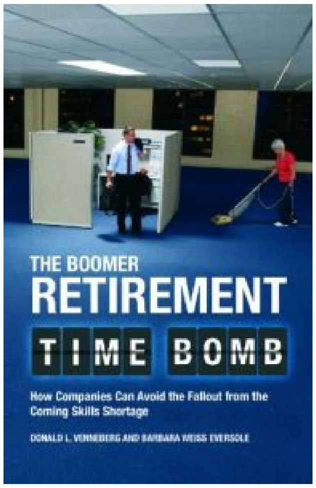

Book The Boomer Retirement Time Bomb

How Companies Can Avoid the Fallout from the Coming Skills Shortage

Donald L. Venneberg and Barbara Welss Eversole
Praeger, 2010
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Recommendation

The graying of America is a not a new topic, but it is getting increasing attention now that the first baby boomers have filed for Medicare and are eligible for Social Security. Their sheer number – 76 million – dictate that, as in so many other spheres, they will make an impact, for better or worse, on work and retirement. Many boomers likely will want to remain in the workforce, either to earn money or to stay active, or both. While this will help ease the looming labor shortage, it also poses certain problems for companies that tend to see older workers as too expensive, too demanding or, simply, too old. Professors Donald L. Venneberg and Barbara Welss Eversole tackle this issue head on, but unfortunately their book reads too much like the academic research papers, statistics and surveys they often cite. While you might not expect a book about age demographics and workplace practices to be a page-turner, this research reveals an important story that will determine America's future. *BooksInShort* considers this significant reading for human resources professionals and innovative CEOs who want to bring seasoned, talented people back on board – and keep them working.

Take-Aways

- The US workplace will grow grayer as the number of Americans aged 65 and older doubles by 2040.
- Companies will face a shortage of skilled, experienced workers in the near future.
- Retiring baby boomers, tighter immigration policies and age-discriminatory corporate practices will exacerbate the labor crunch.
- Yet older workers will want to stay on the job for financial, social and emotional reasons.
- Mature employees are more dependable, committed and creative than – and just as flexible and motivated as – their younger colleagues.
- Organizations that actively retain and recruit older staffers gain increased productivity.
- To attract more seasoned employees, companies should avoid "age stereotyping."
- Companies need to encourage "age-neutral" cultures that value maturity and experience.
- Firms that offer work-life balance programs with flexible work schedules have seen their health care costs decrease.
- While retirement once meant a sharp transition from work to leisure, contemporary circumstances are making this transition more fluid and even reversible

Summary

Living Longer and Getting Older

In much of the developed world, old people now outnumber young people. In the US, life expectancy for men and women is now 75 and 80 years, respectively. Estimates say that the population of Americans aged 65 and older will double by 2040, while the under-65 population will grow by only 10%.

> "It is expected that the prime workforce age group (...those ages 25-54) will be in short supply for the next decade or two."

By 2015, the number of employed Americans older than 55 is expected to grow to 20% of the total workforce, up from 11% in 2000. Baby boomers, the 76 million people born in the US between 1946 and 1964, are driving important changes in contemporary workforce demographics. The boomers' eventual retirement will set off a projected worker shortage, especially in skilled and experienced individuals. The US Bureau of Labor Statistics estimates that the civilian workforce's growth rate will decline dramatically through 2025. According to one scenario, if all the boomers were to leave their jobs as they reached the normal retirement age of 65, the US would not be able to meet its labor needs for decades.

> "To be able to retain the senior workers that organizations have...[firms]will need to reverse the current trend toward pushing these seasoned workers out of the job market through an enduring youth bias and retirement policies that incentivize early retirement."

Corporate practices that limit the hiring and retention of older workers and tighter immigration policies contribute to this looming labor crunch. The 70-million-strong millennial generation (born between 1980 and 1995) can't fill the gap; they will not have attained the experience and know-how needed to replace the baby boomers and the in-between group, generation X (the 51 million Americans born between 1965 and 1979).

> "The irony is that while workers are living longer, more productive lives, discrimination begins as young as age forty."

