



cutting through complexity

KPMG INTERNATIONAL

Employment across the age span:

Tackling the workforce
engagement challenge

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The demographic makeup of the world is changing, and the composition of the global workforce is changing with it. Longer life expectancy and falling birth rates are increasing the proportion of older people in many countries. Particularly in more developed economies, many workers who once might have retired at age 65 or earlier, leaving a skills gap for future generations to fill, are less likely to do so today. Instead, older workers are staying in the workforce longer, for reasons of improved health, personal desire or economic necessity. At the same time, younger individuals are struggling to obtain a foothold in an increasingly competitive employment environment, creating pressure on the labor force from both ends.

This megatrend is one of the biggest issues facing public sector policy makers, who are challenged to develop solutions to address and support employment at opposite ends of the age spectrum. What can governments do now to keep both older and younger workers employed without acting at cross-purposes, or even worse, setting the stage for intergenerational competition? What policies, regulations and programs will governments need to have in place to develop the multi-generational workforce of the future?

Workforce challenges for older individuals

The happy reality is that people around the world are living longer, and in increasingly good health. Average global life expectancy jumped by

almost 15 years in the latter half of the 20th century. In fact, according to the KPMG International report *An uncertain age: Reimagining long term care in the 21st century*:

By 2030, nearly 25 percent of the population of the European Union will be 65 years or older, up from about 17 percent in 2005. According to the 2010 Census by the US Census Bureau, the population aged 65 years and older in the US is expected to more than double between 2012 and 2060, from 43.1 million to 92 million.¹

While the increasingly older citizenry is placing pressure on the solvency of social welfare systems, including pensions and healthcare, much of this growing older population is also

remaining in the workforce longer, and more will do so in the future. Here are a few statistics:

- In Australia, the labor force participation rate for men aged 65-74 grew from 15 percent in 2001 to 24 percent in 2010, and the rate for women more than doubled from 6 percent to 13 percent in the same period.²
- The US Bureau of Labor Statistics projects that adults 55 and older will grow from 19 percent to approximately 25 percent of the total workforce from 2010 to 2020, and the population of adults 65 and older in the workforce is projected to grow by 75 percent over the next decade, compared to 2 percent growth for those 25-54.³



- More than seven in 10 (71 percent) of Europe's senior executives expect the proportion of their employees aged over 60 to increase by 2020, and 22 percent expect it to increase significantly.⁴

As a result, both public and private sectors are challenged to find solutions to this new reality, to preserve the experience and knowledge of older workers and support extended work lives. In response, governments and employers around the world are developing strategies to retain older individuals in productive workplace roles. For example, Australia is leveraging the concept of 'encore careers', which describe new directions in paid or unpaid work at what would traditionally have been the point of retirement.⁵ In the US, the nonprofit

organization ReServe matches professionals (called 'ReServists') aged 55 and above with nonprofit or public agencies that need their expertise, to tap into lifetime experience to fill crucial staffing gaps at a cost below that of conventional employees.⁶ And governments are exploring policy options to support ongoing employment by older workers, including changes to pension programs and health insurance coverage.

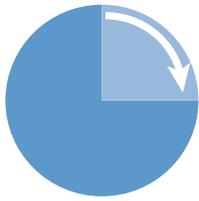
➤ **Workforce challenges for young people**

For young workers, the challenges are even more acute. Since the global financial crisis (GFC), unemployment rates among young Europeans have remained at historically high levels. As of January 2014, the European

unemployment rate for people aged 15-24 (as a proportion of those actually in the labor force rather than the entire population) was 23.4 percent, with rates as high as 50 percent in southern Europe.⁷ The European Union has developed a category denominated as NEETs (young people not in employment, education or training) to fully capture levels of disengagement from both the workforce and society in general.⁸ Eurostat found that the NEET rate rose from 11 percent of 15-24 year-olds and 17 percent of 25-29 year-olds in 2008, to 13 percent and 20 percent respectively in 2011, and it continues to rise.

