

## **Managing Transitions in an Aging Society: What Should Business Students Know?**

Eric Brucker  
Professor of Economics  
School of Business Administration  
Widener University  
Chester, PA 19013  
[exb0301@mail.widener.edu](mailto:exb0301@mail.widener.edu)

### **ABSTRACT**

How might our business schools better prepare our current students for leadership in a world where a youth culture will no longer be dominant. As the 75 million “baby boomers” begin to retire the biases of gerontophobia will likely give way to the power of gerontocracy. This paper explores how an age-informed curriculum will help our students to live and thrive in an older world where more and more of their customers and organizational colleagues will be older baby boomers. The magnitude of the challenge is no less than that which business schools faced in preparing a previous generation of students for an unprecedented wave of globalization.<sup>1</sup>

### **The Wave is Upon Us**

Our population, we as individuals, our families and our generations are all clearly in the process of unprecedented aging. What might not be so obvious is that already in 2001 consumers over the age of 45 accounted for 52% of total consumer spending in the United States (AARP, 2002). Dychtwald reports in 1998 that people over age 50 controlled more than \$7 trillion in wealth -- 70% of the total. They comprised 66% of all stockholders, owned 40% of mutual funds, and almost half the credit cards in America. They purchased 41% of all new cars and 48% of all luxury cars (Dychtwald, 1999).

### **Population Aging**

The retirement baby boom wave is about to make landfall. Hard to believe but those 78 million people who were born between 1946 and 1964 are now beginning to retire. By 2011 the oldest of the boomers will have reached the “traditional” retirement age of 65. As can be seen in Figure I, what was once a pyramidal age and gender distribution profile in 1900 will look much more like a rectangular box or a pillar by the year 2030, when the youngest of the boomers reach 65. One other important aspect of our population aging is that women, given their longer life-expectancy, represent a growing percentage of the total. The female, or

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<sup>1</sup> An earlier version of this paper was presented at the 2004 Annual Meetings of the Association of Pennsylvania University Business and Economics Faculty

right side of the “box,” is larger than the male or “left side.”

This “box-like” profile means that the median age for Americans will increase to 38 in 2030, and that the percentage of people over age 65 will increase from 12.4% to 19.4%. As an aside, in the year 2000 Pennsylvania was one of three of the “oldest” states (Florida and West Virginia are the other two). Twenty-seven percent of Pennsylvania households had at least one individual over age 65 (US Census Bureau, 2000).

This major change in our age distribution profile reflects great increases in longevity (the life expectancy of an American at birth in 1900 was 47 and now is 76) and the unpredicted decrease in birthrates in the recent decades. During the baby boom years the total fertility rate, or lifetime births per woman, reached a high of 3.68 in 1957. We are now close to the stable population replacement rate of 2.1 per woman. The average marriage age continues to increase and women’s labor force participation rate has grown from 37.7% in 1960 to 60.2% in 2000 while that for men declined from 83.3% to 74.7% (Szafran, 2003).

The old-age dependency ratio of people over the age of 65 to the traditional working age population of 20 to 64, often used as one measure of the impact of aging on the economy, is predicted to increase from 0.21 in 2000 to 0.29 in 2020 (Cutler, 2002). Viewed differently, the number of working age people for each older adult will decrease from 4.7 to 3.4. (Cutler, 2002) This widely used ratio is a somewhat misleading indicator of the economic challenge future aging might cause. First of all not everyone over 65 is financially dependent on working –age people. A second concern is that the underlying assumption that everyone 65 years or older is retired, and everyone younger is not, makes little sense. The concept of retirement as a point in time is increasingly being challenged (Cutler, 2002). Simple dependency ratios do not measure the output of the working-age population. For a given size working-age population, changes in the labor force participation rate and the rate of labor productivity growth can significantly affect what can be produced. The sensitivity of the age-dependency ratio to underlying assumptions is illustrated in FIGURE II. An increase in the full-benefit social security retirement age from 65 to 67 was enacted by congress. It is in the process of being phased in with the minimum age of 67 being reached for those who were born in 1960 and later. This simple change in the assumed retirement age from 65 to 67 makes a

considerable difference in the elderly dependency ratio (Fair, 2000).

In any case there is no doubt that, age and demographic related changes will have a major impact upon future public policy. There has been, and will continue to be, a growing number of popular and scholarly books and articles warning that public policy must change now if we are to avoid an aging “train wreck.”

Most developed countries are faced with the harsh reality that, with populations aging even faster than that in the United States, their retirement programs are currently financed by non-sustainable inter-generational income transfers rather than through actuarially-sound funded annuities. The growing dependency ratio, even if an imprecise measure, presents major challenges for many countries. It would seem apparent that any solution of the looming retirement funding crises is likely to combine some increase in retirement age for benefit eligibility and tax increases.

