



How to Avoid “The Big One”

Baby Boomers at Work: Making the Case for Older Workers

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Work long and prosper. *That’s the new mantra of the Boomer generation as it edges toward Social Security eligibility and retirement age. So hold on to those gold watches, because the Boomers plan on retiring the traditional concept of retirement with a characteristically bold move that will surprise detractors and benefit, rather than hijack, the economic future of the generations that follow.*

The idea is simplicity itself: keep on working, earning and contributing to the economy for as long as one is able and enabled. Driven by a host of motivations ranging from self-actualization to financial need, many Boomers reject the idea of a leisurely retirement and plan to work well into their 70s and beyond. That is, if society and employers will let them.

In the following article, the Age Lessons policy team shares a number of compelling reasons for keeping older workers employed and productive, and outlines a rationale for adjusting national public and private policies to allow Boomers to pursue meaningful employment.

Boomers Want to Work Longer

As one might expect from the generation that mainstreamed working women, embraced 24/7 connectivity and coveted the MBA degree, Boomers want to work. That’s the consensus emerging from a number of recent studies exploring Boomer attitudes toward work and retirement.

A 2005 survey by Merrill Lynch revealed that almost 80 percent of workers age 40-58 plan to work in retirement and roughly six in 10 look forward to the challenge of trying something new. Recent AARP research found that 69 percent of today’s workers age 45 and up plan to continue working past age 65.

According to the Employee Benefit Research Institute, two-thirds of workers expect to work for pay in retirement, the same percentage of Boomers who told Scudder Kemper interviewers that they were “worried about having enough money in the future”. Peter Francese, founder

of American Demographics magazine, believes more than one-third of men and women will keep working past their late 60's.

Boomers Need the Money

It's a good thing that Boomers say they want to work, because it's clear that many will have to work for financial reasons. One factor that impacted even diligent savers was the stock market decline of 2001-2003 that eradicated roughly \$7-8 trillion in shareholder wealth, much of it held by Boomers.

In the process, the dot-com crash ate away some \$279 billion in 401[K] assets and huge chunks of other retirement savings. Boomers dialed-in to the nuances of finance recognize that 401[K] and IRA/retirement money statements can create a false sense of wealth, since these amounts will be federally taxed on withdrawal [with the exception of Roth IRAs].

Exacerbating financial need are the demands on Boomers sandwiched between college-rebound children and aging, dependent parents. The live-for-today consumption habit of their younger years is coming home to roost along with a collective Boomer debt estimated at roughly \$2.5 trillion.

The top monetary concern noted by more than half of Boomers contemplating retirement was "being unable to afford health insurance," a valid concern given that they may live two or even three decades beyond retirement age. Even the wealthiest Boomers might consider working longer, since delaying retirement by as little as three years can stretch retirement dollars another seven to 10 years.

The Economy Needs the Money

The futures of Social Security, Medicare and the American economy are in grave danger, all due to the impending retirement of the Boomers and an associated \$53 trillion of outstanding liability in the form of government debts and obligations. Former Federal Reserve Chairman Alan Greenspan said it plainly in a report to the House Budget Committee, "As a nation, we may have already made promises to coming generations of retirees that we will be unable to fulfill."

The Boomer penchant for defying convention, if expressed as an extended working life, could be the offsetting—and saving—factor in this economic doomsday scenario. Along with the desire and need to work longer, the stage is already being set for lengthier Boomer careers thanks to increasing acceptance of older workers. Even Silicon Valley, once a bastion of youth culture, has gotten the message that older workers are a good bet. One local recruitment firm estimated that almost three-quarters of its recent placements were people over 50, and that its success rate with over-50 job seekers had doubled in the last year.



More Boomers working longer translates into additional contributions to the Social Security coffers, more income tax revenue, fewer Medicare payouts and a delay on draws from the Social Security system. It's a common sense solution that could inject \$3 trillion into the economy each year, and result in a nine percent increase in gross domestic product by 2045.

We Need Their Brains

Fully two-thirds of companies participating in an Ernst & Young study on the aging U.S. workforce recognized that Boomer retirements will lead to a "brain drain" in their organizations, yet, fewer than one in four of respondents considered this knowledge deficit to be "strategically important". Moreover, only 10 percent of companies surveyed by the Society for Human Resource Management say they serve up programs like reduced schedule options designed to create a formal knowledge transfer channel and ease the transition to retirement.

Rather than see specialized expertise walk away, smart companies have come up with innovative solutions like "Your Encore," an Eli Lilly/Procter & Gamble venture that provides access to highly skilled temporary workers for an annual fee of \$50,000. Interim executive placement firms such as Brenner Group, Cerius Consulting and ForteCEO represent a more typical free market response, providing access to the expertise of seasoned 55+ executives.