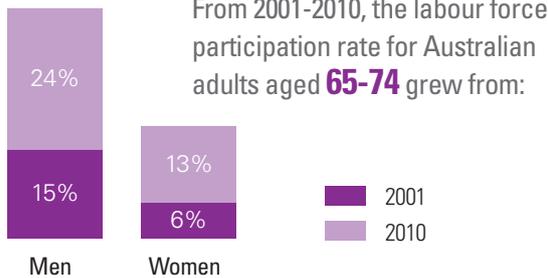
Similarly, the US has been unable to regain youth employment levels since the GFC. In November 2007, 63.8 percent of all 18-24 year-olds were

Workforce challenges for older individuals



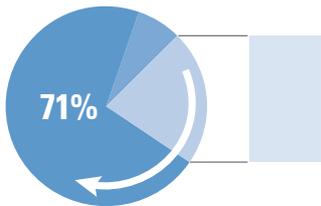
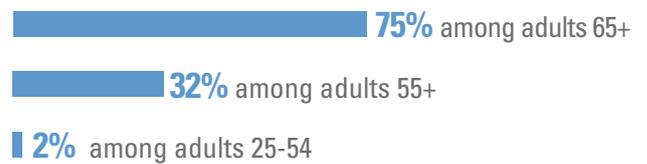
In the European Union, nearly **25%** of the population will be **65+** by 2030. Up from about 17 percent in 2005.

The US population aged 65+ is expected to **MORE THAN DOUBLE** to **92 million** by 2060.



From 2001-2010, the labour force participation rate for Australian adults aged **65-74** grew from:

From 2010 to 2020, the total workforce in the US will grow by:



22%

According to a recent survey of Europe's senior executives:

71% expect the proportion of their employees 60+ to **increase** by 2020, and **22%** expect the proportion to **increase significantly**.



employed. By March 2013, the number dropped significantly, with just over half of youth (54.6 percent) employed.⁹

The reasons for the post-GFC persistence of this phenomenon are many, including a mismatch between young workers' skills and job opportunities in areas such as technology across Europe,¹⁰ and manufacturing in Britain.¹¹ Whatever its causes, the persistent youth unemployment gap in many nations is having an enormous economic impact. In Europe, the total economic loss due to disengagement of young people from the labor force was estimated at €153 billion in 2011.¹² In the US, one study estimated the annual direct cost to government of

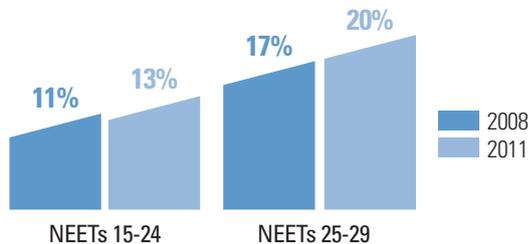
severely high unemployment among 18-34 year-olds (including increased safety net expenses and foregone tax revenue) at \$8.9 billion.¹³ And these burdens are often not spread evenly across countries or regions, but may have disproportionate impact on localized pockets of disadvantage. If societies are to be prepared to handle future economic challenges – including the burgeoning cost of long-term care for the elderly – they cannot afford to forgo the revenues that more robust levels of youth employment would generate.

To help address youth unemployment levels and the resulting economic impact, public and private sectors are

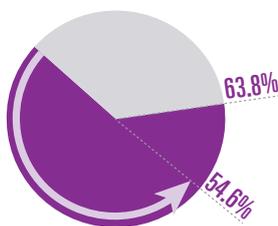
implementing programs and policies aimed to increase employment and training. Youth Guarantee Schemes in Finland, Sweden and Austria provide universal support to help young people gain a place in education and employment, prevent prolonged unemployment, and offer support to prevent social exclusion and marginalization.¹⁴ In 2013, the EU Council of Ministers adopted a European Commission proposal to require all 28 EU countries to put similar comprehensive schemes in place.¹⁵ Hamburg, Germany implemented a Youth Employment Agency to provide comprehensive 'one stop shopping' services to young people under 25,

Workforce challenges for young people

In Europe, the rate of **NEETs** (young people not in employment, education or training) is on the rise.



As of January 2014, the European unemployment rate for adults 15-24 (as a proportion of the labor force) was **23.4%**, with rates as high as **50%** in southern Europe.



In November 2007, **63.8%** of all 18-24 year-olds in the US were employed. By March 2013, the number dropped significantly to **54.6%**.

In Europe, the total economic loss due to disengagement of young people from the labor force was estimated at **€153 billion** in 2011.



