

# Presentation to CAMA Conference 2011

## How Will the Aging Workforce Affect Your Municipal Operations?



**Prepared by Aon Hewitt**

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## Objectives for this Session

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- Examine the implications of the aging workforce for municipalities across Canada
- Understand the impact the aging workforce will have on your municipality
- Explore options to prepare for and mitigate the associated Human Resources risks

## Contents

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- The HR Challenges
  - The risks to employers
  - Why planning is difficult
  - Why planning is urgent
  
- Demographic Risk Management
  - Quality Insight
  - Strategic Response
  - Tactical Options
  
- Research Conducted on Municipal Workforces
  - Four principle age distributions
  - Issues and strategic responses
  
- Q&A

## The HR Challenges

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"As council began its budget talks Tuesday, it heard from the director of engineering and public works who said 83 percent of his payroll is made up of employees 55 or older."

"... Another troubling statistic is that more than 90 percent of the public works department is 45 or older."

Local Canadian newspaper, April 2010

- Surveys of leaders in all sectors confirm that staffing issues are top of mind for executives around the world
- Attracting and retaining qualified employees ranks 2<sup>nd</sup> only to the economy as the most significant threat to organizations today

## Planning for the Aging Workforce is complicated

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- Uncertain retirement trends
  - WHEN will people actually retire?
- Lack of HR support for business unit workforce planning
  - Out of 24 HR capabilities, business leaders ranked HR's effectiveness at providing credible advice on workforce planning as #22<sup>1</sup>
- Inability to identify, prioritize and implement talent management programs
  - Organizations need to translate retirement forecasts into suite of talent management programs that effectively close skill gaps

AND, Limited urgency leads to lack of commitment

1. Source: Corporate Leadership Council

## What is the real urgency?

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- Volume of retirements anticipated
  - Some expect 30-50% of employees to retire in the next 5-10 years
  - Bulk of projected retirements are leaders and senior experts
  
- Lead time needed for planning
  - Decision to retire made long before it is communicated to employer
  - Limited ability to convince employee to alter decision once made
  
- "Retirement" vs "Full retirement"
  - Employee may continue to work, but not for same organization
  
- HR programs
  - May encourage behaviour inconsistent with organization's objectives
  - Limited ability to adjust programs with long-established expectations

