

Impact of a Maturing Workforce in the Metropolitan Chicago Region

According to projections based on the U.S. Census, an average of 4.6 adults will turn 65 each minute in 2007. In 2025, an average of 8 adults will turn 65 each minute.

The Center on Aging and Work, Boston College, Age and the Labor Force, Fact Sheet 05, January 2007

The Workforce Boards of Metropolitan Chicago have issued this publication for the purpose of providing specific information on the metropolitan Chicago region's aging workforce and encouraging regional stakeholders to take action in preparation for the impending shortage of skilled workers that will result from retirement of the Baby Boom generation and a slower labor force growth. The issues related to an aging workforce and shrinking labor force will have an impact on the regional economy. It is critical that efforts be made now to minimize this impact through increased awareness and preparation.

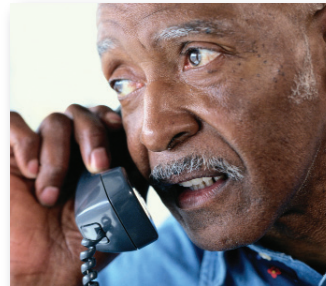
The Workforce Boards of Metropolitan Chicago (Workforce Boards) are a consortium of nine Workforce Boards that include the Chicago Workforce Board, Cook County Workforce Investment Board, DuPage Workforce Board, Grundy Livingston Kankakee Workforce Board, Lake County Workforce Investment Board, McHenry County Workforce Investment Board, River Valley Workforce Investment Board, The Workforce Board of Northern Cook County, and Workforce Investment Board of Will County. The Workforce Boards are responsible for workforce preparation and economic development activities in their respective local areas but, collectively as a consortium, work to address workforce issues on a regional basis. This consortium has adopted a regional approach recognizing that cross-geographic issues impact the economic vitality of each area.

A Maturing Labor Force

The Baby Boom generation represents 76 million individuals born during the period of 1946 to 1964. In 2011, the oldest of this group will turn 65. They were the largest generation to enter the labor force and are employed in many of the most skilled and senior jobs. And soon, very soon, they will be leaving the workforce.

The Bureau of Labor Statistics predicts that we'll face a shortage of 10 million workers by 2010.
Gray Matters: Engaging the Older Worker, Manpower

Additionally, the supply of younger workers to replace the Baby Boom workforce is much smaller. The national birth rate declined from three children per woman in the 1960's to two



per woman in the 1970's. The influx of women into the workforce during 1950 to 2000 has also leveled off and is expected to remain constant at 48% over the next 50 years. By 2025 labor force growth is expected to be less than a fifth of what it is today.¹ The aging of

the population along with slow labor force growth will result in fewer workers to produce goods and provide services. Without a major increase in productivity or higher than projected immigration, low labor force growth will result in slower growth in the economy.

POPULATION STATISTICS Figure 1			
	U.S.	Illinois	Metro Chicago Region
Total population	288,378,137	12,440,351	8,572,508
Male	141,274,964	6,090,298	4,205,067
Female	147,103,173	6,350,053	4,367,441
Under 25 years	99,427,378	4,360,470	3,054,424
25 to 34 years	38,785,474	1,745,317	1,245,179
35 to 44 years	43,237,594	1,861,315	1,331,400
45 to 54 years	42,045,357	1,792,638	1,224,261
55 to 64 years	30,121,807	1,244,458	828,907
Over 64 years	34,760,527	1,436,153	888,337

Source: 2000 U.S. Census for Livingston; All other counties 2005 U.S. Census

This report will primarily focus on the 55 to 64 year cohort - that portion of the Baby Boom generation that is nearing retirement. Based on the 2005 U.S. census, 68.6% of Illinois's population resides in the metropolitan Chicago region. The segment of the population that is 55 to 64 years represents 10 % of Illinois's population and a slightly smaller portion of the metropolitan Chicago's population (9.7%).

¹ Older Workers, Labor Can Help Employers and Employees Plan Better for the Future, December 2005, GAO 06-80, page 5.

For purposes of examining the age of the metropolitan Chicago's labor force, statistics for sectors that the Workforce Board's regional initiatives have focused on and that have been identified as key industries contributing to the economic well being of the region are presented in Figure 2.² Statistics for the construction industry are presented because of its significance to certain localities within the metropolitan Chicago area. Statistics for the education sector have been included because of their anticipated impact on the region both in terms of the share of workers in the 55 to 64 cohort as well as implications that a shortage of educators will have on the region's capacity to continue producing a quality workforce.

