



Developing Alternative Sources of Employees in a Shrinking Pool

by Alice Winkler

As the demographics of the American workplace shift, skilled employees who are beginning to retire are becoming more difficult to replace (despite the well-touted shift to outsourcing). Employers are exploring new methods of retaining connections with former employees and encouraging current employees to stay or delay retirement. These connections, as well as the development of connections with potential applicants prior to their entry into the workforce, may prove invaluable resources for filling vacancies and avoiding labor shortages in the future.

According to the Bureau of Labor Statistics, the total percentage of labor force participants that are 55 and over is projected to increase by 47% between 2000 and 2010, while the number of 25 to 54 year old participants will rise by only 5%. To put this data in perspective, the Center for Economic Development forecasts that while the ratio of workers to the elderly was 7:1 in 1950, by 2030 this ratio will be 3:1. What this means in plain language is that the working population is growing older, and there are fewer workers entering it.

For employers that do not develop long-term strategic plans for filling vacancies, the consequences of these demographics may be devastating as their senior employees retire, leaving behind critical personnel gaps. The problem they will face will be an exercise in creative sourcing. They will have to develop a strategy to recruit from alternate pools of workers as well as compete for workers from a shrinking labor pool that cannot sustain the need for skilled employees.

Alumni Networks

One option that can be of great value in quickly filling corporate vacancies is retaining connections to former employees. Many companies have developed alumni networks to maintain and reinforce contact with these individuals. In fact, the development of such networks provides a viable alternative pipeline of potential job applicants from which to recruit. The recruitment of proven ex-employees not only opens doors to a new breed of job applicant, but it removes the uncertainty that companies face when they are forced to evaluate the cultural fit with a potential job applicant on the basis of a mere interview.

Moreover, the maintenance of an alumni network can take on a life of its own by creating a new forum for a social and professional community. This network can be a powerful public relations tool, as well as a valuable source of new business, industry knowledge, and even competitive intelligence.

The success of an alumni network, however is not automatically assured. Once the determination has been made to invest in its development, the implementation of a strategic plan to insure its success is critical. Much thought must be given to the type of network that will be established and the attraction it will have to its membership.

At the outset, it is clearly necessary to develop records of alumni contact information. But, beyond the maintenance of an accurate alumni list, the key to keeping an alumni network active is to give participants ongoing reasons to be involved in it. Alumni should view the network as an opportunity to stay in touch with their peers and receive valuable information on the parent company, as well as industry trends.

Companies have approached the development of alumni networks in a variety of ways. For example, KPMG produces a semi-annual magazine that keeps alumni updated on the activities of their former colleagues, as well as KPMG's activities. BankOne provides its alumni with a searchable alumni directory and an online career center that highlights existing internal opportunities. BearingPoint goes so far as to post external opportunities from its clients, partners and alumni on its alumni website, while at the same time making personal announcements regarding promotions, births and other news.

Phased Retirement

Another alternative to explore in developing alternative talent pools is the retention of older employees. This can be done successfully by identifying employees on the verge of retirement and giving them flexible options to extend their work lives. According to a recent Watson Wyatt study of 1,000 senior employees entitled "Phased Retirement: Aligning Employer Programs With Worker Preferences – 2004 Survey Report," one out of three senior employees is likely to remain on the job longer if provided with the opportunity for a phased retirement. A majority of these employees would be willing to continue working if offered the opportunity to work reduced hours, but less than 50% of the survey participants expect their employer to offer them this option. This last statistic is devastating in that it exemplifies corporate America's lack of awareness of a valuable talent pool.

Before developing what has come to be known as "a phased retirement program," it is essential that employers understand the needs of the particular employees they are targeting. The Watson Wyatt survey found that 42% of employees who currently participate in phased retirement programs do so because they love their work, while only 27% responded that they needed the income and 15% work for continued medical benefits. Therefore, it behooves employers to focus on providing these employees with options for challenging work that will correspond to a more flexible work schedule.

