

Bye-Bye Boomers?

Companies May Face Exodus As Workers Hit Retiring Age

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The impending retirement of the Baby Boomers is a subject that comes up regularly in the financial and popular press. Certainly, it is a topic that merits attention. The largest generation in American history has been responsible for virtually every major trend in American economic life for the past forty years. Their entry en masse into the workforce ignited the high inflation of the 1970s, as their youthful inexperience sank productivity for a decade. The low inflation and high productivity of the 1980s and 1990s can be attributed to their coming of age and entering the primes of the careers. Now, as they approach retirement, what can we expect?

“Across a wide swath of industries, companies are starting to address the impending exodus of baby boomers -- the 76 million Americans born between 1946 and 1964. The oldest boomers will begin turning 60 years old next year....”

“Many baby boomers, of course, may decide to stay on the job longer than previous generations -- particularly to shore up savings. Still, the number of potential retirees is stark: more than 40% of the U.S. labor force will reach the traditional retirement age by the end of this decade....”

Retirees don't spend a lot of money. They generally have no dependents, they have little need for expensive business suits and luxury cars to keep up appearances, and they tend to fly coach when they travel. HS Dent has been forecasting for years that this generation will drag the country into extremely difficult economic times as we hit the downward slope of the Spending Wave around 2010. Let's take a look at how some individual industries may be affected:

“Some sectors could be particularly hard-hit. About half the country's 400,000 electric-utility workers, such as those at Platte River, will be eligible to retire in the next five years.... Half the U.S. government's civilian work force will also be eligible to retire in the same time period. And 40% of the manufacturing work force is expected to retire in the next 10 years, the National Association of Manufacturers warns. Overall, that could leave a shortage of five million skilled workers between 2010 and 2012....”

You're not likely to hear many complaints about a shortage of federal bureaucrats, and I'm sure we will carry on just fine without them. The private sector is, of course, a different story. Naturally, the retirement of the manufacturing workforce reflects the global trend toward outsourcing and automation and is part of the cycle of creative destruction that is so vital to our economic growth and recovery.

In any event, we are on the cusp of a major restructuring of our labor force. As the US economy shifts into a period of slow growth and declining consumer demand after 2010, nothing short of a major restructuring will suffice.

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