Although little of substance was said by either candidate during the most recent presidential campaign, it is clear that the sooner we act to address the “baby boom” problem the less draconian the solution. The Kansas City Federal Reserve Bank, August, 2004 symposium addressed the topic “Global Demographic Change: Economic Impacts and Policy Challenges.” In his opening remarks Allen Greenspan (Greenspan, 2004) provided sage policy advice when he said:

A doubling of the over-65 population by 2035 will substantially augment unified budget deficits and, accordingly, reduce federal saving unless actions are taken. But how these deficit trends are addressed can have profound economic effects. For example, aside from suppressing economic growth and the tax base, financing expected future shortfalls in entitlement trust funds solely through increased payroll taxes would likely exacerbate the problem of reductions in labor supply by diminishing the returns to work. By contrast, policies promoting longer working life could ameliorate some of the potential demographic stresses.

Changes to the age for receiving full retirement benefits or initiatives to slow the growth of Medicare spending could affect retirement decisions, the size of the labor force, and saving behavior. In choosing

among the various tax and spending options, policymakers will need to pay careful attention to the likely economic effects.

It is highly unlikely that the solution to the pending Social Security/Medicare “train wreck” can be addressed simply by increasing payroll taxes. The train has been gathering momentum for some time. When Social Security was first established in 1935 there were 40 productive workers per benefit recipient, average life expectancy was 63 vs. the current 76, and the maximum contribution was 2% of \$3,000 or \$60. The maximum contribution is now 12.4% of \$87,900 or \$10,900. This does not include the Medicare rate of 2.90% with no income limit. Effectively the old age security payroll tax is now 15.3%. The number of productive workers per recipient is currently 3.3 and is predicted to fall to as few as 1.6 as retired boomers live longer lives. (Dychtwald, 1999) Kotlikof estimates that a payroll tax only solution would take an immediate and permanent hike in the payroll tax rate to 16.9% (Kotlikoff & Burns, 2004).

Following Greenspan’s advice, an increase in payroll tax rates of almost 30% would likely reduce the labor force participation rate and thereby the productivity of the working-age population. It is not likely to help create new jobs or win political favor with working America. On the other hand encouraging longer working years will require a significant change in corporate and individual attitudes towards what is both productive and fair.

As an aside, it is somewhat disingenuous that current political discourse tends to focus on the level of income taxes paid by different income groups and ignores the growing burden of payroll taxes on all but the highest income households. The Congressional Budget Office reported in 1998:

Most families pay more in payroll taxes than in income taxes. In 1995, the employee portion of payroll taxes (including the Medicare portion of payroll taxes) exceeds income taxes for about 40 percent of families and individuals who had earnings. The combined employee and employer taxes exceeded income taxes for 80 percent of those families and individuals (Kasten, May, 1998).

In 1995 the actual social insurance rate paid by all households below the highest quintile income group exceeded the actual individual income tax rate they paid. The lowest four quintiles accounted for 59% of

federal government’s total social insurance tax revenue and only 29% of the federal government’s individual income tax receipts (Kasten, May, 1998).

It should be noted that there is some evidence to support the claim that when progressive retirement benefits and life-time taxes are considered together, our social programs for the elderly might be considered progressive. However it should also be noted that in a 1998 survey of baby boomers, “just over one third (36%) feel personally confident that Social Security will be around when they retire” and “Only about four in ten (39%) feel confident Medicare will be available to them during retirement” (AARP, 1998).

### **Individual Aging**

Population aging gives an aggregate view of how individuals, families and generations are changing. Viewed in a more personal way, if you live to age 65 you can currently expect, on average, to live another 17 years. The quality of the expected longer lives is also improving. For example, in 1982 26.2% of the older population was classified as having a chronic disability. In 1999 this had dropped to 19.7%. (Cutler, 2002) The good news is that there has been a surprising improvement in the rate of chronic disabilities especially among the “young” old. The bad news is that disabilities are still all too common among those over 80 years old. For example, Alzheimers has been referred to as “elderly AIDs” with 47% of the people over 85 having this disability. (Dychtwald, 1999) Life expectancy and the length of time lived before the onset of a disabling disease are both related to healthy behaviors such as not smoking, not being obese, and getting proper exercise. In a 1986 study of University of Pennsylvania alumni with an average age of 68, disability onset was 7.5 years later for those individuals with healthy habits (Fries, 2002).

### **Generational Attitudes**

One word of caution is that the members of the baby boomer generation have very diverse profiles. It would be a great mistake to assume that everyone born in the period from 1946 to 1964 has had similar experiences and will age in the same way. Some demographers define the first boomer cohort as those born from 1946 to 1954 who came of age from 1963 to 1972. The second half were born from 1955 to 1964 and came of age from 1973 to 1983.