Unfortunately, there are still some unresolved regulatory issues, which make phased retirement unattractive. For example, it may have negative implications for defined benefit pension payouts based on average pay calculations. Also, since retirement plans are typically structured to require that an employee completely retire in order to collect benefits, employees participating in a phased retirement program may not have access to supplemental income while doing so.

These glitches in the system ultimately work to a “career” employer’s detriment by encouraging employees to retire and find part-time work elsewhere. In fact, according to the Watson Wyatt survey. One third of the respondents that participated in phase retirement systems had left their career employers to work elsewhere while collecting their benefits.

Although some employers dance around this problem by retiring employees and then rehiring them in a phased in a phased retirement program, the IRS has not yet defined the required length of a separation between career employment and phased retirement and the Phased Retirement Liberalization Act, which sought to permit distributions from defined benefit plans at the earlier of 59.5 years of age or 30 years of service, was shot down by Congress on 2000.

Moreover, the cost to employers of providing health benefits to employees over the age of 65 can be double that of providing benefits to employees between the ages of 20 to 44. But this pain can be alleviated by removing the Federal requirement that Medicare enrollees who work have their benefits reduced.

In fact, the private sector has much to learn from some public sector and academic plans, which have already addressed some of these issues by implementing Deferred Retirement Options Plans (DROP). These plans specify that workers receive lump sum payments to an interest-bearing escrow account consisting of the amount of money too which they would be entitled between the first day they would normally be eligible to completely “retire” and the date they actually do retire. Alternatively, employers may have to review their retirement plans and would creatively to eliminate disincentives to phased retirement.

However, the end result is undeniable. The retention of employees beyond their eligibility for retirement is a solution, albeit short-term, to a demographic problem that is likely to have lasting implications on the nature of work in America.

Creative Sourcing

Of course, if a company is forced to recruit externally, as most companies will be, there are a variety of strategies that can be utilized to differentiate its methods from those of its competitors and recruit employees from sources that are as yet untapped.

For example, companies that focus on recruiting disabled employees before their competitors and develop strategies to do so, will be ahead of the game. An

article in the *Christian Science Monitor* reported on September 29, 2003 that although 26% of all companies employ people with disabilities, only 11% actively recruit them.

For those who are interested in promoting themselves in these circles, there are extensive resources. There are a variety of employment agencies dedicated to placing disabled, a few of which can be accessed at www.hirepotential.com/, www.equalitystaffing.com and www.justonebreak.com/. There are also ongoing job fairs that are designed to bring applicants and employers together administered by companies such as HireDisability.

Alternatively, companies that forge partnerships with colleges by developing relationships with students through internships will have a leg up on the competition by creating a pipeline of talent from which to draw in the future. In fact, today's college students are focused on enhancing their job prospects upon graduation. According to a survey conducted by Experience Inc., a company that provides universities with job search software, 64% of students graduating in 2004 held at least one internship, up 12% from the previous year and the number of students that held three internships or more doubled.

Moreover, the National Association of Colleges and Employers (NACE) conducted an Experiential Education Survey, which found that employers extend job offers to 58% of their interns and of these 77% accept. It is easy to see how the implementation of college internship programs can be likened to the maintenance of alumni networks. It presents a company with a pipeline of talent that has been tried and tested thereby reducing the uncertainty experienced in hiring an individual that has never worked for it. In fact, depending on a company's needs, interns may have an advantage over corporate alumni because they are in need of training and can be shaped by a company's current work practices and expectations.

Conclusion

Beyond the creative sourcing ideas referenced in this article, a company in need of developing a long-term strategic recruiting plan must be flexible and consistent in keeping an eye on the job market. Trends change, and companies must be able to adapt their strategies as needed. Developing alumni networks, phased retirement plans and creative sourcing methods are but a drop in the bucket of ideas that companies will need to maintain their workforces. The upshot is that companies must be ever vigilant in assessing the market place and their staffing levels for problems and solutions.

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