

# Using Workforce Planning to Define the Impact of Retirements on Your Workforce

One of the greatest staffing issues currently facing HR and the staffing functions is the large number of potential retirements that could occur in the coming few years. This looming wave of retiring baby boomers threatens to create major shortages in required skills and staffing levels in many organizations, at multiple organization levels. Are you fully aware of the impacts that retirements will have on your organization in the coming years? Have you defined the specific staffing actions you will take to address these needs? Have you begun to actually implement those plans, in advance of those coming needs?

If you are not already doing so, you should act now to identify critical retirement-related shortages, define the impact that those shortages will have on your talent pool, and develop specific staffing and development plans in response. In other words, your company should now be developing and applying the strategic workforce planning process to identify and address these critical retirement issues. In fact, if you are attempting to address these retirement-related issues outside the context of workforce planning (e.g., if you are about to implement generic, across-the-board-type solutions), your effectiveness will be limited indeed.

When it comes to retirement analysis and planning, many companies seem to just spin their wheels, choosing to simply analyze problems at a “high level” (e.g., calculating overall retirement rates for large groups or units of employees) rather than actually solving those problems. High-level solutions are by definition general and generic. As such, these solutions are unrealistic and impossible to implement in any meaningful way. Retirement issues are best addressed through the implementation of specific staffing strategies and plans that are targeted to key issues. HR and staffing departments cannot simply identify and clarify coming retirement

issues. They must also create and implement staffing plans that drive the actions that will best address these issues. This chapter describes how workforce planning can be used to identify and actually address the critical staffing issues that retirements may raise in your organization.

### Traditional Analyses Will Not Be Sufficient

When it comes to retirement analyses, most organizations operate at a level that is simply too generic to be helpful. Others might use more focused approaches, but their analyses are still not specific enough to drive action. Broad studies (e.g., those that determine that  $x$  percent of the overall employee population or  $y$  percent of managers above a certain level will be retiring) may seem helpful at first, but it is nearly impossible to do anything constructive based on these overly broad results. They are simply too generic to allow you to create staffing strategies and plans that will drive action. Specifically, what would you actually do differently if you determined that the average age in a particular unit was 58.2 or that 11 percent of your employees in that unit were eligible for retirement in the next five years? Compounding this problem is the very nature of an average, which in some cases might include both IT professionals (where the average age might be less than 30) and production workers (which might include a large number of employees at age 55 or more). An average age across these two groups might be in the forties; if you were to rely on this result, you might not see that a serious retirement issue could be emerging in production.

Here are some examples of mistakes that organizations make when trying to better understand and address the implications of their retirement situations:

- **Overreliance on external data.** Many companies focus their retirement analyses on in-depth reviews of external demographics. These companies often look for overall, industrywide trends that they think may have an impact on their workforce. Others look at statistics for these aging workforces (externally) and try to draw inferences that are relevant to their organizations in particular. While the findings from these external analyses might seem “interesting” at first, they may not even apply to your organization. In any case, recommendations based on external demographics will never be specific enough to help your organization to identify the most critical gaps that you will be facing, nor to define the staffing actions that should be taken to address those particular gaps.
- **An inappropriate focus on large groups of employees.** Some organizations focus their retirement analyses on their own (internal)

workforce, but look at data for large groups of employees (perhaps even the company as a whole). Such broad analyses always yield broad findings that are, at best, difficult to act upon. Studies that identify retirement issues among a company's entire workforce, for example, usually contain data summaries, combinations of jobs, and data compilations that make it virtually impossible to identify any specific, job-related issues or to define effective staffing strategies and plans for addressing those issues. If a study looks at all engineers across a unit, for example, any staffing plans based on these findings are, by definition, for that combined group—engineers as a whole, not by discipline. Thus, specific plans for each discipline (which are needed to guide real action) just cannot be prepared.