Not all industries will be affected equally. Among those anticipating the most pronounced exodus of business wisdom are health care, biosciences, energy and the federal government, where 44 percent of all workers will be eligible for retirement over the next five years.

We Need Their Bodies

Experts predict that a labor shortage approaching 10 million workers by 2010 will trigger a corresponding 117 percent increase in the number of 65+ workers by 2025, helping to bridge the labor gap. But will that be enough human capital to support productivity demands? The absolute numbers are staggering. According to the Government Accountability Office, some 76 million people will exit the workforce between 2008 and 2030, but only 48 million new workers will enter to replace them.

While options such as loosening immigration hurdles to attract offshore talent and outsourcing support functions abound, a lower-cost solution lies closer to home. Employers could simply begin to incent Boomer workers to stay in place, extending their tenures to take advantage of retention programs such as bridge jobs, phased-in retirement plans, retention bonuses and delayed retirement subsidies.

Boomers Can Work Longer

In many circles, there's an unspoken assumption that older workers are less capable and engaged than their younger counterparts. The recent Towers Perrin/AARP study "The Business





Case for Workers Age 50+” rocked the very underpinnings of that assumption. It concluded that older workers were more engaged and motivated to exceed expectations than younger workers, and that declining physical skills such as manual dexterity were more than offset by skills that improve with age such as verbal communication, tacit knowledge and experimental innovation.

Medical advances are part of the problem and the solution. When 65 was arbitrarily selected as the retirement age, only 54 percent of men and 61 percent of women lived that long. Today, healthcare improvements have reduced heart disease by 60 percent, stroke by 70 percent, and extended average Boomer life expectancy to 82.3 years, taxing a system beyond core assumptions.

Save the Nation From “The Big One”

Some economists worry that if a significant number of Boomers opt to liquidate equity investments simultaneously to finance retirement living, it could result in “The Big One”—a stock market catastrophe of a magnitude not seen since 1929. That’s because Boomer participation has played a large part in the sevenfold expansion of investment instruments such as equities, bonds and money market assets to \$6.5 trillion over the past 10 years.

More optimistic economists believe that taxes associated with the deferred income tucked away into 401[K]s and similar plans, along with long-term capital gains as Boomers shift out of equities, may contribute enough to the federal budget to ameliorate the funding crisis for Social Security and Medicare.

Older Workers Are Cost-Effective

In decades past, when older workers were disproportionately affected by corporate down-sizing, reorganizations and cost-cutting, conventional wisdom held that it wasn’t cost-effective to hire or retain employees over 50. Boy, were the pundits wrong!

According to the Towers Perrin/AARP study cited earlier, the small cost differential associated with employing older workers (from less than one to three percent on average) is more than offset by the cost of recruiting and training new workers and the intangible benefits of a more mature workforce with enhanced communication skills and a strong work ethic.

Boomers Inherit a Rosier Financial Future

The net-net of Boomers working longer is that when free market forces are allowed to prevail, the situation will self-correct. Rather than creating a huge backwash problem for the generations that follow, Boomers will work, earn and mitigate the need to draw down on federal benefits or liquidate investments, home equity and savings to fund two or three more decades of living. Everyone wins: companies extend the use-life of human capital, a cataclysmic

labor shortage is avoided, more money will be left for Boomer children to inherit, and an ongoing revenue stream lessens the burden on Boom-lets to financially support their aging parents in the future.

Perhaps a growing realization of the positive economic benefits associated with the Boomers' plan to work longer will alleviate the much-talked-about intergenerational warfare at the workplace, and put an end to the now-popular sport of "Boomer bashing." As they have since coming of age, when the Boomers see a problem, they fix it.

How does your company's long-term human capital plan accommodate an aging workforce? What programs are in place to encourage 55+ workers to stay on board to mentor the next generation?

About Age Lessons: Age Lessons is a "thinking firm" (part consulting firm and part think tank) that converts knowledge of the Baby Boomer cohort into business opportunities and policy recommendations for clients. The Age Lessons toolkit includes tailored products such as BoomerView™ audits that evaluate messages, packaging and products against Boomer normative benchmarks. Additional services include workforce audits and employee retention/recruitment programs, detailed ethnographies delineating the Boomer culture, new product ideation and evaluation services, as well as custom research exploring defined areas of interest to clients. Contact Laurel Kennedy at Age Lessons, 2834 N. River Walk Drive, Suite 500, Chicago, IL, 60618 or call 773.252.0123.

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