Aging workforce

Challenges and opportunities

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Presenters

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► Questions?
The trends
Aging populations

► Just because you are old, it doesn't mean you can no longer perform.
The trends
Aging populations

► Our populations are aging and the trend is forecast to continue.
  ► Life expectancy is increasing.
  ► Birth rates are declining.

**Europe**
Across Europe, the population aged 65 and above will rise from 17% in 2010 to 30% in 2050.

**United States**
In the US, the population aged 65 and above will rise from 13% in 2010 to 22% in 2050.

**Asia and South America**
By 2050, the proportion of people aged 65 or over will triple in Mexico (from 6% to 20%), Brazil (7% to 23%), Middle East and Asia (e.g., Iran 5% to 22%, China 8% to 24% and South Korea 11% to 35%).
The trends
Workplace context – aging populations; European example

- Significant percentage of “experienced practitioners” now outside traditional working age
- Reductions in availability of “core talent,” skills and experience
- Reducing birth rates having no material impacts, but will by 2075

The trends
Workplace context – employment drivers

Current motivations for continuing working vary – forecasts suggest financial motivations will increase over time.

- **To retain or acquire health insurance**
- **Enjoy the social interaction with colleagues**
- **Need to build additional retirements savings**
- **Want income to maintain lifestyle**
- **Want opportunity to do meaningful work**
- **Want to stay active and engaged**
- **Need income to live on**

**Source:** MetLife Mature Market Institute - PEW Research - Attitudes about aging: a global perspective (Jan. 2014)
However, these same practitioners do not necessarily have a need or desire to sustain the same employment model they may have experienced over the last 30 to 40 plus years. The volume of people seeking an extended transition from full-time employment to full retirement is increasing.

The three age segments (55-60, 60-65 and 65-70) have in common a relatively high rate of workforce participation; however, differences in motivation and work experiences among the segments remain.

Source: MetLife Mature Market Institute (Jan. 2014)
Challenges

► Implementing initiatives and ways of working that engage the older population without disenfranchising the younger population – supporting the productive coexistence of five generations within the workforce

► Embedding approaches that preserve and transfer critical knowledge before it “walks out of the door”

► Making significant changes to multiple HR policies and processes, including reward and recognition where increased flexibility is being demanded

► Controlling operating costs

► Implementing change in an environment which in itself will be changing at a rapid pace and where aspirations and adoption are not the same across all groups — “one size (will not) fit all”

► Working patterns, work location and virtual working, work duration

► Continued automation, technology enablement, digitalization, gamification, artificial intelligence

► Collaboration and networking

But, do I need to look to implement change now?
American Express – example
American Express
Background

► American Express is a multinational financial services company, headquartered in New York.
► It is listed on the NYSE, SEC-registered and a bank holding company (BHC).
► Core activities:
  ► Charge card and credit card
  ► Travel
► American Express has approximately 63,000 employees globally.
► It had revenue of approximately US$8b (2013).
► It is ranked as the 22nd most valuable brand in the world.

*Slide courtesy of American Express*
American Express Mobility function

- American Express’ Global Mobility Services team offers a variety of programs domestically within select countries and across country borders through a governance framework to serve American Express business leaders and employees for:
  - Immigration services
    - Permanent moves
    - Temporary assignments over 30 days
    - The movement of five or more employees at a time

*Slide courtesy of American Express*
American Express
Key events

► 2007
  ► American Express mobility policy was focused on “traditional” long-term expat assignments (one to five years).
  ► A significant proportion of international assignments extended beyond five years, and several extended beyond 10.

► 2008
  ► Introduction of the “Local Plus” permanent transfer policy — cost effective and aimed at “middle” managers

► 2009
  ► Global financial “crash”
  ► Significant pressure on costs, including reduction in force

► 2012
  ► Closure of final salary pension schemes

*Slide courtesy of American Express*
American Express
Timeline

► Evolution (not revolution)
► In 2008, the numbers were:
  ► Active long-term assignees – 250
  ► Local Plus international transfers – 10
  ► Permanent international transfers – 150

► By comparison, in 2013, the numbers were:
  ► Active long-term assignees – 15
  ► Local Plus international transfers – 45
  ► Permanent international transfers – 230
  ► US domestic transfers – 65
American Express
Local Plus policy

Reasons for success

Location and/or sector
- Company generally operates in well-established financial services locations

Economy
- Financial crisis led to concerns around job security and fewer opportunities in the sector

Aging workforce
- Opportunities created where more senior or longer tenured employees not able or willing to move to a new location

Pension
- Closure of final salary pension schemes mean that employees have fewer concerns around potential lost pension benefits and are more attracted by the opportunities of a new role

Slide courtesy of American Express
American Express
Local Plus policy

► Challenges
  ► Process
    ► Need to build and/or evolve processes to support more complex and senior moves (hand-off, support)
    ► Address payroll reporting requirements (trailing obligations)
  ► Subsequent move(s)
    ► Employees who have transferred now going to second or third location
    ► Employees who returning to former location (two-year threshold)
  ► Taxes
    ► Complications to finances and taxes across two (or more) locations
    ► Some unexpected double tax consequences (equity)
  ► Finances and pension
    ► The need to evaluate impact of different countries’ pension provisions
    ► Fragmented benefits

*Slide courtesy of American Express*
American Express
Local Plus policy

Local Plus policy elements:

- Core benefits
- Resettlement allowance
- Transition allowance (low > high cost locations)
- Pension contribution calculation (one year differential)
- Education assistance (one year)
- Tax return preparation (two or three years for most senior)
- International financial planning advice (*new*)
- Retirement benefit advice (*new*)
  - At time of transfer
  - On receipt of benefits
Questions?