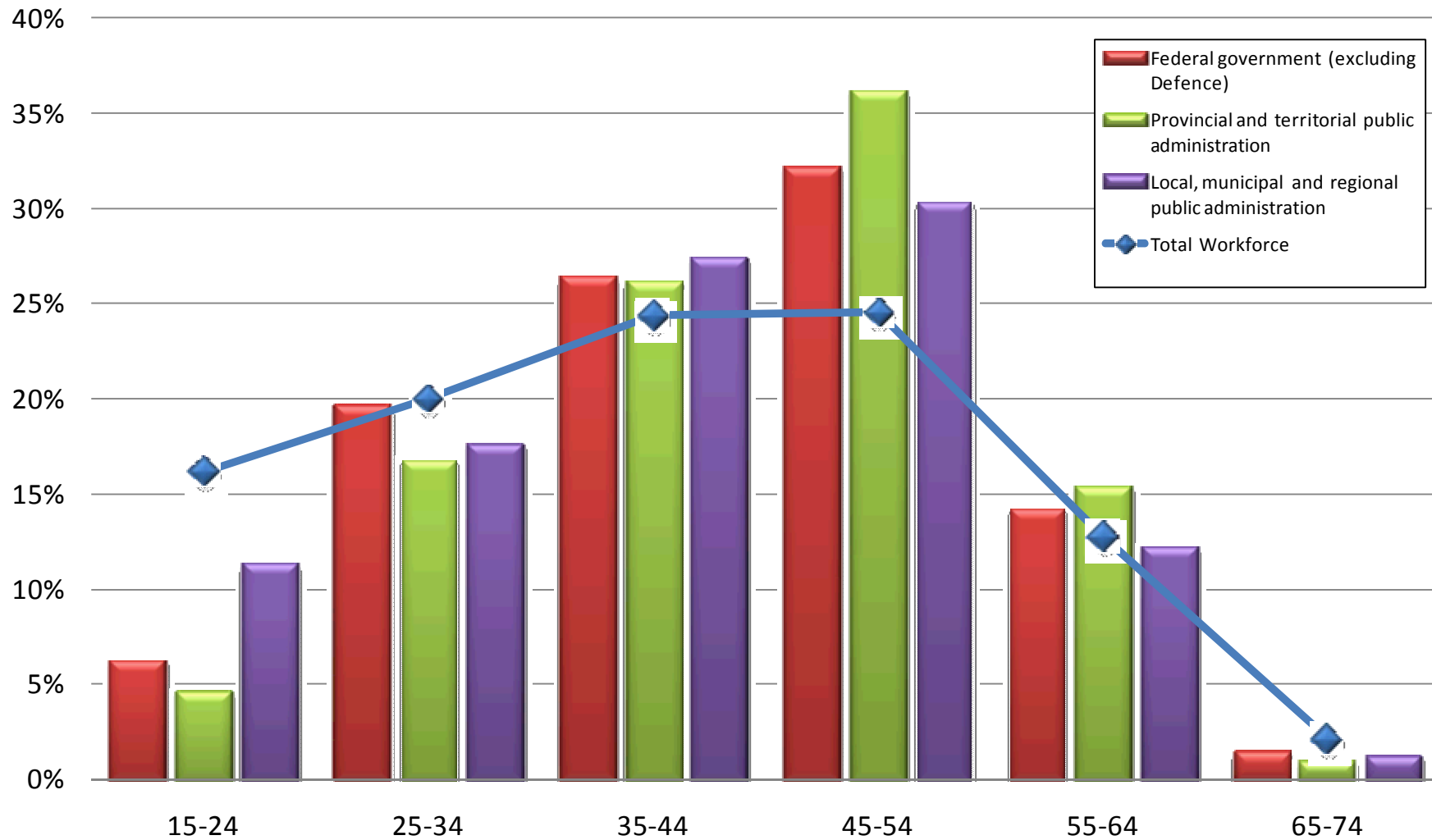
## Demographic Risk Management – Three Core Questions

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1. Do we have **quality insight** into the nature of the talent risks we face?
2. What will be our **strategic response** to managing risks and meeting business objectives?
3. Do **HR programs** adequately support our strategic direction? If changes are necessary, where must we focus?

These three core questions provide a framework for proactively planning for the aging workforce, and managing the associated demographic risks

