

McLean, Koehler, Sparks & Hammond

Certified Public Accountants/Business Consultants

Baby Boomers and Retirement: What Will the Impact Be on the Workforce?

Baby Boomers have been the driving force behind many societal and economic trends over the past 60 years – and they continue to have impact as they begin retiring. Based on statistics, at least 83 million Baby Boomers will begin retiring in the next three to five years. This is predicted to have serious consequences in the labor force, leaving businesses with fewer people to fill positions than they have positions available.

However, this retirement trend may be slowed considerably by the Baby Boomers themselves. Economic factors and a lack of adequate retirement planning have left many Boomers unable to retire in the lifestyle they would desire, meaning they may stay in the workforce longer. Additionally, people of retirement age are generally more active in this generation than in those before. Advances in health care and nutrition have helped people age more gracefully. Their energy level may propel them to stay in the workforce longer or to return to the workforce part-time or full-time after a brief sabbatical.

What will these trends mean for companies in the years to come? Will Boomers staying engaged be a positive trend or a negative one?

Cost Factors

Because of the advanced experience level of Boomers, they likely command higher salaries, while less experienced replacements might allow companies to save money on labor costs. There could be, obviously, some loss of productivity as less experienced employees gain experience, but the benefits of lower labor costs could outweigh these in some cases.

Benefits costs are also a factor. Most group healthcare policies use the age distribution of the insured group to determine their rates. Older employees are deemed riskier, and therefore result in higher premiums overall.

If companies are absorbing some of the insurance costs for their employees, the costs here will have an impact. Even if the company isn't covering costs for employees, the company's ability to recruit and retain younger workers could be compromised if insurance costs are higher for the employees.

Company retirement contributions are often based on salary, so experienced workers with higher salaries again cost the company more money. Some of these Boomers may also be grandfathered into more lucrative retirement plans that the company is anxious to close. The longer they stay employed, the longer the plan must stay in effect.

Knowledge Factors – Brain Drain

Brain drain refers to the loss of undocumented knowledge when employees leave their companies. Given their many years of experience, Boomers hold a significant amount of knowledge regarding processes of their companies in their heads. The amount of brain drain associated with Boomer retirements is expected to be staggering. Leaders that have not made knowledge retention a major emphasis within their organizations will surely pay the price. And, the smaller the organization, the more vulnerable it is to the impacts of brain drain since critical operational knowledge is held by a small group of employees.

To mitigate the effects of brain drain, top organizational leaders need to make knowledge retention a main business priority. Organizations need to aggressively take steps now to document critical processes and operations. Leaders also need to make sure their organization's culture is one that openly supports sharing knowledge. In some organizations, employees hoard information as a way to ensure their power.

Leading by example is an important step in promoting knowledge retention in your organization. Have you taken steps to document key processes within your company? If not, now's the time to convene a team and get started!

Morale Factors

Much has been written about Generation X'ers and their frustration with Boomers "getting in their way." The Boomer group was so expansive, that many X'ers have been waiting for their chance at promotions and choice assignments.

Sometimes, the Boomer's retirement holds the key to the carrot the X'er has been reaching for. If Boomers stay employed longer, X'ers may become disenchanted and look for opportunities elsewhere. This will have an adverse impact on the company when it finally needs to replace the Boomers.

Alternative Staffing Possibilities

Given the predicted labor shortage, companies may need to retain or rehire Boomers to adequately staff key positions. To do so, different employment methods may be in order.

Where possible, using the retirees as contract employees can keep their skills engaged without adding the benefit costs. They may also be able to work in advisory positions, freeing up the line positions for X'ers who have been waiting. Be sure to pay attention to the labor laws that govern what differentiates a contractor from an employee.

Part-time employment is likely to be popular as well. While retirees may want or need to work, they may also want the benefit of more leisure time. Depending on the laws in your state, and the number of hours they work, part-time retirees may not be entitled to benefits. This, again, will save money for the company and may suit the semi-retired person just fine.

By being creative and open to new ideas, it may be possible for companies, Boomers, X'ers and the rest of the workforce to be happy.

Which Industries Will Feel the Labor Shortage?

As the massive Baby Boom generation begins to retire, a labor shortage looms in the not-too-distant future. It could be widespread and deep or localized to specific job types or industries, depending on which studies you read. Time will tell the extent of the shortages, but there's no disputing some fields that will be impacted because it has already started to happen.

Health Care

The aging population is one cause of the labor shortage and one of the drivers of this industry's woes. People today live longer than ever before, and that often means an increase in health-related issues as they age. From nursing assistants to help with activities of daily living to therapists who assist with rehabilitation after illness or injury, shortages abound. In-home caregivers and nurses of all types are in short supply.

The number of registered nurses available and in the pipeline is of particular concern. The increased demand for nurses should mean, of course, that schools of nursing would be producing more graduates. The fact is, enrollment in nursing school is not growing at a rate fast enough to meet the demand over the next 10 years.

Additionally, a shortage of nursing faculty and teaching facilities is widespread, leading to even more concern about the healthcare industry's ability to provide necessary services.

Technology

As the dependence on technology continues to increase, the supply of technology specialists continues to decline. Some statistics show enrollment in computer science undergraduate degree programs down 50 percent from levels seen five years ago. The trend seems to be continuing.

In today's market, almost every company has an IT person. Technology-based companies continue to develop and grow to keep up with and capitalize on technology advancements. All of these require well trained technology specialists, and there simply aren't enough to go around.

Construction

Tradespeople of all types are already in short supply, and the trends aren't looking up. Electricians, plumbers, welders, carpenters and many other trade areas are failing to keep up with rising demand.

Why this trend? Experts speculate that more young people are being encouraged to pursue a four-year degree rather than enter the trades. Young people are not made aware of the standard of living that can be achieved by a qualified craftsman.

Additionally, young people don't follow in their parents' footsteps as much as they did in the past. Because of this, trade skills aren't being passed down to the next generation.

Other High Demand Areas

While the extent of shortages in these areas is not yet clear, the Bureau of Labor Statistics lists these as the "hottest jobs" through 2012, meaning that demand will be high in these areas as well as those listed above:

- Teachers
- Customer service reps
- General operations managers
- Sales representatives
- Truck drivers
- Accountants and auditors

Higher demand brings higher wages, so most industries will be impacted in some way.

Prepare Now in Your Industry

The key to weathering the labor crisis is to evaluate your business for areas where supply may be limited and start now beefing up recruiting, retention and training strategies.

Check into what is being done in your area to provide training in the crafts, health care and other high-demand areas. Work with your trade organizations to develop better marketing and recruiting to attract people into the fields necessary for your success.

Don't leave this to chance. The impact on your business could be profound. It deserves your attention. Finally, do what you can internally to streamline your processes and develop templates to allow less skilled workers to perform more complex tasks. For some fields, that may be the only answer to a limited supply of qualified workers.

McLean, Koehler, Sparks & Hammond helps owners and business leaders become more successful by providing innovative financial, technology and management solutions for every stage of their organizations' life cycle. MKS&H's organizational consulting division, Tandem Partners, specializes in people strategies that drive business results. For more information on this article or MKS&H, please contact Margaret Wilson at 410-296-6200 or via email: margaret@mksh.com.

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McLean, Koehler, Sparks & Hammond

11311 McCormick Road, Suite 100
Hunt Valley, MD 21031
410.296.6200

www.mksh.com

70 Thomas Johnson Drive, Suite 100
Frederick, MD 21702
301.662.2400