- **Looking only at the executive succession and development pools.** A third group of companies includes risk assessments arising from retirements as part of the succession planning processes. While often helpful, this approach is rarely sufficient. What about all the retirements in positions that are not included in the succession planning process? How will they be identified and addressed? In addition, the focus of succession planning is usually on developing candidates. How often do those development plans provide for the transfer of knowledge, experience, and personal relationships from incumbents to candidates?
- **Taking a focus that is too narrow.** Another common mistake that companies make is to attempt to define retirement numbers precisely (trying to forecast who will retire, and when). Often, companies try to predict with certainty what their retirements will be, attempting to improve their accuracy with each iteration. At best, these organizations are simply guessing. An effort like this could be a beneficial part of an overall workforce planning process, but often these analyses are done on a stand-alone basis, where these “accurate” estimates do nothing to address what should be done to mitigate the effects of these predicted retirements. Even where these efforts focus on critical job categories (normally a good thing), they fail to define what needs to be done to address the critical staffing issues.

### **Integrating Retirement Analyses and Workforce Planning**

The big-picture analyses just described are simply not useful—but they are good examples of how HR and the staffing function are missing many opportunities to make a strategic contribution. The following list provides some practical suggestions that your organization can use to move beyond the analysis phase and define the staffing strategies and actions that will

address your critical retirement issues most effectively. This approach is fully consistent with the strategic staffing/workforce planning process that is at the core of this book. Here are some steps that you should consider taking:

1. **Define appropriate objectives at the start.** The overall objective of these retirement analyses is to define the staffing strategies and plans that are required to address critical retirement issues fully. The objective is *not* to just analyze (or better define) retirement issues. To be useful, you must be specific, not generic. Set your sights on developing specific solutions to particular retirement-related staffing issues. You have done the “right” job in your analysis when in the end you have developed specific solutions to your most critical retirement problems, not just better definitions or understandings of what is wrong.
2. **Focus your efforts on “at-risk” groups.** Instead of one or two broad, overall retirement analyses, conduct a series of analyses, each of which is focused on a specific area or job group where retirements may be a problem (e.g., linemen in an electric utility, senior production workers in a manufacturing company, “hard to find” engineers in aerospace). Here is one method for identifying which job groups warrant this attention:
  - Set a guideline percentage threshold above which retirements might become an issue (e.g., 25 percent). This estimate will simply be a number that you will use to screen your data. It should reflect reality, but it does not need to be all that precise. Don’t waste time analyzing whether it should be 20 or 25 percent; the results of the screening you are about to do just won’t vary enough to warrant such precision.
  - Define criteria that you can use to segment your employee population by group and level (e.g., job family and salary grade). Job family works particularly well if the data are available. Function is a perfectly acceptable substitute; organization unit can also be used. Consider segmenting the population by business unit or geography. Retirement rates often differ significantly as a result of company culture, climate, and/or working conditions; For example, those who work outside in harsh conditions are more likely to retire as soon as they are eligible than are others who work inside. Your analyses and plans should take these differences into account.
  - Define your retirement criteria. You might use your specific eligibility requirements (e.g., age plus service equals 80 with 10 con-

secutive years of service) or average retirement age. (A detailed discussion of the pros and cons of these assumptions is included in a previous chapter.)