Beverly Goldberg observes that for the first group, defining events included the civil rights movement,

the Vietnam War, and economic good times. These early boomers likely share many of the views of the older war babies who also participated in the good economy, experienced Vietnam and played significant roles in the civil rights movement.

For the younger boomers the Vietnam War and the civil rights movement were history. Their reality was economic decline and the oil shocks of the '70's, rampant inflation, high nominal interest rates and a tight 1980's job market. Goldberg makes the important point that these younger boomers often had to settle for second best jobs and faced a housing market that made homeownership out of reach for many and reduced their ability to accumulate wealth. Marriage, home ownership and raising children all became more difficult. Divorce rates rose. Women's increased labor force participation rates reflected both budgetary imperatives and life style choices (Goldberg, 2000).

### **Family Aging**

Families are also aging. At one time parents had primary responsibility for supporting their children and shortly after the nest emptied they died. As longevity increased they were able to save toward retirement and enjoy the freedom of the empty nest. Things are different now. More and more working adults are becoming part of the "sandwich" generation. Eighty percent of fifty year olds today have at least one living parent and 27% have both. (Cutler, 2002, 57) This represents an increase from 67% and 14% in 1960. Cutler agrees with Eldon Weisheit observation that, "The majority of middle age people now have more parents than they have children" (Cutler, 2002).

### **Retirement Age**

There is strong reason to believe that as our population ages the very concept of retirement will continue to change and become even more difficult to measure. In any case it is not an easy thing to measure now. Patrick Purcell makes this observation, "Retirement is most often defined with reference to two characteristics: nonparticipation in the paid labor force and receipt of income from pensions, Social Security and other retirement plans." (Purcell, 2000). However many individuals receive retirement income and continue to be paid members of the labor force. For example, Purcell reports that in the year 2000 36.8% of men age 55 to 64 and 30.7% of the women received "early" retirement income and still were part of the paid labor force.

It is generally recognized that retirement security plans, both governmental and private, were put in place not only to meet the humanitarian and economic needs of the retirees but also to encourage older workers to move on and make way for the younger workers advancement. This made a great deal of sense when there were large numbers of young "baby boomers." Future business and governmental policies need to recognize that, without increasing labor force participation rates and/or massive immigration, the growth of our labor force will dramatically slow from a high annual rate of 2.6% in the seventies to an annual rate of 0.60% for 2010-15 and 0.20% for 2015-2020. (Toossi, 2002).

The data would suggest that past and current retirement incentives have significantly lowered the labor force participation rates of older people -- except for women between the age of 55 and 64. The labor force participation rate (LFPR) for 55 to 64 year old men declined from 86.9% in 1950 to 67.9% in 1999 and for men over 65 the rate fell from 45.8% to 16.9%. The LFPR for 55 to 64 year old women increased from 27.0% in 1950 to 51.5% in 1999. It is interesting to note that for women over 65 there has been a slight decrease (Purcell, 2000). The aging of the baby boomers, a trend toward earlier retirement, in combination with the birth dearth, leads to the inescapable conclusion that the U.S. labor force will not grow as fast as it once had.

One very simplistic way of looking at one change is that when Social Security was first introduced the full-retirement benefit was made available to only those who retired at age 65. Only those who exceeded their average life expectancy at birth of 63 by 2 years were eligible! If this same relationship held today the "normal" retirement age would be 78 or two years higher than average life expectancy today. One proposal that would surely give real meaning to the political assessment of social security being the third rail of American politics would be to propose tying retirement eligibility age to average life-expectancy.

### **Sources of Income and Its Distribution**

There are many well off elderly and many not so well off. In 1997 the top twenty percent of 65 and older households accounted for 52.8% of that groups total income. It is true that the percentage of older Americans age 65+ living in poverty has significantly declined from 35.2% in 1960 to 10.5% in 1997, (Dychtwald, 1999) but not all of the new elderly are doing well. The income distribution of people over

65 is remarkably similar to that of those under 65 (Rubin & White-Means, 2000).

As can be seen in Figure III, in 1998 social security benefits were the largest single source of income for those aged 65 years and older accounting for 38% of the total. However it needs to be stressed that social security accounted for 52% of the income of those aged 85 years and older and was the only source of income for 17% of those aged 65+.

It is also interesting to note that a greater percentage of income came from earnings from work than from income from assets or employer benefits. While there has been much discussion about the advent and growth of 401 (k) defined contributions pension plans, the reality is that there has been relatively no growth in the breadth of pension plan coverage. Less than 50% of the private sector work force participates in either a defined benefit or defined contribution pension plan (Munnell & Sunden, 2004).

