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Snowbirds and Water Coolers: How Aging Populations Can Drive Economic Growth

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This article focuses on how private industry can make simple, yet effective changes to transform aging populations into important economic participants. Through three case studies—of BMW, CVS, and Tesco—this essay details how these businesses are gaining a competitive edge by integrating aging populations into their business models, both as customers and as productive employees. This essay argues that private industry can play a leading role for public policy changes that will enable aging populations to drive economic growth. With traditional retirement and pension systems operating at unsustainable models, it is imperative that the private sector lead the drive to find ways to keep our aging populations involved and active in economic life. Public policy, furthermore, should learn from private industry to create models of integration for aging populations.

Introduction

In May 2011, the United Nations issued a press release discussing estimated global population growth over the next century. It begins, "The current world population of close to 7 billion is projected to reach 10.1 billion in the next ninety years, reaching 9.3 billion by the middle of this century."[1] With a growth of almost 50 percent in just under one hundred years, the ostensible conclusion would be that fertility rates are rapidly increasing. However, as the UN report details, most countries in the world are not considered "high-fertility." In fact, China, Russia, Japan, Thailand,

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and all of Europe (except for Iceland) are "low-fertility." Therefore, high-fertility rates cannot be the cause of the incredible population increase over the next ninety years. What is causing this population explosion, instead, is the dramatic increases in human longevity. Thanks to remarkable advancements in medical technologies and biopharmaceutical research, and revolutionary developments in sanitation and healthier nutrition, the average lifespan today is three decades longer than it was just a century ago. While there is much to celebrate on a personal level, these dramatic increases in longevity raise some serious questions. Indeed, once we put this demographic trend into context with the lower birth rates in developed and emerging nations, we reach a stunning conclusion. For the first time in human history, the old are about to outnumber the young.

With a global population dominated by the aging, it is absolutely mandatory that we face the challenge of reconceiving how citizens over sixty participate in economic life—how they participate as workers, as consumers, and as recipients of government-sponsored support. This challenge is most imminent for G-20 nations, where aging populations benefit most from quality healthcare services. Take China, for example. In 1950, life expectancy was forty years old. Now, it's almost eighty. And within thirty-five years, it is estimated that 338 million Chinese people will be over the age of sixty-five, a number greater than the current U.S. population as a whole. Or take the European Union. By 2050, more than half of its population will be over fifty. Or consider the United States. Over the next twenty years, seventy-nine million American baby boomers, representing about a quarter of the U.S. population, will turn sixty-five. The consequences of this extraordinary demographic revolution are many, and it will require strategic and innovative policy changes to manage this new old world.

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The key question we must address is how we can keep aging populations contributing to economic growth. We must ask how we can reinvent the old model of aging—a model of dependency and disability—and transform it into a model of healthy, active economic contribution. And we must concentrate on finding the appropriate role of public policy to enable this profound shift. With such large portions of the population hitting "retirement age," it is absolutely mandatory that we create new policies and discover new ways to keep the elderly integrated into and active in economic life. Most immediately, we must discard traditional, antiquated notions of retirement—or, as Ken Dychtwald has put it, we must "retire retirement." We must redefine how the aging work, how they consume products and services, and how we can support those who really do need assistance. The reasons why are numerous. First, the economics of retirement, social security, and pension systems are unsustainable. These systems—for both governments and private companies—are based off of demographic ratios that no longer exist. They are rooted in the basic notion that the young pay in and the old take out. The logic is clear enough, but new demographic ratios of young-to-old make such systems unfeasible. In essence, it is a simple question of proportion. There need to be so many taxpayers to support the recipients of social welfare. But now there are fewer contributing revenues into the system, and there are more who will soon be taking out—both in quantity and in duration. In China, the national pension shortfall is almost $200 billion, and this is with only 30 percent of the population covered.[2] In the United States, it is not much better. According to Richard Jackson of the Center for Strategic and International Studies (CSIS): "To pay for the projected growth in entitlement spending [in the United States] from 2010 to 2040—8 percent of GDP, according to the Congressional Budget Office (CBO)—we would have to double total personal income tax collections. . . We could zero out all discretionary spending on everything from the national parks to national defense and still not balance the budget by 2040."[3] Similar scenarios exist for countries around the world. The picture in Brazil and Japan, for example, is especially problematic. So the question naturally becomes: what can be done?

This essay hopes to begin to answer that question by focusing on how the private sector has made simple, yet effective changes to keep aging populations as key economic participants. Three case studies on three companies—BMW, CVS, and Tesco—will show how these innovative businesses are gaining a competitive advantage by integrating the aging into the core of their business models. This integration is happening on two fronts—the aging are becoming critical employees, and the aging are becoming critical consumers. By positioning aging populations into critical roles on both sides of business, BMW, CVS, and Tesco are ensuring that their companies capitalize upon the growing demographic. By consequence, they are creating opportunities for the aging to remain active economic participants. Because it is no longer feasible to retire at fifty-five and move to south Florida, we must find ways to keep the aging participating in the economy. As the BMW, CVS, and Tesco case studies reveal, this can happen while benefitting all stakeholders—the company, the older consumer, the older employee, and society at-large. While these are inspiring stories and effective models for turning our century's aging population to an economic growth driver, we will also need changes from policy and governing institutions. From APEC and OECD, and from local to federal government, the lessons from private industry must be scaled to benefit broader society.