# Canadian Workforce Demographics (2006 Census)



## Segmenting the municipal workforce

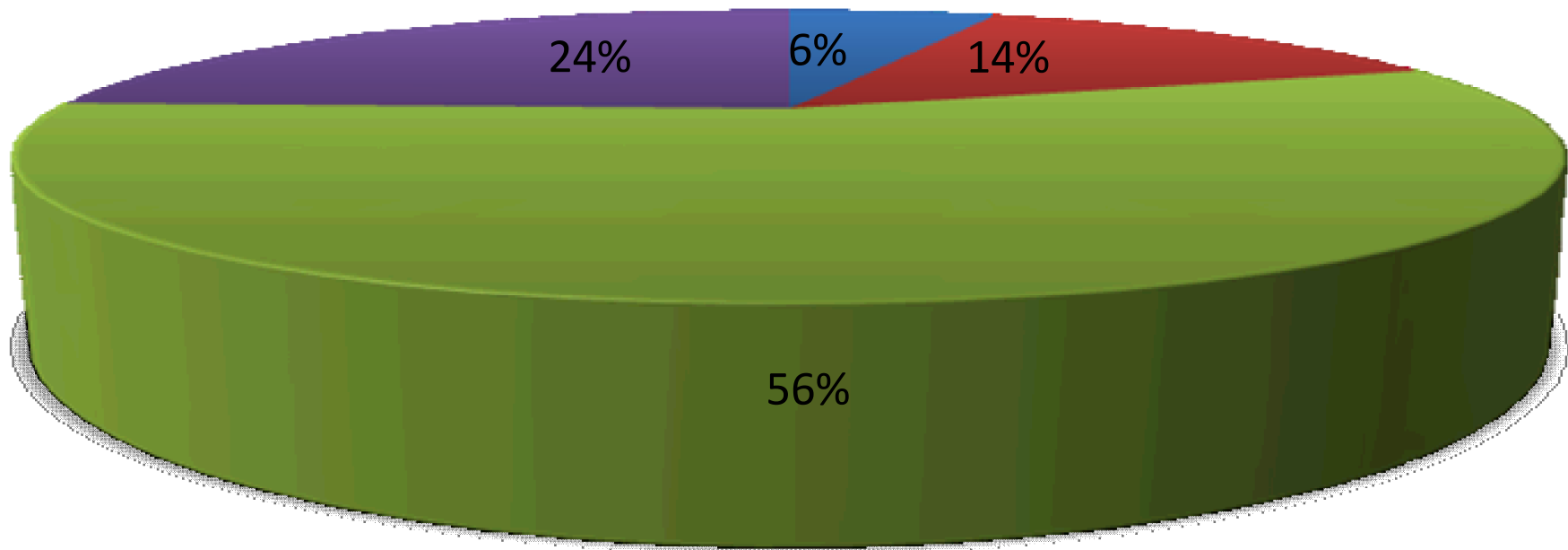
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- What we did
  - By metropolitan census area
    - Geographical grouping of employers
    - Cities / Municipalities in close proximity combined
