker incumbents to enhance flexibility.





10 Ways to optimize your experienced workforce

1. Collect and analyze your age-profile data to explore demographic and skills pinch points.
2. Develop and implement people and career strategies that embrace the experienced workforce.
3. Understand what impact your retirement plan design has on the trajectory of retirement readiness and labor flow.
4. Initiate conversations with employees about how they might work differently.
5. Examine and tackle how ageism might manifest in your organization – analyzing pay, bonuses, performance, promotion and recruitment statistics through a lens focused on aging.
6. Develop a lifelong learning attitude that positions people to embrace jobs of the future.
7. Measure productivity levels across different age and position cohorts in your organization.
8. Implement an effective flexible-working strategy.
9. Develop and implement a program offering support for those who have caregiver responsibilities.
10. Create and sustain an inclusive culture that supports and enables your experienced-worker strategy.

STARTING THE CONVERSATION

While developing an inclusive people strategy based on analytics is crucial, organizations will not succeed in getting maximum growth from their experienced workforce without leadership willing to lead change. This means starting a conversation.

Leaders need to explore how best to talk to experienced workers about their career goals and the fears, needs and concerns that may be preventing them from contributing as fully as they could — or from being deployed as effectively as possible. Leaders may want to consider creating a business resource group for experienced workers so that, together, they can discuss career and life goals, identify challenges and explore potential career pathways. Or they may want to simply appoint an “Age Champion.”

Leaders also need to have the courage to bring out into the open any biases that may be driving some talent management decisions — and acknowledge and address the risk of age discrimination claims. This may lead to training managers on unconscious bias, how to have career conversations with experienced

workers and how to navigate the legislative and regulatory environment.

Creating the space to begin this dialogue is the only way to align organizational culture and individual expectations and behaviors to a new experienced-worker strategy. Without this alignment, changes in programs or policies will fail to deliver the desired results.

Today, too few employers are having these conversations.

So how do you get the dialogue started at both the individual and the organizational level? This can be relatively straightforward, although to avoid any discrimination risks, it is safest not to specifically target any particular age group but, instead, to offer the chance to start a conversation with all who might be interested in “working differently.” Topics might include phased retirement, an alternative employment model such as temporary contracting or more traditional approaches, such as job sharing.

Mercer midlife check-up

One approach to starting the conversation that we are developing in the Global Digital Innovation Hub at Mercer is a suite of tools that enable a comprehensive midlife review. These will help individuals define the best path forward as they start to think about what they would like to do in the next phase of their lives. Aimed at (but not exclusive to) people over age 45, this new solution will help individuals think through a number of key decisions related to self, health and wealth. Accessed through a digital portal, employees can use the tools to explore their current skill sets against potential future skill development needs, mapping out a learning journey that could take them into a later-life career move or a different style of working. It also provides financial planning and budgeting tools so that employees can assess the affordability of transitioning into working differently. Finally, there are some health checks and balances that employees can and should do to ensure they are ready for the years ahead.

LEADING CHANGE

Given the technological and demographic shifts already underway, employers need to better understand and leverage the experienced workforce. Individual employers can leverage data and analytics to prepare and respond. Mercer has specific solutions employers can use to help tap the opportunity as well as assess and mitigate the risks.

The public sector also has a critical role to play in tackling the challenges and preparing individuals and businesses for longer lives and the changing nature of work. Governments around the world are advocating measures to support fuller working lives. Most pressing, infrastructure is needed to support a secondary market for experienced workers and new opportunities for people to be employed in different, more flexible ways post-retirement.

Finally, individual employees inevitably face both risks and opportunities resulting from the trends discussed in this paper and must be part of the solution. With the support of employers and government, individuals will need to develop their own later-life strategies — ones built for the longer lives and redesigned jobs of tomorrow.⁴⁰

A WINNING APPROACH

Mercer is undertaking new research with client organizations to help them rethink their workforce strategy and develop a winning approach in this era of aging and longevity. Issues being addressed include:

- Organizational demographics and the impact of outside labor pool pressures
- Aging and automation
- Financial security and optimizing retirement choice
- Flexible workforces and fluid talent networks (including the concept of a talent pooling consortium)
- Reskilling and the importance of later-life transitions
- Health and well-being

We invite you to join us in our journey as we look into the experienced workforce — a critical component of the workforce for today and tomorrow. If you would like to partner with Mercer in any of these research areas or desire more information on any of the content in this paper, please contact the Mercer Experienced Workforce Next Stage team.

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