In the US, the estimated annual direct cost to government of severely high unemployment among 18-34 year-olds is **\$8.9 BILLION**.



Source: KPMG International, 2014.

support access to training or employment, and reduce the number of NEETs.¹⁶ Germany intends to roll out this structure across the country.

The City University of New York in the US launched the Accelerated Study in Associate Programs (ASAP) in 2007 to provide comprehensive academic, social and financial support to community college students in career-focused training programs; since then, it has dramatically boosted graduation rates.¹⁷ And there are many exciting public-private partnerships, including a remarkable international collaboration to bring the German apprenticeship model to the US,¹⁸ and Harambee in

South Africa, an employer-sponsored initiative that sources, trains and places unemployed young people from disadvantaged backgrounds into first-time jobs.¹⁹

Toward the future: Collaboration or cataclysm?

So, how do public and private sectors navigate the cross-currents from opposite ends of the age spectrum to ensure coordinated and equitable workforce policy focus, intervention and resources? Governments need to act now, using the policy and regulatory tools available to them to frame the desired future. The answer lies in developing a

holistic framework, which concurrently addresses the issues facing both older and younger populations. The following strategies can help to bridge the gap and create meaningful employment for both generations.

To start, sectoral training and apprenticeship strategies can target younger workforce entrants without disadvantaging their elders. While retention of older workers for longer periods might appear at first blush to limit entry opportunities for younger workers, the relationship between the two may not be so direct. In the US, for example, there is a population dip between the 'baby boom' and millennial generations

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(represented by a millennial 'Generation X' only 60 percent as large as the boomers). This may mean that employers actually need to retain older workers for extended careers to smooth out the experience progression to younger staff in some sectors.²⁰ And the types of jobs for which older and younger workers are better suited (e.g. desk-oriented vs. physically-demanding or technology-dependent) may in fact limit the degree of direct competition between age groups. For example, estimates indicate that as many as two million jobs are languishing unfilled in Europe despite high unemployment overall, and many of these are in sectors like advanced technology and skilled manufacturing that may be best suited for younger rather than older workers.²¹ Formal training and apprenticeship programs can help to address this gap by building the required skills of younger generations.

Second, within the workplace itself, creative thinking about job models can

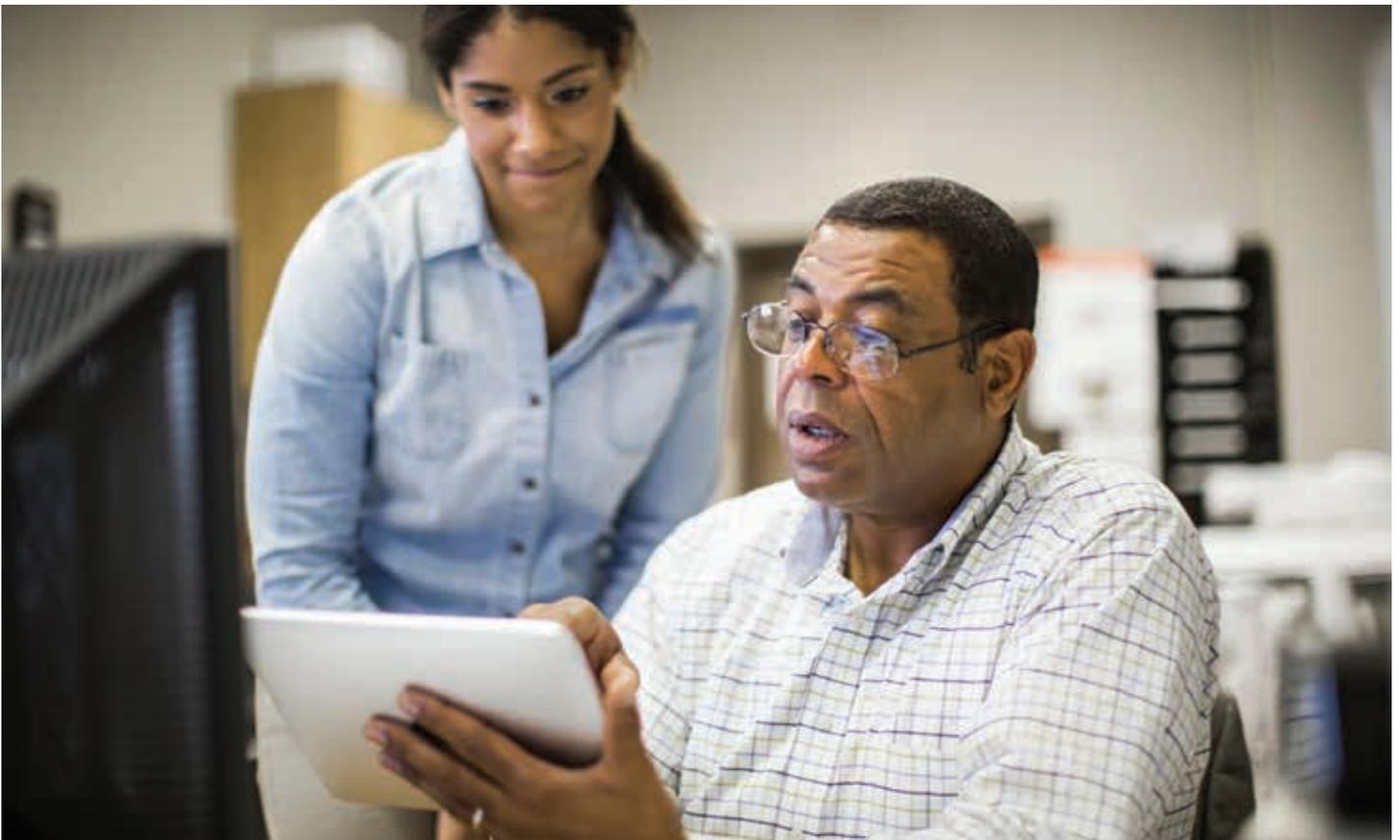
help to minimize age-based competition, and also create synergies that enhance productivity. This could include:

