

The Kiplinger Letter

FORECASTS FOR EXECUTIVES AND INVESTORS

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Dear Client:

Washington, May 25, 2018

With the American labor pool aging swiftly... Employers need to take steps now to adjust so that they can secure the talent they'll need later, when many of their most-skilled workers call it quits.

WORK-FORCE The demographic forecasts are sobering. By 2022, 35% of all workers will be over 50, versus just 25% of the workforce back in 2002.

By 2030, 20% of all Americans will be 65 or older...the age usually associated with retirement. Skilled occupations are especially vulnerable to the coming brain drain...financial workers, nurses, teachers, utility workers, etc. Government agencies in Washington and the states will also be squeezed.

Workers are already in short supply now. How can employers adapt as more folks are approaching retirement age and eyeing the exits? Act now. Start by talking to older workers. Ask them when they plan to retire. Also, find out whether they'd like to stay part-time or as contractors, rather than retiring completely. Flexible schedules appeal to many folks who want to cut back gradually. (Just remember that rules on benefit eligibility can get tricky with such arrangements.)

Keep in touch with retired employees, who take valuable know-how with them. More companies are starting retiree networks that give former workers a social bond with their old colleagues and give employers a way to invite experienced folks back in for special projects, training sessions, etc...a known talent pool they can tap into.

Tailor your benefits to appeal to an older crowd. Good medical plans are key for many people ages 55 to 64...those not yet old enough to apply for Medicare. Generous retirement plan matching also appeals strongly to those near retirement. Such perks can both keep existing workers and attract top-notch older applicants.

Look for opportunities to retrain near-retirees so they can shift into jobs that are less physically demanding or more enjoyable. AT&T, for example, has plans to spend \$1 billion on "reskilling" many of its older workers in a bid to keep them on.

Have experienced workers mentor younger folks to pass on knowledge to the next generation of employees. But note that there are fewer Gen X workers than baby boomers, so older millennials will also be needed to step into new roles.

Scout the ranks of young workers for potential talent. Many businesses will need to promote young managers and other skilled people sooner than planned.

One point in employers' favor: Fewer older workers will want to retire in the coming years compared with previous generations. Many of them are healthier than their parents were at their age and don't want to slow down yet. Many others are eyeing the steep costs of retirement and figure that working longer is a must.

ECONOMIC FORECASTS

GDP growth

2.9% in '18,
up from 2.3% in '17

Interest rates

10-year T-notes ending '18 at 3.3%,
rising from just below 3.0% currently

Inflation

2.6% at end of '18,
from 2.1% in '17

Unemployment

Ending '18 at 3.8%,
edging down from 3.9% currently

Crude oil

Trading from \$65 to \$70
per barrel in July

E-commerce sales

Rising 15% in '18;
now 17% the size of in-store sales

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