



Baby Boomers in Retirement: Implications for the Workforce

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Keynote Remarks of Kathy Krepcio
Executive Director
John J. Heldrich Center for Workforce Development

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Ronald I. Coun Center for Creative Maturity
Jewish Vocational Service of MetroWest

Good afternoon. It is a great honor to be here today at the inaugural forum and dedication of the Ronald I. Coun Center for Creative Maturity. Thank you Jewish Vocational Service (JVS) for your great work and for your leadership in serving those who are “enjoying their second blooming” as Agatha Christie once said. And, a special thanks to Ron. Ron, because of your lifelong work and your energy, compassion, and vision — “second bloomers” are getting the real opportunity to remain active and engaged in work and in community life here in New Jersey. Ron, you are truly a national treasure.

Every hour, 330 Boomers are turning 60 in this country. That is 5.5 Boomers aging per minute. A fundamental agent of change said to be shaping the world today is age — or more specifically, our aging Baby Boom generation.

What does this mean and why should we care?

It means that the retirement decisions made by Baby Boomers — who number over 78 million in the United States — could have significant consequences for the nation’s social insurance programs, our economy, and their own financial security and quality of life.

The implications — if you believe the prognosticators — could be enormous.

- For instance, if we are depending on younger workers to take up the slack to support older workers’ retirement benefits, here are the sobering facts: In 1960, there were five workers supporting every Social Security beneficiary. Today, there are only three. By the year 2031, when all Boomers will be over age 65, there will be 2.1.
- If we are depending on younger workers to fill Boomers’ jobs, think again: The retirement of the Baby Boomers is likely to reduce labor force growth. The U.S. Bureau of Labor Statistics projects that the number of people in the prime labor force, aged 25 to 54, will fall — and continue to fall — for the next two decades. Boomer labor shortages are already threatening crucial business sectors — such as the energy and aerospace industry, education, and health

care — and these sectors are scrambling to come up with solutions to attract, interest, and educate younger workers into these fields.

- And, if we are depending on employers to continue to support our health and pension needs, here are today's realities: With concerns about rising costs and eroding American competitiveness, American companies are rethinking their obligation to fund workers' pension and health care plans. Here are some sample headlines from the past few years:

- **MSNBC:** *United Gets Approval to Shift Pension Plans*
- **The New York Times:** *General Motors to Freeze Pension Plan for Salaried Workers*
- **ABC News:** *After Verizon, are Pension Freezes on the Way? Other Telecommunications Companies Could Follow Verizon's Lead to Cut Costs*

Yet, there are people who believe the doom and gloom implications of an aging workforce and retiring Boomers are unfounded. For instance, just recently, America hit the 300 million population milestone, in part due to that other significant demographic factor — immigration. And today's immigrants entering and settling in the United States are predominantly younger, have a higher birth rate, and have a high labor force attachment rate. Thanks to immigration, predicted labor shortages may be unfounded.

In addition, the average American has never had a greater quality of life — both financially and health wise. The longevity gains in the past century have been supported by huge advances in medicine and changes in personal behavior. Learning from the example of Eubie Blake, the jazz musician, who said at the age of 98, "If I'd have known I'd live this long, I would have taken better care of myself," Americans are living healthier, longer lives. And, more wealth is being created now than at any time in the world's history.

The influence of the Boomers has been, and will likely continue to be, enormous. They are the largest segment of our society — making up over 40% of today's workforce — and they are beginning to gray. How will they face aging and retirement planning? What are likely to be their retirement decisions, and in what ways will they shape the future labor market?

Fundamentally, it all comes down to whether they will work longer. Recent economic, social, and demographic trends suggest that the Boomers may work longer than previous generations. And government officials — from the U.S. Federal Reserve Board to the European Commission — are anxious that they do.

What do we know about the factors that will most likely shape their decisions?

- First, we know that improved health and declines in jobs that are physically demanding may leave older people better able to work today than in the past. The 10 fastest growing

occupations are predominantly service oriented, reflecting our economic shift from a manufacturing powerhouse to an economy dependent on knowledge and innovation.

- Second, recent Social Security changes may influence work decisions for Americans. The removal of the retirement earnings test that allows Social Security retirees at full retirement age to earn income, and the increase in the age at which you can draw down full benefits may affect Boomers' decisions about whether they should keep working. For example, I must wait until I am 66.6 to collect full benefits versus my husband who is eligible to collect full benefits at 65.7.
- Third, poor savings — demonstrated by the alarming decline in the personal savings rate to less than zero — may mean that older workers simply cannot afford to stop working. America now has the lowest overall savings rate of any major industrialized nation.
- Fourth, changes in, and the erosion of, employer-provided pension and health plans — as I mentioned earlier — may also be a big factor in an individual's choice to keep working. Shedding pensions and pensioner's health care obligations is becoming more common, and the rate of corporate pension plan defaults is rising.
- Finally, personal preferences. Most people like to work and may simply prefer to keep working. Our own Heldrich Center survey on retirement and work suggests that today's working adults not only want to continue working, but are expecting a **work-filled retirement**. And a 2004 AARP survey reports that 79% of Baby Boomers say they will work at least part time after they turn 65.

In many ways, the outlook for older Americans needing to, or wanting to, continue working seems very positive.

Bill Clinton once said:

Older Americans have contributed much to the life of our nation, and to the extraordinary growth and prosperity we enjoy today. We owe them our respect and gratitude; we also owe them the opportunity to continue working as long as they desire.

Now that President Clinton has, himself, become an "older worker," his words ring even truer. Older Americans are in a sense getting younger every day, and many want the option that should be afforded to all Americans of any age — to work and earn.