Finding labor offshore and using technology to displace workers has put only a dent in the problem. Businesses will need to retain and retrain older workers to compensate for the projected shortfall of younger employees. Companies likely will find willing takers for their offers: The economic slowdown has cut into boomers' pension funds and will force many of them to postpone retirement. Studies also show that, apart from financial need, both men and women want to remain engaged and employed beyond the age of 65. This attitudinal shift, along with economic constraints, should bolster the ratio of working people to pensioners and help fill the projected talent and skilled-labor shortage.

> "As many as 70% of boomer workers want to continue to work and contribute past the 'normal' retirement age."

Businesses not only must develop new human resources policies and practices to keep their current senior employees, they also will have to recruit retirees back onto the job. Companies will need to confront the challenges of handling work-life balance issues and "managing [an] intergenerational workforce." This graying of the labor pool will demand rethinking what work and retirement mean. Astute firms will need to assess how these changes affect their corporate culture.

Why Older Is Better

Workers aged 55-plus have attained the same level of college education (35%) as younger workers but have earned a greater percentage of advanced degrees. On the whole, they tend to be more satisfied with their bosses and jobs than younger workers are. Studies show that older workers believe in a "strong work ethic"; they are more accomplished, reliable and skilled than younger workers.

> "It is easy to fall into the trap of assuming that age automatically determines relevant skills."

Yet some companies consider older employees a liability due to their higher salary and benefit costs. By offering early retirement programs to baby boomers, corporations achieve short-term cost reductions that ignore the contributions of these seasoned employees. Instead, companies should consider their senior staff members as assets that can earn high returns in terms of the experience, knowledge and talent they possess. In addition, mature employees serve as mentors to more junior staff, paving the way for secure succession planning.

> "Work and life are often seen as two spheres that compete with each other for scarce resources of time, money and emotional involvement."

Besides their "human capital," which is a measure of their education, training and performance, senior employees also have built up a store of "social capital," which employers largely discount. Long-time personnel develop contacts, networks, experience, shortcuts and other intangible ways of knowing "how to get things done." When its older workers leave, a firm loses access to their internal and external social networks and, as a result, overall productivity usually suffers. One study found that social capital – although unmeasured – can be an older worker's most valuable contribution to the workplace, compensating for any lack of technical expertise.

> "Organizations tend to have youth-oriented cultures that are difficult to change, despite the existing antidiscrimination laws."

Research shatters "two common myths" about older workers: that mature employees can't learn new material or do their jobs as well as their younger colleagues. A 1999 national survey of corporate HR professionals ranking the capabilities and traits of older workers against younger cohorts found that most older workers present less turnover and absenteeism; more creativity, commitment and dependability; and just as much "ability to acquire new skills" as their younger colleagues. In addition, 48% were "more flexible" and 49% were "more motivated."

> "It is difficult to replace the acquired confidence, emotional maturity, network or relationships, and years of experience that an older employee brings to the table."

However, many employers don't focus on these positive attributes. Companies often unwittingly reinforce biases about older workers "cruising to retirement." Management often denies training to older workers, believing they will not be employed long enough to recoup the investment. Thus, senior staff can hit a "silver ceiling," where employer discrimination curtails their advancement. Organizations that consider soon-to-retire employees as undeserving of active engagement in their jobs risk losing the accumulated knowledge these mature workers own. It's a waste of talent, and it fosters instability – baby boomers remain with firms an average of 10 years versus three years for millennials and gen X members.

Meaningful Work

Many older workers stay on the job for nonfinancial reasons; they find their jobs interesting, enjoyable or useful in terms of staying physically and socially active. Older staffers gain more motivation and encouragement from meaningful jobs and their co-workers' appreciation than they do from benefits and salary. To secure older workers' full commitment, employers should create corporate "age-neutral cultures," to counter the "youth culture" pervasive in modern society. An age-neutral culture acknowledges the value of more experienced workers and creates a nondiscriminatory ethos among staff members. Adapting corporate cultures is not easy, but changing labor demographics will hasten that transition.

> "Most workers want to somehow downshift their careers into a less intensive but still challenging and rewarding mode."