An examination of the identified sectors over the past five years provides further evidence that the workforce is aging (Figure 2). Overall, the 55 to 64 year cohort represented 10.1% of the total regional labor force in 2001 but grew to 12.6% in 2006. The sectors with the largest share of their workers in the 55 to 64 year cohort as of 2006 were employed in education, manufacturing, healthcare and transportation/warehousing/logistics occupations. The 55 to 64 year cohort in eight of the nine identified sectors represented more than 10% of the sector's labor force as compared to 2001 when only three of the nine exceeded 10%.

METROPOLITAN CHICAGO WORKFORCE Figure 2						
Sector	2001 55-64	% 2001 Labor Force	2001 Total	2006 55-64	% 2006 Labor Force	2006 Total
Construction	16,241	8.6%	186,966	17,939	10.2%	175,412
Education	49,051	15.1%	324,878	68,931	19.1%	360,329
Finance and Insurance	20,898	8.6%	244,464	28,472	11.1%	256,128
Healthcare	47,444	11.6%	410,043	64,722	14.5%	445,392
Hospitality/Tourism	21,889	6.4%	343,444	27,212	7.3%	372,622
Manufacturing	70,760	12.7%	557,202	71,176	15.8%	450,358
Retail	36,808	8.4%	435,845	46,073	10.3%	446,687
Technology	9,104	7.6%	122,405	11,270	11.2%	100,772
Transportation/Warehousing/Logistics	46,976	8.4%	449,646	56,685	13.5%	419,014
All other sectors	98,307	9.3%	1,062,129	121,350	11.7%	1,041,106
Totals	417,478	10.1%	4,137,022	513,830	12.6%	4,067,820

Source: Illinois Department of Employment Security, Local Employment Dynamics Program

Within each of the sectors, major occupations were identified. The major occupations are defined as those occupations employing large numbers of the region's workers. The estimated numbers of individuals 50 years and older employed in those occupations are provided in Figure 3.³ (Note: Due to data constraints estimates for 55 to 64 years are not available). This provides some indication of the impact of future retirements on occupations employing large numbers of the region's workforce and identifies occupations for which there may be severe shortages of skilled workers in the coming years

Regional occupations with the highest percentage of workers 50+ include Secondary School Teachers, Registered Nurses, Elementary School Teachers, Licensed Practical and Vocational Nurses, and Machinists. Occupations with the largest number of workers in the 50+ cohort include Elementary School Teachers, Truck Drivers, Registered Nurses, Retail Sales Persons and Customer Service Representatives. More than half of the metropolitan Chicago's workforce of teachers, nurses, and machinists are over the age of 50.



² A regional study conducted by the Workforce Boards of Metropolitan Chicago resulted in publication of The State of the Workforce Report for the Metropolitan Chicago Region in 2003 (<http://workforceboardsmetrochicago.com/article.asp>). Based on available data, the following industries were identified as critical to the region's economy: healthcare, transportation/warehousing/logistics, manufacturing, technology, finance and insurance, and hospitality and tourism. Subsequent to the 2003 study, the Workforce Boards determined that destination retail contributed to the region's tourism industry. These sectors have been the focus of regional activities and initiatives undertaken by the Workforce Boards.

³ 2000 U.S. Census data was used for employment by occupation and aged appropriately. Census data does not include Kendall, DeKalb, Grundy or Livingston counties. Due to the way data is reported to the U.S. Census Bureau, occupational data may not be unique to the assigned industry sector.