Yet, we also know that there are significant challenges to continue working. Can the Boomers who expect to work do so on their own terms? While today's 65 may be yesterday's 50, there are several reasons why aging Boomers cannot work, or be able to work on their own terms.

For instance:

- Some older workers are challenged by physical disabilities or age-related infirmities that limit their ability to remain or return to the workforce.
- Some may not understand the range of talents they possess that would be valuable in the modern workplace, and some may lack the skills needed to meet the demands of the current and future job market.
- Some may be fearful of a return to a working life they had left to raise children.
- Some need a more flexible work environment and different quality of work (such as part-time work) that many employers are not willing to entertain without a significant business case for doing so.
- Finally, others may be up against real age discrimination in applying for available jobs or have serious difficulty in getting work that pays a living wage.

Will the new retirement be no retirement?

I would like to share with you a story that I read in the *Washington Post* last May. It was titled “The Retirement Gap: As the Safety Net Unravels, Three Generations View Vastly Different Futures.”

The story was about a family in Maryland: 80-year-old Junior Paugh, a retiree who worked 41 years at Lockheed Martin; his son Dan Paugh, age 50, a senior buyer at a local manufacturing firm; and his granddaughter Jessica Paugh, age 29, an assistant manager at a local Sears.

As the article states, “Their three generation journey has taken them from Appalachia to suburbia, from a high school education to college, from government relief to an assembly line to a management track at Sears.” Yet, despite the apparent progress, the family’s expectation that the grandchildren and their children, will be better off is sinking. “All three generations agree that the grandchildren have it worse than their parents and grandparents — most dramatically in their prospects for retirement (without work) — when all gains and losses come home to roost.”

As dramatized in the story, the family has gone from thriftiness to no savings, from steady 41-year employment to weathering corporate mergers and acquisitions and job loss, from having robust pension and health benefits, to uncertainty about whether company pensions will remain to no pension plan at all. The three-legged stool of retirement security — employee pension, personal savings, and Social Security — has dwindled over time for the sons and grandchildren of Junior Paugh.

The reality is — as America struggles with a growing, well-documented gap between the haves and the have-nots and diminishing expectations of being “better off” — our society can expect to see a tale of two retirements.

For many older Americans — those with resources — both financial and social — we can expect them to view retirement as a new chapter in their life, as a period of reinvention and rejuvenation. This is fundamentally because they are healthier, they don’t feel old, and they are optimistic about enjoying another 20 to 30 years of post-career activities. These are people with choices and options and more likely than not, they will actively choose to remain in the labor market somehow. Work for them will probably be part time — mostly because they want to keep their hand “in the game,” they want to bring in a little money, and they want to feel relevant. If they work, it will be on their own terms.

For the other older America — people for whom the three-legged stool of retirement is a bit shaky — they will not have the resources necessary to enter into “traditional” retirement. These are people who have been working and working hard, but perhaps they have a lower wage job or been in and out of the labor market over their adult life. Maybe they have a high school education or less or even some college or vocational training. They may have limited English. They might have a pension plan, or lost a plan, or have a 401(k) that isn’t likely to earn what they would need to retire. They are more likely to have been in jobs that offered little to no health benefits. And they probably live paycheck to paycheck with little to no savings. For them, a work-filled retirement will be a necessity at best, and perhaps a hardship.

There is, however, a third group that I want to mention. This is the growing group of older Americans who thought they had resources in place. This is the group that JVS’s Maturity Works program is seeing as part of its clientele.

These are people who have worked hard in a full-time job or been in the labor market more often than not. Perhaps they have been running a small business. They have a network of working friends and co-workers. They are educated — maybe even having one or more advanced degrees. Perhaps they have been contributing to a pension plan. They may have some personal savings and assets such as a car and house. They also may have health benefits and were looking forward to the prospect of collecting Social Security — more likely earlier at 62 — to help supplement their savings and anticipated pension benefits.

But with the evolution of changes in the labor market, this group has been adversely affected by the decline in manufacturing, the growth of corporate reorganizations, the growth in alternative work arrangements, and the realities of layoffs and job loss.

For these older Americans, age works against them as a job seeker, as evidenced by the longer length of time it takes them to find a new job, and the wage loss they experience when they to get work.

For this group, a work-filled retirement may be a reality...but increasingly difficult to find on their terms. And, a secure retirement, as they may have envisioned it, is perhaps a myth.

John F. Kennedy once said:

The Chinese use two brush strokes to write the word “crisis.” One brush stroke stands for danger; the other for opportunity. In a crisis, be aware of the danger — but recognize the opportunity.

Our aging population is presenting this nation with a crisis that will strain our financial solvency and our future prosperity. At the same time, the effects of global competition are creating economic and workforce changes that are straining our personal standard of living and our financial security — and that of future generations.

However, if we want a different reality...if we want to increase options and resources for older Americans...if we want to improve employment opportunities for older workers...and, if we want to ensure that all Americans have real economic security and a decent standard of living as they get older, then we must work together — sooner rather than later — to turn things. There are, of course, many pressing issues and challenges that need attention. At the Heldrich Center, we believe there is one step that needs to be taken soon. That is, to address and remediate the widening disconnect between the bewildering global economic scene and the havoc and hardship it is creating on today’s disposable worker, and, current federal workforce policy — most notably, state and national employment and training programs, policies, functions, and activities that are so painfully out of sync with twenty-first century realities.

A national crisis and more personal hardship are clear if we do nothing. Without action, many Americans approaching retirement — perhaps some of us here today — many be left with little to hang onto but hope.