

# Preparing for an Aging Workforce

## **A Ten-Step Plan to be Aging-Ready**



BAXTER CONSULTING GROUP Insights Brief

June 13, 2016

## The Power of Old

Youth is no longer powering our nation. In this decade, the most successful organizations will be the ones that reorient their organizations and workforce strategies to fully capitalize on the powerful growth of an aging workforce.

In this report will we examine the unstoppable demographic trends that are reshaping our workforce, and the ten steps organizations can take to prepare for the workers of today and tomorrow.



## The Impending Talent Shortage

Today's employers are facing two perilous challenges: (1) an unprecedented talent shortage among younger workers, and (2) the loss of experienced workers as the boomers move into their retirement years.

In prior decades, organizations could count on a growing talent pool of younger workers, fueled by the unprecedented baby boom that stretched from 1946 until 1964. However, declining birth rates in the last century have created a critical shortage of younger workers today.

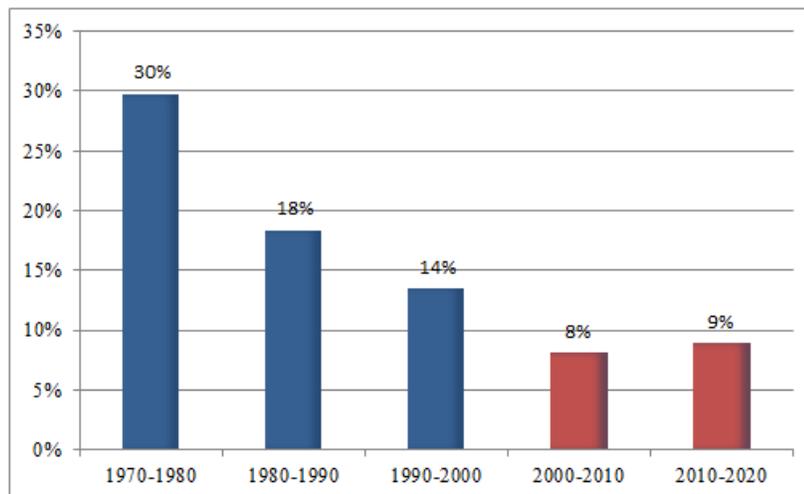
Labor force growth has been sharply decelerating for years. In the 1970s, employers enjoyed a 30% growth in the number of U.S. workers. But demographic forces have now hit

the brakes, and the labor force is growing less than 10% per decade (Figure 1).

In the 2000s, this new demographic reality was hidden by the Great Recession. Today, an accelerating economy and decelerating labor force is creating a potential train wreck. Organizations are now battling for scarce talent in order to sustain growth and capitalize on new business opportunities.

At the same time, the massive Boomer generation is exiting the workforce. Boomers are now turning age 65 at a rate of 3.5 million per year. As this generation retires, organizations face a massive potential "brain drain" of their most experienced and knowledgeable workers.

Figure 1: Percent Workforce Growth by Decade, 1970-2020

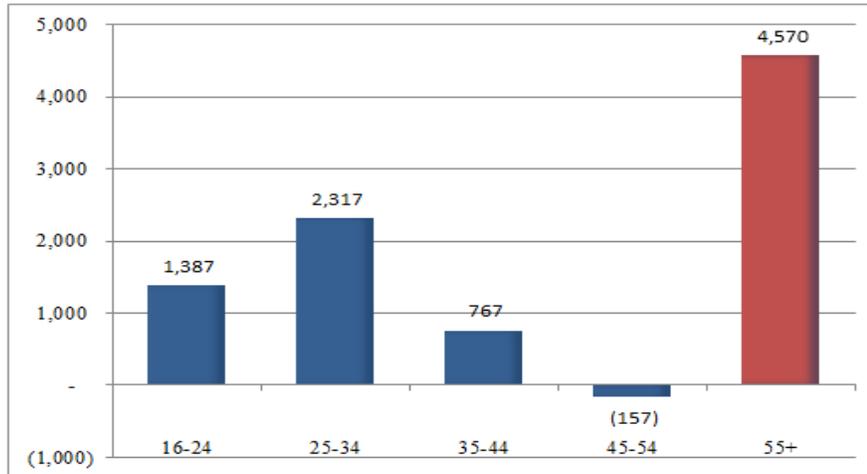


Source: Bureau of Labor Statistics, Labor Force Statistics from the CPS; IMF, Recent U.S. Labor Force Dynamics: Reversible or not?, 2015

## Older Workers are the New Opportunity

So where are the workers of the future? Between 2011 and 2015, the number of age 55+ workers increased by 4.6 million—more than all other age groups combined (Figure 2).

