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Baby Boomers in the workplace: Learning to live with 'em– and without 'em

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The Baby Boomers, by their sheer numbers, have–and will continue to have–a lasting impact on American society and culture, and of course, the workplace. This white paper examines how organizations are learning to live with–or without–the Baby Boomers in three areas:

- **Filling the talent gap**
- **Rethinking retiree benefits**
- **Financial readiness for retirement**

Filling the talent gap

In the 18 years following World War II, beginning in 1946, 78 million new Americans were born. Their hard work fueled the rapid expansion of the U.S. economy over the next 40 years. Following on their heels was Generation X, a much smaller group sandwiched between the Boomers and the Millennials–another tsunami of babies who were born between 1980 and 2000.

What have these numbers meant for employers?

With businesses and the economy going global, there were plenty of Boomers to fill positions to keep companies growing. But with fewer Gen Xers in the pipeline and Millennials just entering the workforce, when the first wave of Baby Boomers reached retirement age and started saying *adios* to the 9-to-5, companies began feeling the pinch. They began competing fiercely for employees–from software developers to executives to truck drivers to burger flippers.

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Then came December 2007, the official start of the Great Recession. In 2008 and 2009, the U.S. labor market lost 8.4 million jobs, 6.1% of all payroll employment, in what became the most dramatic employment contraction of any recession since the Great Depression.[1] It hit Baby Boomers hard. As companies shed jobs, Boomers found themselves unemployed, often after decades with the same organization, and far from retirement age.

But even the worst of recessions sputters to an end. Companies cautiously began hiring again, often starting with contractors. Once the economy stabilized, they again sought full-time employees.

Randy Holm is one Boomer who rode this employment roller coaster (See profile below.)

PROFILE: FINDING THE RIGHT FIT

On his 15th anniversary with a major medical manufacturer in St. Paul, Minn., Randy Holm was laid off. The year was 2008, and the senior supply chain planner, at age 54, wasn't even close to – or ready for – retirement. At the beginning of 2009, Holm began the search for a new position in earnest. In March 2010, 14 months after being laid off, he landed a contract position with another Minneapolis-St. Paul medical company.

"I'd had one offer, but it came with a big pay cut and a 35-mile commute one way," Holm says. "I came this close to taking it, but when they wanted to know if I was serious about the position, I realized I wasn't. I was bored. The one thing you don't want to be in the winter in Minnesota is unemployed without a back-up plan, like volunteering or part-time work."

The contract position lasted five months. By then Holm had connected with a firm that felt like a great fit. A privately owned company that manufactures medical testing and air/environmental monitoring equipment was seeking a full-time master scheduler in supply chain. Holm jumped at the opportunity.

It was a win-win for both parties. Holm had the background they were looking for, and because of his extensive experience working with the same supply-chain system, he required very little training; basically he just needed to learn the product lines. For Holm, it was exactly the job he was looking for. He knew the systems, knew the applied mathematics it required, and he found the culture amazing.

"I know I'm one of the lucky ones, since only about one in three at my age find work," says Holm. "I've got a good-paying job at a good company. I was hoping to land somewhere for five years, but I've been with them for six now. I'd love to stay here until I retire, but if I had to leave tomorrow, I'm ready now to retire and would go home and start working on our deck."

"The Great Recession of 2008 hit Baby Boomer employment hard."

Toss the bath water, hang onto the Baby (Boomer)

Holm's story illustrates how Boomers can still play a critical role in filling the talent gap, and it's the strategic-minded HR professional who recognizes their potential. With more than 60% of employers worldwide[2] citing difficulties in finding right-skilled employees, now is not the time to throw Baby Boomer workers out with the proverbial bath water. Boomers, who have been acquiring skills, experience, business acumen and institutional knowledge since the Age of Aquarius, are resources worth retaining, and also recruiting.

Two-thirds of workers age 50 or older expect to work past 65, at least part-time, according to the 15th annual retirement survey[3] by Transamerica Center for Retirement Studies. Bureau of Labor Statistics numbers indicate that by 2022, 26% of the workforce will be 55 and older.

"So many workers want to work longer, or transition into retirement, yet very few say their current employers have practices in place to facilitate the transition," says Catherine Collinson, president of the Transamerica Center.