- Mentorship programs that leverage the knowledge and skills of older workers while accelerating the professional development of younger staff, a win for both groups and for employers themselves.
- Redesigning jobs for older workers through job-sharing, telecommuting, part-time work, phased-retirement programs, and other options that allow for gradual transitions that smooth the expertise-transfer process while creating employment opportunities for the young.
- Second or encore career programs that create new compensation tiers (or even volunteer opportunities where compensation is not the driving

force) that secure experienced skill sets for employers, while limiting outlays that might otherwise preclude new hiring.

And while statutory non-discrimination schemes appropriately protect against age-based prejudice in hiring, governments may also want to analyze where it might be warranted to provide some employer latitude to shape job requirements differently to accommodate capabilities of employees across the age spectrum.

Third, as countries implement new, comprehensive models for engaging young people in education and training, they could prioritize the involvement of older individuals in those efforts. Experienced workers at later stages of their work lives can provide feedback and a range of valuable learnings – including on tangible job skills, successful workplace assimilation strategies, and career-trajectory thinking – to assist those just embarking on their careers.



Finally, as governments develop new programs to support workforce engagement at both ends of the age spectrum, they should look to draw on the robust body of knowledge developed in recent years in the

welfare-to-work domain. There are many programmatic strategies that have proven effective in engaging (or since the GFC, re-engaging) marginalized groups in employment, which might apply to the current

workforce challenges faced by both age spectrums, including public-private partnerships, integrated support models, post-placement retention support and outcome-focused funding arrangements.

In summary

The expanding phenomenon of older workers staying in or returning to the workforce, alongside the high rate of youth unemployment, is forcing governments to tackle the issue of finding meaningful employment for both groups at opposite ends of the career arc. The public and private sectors have an opportunity to identify and implement analytic, policy and programmatic solutions to address the employment challenge. To succeed, it is crucial for governments to develop a holistic framework that is focused on supporting the co-existence of old and young, in the workplace and in society at large.

For more information, visit KPMG's Human & Social Services Global Center of Excellence at www.kpmg.com/hss.

To download a copy of KPMG's report *Future State 2030: The global megatrends shaping governments*, visit www.kpmg.com/futurestate.

Endnotes

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Contact us

Paul Hencoski

Global Chair

Human & Social Services

T: +1 212 872 3131

E: phencoski@kpmg.com

David Hansell

Global Head

Human & Social Services Center of Excellence

T: 1 212 954 2867

E: dahansell@kpmg.com

kpmg.com/socialmedia



kpmg.com/app



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