



The Coming Retirement Wave

“Enlightened employers are making strategic business decisions in addressing the needs of an aging workforce by increasingly providing flexible work arrangements that accommodate the schedules of the employees and their families.”

BILL NOVELLI, AARP CEO

American companies are still recovering from globalization, technological change, and hypercompetition that rocked their financial foundations during the past two decades. But a new, hidden force is already cascading toward them threatening to shake corporate structures even more violently, this time from the inside out.

That looming force is the retirement of the “baby boom” generation, and like the macroeconomic changes before it, these impending workforce changes will compel companies to innovate, adapt, and even remake themselves if they are to survive.

>>> The Looming Retirement Wave

The raw numbers paint a vivid portrait of the demographic shift bearing down on the American workforce. This year, the oldest of America’s 78 million baby boomers turn 60 years old. The baby boomers constitute more than 40% of the entire U.S. labor force, and still higher percentages of many firms’ executive and managerial ranks. As large numbers of workers retire or cut their work schedules, corporations will have to manage an inevitable brain drain, driving up labor costs and depleting corporations of vital knowledge, talent, and institutional memory.

Although long forecast, these workforce changes have typically been regarded as only human resource issues. But companies that hope to ride the retirement wave need to recognize it for what it really is: a powerful strategic threat that has the potential to undermine firms’ productivity and competitiveness for years to come.

According to a just-released AARP survey conducted by BusinessWeek Research Services, most businesses have not accepted this new workforce reality. Some 44% of the more than 1,000 business executives who responded to the online survey “strongly agreed” that workers nearing retirement would play a growing role in the U.S. workforce over the coming decade. But a mere 22% “strongly agreed” that these trends would affect their own organizations, and only 20% were “very concerned” that their own companies could lose valuable knowledge and experience in the process.



>>> Inadequate Planning

One startling consequence of this viewpoint is that just one in three executives in the AARP survey (32%) said that their firms had ever attempted to quantify the costs associated with employee turnover. And fewer than one in ten (8%) said that their organization had formal practices in place to extract important business knowledge from their retiring employees.

The lack of planning is especially surprising since the vast majority of executives acknowledge the value of older workers’

knowledge and experience and report that they are already experiencing difficulty finding qualified new workers. Specifically, more than nine in ten executives (93%) say that it is “very” or “somewhat” challenging to find qualified workers who have the experience and skills they need. Furthermore, nearly eight in ten (79%) “strongly” or “somewhat” agreed that the knowledge and experience that older employees take with them when retiring can hurt a business financially.

>>> Preparing is Key

Executives who take steps now to prepare for the aging of the workforce will help their businesses avoid potentially significant losses in talent and productivity. Many executives already acknowledge the value that 50+ workers offer. For instance, 40% of the respondents ranked customer service and customer retention as their organization’s number one priority. And a resounding 91% agreed that experience—a key factor in customer satisfaction and retention—was an important advantage of workers age 50+ as compared to younger workers. A full 63% report that another advantage of workers ages 50+ is the valuable insight that they offer into customer needs and business needs.

These are essential realizations that will help companies to connect the dots between older workers’ skills and experience and their dramatically positive effect on corporate productivity, competitiveness, and profitability. Acting on these realizations will be the next step. Far-sighted executives who wish to remain competitive need to begin changing corporate attitudes in order to lead their companies through the demographic changes ahead.



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