  - Analyzed by age band
  - Clustered workforces with similar demographic profiles
  
- Resulting in four distinct profiles, each with different demographic risks

## Four distinct demographic profiles

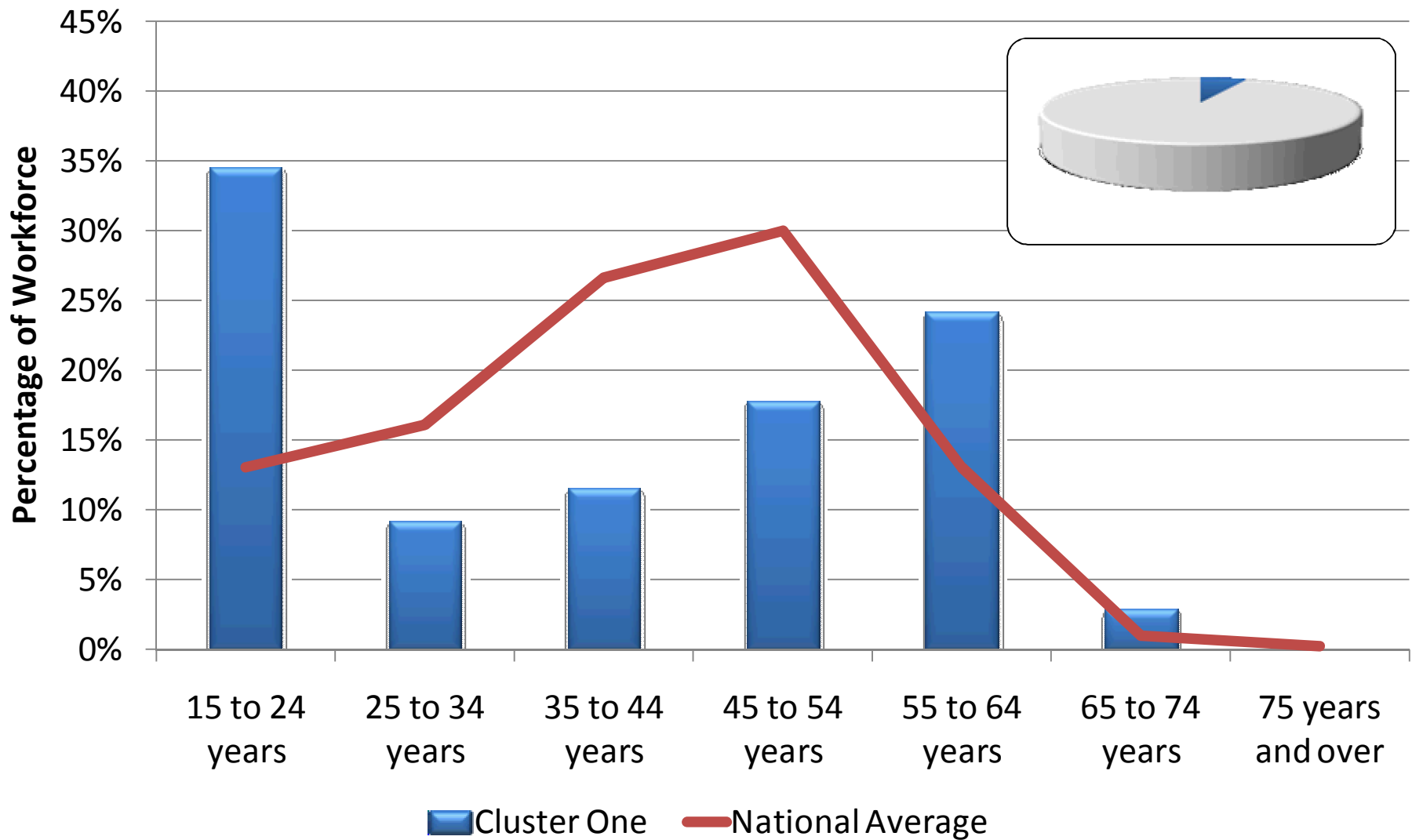
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### Segmentation of Canadian Census Metropolitan Areas

