

The Future of the American Workforce

One of the most important shifts in the early 21st Century is the aging of the American workforce. This demographic phenomenon, sometimes referred to as the “Silver Tsunami,” is unstoppable as 78 million Baby Boomers (individuals born between 1946-1964) become eligible for retirement over the next twenty-years. The Boomers comprise about 40 percent of the overall workforce and in this case size matters. Here is what else we know.

- *For the first time in our national history, adults outnumber youth (there are more people over 50 than under the age of 21);*
- *Statistically, there are not enough younger workers to replace retiring Boomers. Also, workers aged 35 to 44 (upper management candidates) are predicted to decline by 19% in the years ahead.*
- *When large numbers of Boomers begin leaving the workforce, but it is not quite clear when or how that might happen, with them goes a generation’s accumulated knowledge, remarkable work ethic, and technical know-how. Skilled labor shortages are already predicted for energy, health care, technical, and scientific fields, and no doubt there will be others;*
- *By 2010, half of all federal civilian workers will be eligible to retire;*
- *As the generational mix of the workforce become more diverse in the future, with proportionally fewer Boomers, the relationship between employers and employees will also evolve. CEO’s are already noticing a change in corporate citizenship: younger workers are creating more retention problems and, at the same time, reducing both their employment longevity and loyalty.*

The American workforce is in the throes of fundamental change. Companies that understand these forces of change and their unintended consequences, and respond with effective hiring, retention, and management strategies, have the greatest likelihood of flourishing, even in uncertain economic times.

Older Workers and Retirement

While these predictions are sobering, the mass exodus of Baby Boomers from the workforce may be delayed. In a series of national survey’s over the past four years, 78 percent of older workers approaching the traditional retirement age have been saying they plan to work a little longer, through their 60s and into their early 70s. The reasons most frequently cited for this change of heart are a desire to stay connected to the workforce and co-workers, inadequate financial planning, an unpredictable economy, rising health costs, and unexpected family obligations to ailing parents and adult children. What this means is that Boomers could very well soften the restructuring of the American workforce by extending their working years. In addition to benefiting employers a soft landing could also be good for the country by extending the financial solvency of Social Security, Medicare, and Medicaid. However, this possible remedy has not yet been matched by employer enthusiasm. Only about a third of private sector employers have specific plans to retain their older employees or hire new ones. And this appears to be the real problem.

The “Silver Tsunami,” is destined to change the American workforce. Comprising about 40 percent of the workforce today, the collective impact of the Baby Boom generation ultimately

will be both significant and double-edged. Because many Boomers tell us they are not going to retire on schedule and may want continue working full or part-time after the customary retirement age, many employers have been caught off-guard. On the other hand, when Boomers start leaving the workforce in large numbers, and they will, their exodus will expose a serious skilled labor shortage in this country and possibly other workforce vulnerabilities. Let us briefly consider both problems.

Disincentives for Retaining and Hiring Older Workers

Only about a third of private sector employers have specific plans to retain their older employees or hire new ones. The reasons for this include deeply entrenched biases about aging and the erroneous perception that older workers have diminished abilities and capacities, and failing health. There are also legal and policy barriers that make it difficult if not impossible to hire older workers who have already triggered their pensions and/or Social Security prior to reaching their full retirement age. Often there are increased health benefit costs imposed on employers that hire older workers, creating a cost disincentive. Additionally, labor unions are not yet on-board as advocates for hiring or retaining older workers. There is also a company size factor: smaller (<100) and larger employers (>1,000) are less likely to hire older workers; while mid-size employers that are more inclined to hire account for only 25% of workforce. Turning employers, both public and private, around on this issue understandably will take time and persuasion—a luxury we may not have.

Remedies and Strategies for an Aging Workforce

At both the federal and state level there is increasing attention being paid to the value of older workers—as role models, mentors, dedicated employees, brain trustees, and productive corporate citizens. For example, in 2000 the Social Security Administration removed some of the financial penalties on older workers who want to stay on the job longer while drawing down their pensions. Other changes are under consideration by Congress that promote older workers, including employer tax incentives, lessening legal and regulatory requirements related to work and retirement, and creating a national clearinghouse of best recruiting, hiring, and retention practices for older workers.

For employers there are some immediate remedies worth considering. These include creating more flexible working arrangements for older employees, such as, flexible times, schedules, places, job sharing, and job re-design that aligns with the preferences and physical constraints of older workers. Employers can also do a much better job of offering the right mix of benefits and incentives to attract older workers, such as, tuition assistance, time off for elder care, employee discounts, and pension plans that allow and even encourage retirees to return to work.

As employers look out ahead at the challenges they face within their own organizations in the context of a turbulent market place, one of the most promising strategies is to rediscover the value of older workers and to partner with them.

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Stephen F. Barnes, Ph.D.
San Diego State University Interwork Institute*

Additional Reading

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