

Making the Most of an Aging Workforce

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It would be difficult to find an employer in New Jersey, or anywhere in the United States, who is not preparing for the impact of global competition on their business. Yet, few companies have strategies in place to manage an equally daunting challenge -- the aging U.S. workforce.

More than one-third of the American workforce is nearing traditional retirement age as 76 million Baby Boomers (born 1946-1964) enter their 60's. By 2010, the Bureau of Labor Statistics predicts, more than half of all U.S. employees will be over 40 years old.

The impact of the inexorable graying of the American workforce will affect businesses of every size and in every sector. The loss of experienced workers will hit several key industries particularly hard. Anticipated worker retirements in such fields as energy services and health care will create even more vacancies in critical jobs that require highly skilled workers. A fierce "war for talent" is looming that could erode recent productivity gains and threaten future economic growth.

How are American companies responding to this threat? Not enough firms recognize the problem, nor have most taken steps to address it. For example, Ernst & Young's 2006 survey on "The Aging of the U.S. Workforce" found that two-thirds of employers believe retirements could lead to a serious loss of their organization's accumulated "business wisdom", but less than 25% saw older workers as an important strategic concern. Likewise, a new study by the Center on Aging & Work at Boston College reports that only 12% of employers with 50 or more workers have seriously analyzed the changing make-up of their workforce and one in four employers have given it "no thought at all"!

The good news is that traditional concepts of "retirement" are changing and older workers are more willing to extend their careers if employers offer more flexible work schedules and benefit options. The Heldrich Center for Workforce Development's national survey of American workers found that nearly 70% of workers want to continue working full- or part-time following retirement from their principal full-time job.

Retaining older workers through flexible hours and benefit programs are just one of many ways to keep older workers on the job and enhance firm productivity. Businesses across the country are also experimenting with creative phased retirement plans, retention bonuses, and consultant contracts for recent retirees. Other firms are tackling the knowledge transfer imperative by conducting in-depth "exit interviews" with retiring workers in order to obtain and record important institutional knowledge, or arranging for older employees to formally mentor their successors during their final months with the firm.

Whatever policies a company chooses to adopt, employers need to develop a coherent older workers strategy soon. Those who don't increase the risk that future business and economic growth will be stifled as unprecedented numbers of talented older workers retire and take their knowledge and skills with them.