

Can Minnesota survive the baby-boomer retirement wave?



Instructor Tom Chapdelaine, 53, left, observes Stacie Peterson, 21, pipe welding in the training shop at St. Paul Pipefitter Local 455 in St. Paul on Thursday, Jan. 28, 2016. The baby boomer retirement wave will strongly affect Minnesota's work force. "I build demolition derby cars and learned welding at home. I enjoyed it so much that I pursued it," said Peterson. "I enjoy perfecting everything. The job outlook is great and I like learning hands-on." (Pioneer Press: Jean Pieri)

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The baby-boomer retirement wave has begun. And for millennials and Generation X-, Y- and Zers, and every other post-boomer micro-generation looking for work, that's a very good thing. [They will likely enter a labor market unseen since the 1990s](#) — perhaps even better.

But some Minnesota companies — particularly in industries where there are already few replacement workers to be found — aren't exactly breaking out the bubbly.

Minnesota's unemployment rate now sits at 3.5 percent, and is anticipated to drop even lower. But state officials and some industry analysts fear the tight labor pool has a less-than-silver lining: softening job growth as companies scramble to fill skilled positions with bodies that just aren't there.

“We’ve already started to see significant slowing,” said Steve Hine, research director for the state Department of Employment and Economic Development.

Some industries in particular — the skilled trades, accounting and finance, education — are already sounding alarms.

“It’s a huge crisis that’s unfolding in slow motion right before my eyes,” said Joe Coombs, a longtime trades recruiter for Express Employment who has visited 50 factories and manufacturers across the state.

“I’m hearing stories that they’re actually starting to offer jobs in accounting to sophomores,” said Steve Kenney, regional vice president in charge of Minnesota for Robert Half International, one of the largest staffing agencies in the country.

Nobody doubts that more immigrants will flood to Minnesota — as they increasingly have over the past decade. Whether they have the right skills is another story.

But aside from that, relief hinges largely on one big question: Will Minnesota’s baby boomers stick around? Or, like all the generations before them, will they retire as soon as they’re able?

Will They Stay? Will They Go?

Hine offers some historical context: From 1976 to 2001, Minnesota’s labor pool grew by about 40,000 workers — not jobs, workers — a year.

Over the past 15 years, that slowed significantly, to a quarter of what it was: 10,000 additional workers a year. The recession masked those losses: job growth in Minnesota from 2002 to 2012 was relatively dismal: 1 percent.

But now things are picking up — with Hine’s agency estimating 7 percent potential job growth for the next decade.

But as for workers to fill those jobs, DEED estimates that with the baby-boomer wave in full effect, growth will be cut to a quarter again by 2020, with only 2,094 people coming into the work force annually from 2020 to 2025.

Let’s back that up: 40,000 extra workers a year during the end of the 20th century, becoming 2,094 extra workers a year in 2020.

Things will pick up again after that, and by 2030, labor-pool growth will likely return to comfortable levels.

But in the interim, “It’s going to be a real game-changer in terms of availability of workers to staff companies or startups,” Hine said. “They’re going to operate in a much more competitive environment than we have had in 65 years.”

Estimates vary, of course.

The Metropolitan Council is more optimistic, saying it believes there will be enough people in the metro area to cover upcoming workforce demands.

That belief is based on a big assumption: that many baby boomers will continue to work into their retirement years.

For the decade of 2020 to 2030, for example, the Met Council predicts that 73,000 additional workers older than age 65 will remain in the workforce in the metro area, based on an economic model created by a Massachusetts-based contractor, Regional Economic Models Inc.

Other estimates, however, make that prediction look a little rosy. The state demographer, for instance, predicts only 50,000 additional older workers in that time period — for the entire state.

Hine said he believes that even the demographer's numbers — which do include a larger number of retirees continuing to work — are debatable.

“Everybody I talk to that's approaching retirement age is quite anxious to do so,” Hine said.

The model used by the Met Council — which it called “moderate and middle of the road” — was based on older people living longer, updated estimates of their finances, and the ongoing change in age required to receive full Social Security benefits.

But actual data accumulated so far isn't encouraging.

The baby-boomer generation began officially retiring in 2011, and so far, they haven't worked much longer than previous generations, according to state demographer data.

“We see a little increase, but not what people envision. It's just overwhelmingly the same type of labor force participation that we've seen before,” Minnesota state demographer Susan Brower said.

Destination Minnesota?

There is another assumption built into the Met Council's estimate: the belief that Minnesota's “foreign-born workforce” will increase significantly as well.

It's true that, while Minnesota has historically lost its native workers to the coasts, immigrants have been moving to Minnesota in ever-increasing numbers, particularly over the past decade.

Metropolitan Council officials have a strong belief that word of the metro area's job market will draw more people, not just internationally but from other states as well.

“We may see that again,” Hine said. “I think it's significant that Minneapolis and St. Paul are getting generally a lot of good press as a favorable place to locate.”

Still, with job markets improving all across the country as the boomers retire, won't that make Minnesota simply one destination of many?

"I don't think we have any comparison in our recent history to really tell how people will react," Brower said.

And as far as the skills immigrants bring with them — or the education they eventually receive — there are big differences, depending on the country they came from.