- Set your planning horizons/time frames. For the purposes of this particular analysis, two planning periods are usually more than sufficient (e.g., now to three years and three to five years).
  - Run your data. Create tables that show the percentages of employees eligible to retire (according to whichever assumption you choose to apply) in each category (e.g., Lineman, Salary Grade 30) for each period (e.g., the coming three years). This analysis will show you, for example, that 25 percent of your current population of Linemen in Salary Grade 30 will be eligible for retirement in the coming three years.
  - Select your “at-risk” groups. Review the tables you just created. Identify those categories where the percentage of employees who are eligible to retire exceeds the percentage threshold that you set in the first step. Don’t try to solve all your problems, especially not all at once. Instead, focus your efforts on those shortages that you think will be most critical and develop staffing plans to address each issue. Identify also any job categories where losses may be few in number, but significant in impact (e.g., losses of key senior managers or experienced technical staff). For these jobs, you will need to create succession/development plans, not staffing models. In addition, you may wish to develop “knowledge transfer plans” to ensure that critical knowledge and experience are transferred from retirees to the employees and staff that remain—before it is too late!
  - Identify those job categories where issues are not critical or where your ongoing staffing efforts will probably be sufficient. Prepare no in-depth analyses for these positions.
- 3. Create a staffing model.** Create a staffing model that is consistent with the planning parameters and structures defined in the previous step. Focus your analyses solely on your “at-risk” groups. Incorporate your chosen retirement scenario(s) into the model, and calculate the staffing gaps and surpluses that you might expect if these assumptions actually occur. Use the standard workforce planning process that is described so frequently in this book, using the assumptions that you made as your planning parameters. The columns of your model will be job family, function, or organization. Your rows will be salary grade (or whatever data you used to differentiate levels). The process will include defining future

staffing requirements for the two periods you chose, identifying current staffing levels, forecasting future availability (factoring in estimates of voluntary turnover as well as your assumptions regarding retirement), and calculating staffing gaps and surpluses. Review these gaps and surpluses to see where you are most at risk. In some cases, the problem might be related to losing collective experience; in others, it may be the loss of particular individuals.

4. **Build staffing and development strategies and plans.** You may, of course, continue to use the model to help you identify the staffing strategies and staffing plans that will address the retirement issues of each at-risk group most effectively. Review gaps and surpluses across planning periods before deciding what to do in any period. This approach will provide a longitudinal perspective that will allow you to develop the staffing and development strategies that work “best” across the entire planning horizon. For example, you may determine that it would be most effective to replace retiring workers by promoting from within from the next lower level, back-filling the openings that result at each level in a similar way, and replacing at the lowest level through recruiting. If the loss of specific individuals is the problem, incorporate succession and development planning for those positions (even if the positions are not included in your ongoing succession planning efforts). Make sure that you identify the skills and knowledge that must be transferred from one individual to another before retirement occurs. Within the context of your strategy, define detailed staffing plans for each period (e.g., identifying the actual numbers of people to be promoted during that period). Specifically define the development that will be needed to support this movement. Make particular note of instances where accelerated movement will require expedited training and development.
5. **Define all required staffing actions.** Define all required staffing actions, not just recruiting or replacement. Some organizations forecast the number of retirements and think that their job will be done when they recruit that number of people. Usually, the number of staffing actions required far exceeds the number of openings that are expected. Take, as a simple example, an organization that has three management levels. Suppose that 10 managers at the most senior level are expected to retire. It is unlikely that these openings would be filled from the outside. Instead, the jobs will probably be filled through promotion, with the hiring being done at the lowest level. Thus, a minimum of 30 staffing actions would be needed to fill the 10 openings:

- Ten promotions from the second level to fill the ten openings at the highest level.
- Ten promotions from the lowest level to replace those who were promoted from the second level to the highest level.
- Ten new hires to replace the lowest-level staff that were promoted to fill needs at the middle level.

Of course, any retirements at the middle or lower levels (or more than three management levels) would increase the number of required staffing actions even more. In addition to these staffing moves, define the development that will be needed (e.g., to provide some of those that are to be promoted with the skills they will need if they are to be successful in their new roles). Your staffing plans must include all of these actions.

6. **Act!** Actively implement your plans. Identify the individuals that will be moved. Provide the required development. Implement those moves when the time comes.

In summary, go beyond the traditional retirement analyses that attempt to predict the number of expected retirements with great precision. Instead, address your retirement needs by fully addressing the most critical issues that will arise. Don't try to address all the issues. Identify all the staffing actions that will be required, including but going beyond recruiting. Tailor those plans so that they are appropriate for each issue. I think you will find that the results of your efforts will be much more valuable to your managers and to the organization as a whole.

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