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FORECAST HUMAN RESOURCES

Employment shortage forces HR pros to pump up recruiting

Aging workforce a blessing and a curse

By CLAUDE SOLNIK



Seek and ye shall find? Think again. Long Island's human resources professionals are having difficulty finding qualified employees. The culprit: the area's low unemployment rate and high cost of living.

In response, companies are pumping up efforts to recruit and retain employees by becoming more flexible, looking more favorably on telecommuting and increasing training.

For their part, HR professionals are turning to staffing agencies, scouring employment Web sites, holding job fairs, offering incentives and bringing retirees back into the workforce.

Looking for workers off the Island might seem like a simple solution. But the high cost of living makes it difficult to attract workers, according to Lou Basso, president of Farmingdale-based Alcott Group, a human resources and benefits outsourcing firm.

And workers continue to exit Long Island, turning the screws on an already-tight employment market.

"With the high cost of staying on Long Island, property taxes and health insurance, it's difficult to keep our young people and even some of our more senior people on the Island," Basso said.

About 40 percent of Long Island firms plan to expand their staff over the upcoming year, according to a survey by Hauppauge-based Albrecht, Viggiano, Zureck & Co., while about 40 percent expect staff counts to level off. Finding workers is likely

to remain a challenge for HR professionals in 2008.

Riding the health-care rocket

HR executives also are being called on to help companies handle rising health-care costs. Catherine Mullahy, president of Huntington-based health-care consulting and training firm Mullahy & Associates, said, "the [health-care cost] trends don't show any reversal."

Stuart Kertzner, partner in charge of health care at Gettry Marcus Stern & Lehrer in Woodbury, said small companies can expect the biggest increase in premiums.

"It's double digits typically, which is a burden on the small employers of Long Island," Kertzner said. "These health plans are public, for-profit companies, so they raise their fees."

Technology and pharmaceuticals help people live beyond the "expectations originally foreseen years ago," Mullahy said, increasing insurance costs.

"People who have what would be considered fatal illnesses are living with those conditions, which is good for them," Mullahy said. "But it's a reality I don't think people could foresee years ago."

Kevin Arnstein, managing director for Cook, Hyde & Hall, an insurance agency based in Melville, said companies and insurers are implementing wellness programs as a means to reduce medical costs.

"Everyone's looking for the ideal answer," Arnstein said, "and everyone knows it's not going to the doctor's office and saying, 'Cut your rates.'"

He said insurance rates are going up about 13 percent in the Northeast, prompting firms to increase employee contributions and change benefits.

Smaller firms, Mullahy said, are eliminating or limiting insurance coverage. More firms are funding their own plans, avoiding the restrictions typical of those offered by insurers.

"Certainly, more are trying to self-

fund," Mullahy said. "Not every employer, just because they want to, can do that. It's mostly the risk."

An aging population is likely to lead to increased health-care costs as baby boomers retire.

Someone old, something new

Even though an aging workforce leads to problems, it provides a solution to savvy HR professionals. Chris Tanner, sales and marketing director for Southampton-based Wisdom Staffing, said companies increasingly are turning to older workers to fill the hiring gap.

Tanner said nearly one-third of baby boomers on Long Island plan to work beyond age 62 due to economic necessity. That's higher than the 25 percent national average found by an AARP study in 2004.

"I've been speaking to people of retirement age every day and it's surprising just how many are saying they can't afford to retire," Tanner said. "Many baby boomers are telling me a retirement job is a central theme of their retirement plan."

Tanner said even those who don't need to work often choose to, providing an increasingly attractive resource. He said a Merrill Lynch study in 2005 found that 55 percent of baby boomers want to work after retirement on flexible schedules.

"A massive, new reservoir of flexible labor is feeding back into the workforce and the forward-thinking organizations are developing strategies to tap into it," Tanner said. "There are parallels to women joining the workforce in the '50s, which has brought significant benefits to individuals, employees and the broader economy."

Basso said companies are retraining older workers who may be reliable and willing, but may need help to keep current.

"Some want to stay, but their skills may not be as up-to-date as younger peo-

ple coming out of school," Basso said. "So we have to go back and train some of our more senior people."

Outsourcing is in

As HR regulations, health-care plans and retirement options become more complex, companies are outsourcing more HR functions.

"We're finding that business owners need to concentrate on running their business," Basso said. "A lot of HR functions can be outsourced more efficiently and cheaper."

Basso said firms are outsourcing work regarding hiring and firing procedures, Title VII compliance, handbooks, employee benefits, 401(k) plans and health insurance.

His firm now services upwards of 4,500 employees at more than 200 companies in the tri-state area and is growing at an annual rate of 15 percent to 20 percent.

ADP TotalSource, one of the nation's largest professional employer organizations, is growing its business in outsourcing human resources administration, regulatory and compliance management, safety and risk management, payroll administration and employee benefits administration.

Bob Archer, a partner at Meyer, Suozzi, English and Klein in Garden City, said health care will remain a hot issue with "continued pressure on employees to pay more health-care costs in the private and public sector and to eliminate retiree health benefits."

Archer said HR executives also can expect their firms to face more stringent requirements regarding disclosure of 401(k) plan information. "You'll see more scrutiny by participants of fees they're being compelled to pay," Archer said.

Archer said, as people face mortgage and medical problems, they're likely to seek to deplete their 401(k) plan, making the responsible use of retirement money a bigger issue in 2008.

"They're going to turn to their 401(k) plans to borrow money," Archer said. "The concern there is the whole purpose of a 401(k) plan was a pension benefit. Now it's being used as a loan program." ■

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