Planning Ahead ***03/16/10***

Retirement Is Still an Employee Goal

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The recession forced many older employees to postpone retirement; it also caused some retirees to return to the workforce. However, as the economy improves, it's important for human resource and other management professionals to not lose sight of the fact that people want to retire, and many plan to do so.

Emerging from the recession

Economic conditions are not what they were a year ago. Two of the chief reasons employees delayed retirement, stock market losses and a declining housing market, have improved.

The Dow Jones Industrial Average has climbed from a low of 6,440.08 over the past 52 weeks to 10,767.15 as of March 3, 2010. Meanwhile, in many regions of the country, home prices appear to have leveled off. For would-be retirees, both offer good news and provide the incentive they need to move forward with plans.

But for employers, who have been mired in business survival mode, the news could spell trouble. Workforce planning, leadership development, and succession management, once hot-button HR issues, have taken a backseat at many organizations during the recession. Consequently, these organizations are likely to be unprepared when employees retire.

Yet, returning to business as usual, which means that older workers retire, shouldn't really come as a surprise.

"I think it was probably as it was, in line with before the recession. The baby boomer retirement was a big, big topic," says Kim Lamoureux, principal analyst and director of research for Bersin & Associates, a leading research and advisory services firm focused on enterprise learning, talent management, talent acquisition, and strategic HR solutions.

Then why aren't companies prepared? In some instances, changes the recession wrought are partly to blame. "Companies have repositioned themselves in the market and changed their business strategy because of the recession," Lamoureux says.

The recession also put some things on hold, she tells *HRWire*. Furthermore, it created an environment where some decisions had to be made quickly. "Many organizations were not thoughtful about the people they let go," Lamoureux says.

Preparing for the future

Regardless of what happened during the recession and why, now is the time to regroup. Companies should step back and ask, "What do we have to do to be successful three, four, five years from now," Lamoureux says.

This requires determining what talent is needed to be successful in the future. It also requires looking at workforce demographics in the context of retirements.

Obviously, analysis involves finding out where retirements will occur. But Lamoureux tells *HRWire* planning has to go even further. Companies should be prioritizing around who is retiring. This requires looking at critical roles within the organization.

How does an employer accurately determine which roles are critical? It helps to look at what roles are not critical. Here, Lamoureux uses two parameters: a role may not be critical because it does not have a strategic impact on the role of the business or it may not be critical because it won't be difficult to fill the position.

Although it sounds straightforward, some unlikely jobs may turn out to be critical. Lamoureux gives the example of an oil driller position at Chevron. "In reality, it takes seven years to develop someone for that role," she says.

It is therefore essential to first look at what roles are critical and what people are retiring in those roles. The next step is to identify the skills required for those roles. Then an organization has to identify which employees have the necessary skills or can acquire them to fill the soon-to-be open positions.

Moving forward

Lamoureux anticipates many organizations will find themselves lacking the internal skills necessary because of layoff decisions made in haste; position reductions ended up being talent reductions.

"If they didn't have good succession planning in place, they probably didn't know who the high potential talent was," she says. In addition, many employers didn't consider layoffs from the standpoint of transferable skills. What's more, Lamoureux notes that organizations probably retained some of the lower-end performers by virtue of the fact that they were in lower-paying jobs.

These issues are apt to be widespread given the number of layoffs that occurred during the recession without consideration for the future. Indeed, Bersin & Associates research finds that although 92 percent of companies have some level of workforce planning only 21 percent take a strategic, long-term approach to addressing talent demand, talent supply, and the actions necessary to close the gap between the two.

Nevertheless, there is still time to act. Lamoureux recommends that companies start having conversations again with employees nearing retirement about their plans. She also advises organizations to talk to other workers about their career aspirations.

Although companies have been afraid to make promises to employees, Lamoureux says organizations have to think more broadly around networking and communication and on the job developmental activities. If a person is going to retire, it's not just sending someone to build skills and leadership, she says; it's also integrating a person into the day-to-day activities and processes of that role.

Lamoureux recommends this approach because it's very difficult to capture some of the nuances that make a person successful. Still, she cautions that it is first essential to make sure the retiree is a high-performer. "The last thing you want to do is capture bad habits," Lamoureux says.

To this end, employee retirement offers an opportunity to do things differently. It's a chance for a company to change the position, as well as aspects of the department or even entire operational areas. Still, in order to make these kinds of decisions, it's essential to know which employees will be retiring, whether their roles are critical, and whether they are people who should be emulated.

"This really gets down to do you know your talent," Lamoureux says. "These retirements provide opportunity to the business to move talent strategically within the organization."

For employees, movement translates to career development opportunities, while for employers career development opportunities mean greater retention.

Companies have to realize that during the last 12 to 18 months many people have been staying because of the economy, Lamoureux says, pointing out that this is an opportunity for companies to be really thoughtful of these retirements and how they're going to fill these positions. At the same time, she cautions that if the positions are not filled thoughtfully, companies can make the situation worse.

HR's role

Who should ultimately take responsible for talent management around employee retirements?

"This is not an HR issue; this is a business issue," Lamoureux says. "HR is not responsible for talent management. The business leaders have to own their talent."

HR isn't off the hook, however. "HR facilitates plans and has processes in place. HR provides support, tools, and processes, but recognizes its limitations also," Lamoureux says.

As a facilitator, HR should encourage communication about retirement issues, among managers and with employees. "Companies should not wait until people come knocking on the door saying they are going to retire," Lamoureux tells *HRWire*. "Be very proactive and anticipate some changes. And start thinking about that now."

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