

Are You Ready for When Baby Boomers Retire?

Companies can't afford to lose the expertise that 76 million retiring baby boomers will take with them, says one expert. Here's what to do about it. Plus: how younger employees can take advantage of the opportunities.
By [Anne Fisher](#)



Anne Fisher

As baby boomers retire, there will be a mass exodus of millions of experienced workers over the coming decade—and many U.S. companies are unprepared for it, says David DeLong, head of the workforce unit at the Age Lab, a think tank at MIT that studies the effects of demographic change. To explore the problem, and offer some solutions, he wrote an intriguing book, *Lost Knowledge: Confronting the Threat of an Aging Workforce* (\$24.95, Oxford University Press). Some excerpts from our recent conversation:

Q. Companies have always lost some knowledge when people retired, so why is that a bigger threat today?

A. It's partly the sheer numbers of people who will be leaving the full-time workforce. But in addition, the past 25 years have brought amazing advances in technology, and almost every job has gotten much more specialized and complex. So people who are leaving jobs today—and it's only just starting; the first boomers turn 60 this year—are **taking with them new types of knowledge that didn't exist a generation ago.**

Q. I've heard some managers say, "Well, so many boomers can't afford to retire anyway, even if they are old enough, so we don't need to worry about it." How do you respond to that?

A. It is true that people are working longer now, and that's going to continue, for a number of reasons, including financial factors. The important thing to realize is, many people will not stay in the same job or stick around at the same company. They'll take whatever retirement package they can pull together and then go design a new career somewhere else. So their knowledge and expertise is still lost to the company they're leaving. **By the way, the amount of really critical knowledge that people have varies a lot even within the same company. It's important to figure out who has the know-how that you really can't do without.** I've spoken with many organizations, for instance, where the average age of the people in the R&D department is 54. Obviously, those companies are headed for trouble if they don't start doing some serious planning now.

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Q. Let's say I'm a manager whose employer hasn't really got this problem on the radar screen yet. How do I start to plan?

A. **The first thing is to figure out where you're most vulnerable. A study by the Conference Board shows that 66% of U.S. companies don't have an age profile of their workforce. That means they really have no idea how many retirements they might suddenly be facing.** Smart companies have started developing attrition profiles, so they know where and when they are most likely to lose people. Along with that, it's important to analyze the real costs of not having specific information on hand when it's needed, and develop ways for older employees to pass their expertise along to younger ones.

Q. Obviously we're talking about a huge demographic shift in the years ahead, and that has implications for individual employees' careers. What will be the main impact?

A. **Older employees who have accumulated decades of critical knowledge will be more valued, and companies will have to come up with creative strategies to retain them, at least part time.** For younger employees, opportunities are going to be tremendous, especially in core areas that are harder to outsource. If you're a Gen Xer who happens to be an R&D person at a pharmaceutical company, for example, you'll see many more chances to get increased responsibility and move up.

Q. So the next few years could turn out to bring some interesting career opportunities?

A. Enormous change usually does. The main thing is to spot them in time, and be ready to step up and take advantage of what's happening around you.

No argument there!

How to Battle the Coming Brain Drain

Older workers are retiring in droves. How do you prevent their crucial knowledge from leaving with them?

By [Anne Fisher](#)

If you scan the reams of "best advice" in the preceding pages, you'll notice a pattern: Many of the key advice givers are older and wiser bosses. No surprise there. It's the managers in their 50s and 60s who have had time to develop the most valuable knowledge and experience. **But few large companies seem to prize that wisdom anymore. Intent on cutting costs, many employers are trying to get rid of people over 50, despite rising age-discrimination litigation. That's an exceedingly shortsighted policy. By forcing out the employees with the most experience, companies may be inadvertently pushing critical knowledge out the door before it is shared with the next generation. They'll probably regret it before long, since demographics suggest that business is facing a dangerous brain drain from voluntary retirements alone. And those folks' lost smarts can cost an awful lot to replicate.**

Consider the chilling example of the National Aeronautics and Space Administration. Way back in the 1960s it spent \$24 billion (in 1969 dollars)—and at one point employed 400,000 people—to send 12 astronauts to the moon. But in the 23 years since the Apollo program ended, the engineers who carried crucial know-how in their heads, without ever passing it on to colleagues, have retired or died (or both). At the same time, important blueprints were catalogued incorrectly or not at all, and the people who drew them are no longer around to draw them again. So to fulfill the Bush administration's promise to return to the moon in the next decade, NASA is essentially starting all over again. Estimated cost to taxpayers in current dollars: \$100 billion.

Luckily a few smart organizations—among them [General Electric](#), [Dow Chemical](#), and [Northrop Grumman](#)—are working on ways to capture their oldsters' knowledge and disseminate it to younger workers before it's too late. What they're doing may offer a blueprint for other companies. It also reveals how the rules of the career game will change, both for those close to ending their working lives and those just beginning them.

We've all seen the statistics. By 2010 more than half of all workers in the U.S. will be over 40. Tens of millions of baby-boomers turn 60 this year, and the decade ahead will see vast numbers of people retiring, or at least leaving their current full-time careers. According to David W. DeLong, a research fellow and head of the workforce unit at the Massachusetts Institute of Technology's Age Lab (and the author of *Lost Knowledge: Confronting the Threat of an Aging Workforce*), companies most at risk from the coming brain drain are those "with established, traditional cultures where people have spent 20 years or more. Many of these companies have downsized and cut out the middle, so you now have these bifurcated organizations: old white guys nearing retirement, a lot of young people in their 20s and early 30s, and not enough people in between."

As the "old white guys" depart in droves, plenty of human resources managers fear that the younger workers won't be ready to step up and run the show. Boston-based consulting firm Novations Group recently surveyed 2,900 HR people and found that only one-third are confident that they have enough talent in the pipeline to keep their businesses humming as boomers bow out. "There's an imminent leadership crisis at many big companies," notes Paul Terry, who worked on the survey. "They have less management bench strength than at any time in memory." At companies with nonexistent or inadequate systems for transferring critical knowledge, says MIT's DeLong, "younger managers are going to find themselves thrown into positions that they're unprepared for. Some will no doubt find creative ways to succeed. But many are likely to experience burnout and failure, resulting in even more turnover that the company can't afford." Gulp.