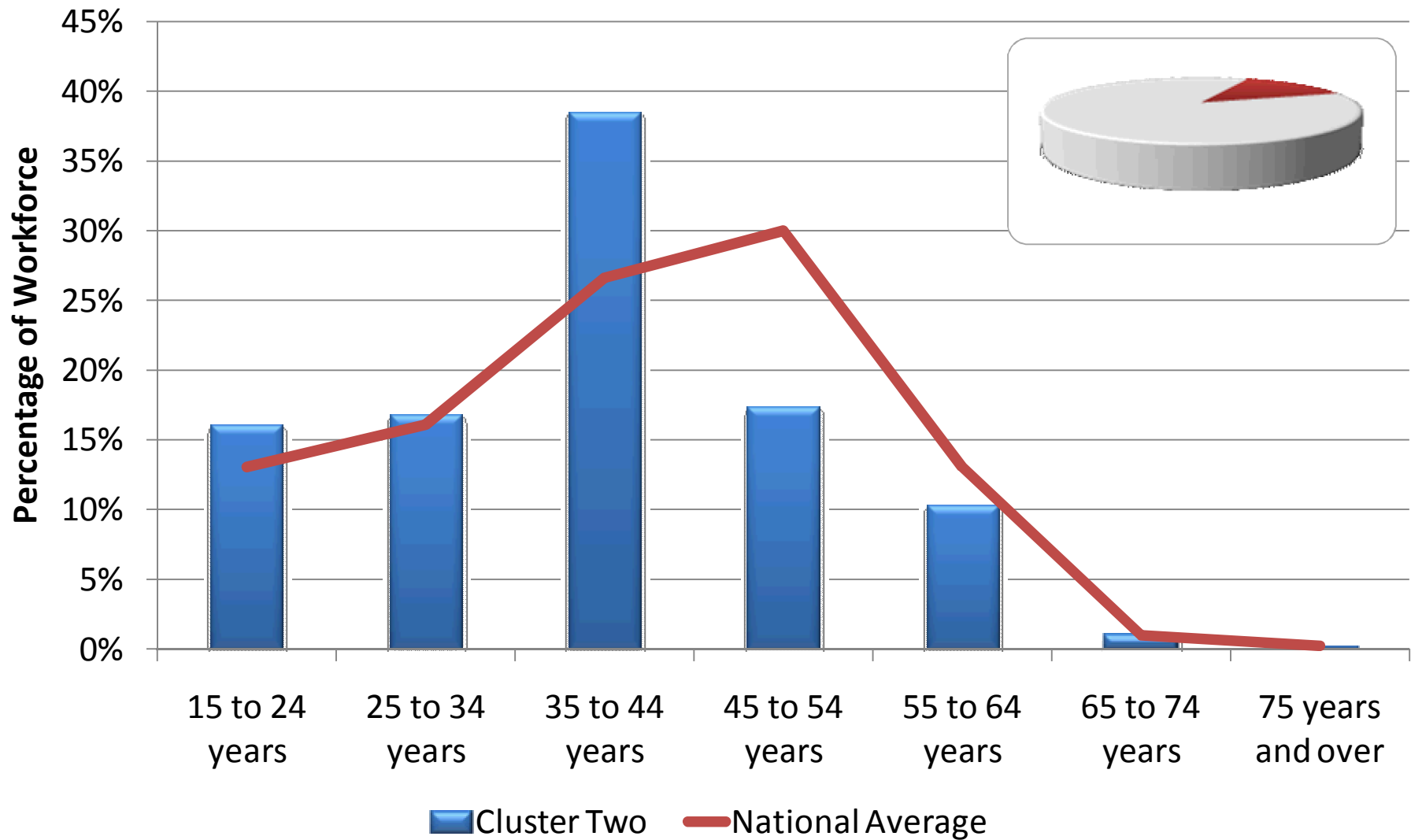


■ Cluster One   ■ Cluster Two   ■ Cluster Three   ■ Cluster Four

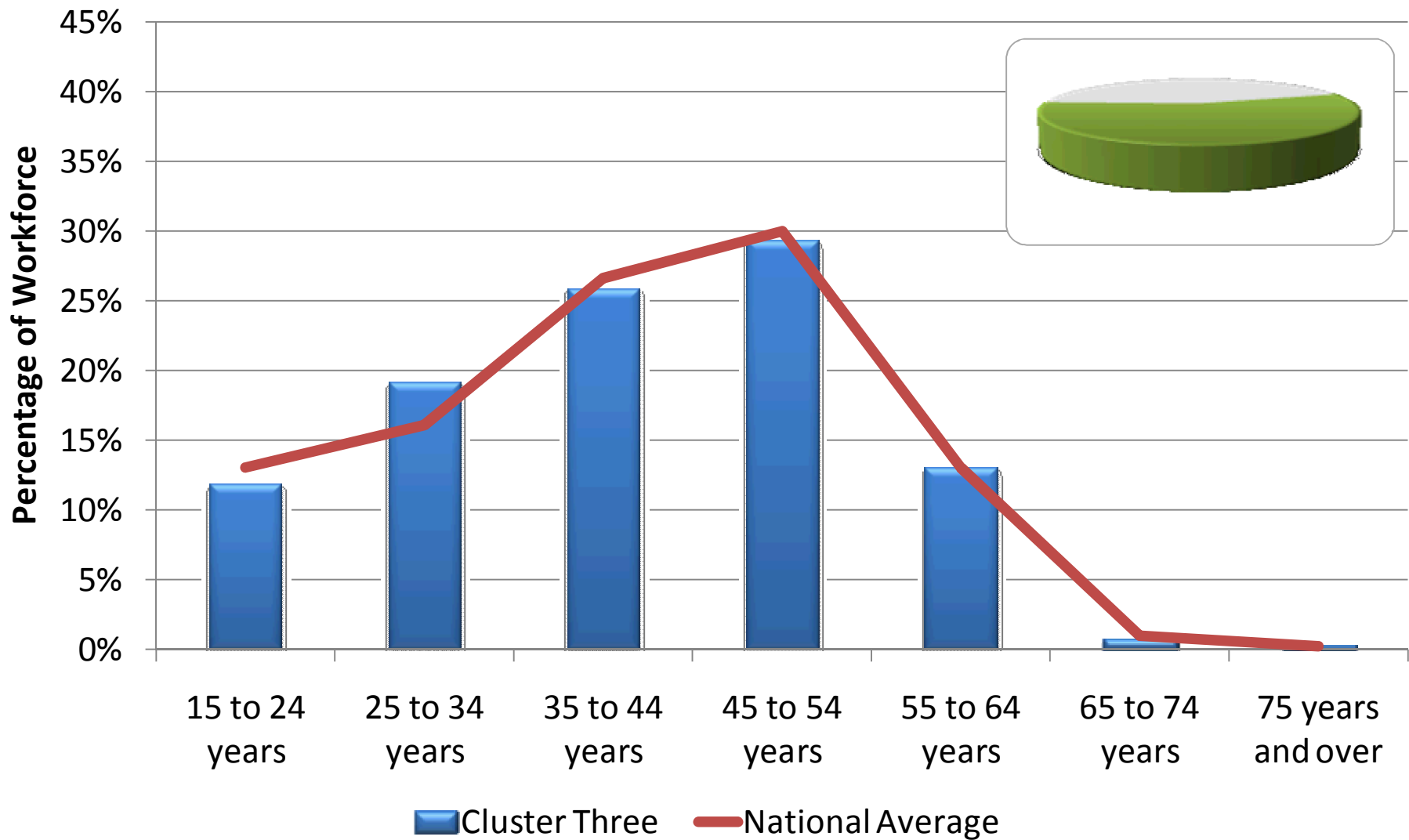
# Cluster One



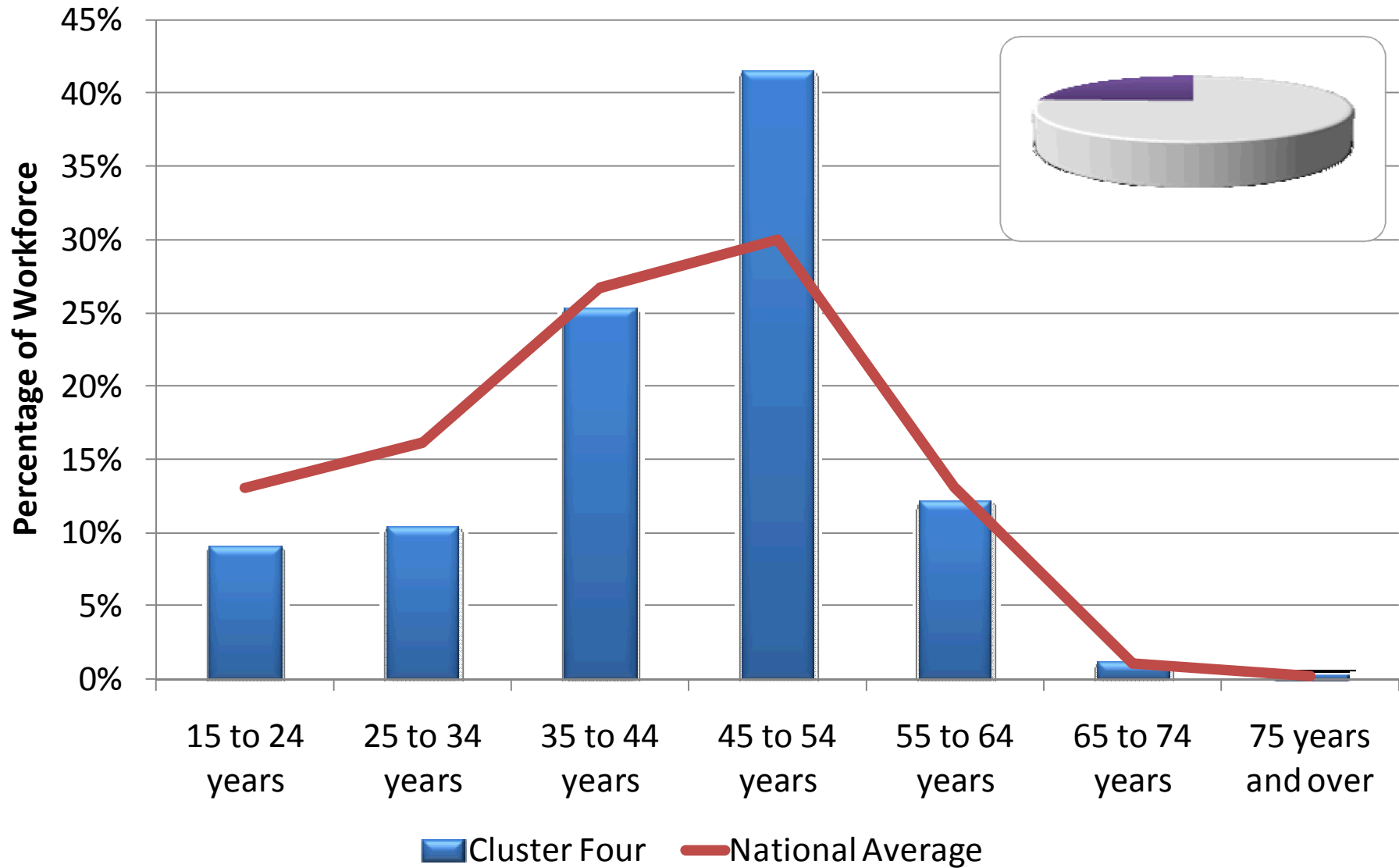
## Cluster Two



## Cluster Three



## Cluster Four



## ... Understanding Your Workforce

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- Do workforce / local population modeling
  - Gain insight to your specific situation
  - Identify both supply and demand
  
- Understand retirement trends
  - General population
  - Your workforce

## 2. Determining the Strategic Response

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- Short term
  - Do you need a strategy for retaining mature workers in the short term?
  
- Medium term
  - Start to shape municipal operations to work with, not struggle against, demographic realities
  
- Longer term
  - Use short and medium term initiatives to position your municipality for the longer term (after the bulk of the retirements have happened)