### **How Might Aging Impact a Business School Curriculum?**

The public policy debates are sure to become more intense as the future comes closer to the present. While, it is not the purpose of this presentation to continue these debates it is important that our students understand how public policy changes might well effect the world in which they will build their careers. All our current business students will need to be aware of the issues and will play a major role in helping to navigate the course through a "Coming Generational Storm."

These business students will be both young, and not so young, and possibly even semi-retired. In 2002 roughly 25% of college students were older than 30. They will be entering a world where their own future well-being will require them to make intelligent financial decisions, work effectively in new settings, and understand where the boomers are "coming from" both as consumers and as fellow employees.

As we prepare our business students to assume leadership positions in an emerging new economy we should make them more aware of the transitions that will need to be managed as the economy and the world matures. There is money to be made, and challenging new career paths to be followed, by those who understand and anticipate what the future transitions hold. There is an especially strong need to prepare MBA age-aware specialists in health care administration, financial planning and human resources.

### **Economic Policy**

Many of the public policy issues will become major topics for both undergraduate and graduate economics classes. It is here that the weather map for Kotlikoff's "Coming Generational Storm" will be debated and analyzed. Topics to be covered might include the life-cycle theory of consumption, the meaning of changing overall dependency ratios, the role of private and governmental saving in a macro setting, the work-leisure decision, human capital formation through health care and education, poverty, taxes and income transfers, intergenerational accounting, immigration policy and international comparisons etc.

Continued globalization will demand broader understanding of global aging. For example, China the land of past over-population will soon be faced with an economy aging much faster than ours. Limiting families to one child controlled population growth, but at the cost of creating a huge elder-dependency problem starting 60 years later. The European Union, with birth rates well below the 2.1 replacement ratio, has similar problems.

It might also be important to discuss the growing organized political power of the current 32,000,000 member strong AARP. It might also be a good thing to remind our students that the voter participation rate for older citizens is more than twice that of 18 to 24 year olds (Dychtwald, 1999).

### **Financial Planning**

Making intelligent financial decisions is becoming increasingly complex. The movement from defined-benefit to defined-contribution pension plans shifts the management of portfolios, and risk, from the employer to the individual. The need to coordinate separate pension plans for two-earner families further complicates the situation. For those who have "more parents than children" planning can quickly become a three generational event.

These complex and difficult decisions will require a better understanding of how investment markets work and especially the time value of money. Some of our students will pursue careers in financial planning. Those who do not specialize in the provision of financial planning advice will need to become educated consumers.

The techniques of financial and estate planning are already taught in some business schools as part of

their tax and accounting offerings. However, in a survey undertaken by Brucker and Cutler two years ago as part of our membership on an Association for Gerontology in Higher Education (AGHE) Business and Aging task force we discovered that very few business schools offer courses that focus on the needs of an aging population. How to plan is important, and most people would benefit from professional advice, but what is being planned for may be at least equally important (Brucker and Cutler, 2003).

There is a growing challenge and opportunity to blend financial planning skills with a broader understanding of the aging process. Widener, in partnership with the American Institute of Financial Gerontology and the American Society on Aging, has assisted in the development of a new Registered Financial Planning (RFG™) certificate designed to give CFP™'s, CPA's and other financial experts some insight into the underlying aging processes that need to be considered when creating a financial plan.

The planning process should begin early in the earnings phase of the life cycle. However, it is hard for twenty-somethings to think seriously about their own retirement and/or death. In the case of our students, if they are fortunate enough to graduate and work for a company that has a 401 (k) plan, they will be faced with a series of pension decisions immediately upon employment. In 2001 fewer than half (43.9%) of workers under age 30 had 401 (k) plan eligibility. Of this group only 65.7% chose to participate (Munnell & Sunden, 2004). In many cases non-participation may be motivated by simple inertia and a reluctance to deal with the seeming complexity of the process.

The shift to 401(k) plans, in addition to having employees decide what percent of their salary to contribute, requires employees to decide where (often within limits) their money should be invested. Some participants will unwisely place and/or leave their funds in their company's stock. These individual investment decisions unfortunately create the possibility for Enron-like disasters where non-diversified retirement portfolios contain the highest risks of both financial and job loss.

Many plans permit borrowing against 401(k) balances and it is always possible to withdraw funds before age 59 ½ with a 10% penalty and a 20% income tax deduction applied. Munnell believes that these withdrawals are all too common with employees willing to trade future retirement income for current consumption activity. For example, in

1995 over \$ 18 billion was withdrawn subject to the 10% penalty.(Munnell & Sunden, 2004).