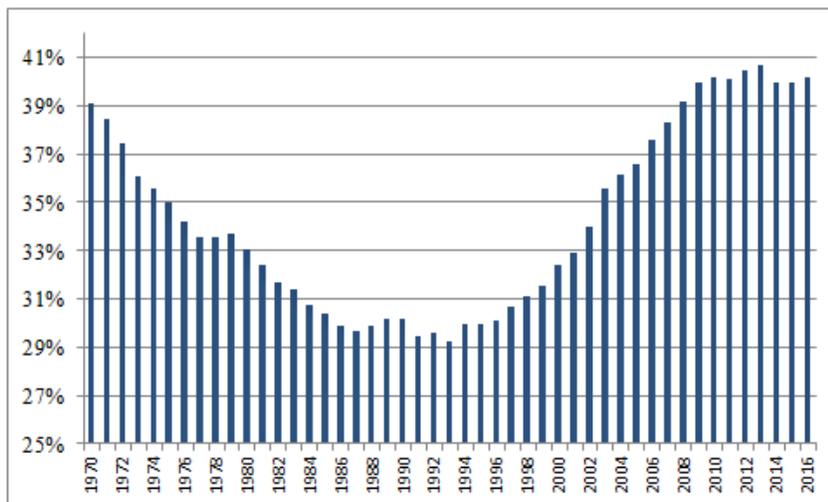
Figure 2: Workforce Growth by Age Group, 2011-2015 (thousands)



Source: Bureau of Labor Statistics, Labor Force Statistics from the CPS, 2015

This massive growth in older workers is being driven by both the aging of the Boomer generation (meaning there are more and more people who are age 55+) and escalating age 55+ labor force participation rates (meaning more and more age 55+ people are continuing to work). In fact, labor force participation rates among those age 55+ has taken a U-turn. After decades of decline, almost four in ten people age 55+ are now working (Figure 3).

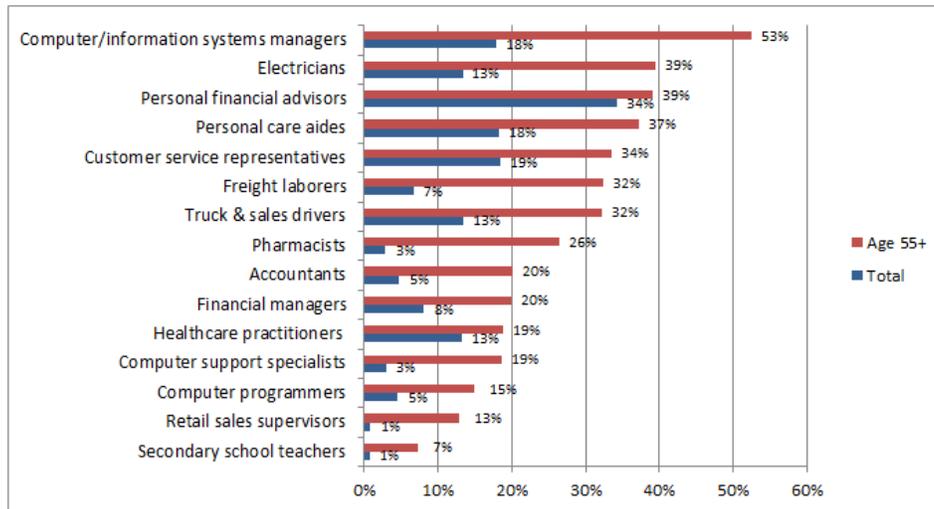
Figure 3: Age 55+ Labor Force Participation Rate, 1970-2016



Source: Bureau of Labor Force Statistics, 2016 from the Current Population Survey

Because over half of the U.S. labor force growth is now among age 55+ workers, companies across industries and geographies are now feeling a pressing need to rethink their workforce strategies. For many of the occupations shown in Figure 4, the number of age 55+ workers is growing several times faster than the total workforce.

Figure 4: Percent Workforce Growth, Total and Age 55+, 2011-2015



And yet, many organizations persist in recruiting, training, engagement, and retention strategies that were designed for a youthful workforce. For example, according to a recent study by the Society for Human Resource Management, only about a third of companies have even attempted to assess the impact of “brain drain” of retiring Boomers on their talent needs.

This continued focus on the young workforce will exacerbate the coming talent shortage. As organizations battle over an increasingly scarce pool of young workers, they will face growing recruitment costs, declining skills and productivity among available candidates and diminishing retention. Moreover, as older workers exit the workforce, organizational know-how, culture and relationships with customers and partners created and maintained by mature workers will simply walk out the door.

## Ten Steps to Prepare for an Aging Workforce

Preparing for an aging workforce requires thoughtful strategies that anticipate powerful demographic trends and align with future business needs. Elements of a ten-step plan to reorient to today's workforce include:

1. **Predict your workforce demographics.** Analyze recruitment and retention patterns to project workforce composition and retirement trends.
2. **Identify recruitment risks.** Analyze current recruitment strategies and your talent pool demographics to identify future hiring needs that are most susceptible to projected shortages.
3. **Identify retention risks.** Assess how older worker attrition and potential retirement losses among key personnel and work teams may impact your corporate knowledge, culture and effectiveness.
4. **Conduct a multi-generational employee survey,** to better understand age-related career paths, strengths, weaknesses, motivations, frustrations, and retirement intentions.
5. **Build the business case** for your mature worker strategy, clearly defining the business goals you are trying to meet.
6. **Prioritize efforts** to target older employees and work teams that are most critical to maintaining vital organizational capabilities.
7. **Improve your capability to recruit mature workers.** Assess job promotional language and job promotion channels. Build a reputation as an active recruiter and a good employer of older workers.
8. **Implement flex-retirement programs to retain and motivate older workers.** Examples include reduced hours or schedules, temporary work, consulting assignments, job sharing, telecommuting, mentoring positions and other special positions.
9. **Build your culture and management practices to motivate an older workforce, including creating** a culture that values experience, promotes continuous career development, and offer continued learning and training opportunities.
10. **Continuously assess and refine your mature workforce strategy** to ensure you are meeting your business goals.