That's underscored by the Aging Workforce Project, a three-year initiative by the Society for Human Resource Management (SHRM) to highlight the value of older workers and identify best practices for employing an aging workforce. According to the project's 2014 survey[4]:

- 36% of respondents said they were **beginning to examine internal policies** and practices to address this change
- 19% said they were just **becoming aware of the change**
- 13% were **not aware of the change**
- 5% have proposed specific **policy and management** practice **changes**

"Whether we like it or not, the whole lifetime career model is pretty much dead, and with it, the requirement of mandatory retirement and the prohibition on experienced hires," writes Wharton professor Peter Cappelli in his book, Managing the Older Worker.[5] "What has taken the place of the old approach is a new model of a much more open, just-in-time labor market that seems to be ideally suited to the interests and abilities of older workers."

Two-thirds of workers age 50 or older expect to work past 65, at least part-time, says the Transamerica Center for Retirement Studies. The strategic-minded HR professional recognizes this potential.

Case for older workers

In the scenarios below, who would you choose? With their almost innate ability to capitalize on whatever technology is at hand, the Millennial probably would be your best bet for scenario #1. But for #2, the Boomer can bring valuable insights, nuanced understanding of the issues, political savvy and a toolbox of well-honed skills. Also, at this point in their professional life, they're not afraid to take on complex projects and manage all the moving pieces.

The potential pool of older employees offers companies a host of desirable qualities: they're practiced managers and leaders; they're dependable and don't tend to job hop; they've developed strong networks, which can benefit their new company; and they tend to be better writers, which is a plus in any industry.

In the following two scenarios, who would you choose, Millennial or Boomer?

#1: You want to create an enterprise-wide training strategy that incorporates a wide array of technical platforms and social media.

#2: Your company's customer data has been hacked, and you need a comprehensive public relations strategy for minimizing damages to your business and customers.

Plugging the 'brain drain'

With the looming loss of experience, skills and institutional knowledge as Boomers retire, companies need to step up their game. In a report for FleishmanHillard, "Boomer Wanted: The Next Great Workplace Revolution,"[6] authors Eileen Marcus and Carol Orsborn suggest five strategies for slowing that loss, if not plugging the brain drain completely:

- **Retention.** Research what your employees plan to do after age 60 and encourage them to stay on with offerings such as flexible hours, telecommuting, mentoring, training.
- **Redeployment.** Find a way to change things up: new assignments, special projects, working from home.
- **Recruitment.** Understand what motivates Boomers and seek them out. To reduce the risk of hiring an older worker, some companies have turned to internships.
- **Retirement.** It's going to happen, so consider options like phased retirement.
- **Succession.** Use Boomer employees to mentor your promising Gen X and Millennial employees.

Some organizations already are taking innovative approaches:

David Stafford, chief human resources officer for Michelin North America, says they ask every employee as part of their final interview if they are interested in returning to work in some capacity after they retire. "We make these names available to our business units so they can contact them if they have short-term projects," he adds.[7] About 250 workers are involved in the returning-retiree program.

"Time spent now developing strategies for more flexible work arrangements and relationships, exploring phased retirement possibilities, mentoring and training of both younger and older workers, and targeted retention programs to fill critical positions will be time well spent," says Susan R. Meisinger[8], former president and CEO of SHRM.

PROFILE: EASING INTO RETIREMENT

Three years ago, Anoka County, Minn., was experiencing some budget concerns. Tim Yantos, deputy county administrator, offered to become part of the solution to the financial pinch by taking the Phased Retirement Option (PRO), a program the Public Employees Retirement Association of Minnesota (PERA) began offering in 2009.

The option allows employees 62 or older to go half time–20 hours a week–and begin collecting their PERA retirement benefits. Doug Anderson, PERA's executive director, says, "We created PRO at the request of employers concerned about Baby Boomers leaving the workforce. They wanted an option for encouraging the transfer of knowledge before Boomers retired."

"I learned about the option from others who had taken it," Yantos says. "I had just finished a big project and thought maybe it would be a good time to retire, but I wasn't ready to go 100%." Yantos broached the idea to his supervisor, who agreed it would be a good fit. That was three years ago.

In his 36-year career, Yantos managed major projects, such as coordinating the introduction of a new commuter rail line, and served as director of the county's 9-1-1 service. Although his hours under PRO were reduced, his responsibilities weren't. On the top of his to-do list was recruiting new employees, including his successor, to lead 9-1-1 and ensure a seamless transition.

"I had some very challenging and fulfilling things to do in those 20 hours. It was a good segue, and gave me time to think about what I wanted to do in retirement," says Yantos, who retired in June 2016. "PRO worked out very well for me. But anyone considering a similar option must understand it needs to work for both parties–employer and employee–to be successful."

"The program makes a lot of sense," says Anderson. "It gives employers and retirees flexibility around retirement, and it hasn't been difficult to administer. But our 2013 survey showed not as many workers as we expected have taken advantage of it."