The story of the \$5,000 engagement ring is becoming a financial "urban legend." John, when he was 25, believed that best way he could show his affection for his fiancée, Sue, was to give her a \$5,000 diamond ring. At the time, he was changing jobs and as a result was offered a lump sum distribution of his 401(k) balances. The opportunity to pursue an "interest free" strategy presented itself. He withdrew the needed funds from his 401 (k). (With a 10% penalty and income tax withholding of 20% he must withdraw \$7,142 to clear \$5,000.) The ring was purchased, the wedding went forward and John, who now at age 60 is ready to retire, discovers through his financial planner that the ring reduced his retirement security by over \$76,252. A 7% average annual rate of return was used in this calculation. If the rate were 10%, the pain would exceed \$200,000!

In any case with the power of compound interest, early career decisions about 401(k) contributions and withdrawals have powerful effects on retirement security. Sue still has the ring, and is eligible for spousal social security benefits, since the divorce happened after ten years of less than marital bliss. Young love can cause considerable retirement pain!

Maintaining an appropriate mix between equities and fixed income investments as the years to retirement decrease presents another challenge. When retirement age is reached a decision will need to be made as to how the benefits will be distributed. Another notable new complexity is that the actual decision as to when to retire is much less structured. When mandatory retirement ages existed, there was much less discretion about continuing to work beyond a given age. When defined benefit pension plans were most popular they were designed to encourage retirement often by tying the benefit to the highest three or four year earnings prior to a certain age.

Individuals with defined benefit pensions have fewer concerns about "out living" their retirement income than others. Employers place funds in annuities which cover individual retirees as long as they live. Unfortunately, not all defined benefit plans are funded and actuarially sound. For example, current bankruptcy cases involving two different air lines are discussing abandonment of their defined and promised pension benefits. Retirees with 401(k) plans find that due to the phenomenon of adverse selection personal annuities are more expensive and many chose not to insure against living "too long." As an aside there is reason to believe that with the

advent of 401(k)s, reluctance to draw down retirement resources will lead to larger bequests.

It is true that the aggregate net worth of people over 55 is large and growing. However, today's older Americans and tomorrow's retiring baby boomers are also more likely than in the past to take on consumer and mortgage debt. The cautious and conservative attitudes toward debt, that many older retired have reflects their depression experiences. This is changing. The number of homeowners over age 60 with traditional mortgage payments still being made has increased from 19% in 1980 to 28% in 2000. Average real credit card debt among families 65 years and older has increased by 249% from \$1,626 in 1989 to \$4,041 in 2001 (AARP, 2002).

It is disturbing to note that the number of bankruptcy filers over age 65 jumped from 23,890 in 1991 to 82,207 in 2,001. (The good news is that the number of filers under 25 actually decreased by 4%.) (AARP, 2002) It is reasonable to assume that the extensive marketing of credit cards and mortgage loans has made a significant inroad upon the older market. Never the less, it is still the case that reverse mortgage programs can provide a convenient way for older homeowners to transform the equity in their homes to retirement income.

There is little doubt that financial planning is more complex today than it was 15 or 20 years ago and yet the level of financial literacy is relatively low. Responses from the University of Michigan Monthly Surveys of Consumers for November and December 2001 and responses from the Federal Reserve Survey of Consumer Finances were combined to report the results of a quiz entitled "What is Your Financial IQ?" Some of the results are most disturbing. For example, only 60% of all respondents knew that the statement "Your credit rating is not affected by how much you charge on your credit card" was false (Hilgert & Hogarth, 2003). When the results of both practice and knowledge were analyzed by age it was found that 51% of all respondents were classified as either having bad money management skills or being absolutely "lost." Fifty-nine percent of those over age 65 were bad or "lost" money managers (AARP, 2002).

### **An Aging and Slowly Growing Labor Force**

With population aging, the median age of the labor force is estimated to increase from 38.7 in 1998 to 40.7 in 2008. As can be seen below, the percentage of workers over 45 will increase from 33% in 1998 to 40% in 2008. The percentage of those aged 55 to 64

and age 64 plus will increase by 52% and 30% respectively from 2000 to 2010. There will actually be a decrease in the 35 to 44 age group which is the group most often viewed as the source of future leadership talent. (Dychtwald & Erickson, 2004)

Some occupational groups, that have an older profile and/or stronger retirement incentives will be faced with significant replacement challenges in the very near future. For example, Arlene Dohm makes the point that government employees, including those in the K-12 sector, have pension plans that encourage early retirement. Five of her top twenty occupations with the greatest replacement needs are in this sector. Giving the aging of our population, and the associated increases in the demand for health care, it is of some concern that both registered nurses and physicians are included in her top twenty list. (Dohm, 2000).