According to a state study conducted several years ago, only 15 percent of Hispanic immigrants and 17 percent of Hmong immigrants had a college degree, compared with 33 percent of white Minnesotans. Compare that with 88 percent of immigrants from India and 67 percent of those from China holding a college degree.

Met Council officials acknowledge that, even with the job pool they're predicting, it will be a challenge to take on that knowledge gap — the same gap that community and business leaders have been talking about for years.

Good Work, and You Can Probably Get It

But back to the good news.

For younger — and even older — workers, there's a lot of talk from the private sector about flexibility, benefits, job offers for college kids still enmeshed in classes.

And, in a few admittedly anecdotal cases, increased wages.

A [study released in November](#) by the Department of Employment and Economic Development on Minnesota's aging workforce showed that some industries will be particularly affected by the boomer retirement wave.

Those include education, transportation and warehousing, mining, utilities and public administration, all of which now have roughly 3 in 10 workers age 55 or older.

But the task of targeting those industries is a years-long effort.

"Oftentimes by the time we're focusing our efforts at the college level, it's too late," said Carrie Patton, president of the Twin Cities Human Resources Association. "We really need to be focusing on the high-school level."

Others point to the skilled trades, engineering and the financial sector as areas where there are already significant worker shortfalls in Minnesota.

"The ranks of accounting and finance areas I think are going to be dramatically impacted. There are a lot of kids going in, but not enough to replace the folks leaving," said Kenney, the regional vice president for Robert Half International.

Kenney said his daughter was offered an accounting job at a big firm as a junior in college. He has heard of instances where those jobs are now being offered to sophomores.

As for the trades, Coombs, the longtime trades recruiter for Express Employment who has visited 300 factories and manufacturers across the country, said jobs pertaining to the maintenance and repair of manufacturing machines are really hurting for applicants.

A lot of what happens in manufacturing is what Coombs calls “tribal knowledge.” When only one person in a shop knows how to run a machine and that person retires, the shop’s in real trouble.

“It’s a huge problem for us. Skilled machinists are hard to find,” said Sarah Ervin, owner of Vadnais Heights-based Heavy Equipment Repair Inc. “We’re small enough, 15 people, we have to hire people with some experience, and it’s so hard to train them. We just don’t see so many young people coming along; we’ve all just been aging through here.”

And when it comes to younger workers, Coombs says, “Hey, there’s a lot of jobs that aren’t fun to do: back-breaking jobs, work in a sheet metal shop grinding or bending metal. ... As those people leave the workforce, the Gen Xers and millennials don’t want those jobs; they don’t see the point.”

And if you’ve got your pick, why do it?

Coombs laughs a little at theories for retaining or hiring workers based on massaging satisfaction levels or offering flexibility.

His No. 1 solution? “Pay more money. You’re just going to have to pay people what they’re worth.”

Or more.

In some cases, Coombs has seen younger workers brought into shops with a bare minimum of knowledge being paid \$25 an hour for a \$17 an hour job.

“And they know they’re not worth that — the company’s told them. But by overpaying a millennial, that’s how you earn loyalty. You think — with the cost of college debt and buying a house these days — they want things other than money? That’s baloney.”

Stacie Peterson, 21, of Ellsworth, Wis., is working toward an apprenticeship in St. Paul. Recently, she went on a tour of seven shops.

“Every one we went to, they were handing out applications and asking people to work there,” Peterson said. “A lot of them, they were just taking people off the streets and training them in-house because they don’t have enough people. And the wages, they’re going up dollars at a time.”

Jim Johnson, who owns two Express Employment Professionals franchises in Eagan and Edina and is also president of the Minnesota Recruiting and Staffing Association, said, “Last year, we were able to fill for \$10 an hour. Now, if people call offering under \$12, we tell them we’re not sure we’ll be able to help them.”

And as for older workers, “The employee that’s been around 40 years isn’t just cavalierly tossed in the wastepaper basket the way they were 20 years ago,” Kenney said. “They’re making more part-time opportunities, or allowing them to go on contract for projects.

“Not only because it’s the right thing to do, and not because they have a lot of experience, but because they don’t have any choice.”

Boardroom Chatter

Still, there is a real question about how much companies are doing to get ready.

Two years ago, Robert Half [surveyed 2,100 chief financial officers](#) from a random sample of companies nationwide. They found that more than two-thirds — 69 percent of them — were either “not at all concerned” or “somewhat unconcerned” by the baby-boomer exodus.

In a statement about the study, Robert Half senior executive officer Paul McDonald said those companies “should prepare themselves.”

While bigger companies often feel they’ll be fine — that people will apply to them no matter what — “I hear from nonprofits, smaller organizations, and they’re saying they can’t hire. I think that’s where people are feeling it the most,” said Philomena Morrissey Satre, whose job is to recruit and retain diverse talent — including older workers — at Wells Fargo.

Johnson, the head of the state recruiting and staffing association, says companies are aware — but there’s not a lot of concerted talk about it.

“Most of that conversation turns to the millennials, how to deal with the millennials. People don’t talk about the baby boomers, it’s a known fact. You can have all the seminars you want; the boomers are still going to leave.”



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