Beyond the gold watch: Rethinking retiree benefits

Along with the proverbial gold watch, retirees once received a full plate of benefits–fixed pension, health insurance and more–in appreciation of their service to the company. With burgeoning retiree numbers and soaring costs, that plate isn't so full anymore. As companies rethink their retiree benefit strategies, they're finding win-win options, especially when it comes to health plans.

Continuing trend

The practice of offering retiree benefits has been trending downward for the past 30 years. Since 1988, the percentage of large firms offering employee health coverage has dropped by more than half – from 66% to 28% in 2013, according to a 2013 Kaiser-Permanente survey.[9] Pension plans have been disappearing as well. The Bureau of Labor Statistics reported that only 18% of private workers were covered by these plans in 2011, down from 35% in the early 1990s.[10] The Great Recession, coupled with the rising tide of retiring Baby Boomers and benefit costs, hastened the slide.

Historically, employer-sponsored retiree health plans have played a vital role in contributing to retirement security. Dropping or significantly reducing these plans can put retirees in a financial bind, with unplanned-for premium costs ranging from $4,500 to $9,000 per year.[11]

More than a third of employers responding to Aon's 2015 Retirement Health Care Survey say they've shifted 65-and-older retirees to an exchange [to purchase their health care].

From trend to mainstream

Since the mid-2000s, a trend has emerged that allows both retirees and employers to stretch their health-plan dollars: private exchanges. Basically, these exchanges provide a platform for connecting eligible retirees with individualized policies to supplement Medicare.

"Employers have been looking for alternatives for their retirees for a while," says Jane Funk, Aon Hewitt's senior vice president for retiree exchanges. "Retirees also began asking for more flexible options than the standard group plan could deliver. The marketplace heard their voice, and firms like ours put together the assets that benefit the employer, as well as generate a high-satisfaction rate among employees."

Companies with larger retiree groups were the first to embrace private exchanges, but Funk says, "We've moved past this being a trend. It's now a mainstream solution for companies of all sizes and in all industries."

Aon Hewitt's 2015 Retiree Health Care Survey[12] bears this out. Of the more than 1,000 employers surveyed, about 31% of respondents had shifted their 65-and-older retirees to an exchange. Sixty-one percent are considering a similar move. These employers represent companies ranging in size from under 1,000 employees (30%) to more than 25,000 (18%) and with fewer than 1,000 retirees (44%) to 25,000 or more (8%). More than 40% of survey participants have 10,000 or more employees; 56% have 1,000 or more retirees.

For those retirees not eligible yet for Medicare, the survey found two-thirds of respondents anticipate making changes to their benefits. Of these, 35% favor exchange-based sourcing, while 28% are considering eliminating coverage and subsidies entirely. Exchange providers can help these companies, too, by steering their retirees toward plans on the public exchanges. The passage of the Affordable Care Act and elimination of pre-existing conditions made this a viable option for retirees under age 65.

"Plan sponsors shouldn't look at exchanges as a take-away, but as a strategy to reduce costs, take full advantage of the market and enhance employee benefit offerings," says John Grosso, health care actuary and member of the Aon Hewitt Active Exchange consulting team. "Compared to a one-size-fits-all group approach, an exchange is a very positive alternative that offers more choice to stretch health-care dollars, as well as high-touch customer service."

Making the shift

Funk and Grosso offer four tips for companies considering shifting from a group plan for retirees to a private exchange:

1. Choose an exchange provider that's a good fit with your company's culture and values. Your exchange partner will be the frontline with your retirees and will be key to their satisfaction with the switch.

2. Start preparing for implementation and go-live at least six months in advance.

3. Develop a robust communication plan. Clear, focused communication will help educate employees about the exchange, dispel myths and misconceptions and answer their "What's in it for me?" questions.

4. Revisit the benefit periodically to make sure that it's still in tune with your company's and the retirees' expectations.

Boomers & retirement: Ready – or not

In LIMRA's 2014 Consumer Survey, only five percent of Boomer employees considered themselves "extremely well-prepared" financially for retirement.

Baby Boomers' renowned proclivity for youthfulness and their "anything is possible"[13] outlook has propelled life choices throughout their careers. According to a Pew Research survey, the typical Boomer believes old age doesn't begin until 72; more than 60% feel younger than their actual age.[14] Yet, as of January 1, 2011, the oldest Baby Boomers hit official retirement age. Each day since then, 10,000 have been retiring and have begun receiving Medicare and Social Security benefits.[15]

With retirement a sobering reality for the "spend now, worry later" generation, what shape are Boomers in financially?

