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DISCUSSION OUTLINE

• Review of the Global Paper Industry’s Historical and Recent Asset Quality
• US Production Platform and Staffing Levels
• Age Divide in the US Paper Industry
• The “Silver Tsunami”
  • What is it?
  • How real is it?
  • What can you do?
As a national consulting engineering firm, Fisher Arnold remains committed to servant leadership supported by a broad range of capabilities.

Business focused on supporting clients in both public and private sectors providing:
- Engineering Solutions
- Environmental Stewardship
- People Development

Core Services not limited to:
- Mill Engineering Support
- Project Management
- Structural / Mechanical Design
- Thermal / Power Process Design
- Civil / Water / Wastewater Design
- Technical Assessment, Process Modeling and Optimization
- Environmental Services
- Operator Skills and Mill Leadership Development

Strategic presence in the US South to provide rapid response nationwide.
Historically, North America, Europe, Scandinavia, and China have held strong presence within the industry, either from a technological, competitiveness and/or capacity perspective.

**Weighted Average PM Capacity, 1 000 t/a**

- **North America**
- **China**
- **Western Europe**
- **Japan**
- **Nordic Countries**
- **Eastern Europe**
- **Latin America**
- **Other**

- **Total Capacity by Region 2005**
  - **North America**
  - **China**
  - **Western Europe**
  - **Japan**
  - **Nordic Countries**
  - **Eastern Europe**
  - **Latin America**
  - **Other**

- **Capacity, million t/a**
  - **Graphic**
  - **Packaging**
  - **Tissue**

*) China data includes identified, industrial scale machines only

Bubble size reflects relative capacity

James Stockard with Pöyry, PaperCon 2014
2014 PAPER INDUSTRY ASSET QUALITY

While North America has continued to be a major contributor to the global industry, hosting conditions in emerging markets have remained a competitive threat and put pressure on domestic industry.

Weighted Average PM Capacity, 1 000 t/a

- Technical age, years -

Bubble size reflects relative capacity

James Stockard with Pöyry, PaperCon 2014
US PRODUCTION PLATFORM AND STAFFING

While many driving forces have resulted in a leaner US industry staffing wise, the industry today is much more efficient, yet continues to have a large proportion of professionals nearing retirement.

- The US industry has been gradually transforming and strengthening itself due to changes in domestic and global product demand while the competitive landscape continues to evolve with new innovations and investments.
  - Economic conditions and decline in printing and writing grades have had a large impact in production decline, but growing demand for packaging and tissue has mitigated much of this.
  - Several US companies have merged or been acquired to manage evolving market dynamics strengthening industry.
    - This has resulted in less efficient machines being retired so capital can then be focused on more modern production platforms.
- While industry employment had been declining, recent years have shown an increase in employment, mostly in the 25-34 group.

AGE DIVIDE IN US INDUSTRY

The statistics would indicate that the industry has increased its overall proportion of younger professionals; however, the representative share of individuals age 55+ has also increased.

- The median age of people supporting US mills is relatively the same as it was in 2011 at 46.5 years.

- The industry has increased the proportion of younger professionals by 3% since 2011; however, a similar share of individuals are also now closer to retirement.

- As many mills continue to go through asset renewal initiatives and repurposing, there is now a smaller pool of talent to draw from with the developed experience and knowledge base to continue operations and to support the industry long term.
  - Over 20% of current industry employees are or will be nearing retirement.
  - As people play a significant part of a company’s success, what steps are needed to refresh this talent?

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*U.S. Bureau of Labor Statistics
THE “SILVER TSUNAMI” – WHAT IS IT?

It is reflective of the aging workforce from the “baby boomer” generation that has now started considering retirement.  
*And no, many of the people it refers to do not like the name or being called.*

*U.S. Census Bureau*
THE “SILVER TSUNAMI” – WHAT IS IT?

While Gen Z is still growing, the US Millennial generation is basically on par with the size of the Baby Boomers for an equivalent generational timeframe. Employers looking for that balance of experience and knowledge may have a difficult time finding it in Gen X.

*U.S. Census Bureau
THE “SILVER TSUNAMI” – WHAT IS IT?

Attracting Millennials could be geographically challenging as well.

THE “SILVER TSUNAMI” – HOW REAL IS IT?

It is apparent that the tsunami will land, but it’s effect will vary across industries and institutions.

While within the US Mill system, an improvement can be seen in a “younger” workforce achieved over the last five years, the overall workforce remains much more distributed.

- Manufacturing industries typically have an older workforce.

While growth of the 55+ segment is similar, the expectation that this will continue to grow to near 30% is alarming for experts.

*U.S. Bureau of Labor Statistics
Due to a confluence of events, an older work force will be a norm.

- Changes in retirement policy and when full benefits can be taken drive some of the movement.
- The negative impact to savings accounts from the Great Recession has created more doubt about financial security for Baby Boomers.
- Employer health insurance benefits have also been cited by Baby Boomers as a reason to continue working to offset the potential cost of long-term care for family members.

*U.S. Bureau of Labor Statistics*
THE “SILVER TSUNAMI” – HOW REAL IS IT?

The participation rate of the labor force is expected to decline in the future as the majority of baby boomers retire permanently.

Historical and Forecasted U.S. Labor Force Participation*

- 2012 was the peak in participation rate for employees age 55 and older.
- Retirement considerations vary in terms of when an individual chooses to leave the workforce (financial still being a prevailing factor), but after the Great Recession, many have observed Baby Boomers typically have been remaining an additional 5 years.
- If this remains true, then “landfall” will become very apparent by ~2020 as enter period of higher growth.

*U.S. Bureau of Labor Statistics

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THE “SILVER TSUNAMI” – HOW REAL IS IT?