While the labor force ages, it is probably more significant that in the near future the rate of growth of the US labor supply will face a sharp drop from an average annual growth rate of 2.60% in the seventies to 0.20% in 2020 decade. Future labor markets are likely to be considerably "tighter" and employers will need to become more aggressive in their recruitment efforts to attract and retain the best workers. Dychtwald suggests that the challenge for the human resource function is large, "Long-standing human resource practices invest heavily in youth and push out older workers. This must change -- and public policy, too -- or companies will find themselves running off a demographic cliff as boomers age" (Dychtwald & Erickson, 2004).

As we educate tomorrow's human resource specialists we will need to have them rethink the old corporate conceptions of the older workers. Probably the biggest false preconception is that all older workers can be viewed as a single homogeneous group. The reality is, that like any other group, individual differences are very important. Some 65 year olds are much more vital, creative and productive than many 35 year olds. Some 35 year olds act like the stereotypic 65 year olds. Some 65 year olds are shallow and devoid of wisdom, others are not.

When the supply of younger workers from the baby boomer generation was growing it made sense, or at least a quieter life for human resource people, to use simple markers such as age to determine employment policy. It wasn't illegal and was very handy. Such a policy in the decades ahead is a prescription for corporate disaster.

The transitions that need to be managed as the labor force ages are many. However, many firms have yet to seriously prepare for the coming change in managing an aging work force. Preparing for the challenges of managing, retaining and attracting older as well as women workers is not a high priority for most corporations. One survey indicated that “managing workforce aging” was tied with “decentralizing decision-making” as the least important human resources issue. The most important future issues were, “recruiting able employees” and “retaining able employees.” Forty-six percent of the companies surveyed indicated that their organization did not monitor the age profile of its work force.(British-North, 2001).

Typically many unwarranted assumptions are often made about older workers. The facts are that older workers typically have higher attendance performance and take less sick and personal leaves than their younger colleagues. While their learning styles may be different than younger adults, they are quite capable of being retrained.

All too often corporate leaders restrict older employee access to training on the grounds that they will soon retire and the money spent will not be as readily recouped as that spent for training younger people. For example, The U.S. Bureau of Labor Statistics reports that, in 1995, total annual hours of training per employee 55 and older was only 22.9 while the 25-34 age group averaged 46.5 or more than twice the amount (Goldberg, 2000). This argument ignores the reality that young workers may have higher turnover rates than older, more loyal, employees who stay longer at the firm that invested in their training.

While many younger workers have child care responsibility and need flexibility in their schedules, many aging workers have grandchild care and parent care responsibilities that require similar flexibility in their schedule. Many older workers have “more parents than children” to support. In an agricultural and/or industrial economy declining physical strength may have been a good reason to suspect that older people were less productive. In our emerging knowledge economy this argument makes as much sense as giving school kids summer vacation to work on the family farm.

How might the corporate world “retire retirement?” As discussed above, the concept of what retirement means is far from unambiguous. Many individuals receive retirement benefits, either public and/or

private, and still work. In 2000 twenty-four percent of 65-69 year olds were in the labor force and 13.5% of those aged 70 to 74 (Wiatrowski, 2001). As mentioned above, about 21% of the income received by people over 65 represented payment for labor services. We should also note that many retired individuals provide non-paid volunteer services that are not counted in the labor force.

As corporate human resource departments attempt to attract and retain older workers in response to the slowing of the growth in labor supply a further distinction needs to be made. Retiring from a specific company does not necessarily mean retiring from work. An often cited AARP survey of boomers’ retirement plans found that in 1998, 80% of the respondents said that they would stay in the workforce after age 65. Some of the respondents indicated that they would need to work to supplement inadequate income from other sources. Others wanted to continue to work more as a way to remain socially involved with others than for the financial rewards (AARP, 1998).

The real question is how many firms will actively and effectively recruit them. In Dychtwald’s view “Most baby boomers want to continue working – and they may need to for financial reasons – but they may not want to work for you.” (Dychtwald & Erickson, 2004).

Beverly Goldberg believes that different attitudes toward work will greatly influence when and how baby boomers will retire. The corporate upheavals of the late eighties and early nineties led employees to work harder and longer, burn out faster and become cynical and distrustful. The rise of global competition, mergers and acquisition, deregulation, the downsizing of organizations, and the smashing of managerial hierarchies destroyed any sense of employee security. The growing gap between CEO compensation rates and workers benefits and salaries furthered worker disillusionment. In her words, “The downsizings of the late 1980s and early 1990s destroyed the idea of organizational loyalty and created a general disillusionment with work. It also made the lure of retirement irresistible to many older workers.”(Goldberg, 2000)

In Goldberg’s view it will be difficult for large corporate organizations to make the case that their employees should stay any longer than necessary before taking retirement from their current job. She believes that the old social contract of extended employment and security of the sixties and seventies has been shattered. The challenge is to develop a

new approach for the new knowledge-based jobs of the future.

