



## Bracing for the "Boom"

by George W. Gonser Jr., MBA, CDHC

DO YOU REMEMBER THE SONG "WHEN I'M SIXTY-FOUR"? IT was a hit song for the Beatles in 1967. Paul McCartney and John Lennon wrote, "Will you still need me, will you still feed me, when I'm sixty-four?" I was thinking about that song at a recent symposium of business professionals when the speaker started talking about "baby boomers" and how we have begun to see the first wave of baby boomers approach the start of their silver years—age 65.

The term "baby boomer generation" refers to the higher-than-expected spike in the number of births in the United States between the years 1945 and 1962. This group of individuals is often described as being highly educated, creative, and financially influential—and is living longer. Its members are also very interested in enjoying their future in terms of experiencing life, traveling, and pursuing recreational activities.

So, as the baby boomers close in on age 65, what will the effect be on the workforce? There are two theories regarding how things will play out over the next five to 10 years:

- The first theory likens it to "demographic doomsday" because the baby boomers would exit the workforce and there would be a shortage of not only employees, but also well-trained, seasoned staff. Companies in all industries would feel the pinch in multiple ways, including the hiring and recruiting of staff. As shortages occur, demand for employees will increase, and the cost of these employees will also increase in both retention and recruitment. The cost to replace these employees will be higher than the cost to retrain or retool existing employees. It will be crucial to keep the best employees.
- The second theory is that there will not be a real hard effect on the marketplace. Baby boomers will continue to work past the age of 65, which will minimize the disruptions to the workforce. In the dental profession, it is not uncommon to see dentists work far past the age of 65. That doesn't mean that they are working their full schedule, but they are continuing to work in some capacity. There are some challenges in having 65-and-older employees continue to work, but under this scenario, a large number of the population would not be exiting the workforce at the same time, and hence, the transition would be somewhat eased.

When McCartney and Lennon penned their song, the average life expectancy in the United States was about age 70. Now, as Paul McCartney enters his silver years (mid- 60s), life expectancy is pushing age 80 and beyond. So what do you think is the track for our society: demographic doomsday or soft landing? While it is too difficult to predict now how things will shake out over the next decade, one thing is sure—insurance costs will go up.

The Health Care Reform Law was implemented in 2006 to help provide lower-cost, benefit-rich health insurance plans to the general public. One and a half years into the law, health insurance costs have neither decreased nor stabilized, but have instead increased to the tune of 15 percent or more. While most businesses have not pulled the health plans they offer to their staff, the discussion of just accepting the \$295 penalty per employee has been raised and will continue to be raised in the future. What if a company simply stops offering health insurance?

Under both scenarios listed above and for what we have seen to date in the marketplace, companies would be taking a severe risk if they pulled their health insurance plans. While we could discuss the merits of a single-pay system or removing companies altogether from the health insurance marketplace, the reality is that employees rely heavily on companies for their health insurance. To retain and attract employees, companies have to offer insurance or face losing current employees or losing out on hiring employees.

As the next 10 years shake out and the marketplace takes shape, we will see just how important benefits are. Tough decisions lie ahead for businesses and baby boomers alike. Make no mistake about it—the future will definitely be a "long and winding road."

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