To overcome widespread age bias, managers must ensure that human resource and organizational decisions are not based on age or "age stereotyping." This includes altering the perception that some jobs, such as those that are technologically based or that require new skills and training, are better suited for younger workers. Address the specific training needs of older workers, and recognize that some of them may not feel comfortable learning in classrooms or on computers.

Going Back to Work

About 80% of US companies attest to encouraging older workers to remain on the job, but only a third seek veteran candidates for new positions. Some companies, such as Walmart, Home Depot and CVS Pharmacy, actively solicit older workers for their specific skills and experience, but most don't.

> "There is a growing body of research that has been able to link flexible workplace cultures with increased employee health outcomes."

Retirees most commonly re-enter the workforce because they need health benefits and supplemental income, but they also go back to work because they dislike retirement, wish to keep applying their skills or feel they still have a significant contribution to make. They prefer to work for companies that enjoy positive reputations, value their experience, provide mentoring opportunities, offer flexible schedules, and grant good pay and benefits.

> "The idea of retirement itself as a terminal event (exit from work to leisure) may be a dying concept."

Companies that wish to attract older workers should examine their hiring practices. Recruitment ads seeking "high-energy" employees with "fresh thinking" for a "fast-paced" environment signal a subtle age bias, while asking older people to submit to psychometric testing could discourage them from applying. Recruiting material that mentions "expertise" and "knowledge" resonates with senior candidates.

"Flexibility Can Defuse the Time Bomb"

Achieving work-life balance particularly appeals to older employees and recruits. Some may find themselves in the "sandwich generation" that cares for elderly parents and adult children at home. Others wish to ease out of their full-time obligations gradually. Human resources policies that cede some control to employees concerning the time and structure of their jobs may encourage more people to stay in the labor pool, rather than leave it completely by retiring.

> "Although rare, it is becoming less unusual to find a few workers still active in the workforce at age one hundred."

"Flexible work arrangements" (FWA) are an important part of a firm's work-life balance policy that benefits all workers, regardless of their age. FWA calls for letting staffers set their own hours and for measuring their performance by their results, not by their "face time" at work. Companies that implement FWA, which includes flextime, job sharing, telecommuting and compressed work weeks, report enhanced productivity, better recruitment and retention, and strong overall performance. In addition, these firms enjoy reduced overhead, absenteeism and overtime expenses; in fact, studies have found a link between work-life balance programs and decreased health care costs.

> "In youth we learn, in age we understand." (Marie von Ebner-Eschenbach)

Companies with work-life programs – including Motorola, DuPont and Eli Lilly – train their managers to juggle the company's needs for productivity against those of employees for flexibility. Supervisors must learn to measure workers' performance in terms of outcomes versus time spent in the office. Some tools to use include judging timeliness on project schedules, comparing the outputs of flex-time and full-time workers, or using focus groups to gauge employee attitudes. Companies also can measure employee retention rates, customer satisfaction and worker health care claims. Alternately, employees asking for flexible schedules should prepare to explain how they will accomplish their tasks and should understand how their time away from the office will affect their co-workers and their unit's productivity.

Using FWA demands that managers be flexible, too. While accustomed to exercising power, leaders must relinquish some control over their employees and redirect their focus toward project outcomes rather than supervision. This changes the manager-employee relationship and requires a new level of trust between workers and executives. Not all managers may be able to embrace FWA; in such cases, firms can assure better compliance by introducing incentives for managers who develop creative applications to direct workers in this new environment.

Where It's Working

Many companies already have recognized the need for change. For example, Costco reduced turnover with its successful flex-time program, and IBM found that "90% of employees working from home reported an increase in productivity." Most employees at AstraZeneca and Accenture said their firms' policy on work-life balance was one of the main reasons they stayed with the companies. These employees ranked the importance of work-time flexibility on a par with compensation and expanded career opportunities.

Workplace changes are happening because the definition of retirement has changed. While retirement once meant a sharp transition from work to leisure, contemporary circumstances have made this transition more fluid and even reversible. Today, older workers know that the workplace is somewhere they can receive recognition and compensation while making a contribution to society. Companies that fulfill these desires can hire more experienced employees and benefit from the new reality of older workers.

About the Authors

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