High on the list is the restructuring of how jobs are designed. Flexibility is generally what older workers. The introduction of more flexible hours, more part-time opportunities, phased retirement, special assignments, job-sharing, telecommuting etc, are likely to be developed.

The bottom line is that employers will need to “create a culture that honors experience” (Dychtwald & Erickson, 2004). In a growing knowledge economy corporate America will increasingly appreciate the value of the knowledge base of those workers who might have been forced out in an earlier time. As our students enter the world of work they too will need to understand better the needs and desires and contributions of older workers. Successful organizations will assure that workers who do not fit the majority profile are accepted and treated fairly.

### **The Future Curriculum**

Some of the curricular challenges associated with managing transitions in an aging economy for economics, financial planning and human resource courses have been discussed above. In addition to the more technical courses in accounting, tax and law, age-enriched courses in advertising, consumer behavior, ethics, information systems, marketing, organizational behavior, strategic management, and in many other traditional business areas will be needed.

No doubt there will be many different approaches to how best to cover aging topics. Some will advocate for a separate course(s) on aging issues. Others will advocate for appropriate aging issue coverage to be integrated into specific functional courses e.g. accounting, business law, finance, human resource management, taxation etc

Business schools will likely be offering more age-related material in their undergraduate and graduate programs’ credit courses. However given the arrival of the age wave, many individuals will want to enroll in short courses (both credit and non-credit) as well as participate in “just-in-time” certificate programs

### **Conclusions**

Aging populations, individuals, families and generations present a wide variety of challenges and opportunities for business schools. The already strong economic power of the older 75 million baby

boomers is certain to increase. More significantly our consumer and work cultures are also changing.

The boomers changed our culture at almost every point in their generational development. They protested the Vietnam war and supported the civil rights movement. They told us not to trust anyone over thirty when they were in their twenties. Might they tell us in the next decade not to trust anyone under 55 when they are in their 60’s?

They supported the women’s movement and created the dual income family unit. Products of the baby boom, they have been central to the birth dearth. They have benefited from vastly increased accessibility to college education. They are living longer and more healthy lives.

Future public-policy debates, concerning how best to support our old age social insurance programs especially Medicare, will be “stormy.” There are no simple solutions. Our students, the future leaders of business need to be ready to take an informed leadership role in these discussions.

The boomer’s double income plural pension families are faced with increased complexity as they become responsible for managing their 401(k) retirement plans. Financial planning skills and knowledge is sure to be in high demand,

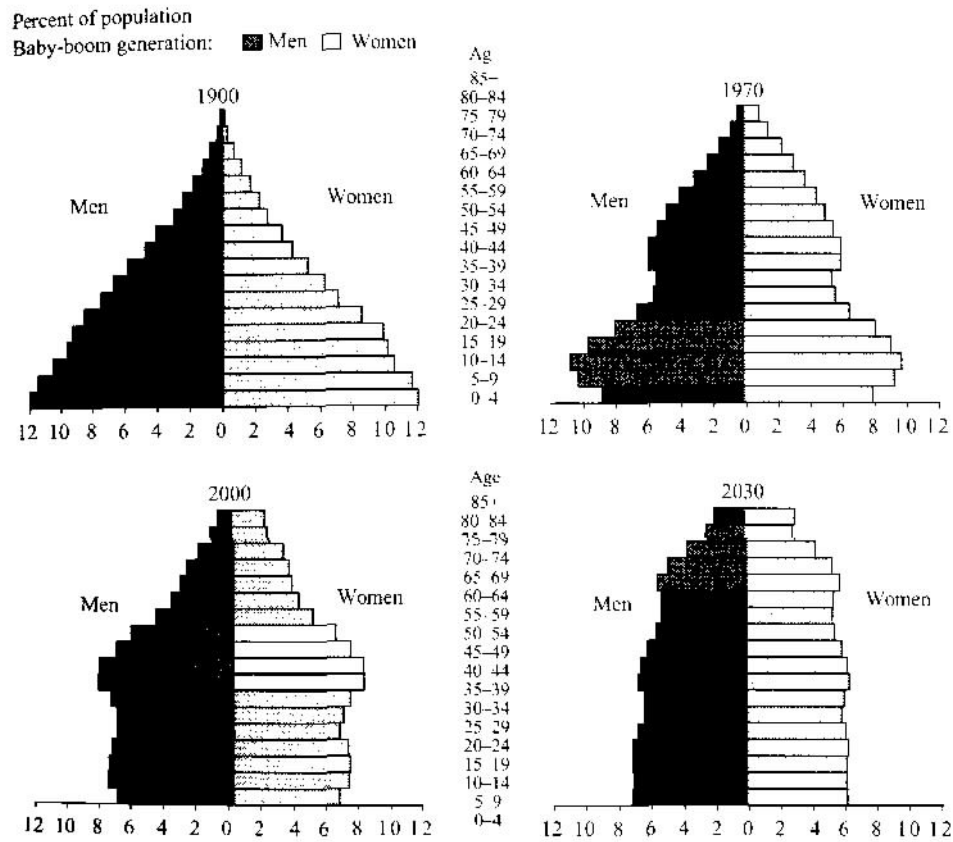
Labor force growth is slowing and there is every reason to believe that corporate America will need to consider “retiring retirement” as we know it. Human resource managers and individual employees will be faced with much less certain and much more complex decisions. Age will no longer be a simple marker for either employee or employer decision to leave the workforce. The growth of more flexibly-structured work creates increased complexity for both employer and employee.

