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IDEAS -- VIEWPOINT

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Keep Boomers On The Job

Too many retirees create a shortage of workers and a huge strain on the federal safety net

No one can foresee the full impact on American society when the nation's 77 million baby boomers start retiring next year. Serious strains are already surfacing about corporate pensions, and concerns are mounting over the future of Social Security and Medicare. But there is another equally vexing challenge: the need to create more ways for older workers not to retire and instead remain in the labor force longer. They could do this by keeping or modifying their existing jobs or finding other employment. But it won't be easy.

There are many reasons why boomers should be able to prolong their careers, aside from the desire of many to continue leading professionally active lives. Raising the normal retirement age and allowing older workers to continue drawing some benefits from private employers would take pressure off the government-funded social safety net. For those who would otherwise have retired, there is a chance to remain more mentally alert and engaged in their communities. In the past, concerns about the difficulty of the over-60 generation engaging in strenuous labor would have been warranted, but this should be less of a concern in today's service economy.

Moreover, the U.S. can ill afford to lose all these workers right now. Fully 43% of the workforce is eligible to retire in the next 10 years, and the next two generations are each at least 15% smaller. So if boomers retire on schedule, many companies will experience labor shortfalls. The crunch will come in businesses that are already scrambling for skilled employees, such as energy, health care, and education. In Europe and Japan, where younger workers are in even shorter supply, the pressure will be worse. Unless something is done, wages in the worker-starved advanced industrial nations could rise to uncompetitive levels, and more of the world's creation of goods and services will move to the developing world -- leading to even more dangerously lopsided imbalances in trade and finance than exist today.

Action is required on three fronts:

CHANGE ATTITUDES

The U.S. and Europe are used to offering early retirement to make way for younger workers, but pending labor shortages negate this problem. In addition, we tend to think about the aging society as a cost borne by younger, tax-paying citizens. For example, in our pay-as-you-go Social Security system, we're continually warned that in the future far fewer workers will be supporting one retiree than is now the case, resulting in sky-high tax burdens. But we should also acknowledge the benefits boomers bring to the economy by dint of a lifetime of acquired skills and practical judgment.

EXPAND CORPORATE EFFORTS

The AARP has formed alliances with companies such as Borders Group () and Pitney Bowes () to make it easier for older workers to remain on the job or convert their positions to part-time work and to create mentorship programs for younger ones. These alliances also advertise job openings to older workers who are not former employees of the companies. Another example of good practice: Home Depot () has launched a campaign to hire people over 60, provides flexible working arrangements for them, and makes their presence part of its corporate image. We need more such efforts.

MODERNIZE GOVERNMENT'S APPROACH

Changes in pension and tax law are required so that business can more easily establish phased retirement programs that permit older employees to draw funds from their pension plans while continuing to work. This is nearly impossible under current regulations that prohibit such "double-dipping." Also, modifications are necessary to the Age Discrimination & Employment Act. Right now, many employers would like to create special programs for workers over 60. But under current laws they could be sued for discriminatory treatment. Governors and mayors should also restructure government-funded training programs, now focused on young workers displaced by international trade, to help boomers, too, in preparing for extended careers.

In just a few years the aging workforce in the U.S. and abroad will become a central societal problem. But there's no reason why it can't be turned into an opportunity as well.

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