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## Talking About the Baby Boomer Generation

Are fears of a coming “labor shortage” and “knowledge drain” well founded?

Route to:

Despite the recent economic downturn, many experts believe that within 10 years there will be a labor shortage in the United States, the United Kingdom, and much of Western Europe resulting from the retirement of many workers from the Baby Boomer generation (those born 1946 – 1964) and the lack of qualified replacements in the generations that follow, Generation X (born 1965-1980) and Generation Y or “Millennials” (born after 1980). In a study entitled *After the Recovery: The Coming Labor Shortage and How People in Encore Careers Can Help Solve It*, the authors, Barry Bluestone and Mark Melnik from the Dukakis Center for Urban and Regional Policy at Northeastern University, estimated that by 2018 there could be more than five million unfilled jobs in the United States. That projection, however, assumes that the current labor participation and immigration rates remain the same and that the economy grows at a healthy rate. Therefore, the labor participation rate of the Baby Boomer generation will be a major factor in determining whether a labor shortage actually occurs.

### Are the Baby Boomers Ready to Retire?

The first Baby Boomers became eligible for Social Security benefits in 2008. Finding work during the recent recession and the recovery has been difficult for this group. The average length of unemployment for workers over the age of 55 is more than 35 weeks compared to 30 weeks for 25 – 54 year olds<sup>1</sup>. There are also many articles and online forums devoted to discussing rampant “age discrimination” against older workers. Based on these factors, one could easily conclude that many Baby Boomers will just retire.

There is, however, a good bit of evidence to the contrary that suggests that many Baby Boomers will continue to work much later into life than previous generations. The U.S. Bureau of Labor Statistics has estimated that workers who are 55 and older will increase in number by 43% between 2008-2018 and will represent nearly 25% of the total workforce in 2018. The aforementioned study by Bluestone and Melnik reported that during the same time period workers aged 65-74 are expected to increase their labor participation rate from 25.1% to 30.5% and workers 75 and older are expected to increase their labor participation rate from 7.3% to 10.3%.

Many factors support these projections of increased labor participation by older workers. The “Great Recession” caused 401(k)s, stock portfolios, and other investments to drop significantly in value. Therefore, many Baby Boomers have been forced, out of necessity, to delay retirement and continue working. A more positive factor is increased longevity and vitality. Quite simply, on average, Baby Boomers are healthier and have a greater life expectancy than previous generations. Also, because more of the economy has shifted to professional and client services, there will be more opportunities for older workers to contribute. Finally, many Baby Boomers want to remain active and continue to work rather than retire.

### Opportunity for Employers

The experience, knowledge, decision-making skills, and professional networks that Baby Boomer executives bring to the table can be invaluable to companies. Although many Baby Boomers want to continue working, it does not mean that they want to continue in their current positions. Most executives, even C-level, will take a call from a recruiter concerning a new

<sup>1</sup> “For Baby Boomers, The Job Market’s Even Worse” by Marilyn Geewax posted to [www.npr.org](http://www.npr.org) on May 2, 2010.

opportunity. Those Baby Boomers who do not have to work, and could choose to retire, will look for more flexibility and better work/life balance. Companies that are willing to provide more flexibility with schedule or location should be well-positioned to attract the top senior executive talent.

#### **Don't Forget about Gen X and Gen Y**

Management should not, however, become preoccupied with attracting top senior executive talent and forget about younger talent. Although large numbers of Baby Boomers have expressed a need and a desire to work longer than their predecessors, inevitably, at some point, the reins must be turned over to the leaders in Generation X and Generation Y. Many companies do not have a succession plan in place to prepare for and facilitate an efficient and orderly transfer of power. A key part of any plan must be attracting and retaining the top talent in Generations X and Y. As we have noted in prior issues of the *SRA Update*, many top performers have been waiting for economic times to improve and are poised to make a move. There cannot be an effective "knowledge transfer" if no one is present to receive the "knowledge".

Effective "knowledge transfer" will be an especially critical issue in the coming years. The U.S. Bureau of Labor Statistics has projected that the majority of new jobs created between 2008-2018 will be in "service providing industries" and that professional and business services will be the leading industry sector. Those Baby Boomers looking for a better quality of life may seek roles that involve more mentoring or consulting, and a common complaint among the top talent in Generation X and Generation Y is that companies do not have effective training or mentoring programs. Therefore, those companies that attract and place senior-level executives in roles that allow them to impart their experience and knowledge to the next generation of executives will not only survive, but flourish.

#### **A Different Analysis - The Global Workplace**

As mentioned above, a labor shortage and "knowledge drain" are potential problems facing companies not only in the United States but also in the United Kingdom and much of Western Europe. However, leadership at companies with operations in emerging international markets should not assume that the "Baby Boomer",

"Generation X", and "Generation Y" labels are relevant outside of the United States and other Western countries.

The following quote from a recent article in the *Deloitte Review* (Issue 6, 2010) entitled "Talking About Whose Generation? Why Western generational models can't account for a global workforce" explains why the Western model is inapplicable in other countries, "...[G]enerational differences in a society are shaped by the political, socioeconomic and cultural events that have a transformative impact on the body politic." For example, according to the article, in China there are four distinct generations in the workplace – "post-'50", "post '60", "post '70", and "post '80", and in India, there are three primary generations – "Traditionals", "Non-Traditionals", and "Indian Gen Y". Similarly, a different analysis must be undertaken in Russia and Eastern Europe, because there were different events that shaped and defined generations in those countries. Companies that understand the generational differences in countries outside of the West will be more successful in establishing a presence in emerging markets.

#### **A Time of Transition**

Whether warnings of a labor shortage and "knowledge drain" are overblown depends, in large part, on the continued participation of the Baby Boomers in the labor force. How effectively companies attract, retain, and utilize senior executive talent will determine future success. There are tremendous short term opportunities to attract top executive leadership for specific needs (e.g. merger or reorganization). Similarly, long term success can be achieved by creating opportunities for experienced executives to effectively educate and train future generations of executive talent. Sanford Rose Associates® consultants have in-depth industry knowledge which provides a greater understanding of their clients' talent needs and are skilled in "finding people who make a difference®" across all generations in the workplace.

—Rick Carter

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