AGING OF WORKERS IN MAJOR OCCUPATIONS
Figure 3

	50+	Total Workers	% Workers 50+
Construction			
Carpenters	15,077	37,245	40.5%
Construction Laborers	8,637	27,205	31.7%
Electricians	9,531	20,785	45.8%
Pipefitters	5,840	13,460	43.4%
Education			
Elementary School Teachers	44,434	82,055	54.2%
Janitors and Cleaners	23,688	55,015	43.1%
Secondary School Teachers	14,588	26,530	55.0%
Teacher Assistants	11,187	23,150	48.3%
Finance and Insurance			
Insurance Agents	7,719	16,075	48.0%
Loan Officers	3,780	10,455	36.2%
Securities, Commodities, & Financial Services Agents	8,080	24,735	32.7%
Tellers	2,487	12,150	20.5%
Healthcare			
Registered Nurses	36,022	65,865	54.7%
Nursing Aides, Orderlies & Attendants	13,851	33,795	41.0%
Licensed Practical & Licensed Vocational Nurses	4,758	8,810	54.0%
Physicians	10,617	24,195	43.9%
Hospitality/Tourism			
Combined Food Preparation & Serving Workers, Including Fast Food	1,654	6,230	26.5%
Cooks, Restaurant	9,473	38,015	24.9%
Waiters & Waitresses	7,671	39,855	19.2%
Manufacturing			
Machinists	7,239	13,840	52.3%
Supervisors/Managers	21,245	40,765	52.1%
Team Assemblers	11,193	29,270	38.2%
Retail			
Cashiers	15,385	70,510	21.8%
Retail Sales Persons	29,014	96,580	30.0%
Stock Clerks & Order Fillers	9,898	37,460	26.4%
Technology			
Customer Service Representatives	24,340	71,360	34.1%
Sales Representatives	9,769	24,955	39.1%
Telecommunication Equipment Installers & Repairers	3,021	6,730	44.9%
Transportation/Warehousing/Logistics			
Laborers & Freight, Stock & Material Movers, Hand	17,529	55,870	31.4%
Sales Representatives	24,135	55,140	43.8%
Truck Drivers	36,422	84,040	43.3%

Source: 2000 U.S. Census

An analysis of the metropolitan Chicago labor force on a county basis provides some indication of those areas that may be most impacted by Baby Boomer retirements (Figure 4). For 2006, the Cook, DeKalb, Kankakee, and Livingston counties,

55 to 64 year workers exceed 13% of their total labor force. The counties experiencing the largest increase in their share of workers 55 to 64 years were Cook and Grundy counties.

EMPLOYMENT BASE BY COUNTY Figure 4						
County	2001 55-64	% 2001 Labor Force	2001 Total	2006 55-64	% 2006 Labor Force	2006 Total
Cook	275,591	10.3%	2,671,828	326,265	13.8%	2,577,305
DeKalb	3,575	10.9%	32,811	4,620	13.4%	34,462
DuPage	56,810	9.4%	604,435	73,505	12.1%	606,548
Grundy	1,404	9.6%	14,661	1,926	12.6%	15,220
Kane	18,974	9.6%	197,483	25,508	12.1%	210,031
Kankakee	4,535	10.4%	43,570	5,830	13.4%	43,442
Kendall	1,234	8.8%	13,962	1,985	10.6%	18,797
Lake	26,732	8.7%	306,221	36,421	11.6%	320,728
Livingston	1,858	11.0%	16,867	2,177	13.7%	15,893
McHenry	8,698	9.6%	90,916	12,043	12.0%	100,550
Will	14,647	9.8%	150,011	21,611	11.8%	183,251

Source: Illinois Department of Employment Security, Local Employment Dynamics Program, 3rd quarter data for 2001 and 2006

Preparing for the Inevitable

Many employers are facing the prospect of losing a disproportionate share of their experienced workers and not having an adequate supply of qualified workers to step into the jobs that will be vacated. Just as important, when these workers walk out the door, they will be taking a wealth of knowledge with them - both explicit knowledge that can easily be explained and documented as well as tacit knowledge that is much harder to capture because it includes experience, impressions, and creative solutions. Numerous studies report that while employers are well aware of their situation, little has been done to prepare for the inevitable. Efforts to manage both the number of individuals leaving the workplace as well as the loss of institutional knowledge have been minimal. Following are three recommended steps for preventing "brain drain".⁴

1. Identify vulnerabilities. By doing an age profile of workers by work unit or function, a company can determine the average age of employees and identify who is most likely to retire or leave the company for other reasons.
2. Identify types of knowledge at risk. Using interviewing and social networking analysis software will enable a company to identify knowledge that is most valuable and determine where to focus knowledge retention efforts.
3. Choose appropriate methods. If the focus is to transfer tacit knowledge or experience that is hard to document, mentoring programs or communities of practice that

bring older and younger workers together for extended periods are effective. If there is a need to document information quickly before key employees retire, creating databases and other repositories are most effective.

While initiatives aimed at retaining and transferring knowledge are excellent first steps, most technical skills are acquired and mastered over time. Many companies are recognizing that retaining older workers in either a reduced or contractual capacity is a viable solution for "buying" extra time for new workers to mature in their jobs. A number of studies have indicated that flexible work arrangements are one of the most effective strategies for retaining older workers. Flexible work arrangements might include:⁵

- Choices regarding the number of hours an employee can work (e.g., full time, reduced hours, job sharing, phased retirement) and when those hours are worked (e.g., flexible scheduling, compressed work week).
- Choices regarding places where the employee can work (telework or alternative work locations).
- Choices regarding job/task assignments (redesign of job based on worker's experiences, abilities and preferences).