Some only see an aging generation in an aging population faced with many increasingly complex social and economic challenges. Many of the emerging solutions will be created and delivered by profit and not-for-profit organizations. Looking forward, we need to see these issues as presenting new and promising opportunities for management education.

The time to act is now.

FIGURE I

CHANGING POPULATION PROFILES



Source: The Economics of an Aging Society, Clark, R. L. et al p. 23.

FIGURE II

DEPENDENCY RATIOS RESULTING FROM

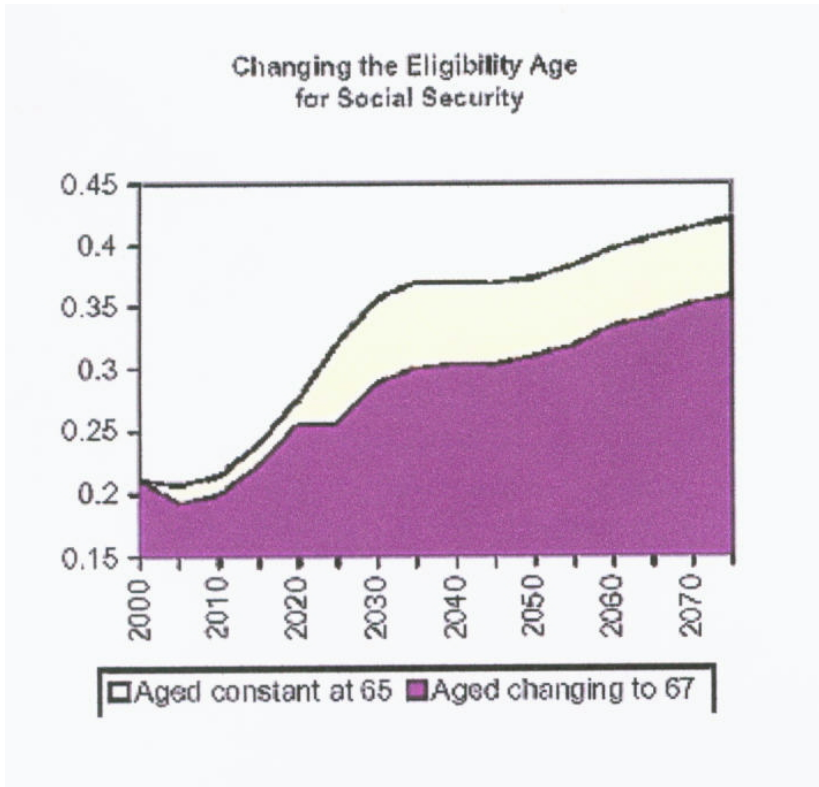
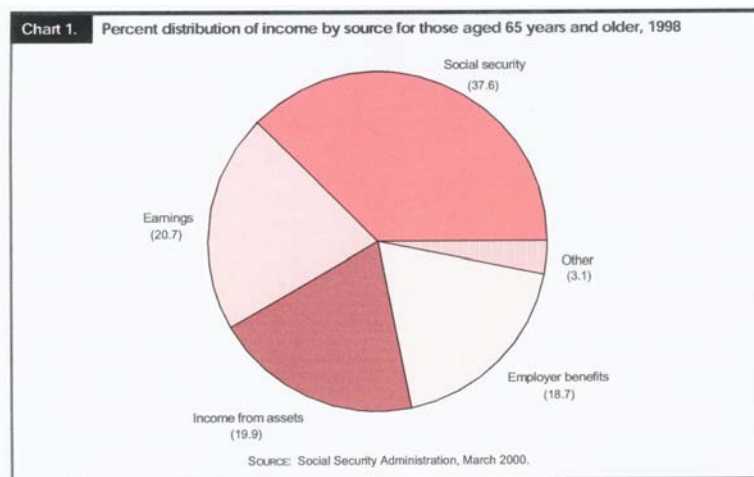


FIGURE III

SOURCES OF INCOME FOR 65+ POPULATION



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