With many viewing 70 as the new 50, Baby Boomers are postponing retirement because they're healthier, more engaged and feeling younger than their years. One-third plan to work until they're 69, while 15% target retirement at 70; ten percent don't plan to retire at all. Working longer, however, may be a financial necessity. According to LIMRA's 2012 survey of retirees, 39% had delayed their retirement date because they weren't financially ready.[16]

By their own assessment, on a scale of one to 10, only 5% of Boomer employees give themselves the top score–extremely well-prepared. LIMRA's 2014 Consumer Survey found that among pre-retirees, 33% felt very financially prepared, 53% said they were somewhat prepared, and 15% admitted to being not prepared at all.

In PricewaterhouseCooper's (PwC) 2016 Employee Financial Wellness Survey[17], 45% of Baby Boomers reveal they're concerned that their financial situation won't allow them to retire when they want, while their biggest worries are health-care costs (38%), running out of money (33%) and health issues (30%).

They have reason to be concerned:

- 37% of Boomers have saved less than $50,000 for retirement
- 13% have socked away up to $100,000
- 35% have accumulated more than $100,000
- 15% have retirement savings topping $500,000

According to a survey by Securian Financial Group, 65% of Boomers seek investment information from financial advisors.

Boomers cite lower health-care costs and a rising stock market as the top-two factors that would help them achieve their financial goals. And they're not averse to seeking advice to manage their finances. According to a survey by Securian Financial Group[18], 65% of Boomers seek investment information from financial advisors. That's a good thing, since 25% of them say they're not very knowledgeable about investing. But that hasn't deterred them from entering the market: 51% consider themselves moderate investors, and they're fairly comfortable with market ups and downs. Most Boomers' (59%) reaction to a falling market is to leave their portfolio alone.

"When it comes to market volatility," says David Kuplic, Securian's chief investment officer, "Boomers have a 'been there, done that' mentality."

Bringing Boomers up to financial speed

Employers are aware of their workers' pre-retirement financial situation. Just one fifth report 75% or more of employees save at least 10% in their defined contribution plan. In response, many are taking action to give their older employees access to services to help them plan for and ease the transition into retirement. When seeking resources to provide this support, 70% turn to their retirement plan providers, 50% use the services of a plan advisor or consultant and 22% employ a third-party administrator. Just 7% offer no retirement-planning assistance.

"Early signs from those companies that have initiated a holistic and fully integrated financial wellness program have been encouraging, with measurable improvements in areas such as cash and debt management, savings, risk management, retirement, preparedness, financial stress and productivity," writes Kent Allison, partner and national practice leader in the PwC survey, which tracks the financial well-being of full-time employed U.S. adults.

Employees staying longer in the workforce isn't without a cost to their employers, particularly in the realm of health care. Nearly 75% of employers say they've taken this potential increase into account when planning their strategies for recruiting and retaining older workers. To accommodate these costs, they're taking a variety of approaches: about half will absorb the costs, one-quarter plan to pass any increases along to employees and one-third say they'll reduce health benefits. Others look at reducing workforce costs, such as salaries or number of employees, and some will reduce other benefits.

One option for offsetting higher health-care costs favored by 28% of employers is to reduce contributions to retirement programs. This could be counterproductive, given that many employees continue to work because they don't feel they've accumulated enough savings to retire.

Living without them

Employers' biggest concerns as Boomers retire include loss of institutional knowledge (45%) and a reduction in their management ranks (46%) less diversity of thought and approaches to problem solving (44%), drop in productivity (41%), and loss of technical skills (38%) and experience (37%).[16]

But while companies will feel the loss of this vibrant, experienced, hard-working–and often challenging generation, with awareness, planning and creativity, they'll be prepared for the transition to Generation X and the Millennials.

"The workforce is changing at both ends of the age spectrum. Millennials are eager to get in, while Boomers are reluctant to exit," writes Deb Dupont, associate managing director, Institutional Retirement, LIMRA Secure Retirement Institute. "There's potential for all, especially for forward-thinking employers who adjust their benefits and human resources strategies to embrace a new spin on diversity to encompass age and experience. Flexibility in benefits and human resource approaches can only help employers and workers of all ages–and their employers."

EMPLOYERS HAVE CONCERNS ABOUT LOSING VARIOUS WORKFORCE CHARACTERISTICS WHEN OLDER WORKERS RETIRE

- Management/leaders - 46%
- Institutional knowledge - 45%
- Diversity of thought/approaches - 44%
- Productivity - 41%
- Loss of technical skills - 38%
- Experience - 37%

Source: LIMRA 2015 Plan Sponsor Survey

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