A 2006 survey conducted by the Society of Human Resource Management reported that only 33% of HR professionals have charted their organization's demographic makeup and only 1% has determined future retirement rates.

⁴ Beating the Boomer Brain Drain Blues, www.cio.com, January 2005, pg.62.

⁵ One Size Doesn't Fit All, Issue Brief 05, The Center on Aging and Work, Boston College, March 2006, pg. 3.

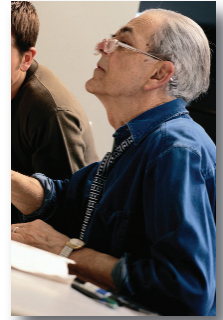
According to a Cornell Retirement and Well-Being Study, 79% of older workers (55 – 74) prefer to remain working but most of them do not want to work full time.

The Center on Aging and Work, Boston College, One Size Doesn't Fit All: Workforce Flexibility, Issue Brief 05, 3/06

Positioning for the Next Generation of Workers

With a shrinking labor pool, in the future businesses will be competing more than ever for skilled workers. The smartest businesses, those intending to recruit and retain a highly skilled workforce, are taking steps to understand what their future workforce will want and likely demand.

Generation Y, born between 1982 and 1993, will become the largest population group since the Baby Boomer generation to enter the workforce. Between 2005 and 2025, Generation Y as a percentage of the working population will increase from 12 to 23 percent in the United States.⁶ Companies who form partnerships with educational institutions to recruit Generation Y-ers before they complete their educational programs and offer internships during the summer months will be positioned to access their future workforce. Those companies that are successful in transforming their business culture and practices to accommodate Generation Y will have a competitive advantage (Figure 5).



HOW TO ATTRACT AND ENGAGE GENERATION Y
Figure 4

Gen-Y Needs/Wants	Implications for Employers
Long-term career development and multiple experiences within a single organization	<ul style="list-style-type: none"> ● Create personal development plans (PDPs) ● Align PDPs with organizational roles and goals ● Enable career mobility to allow individuals multiple experiences ● Chart clear and transparent career paths ● Invest in training and developing the workforce ● Ensure that the workplace is open to the application of skills developed ● Cultivate strong social networks
Sense of purpose and meaning in work	<ul style="list-style-type: none"> ● Enable individuals to find what is meaningful to them ● Create an organization that allows individuals to pursue these high-purpose goals in an effective and productive way ● Define and communicate visions around which people can rally ● Cultivate an environment of hope and possibility ● Help people focus on their strengths
Availability and access to mentors and other company champions	<ul style="list-style-type: none"> ● Offer formal and informal mentoring approaches that are aligned with strategic aims ● Engage Gen Y-ers during their education and early in their careers
Work/life flexibility	<ul style="list-style-type: none"> ● Encourage Gen Y-ers' input ● Offer work arrangements and benefit programs that align individual and organizational needs in flexible ways
Tech-savvy work environment	<ul style="list-style-type: none"> ● Employ online recruiting tools ● Offer multiple communication platform options ● Offer gaming simulations as a learning tool
Open social networks that embrace open/honest communications	<ul style="list-style-type: none"> ● Balance hierarchy and organizational agility ● Communicate corporate goals clearly and transparently (i.e., no corporate speak) ● Institute channels for employee feedback on corporate goals ● Design office space in a flexible way that reflects how Gen Y-ers work ● Develop social infrastructure to share ideas ● Reduce geographic barriers, develop channels to communicate globally in a seamless way

Source: Generational Talent Management, Strategies to Attract and Engage Generation Y in the U.S. Banking & Securities Industries, Deloitte, page 6

The Bottom Line

There is no one size fits all strategy to ensure that companies can continue to have the workforce necessary for them to remain competitive in our global economy. Companies need

to assess their current workforce and seek creative strategies to ensure that they can maintain the knowledge base of their workforce and attract new workers to their industry. One certainty is that given the maturing of the workforce, companies do need to acknowledge the changes and begin to plan for the future.

⁶ Managing the Talent Crisis in Global Manufacturing, Strategies to Attract and Retain Generation Y, Deloitte, 2007, page 8.