While the severity of the “landfall” will be specific to the different industries, it has already been documented in both government and private sector.

Businesses will face a talent shortage as baby boomers enter retirement age. Is yours ready?

DAVID JACOBS
JULY 6, 2016 | BUSINESS

BABY BOOMER EXODUS
STATES GET READY FOR WAVE OF RETIREMENTS

by Jennifer Burnett
COUNCIL OF STATE GOVERNMENTS, NOVEMBER / DECEMBER 2016

Boomer retirement expected to create professions shortages

- North Bay Business Journal, August 2016

GLORIA DUNN-VIOLIN
August 15, 2016

Government recruiting for a post-baby boomer future

- Mark F. Weinburg, January 2017
THE “SILVER TSUNAMI” – WHAT CAN YOU DO?

The retirement decision is very individual specific and a dialogue with employees can help planning as well as promote work options. Some companies currently are doing nothing in response while others try to understand their situation better to develop their course of action.

- Personal financial considerations (i.e. direct benefit vs. direct contribution plans), home-life / family situation, individual health, and perspective on job value / contribution to company all influence the retirement decision.
  - A survey by Willis Towers Watson found 64% of workers aged 65 and older indicated personal circumstances affected their decision, not layoffs or downsizing and current or previous employers’ retirement plans and other incentives resulted in about half of respondents leaving work.

- Dr. Warren Silverman, Access Health Systems, has done research indicating that 38% of those aged 50 to 64 envision working beyond age 65 while an additional 20% would consider doing so if they had flexibility in their job.

- A survey conducted by the Society of Human Resource Management indicated:
  - ~1/3 of the respondents do not consider the impending retirements within their industry to be a crisis or a problem currently (13% indicated they weren’t even aware of it)
  - that most organizations will likely do nothing until key people start to be lost and do not want to develop programs just for older employees.
  - A similar 2016 survey by AARP found 48% of respondents would do no strategic planning to analyze the impact on their business.
THE “SILVER TSUNAMI” – WHAT CAN YOU DO?

“Life imitates Art far more than Art imitates Life.”

~ Oscar Wilde

*The Intern*, Warner Bros. 2015
THE “SILVER TSUNAMI” – WHAT CAN YOU DO?

Due to a variety of reasons, retirement today does not always mean people are spending it with just hobbies and leisure time.

Employed Persons 65+ - Overall
THE “SILVER TSUNAMI” – WHAT CAN YOU DO?

While the US job market has seen ~6%/a growth in employed persons aged 65+, the mill environment has remained relatively stable.

Employed Persons 65+ - U.S. Mills
THE “SILVER TSUNAMI” – WHAT CAN YOU DO?

Companies should acknowledge the activities being used to attract Millennials can also be applied for impending retirees; however, there is no one size fits all solution and needs to be tailored to the company.

- While automation and more advanced supervisory controls are options companies can seek to reduce personnel costs, there are some challenges that technology just cannot answer yet even as manufacturing is looking to enter into the Fifth Industrial Revolution and bring more of a balance between the modern worker and automation.

- As with Millennials, many surveys find that Baby Boomers are on par or have an even greater desire to drive progress and be engaged in the workplace.
  - Similar discussions can be held with Baby Boomers as companies can transition them to other roles and responsibilities that may not be as physically demanding yet both parties find value in the knowledge and uniqueness they will be able to provide.

- While Millennials can be attracted with flexible work schedules and telework activities, Baby Boomers have also expressed interest in similar situations, especially when the physical requirements of their current position is more a challenge for them than the mental requirements.
  - Companies are looking into new scheduling practices offering contract or part-time work to reduce the number of new hires needed at once as well as not to strain existing training programs. Determine what leadership would support.
  - Candidates can be identified that would be good to support mentoring activities or augment existing training programs as the commanding presence and leadership skills developed by Baby Boomers has been found valuable and successful both to successors and new hires.
THE “SILVER TSUNAMI” – WHAT CAN YOU DO?

The most important activity companies can do to mitigate business disruptions from retirement is to act with internal and/or seek external resources.

As the wave of retirements will be industry specific, companies need to assess how detrimentally they might be affected.

- Survey the organization to understand desired skill sets and identify potential gaps or “at risk” skills that might be leaving the company so action plans and resources can be implemented to mitigate the turnover.
  - One possibility is to use a similar platform companies utilize today for recruiting but redesign this for employees desiring to retire soon. This can become a resource in the short term for experienced skill sets that could be engaged on a contract basis.

- Understand the cost of replacing at-risk talent and potential impact to business by not having the position filled as well as identify other opportunities to fulfill the role (i.e. insourcing, outsourcing, automation, etc.)

- Engage with employees nearing retirement and leadership to understand their perspective for successors so job roles and desired skill sets are defined well.
  - Include in the discussion topics also valuable to the organization like documenting contacts, professional relationships, and day-to-day information needs as not all companies have formal systems in place to house this information.
THE “SILVER TSUNAMI” – WHAT CAN YOU DO?

While companies have implemented lean manufacturing concepts over the years reducing staff and relied on suppliers and consultants to support possible knowledge gaps, do companies want to do this long term?

- Companies should:
  - review internal training programs and developed knowledge bases to assess if they require an update for impending turnover and augment where possible before some of the knowledge gatekeepers enter retirement
  - revisit external training and talent development pools promoting industry opportunities (i.e. certification programs, specialized degree programs, etc.) so internal programs can be designed to complement rather than duplicate external employee training
  - examine the career path of current internal talent and understand if educational background / skills have been developed well or if there is a way the company can foster this development and achieve better employee engagement

- People play a significant part of a company’s success and the current situation with Baby Boomers retiring likely will replay itself as Millennials overtake the workforce and continue to exhibit a fairly fluid nature with employers.
THANK YOU

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