## Potential Strategic Responses ...

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- Targeting a demographic profile for your workforce
- Employing retiree labour pools
- Strategic reorganization of work
- Facilitating retirement transitions
- Improve attraction, retention and engagement

Merely getting "better" at attraction and retention is likely insufficient

### 3. Exploring Tactical Options

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#### Targeting a demographic profile for your workforce

- Target rewards to appeal to identified demographic groups
- Generational benefit design
- Flexible work arrangements
  - Time – hours and schedules
  - Location
  - Time off – sabbaticals, extended leaves
  - Retiree labor pools
  - Ensure you have the infrastructure and policies to support such arrangements
- Review impact on benefit costs

## ... Exploring Tactical Options

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### **Strategic reorganization of work**

- Create new positions to extend value
- Accelerate training
- Evaluate life-cycle of skill sets

## ... Exploring Tactical Options

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### **Facilitate retirement transitions**

- Retirement planning education
  - General communication and education
  - Personalized projection tools
  - Retirement planning seminars and workshops
  
- Phased retirement / other flexible retirement options
  
- HR practices that encourage transition
  
- Improve knowledge management and transfer capabilities

## Meeting the HR Challenges of an Aging Workforce

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1. The workforce is changing
  - Dramatically, inexorably
  - Albeit, right now, slowly
  
2. Demographic Risk Management
  - Gain Quality Insight
  - Determine the Strategic Response
  - Explore Tactical Options

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Q&A



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