BMW: The 2017 Project

In 2007, after a review of its 18,000 workers in a production plant in Dingolfing, Lower Bavaria, BMW realized that it faced a serious challenge. By 2017, the average age of the plant's workforce was going to jump from thirty-nine to forty-seven. According to production manager Helmut Mauermann, the demographic changes were "no surprise . . . [because they are] part of the demographic development of the German country as a whole, or even Europe as a whole".[4] Because the car company had made commitments to its employees and to the communities in which it operated, it would have been difficult to execute the traditional methods of dealing with aging workers—firing them, forcing them into early retirement, or letting them work unproductively. Whether BMW's commitments stemmed from altruism or political or economic concern is irrelevant. The central point is that BMW faced a problem: it had an aging workforce that it must continue to employ. A previous study conducted by the car company offered some hope. According to their research, a worker's "*average* productivity score decreased with age, as expected, but the *variation* increased: Some workers remained fully productive, while others experienced a strong decline"[5] [emphasis in original]. From the study, BMW concluded that while age was inevitable, decline in production was not. The key, then, was discovering what factors determined rates of productivity. Once discovered, they could be controlled to keep older workers efficient and productive.

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To begin, BMW formed a research team that included a range of expertise, from senior managers and technical experts to physiotherapists and ergonomists. Then, it recruited a team of employees to form a production line that could pilot the project. In total, the team consisted of forty-two workers that reflected the plant's projected demographics for 2017. Once assembled, the research team began collecting data. According to Loch, et. al. in "How BMW Is Defusing the Demographic Time Bomb" in *Harvard Business Review*:

> [The research team] asked workers to describe their aches and pains and what they would change on the line . . . The team encouraged workers to write their ideas on cards and pin them on the board . . . Every worker received a "budget" of five points to allocate among the ideas—a simple process that yielded a prioritized action list for the project team . . . the workers took charge, and the project team focused on executing their ideas . . . [The workers] became increasingly proud of their involvement in the process.[6]

The ground-up approach, Loch contends, was instrumental in the "buy-in" among workers. And, after a short process, the team had a list of changes to make: softer wooden flooring, chairs for breaks, orthopedic footwear, adjustable worktables, etc. In all, it is reported that the changes totaled just €40,000, including both time invested and supplies purchased.

The results have been indisputable. The workers on "Line 2017" rave about the changes, and, after one year, productivity on the line increased 7 percent. According to the German newspaper, *Spiegel International*, the "assembly line runs at a faster pace than other lines, and, because the workers are older and more experienced, the error rate is close to zero."[7] In addition, "absenteeism related to sick leave, maternity leave, preventative health care, and rehabilitation stood at 7 percent during 2008—higher than elsewhere in the plant but typical for this mix of older workers. By June 2009, absenteeism had dropped to 2 percent—below the plant average".[8] And as *Harvard Business Review* blogger David Champion notes, " . . . this turnaround was not the result of some big expensive change but rather from the accumulation of lots of small, inexpensive changes."[9]

Though BMW is one of the country's largest and most powerful businesses, a number of other German companies can follow its lead. Siemens, Porsche, Lufthansa, Audi, and Volkswagen, for example, will each face the same demographic changes as BMW. How they respond to their aging workforce will determine their performance rates over the next few decades. Outside Germany, the future is similarly gray, and BMW's production changes set the bar for modifying workplaces for older workers. The 2017 Project was simple, economical, and efficient. Now, thanks to a few dozen small changes, BMW's oldest workers are now some of its most productive.

CVS: The Snowbirds

Like BMW, CVS has taken innovative steps to maximize production from older workers. Also like BMW, the changes at CVS have both made employees happier, and prepared the company's operating procedures for the demographics of the next few decades. Nonetheless, the CVS story is quite different than that of BMW. At CVS, for example, the physical exertion of its employees is not too much of a concern. In retail, as opposed to manufacturing, the majority of employee attention is on customer service, not physical output. Also, CVS manages over 6,000 retail outlets, and material changes to its stores could be prohibitively expensive. But CVS's innovation, like BMW's, is rooted in a new, optimistic vision of how older employees can fit into their corporate culture. With new initiatives and programs to attract and retain older workers, to reward them for their life experiences, and to accommodate their needs and lifestyles, CVS has more than doubled the number of employees over fifty in the past year.[10] And their method has been simple: reward older employees for their experience; put them in positions to mentor younger employees and to help older customers; create flexible work programs to accommodate the kinds of lifestyles they want to lead.

In "It's Time to Retire Retirement," Ken Dychtwald argues that CVS has created a company and a corporate culture that is "welcoming to older employees."[11] Working with the National Council of Aging to specifically recruit employees from the senior set, CVS has made a few critical corporate policy changes to accommodate the needs and desires of older workers. First, it has "no mandatory retirement age, making it easy to join the company at an advanced age and stay indefinitely." Second, it produces "newsletters [that] highlight the productivity and effectiveness of older workers." Third, the company gives out special pins for workers with fifty-plus years of experience—even if part of that experience was gained at a different pharmacy. In sum, Dychtwald argues, these small, low-cost changes critically change the environment for older employees. In addition, CVS also offers a "Snowbird Program" that allows employees to split time between two different CVS locations. Most commonly, older workers join the Snowbird Program so they can spend their summers in the north and their winters in the south. The Program also offers schedules of less than forty hours, so its employees will be more energetic and productive while they are at work. The Snowbird Program, CVS has said, enables older employees to enjoy the flexibility of retired life, while still earning a salary and still enjoying the challenges of work. But for CVS, like BMW, these "age-friendly" accommodations are not humanitarian alone. According to CVS's David Casey, VP, Workforce Initiatives and Diversity Officer, CVS "want[s] to make sure [they] have a work force that reflects what's going on in the broader population, and the mature-worker talent pool is definitely a part of that . . . It's not just a feel-good . . . It ties very much into [the] business model."[12] CVS believes that older customers appreciate seeing older workers, because of their experience, knowledge, and ability to identify with their needs. According to Steve Wing, CVS's Director of Government Programs, "A lot of time customers will go to older employees to ask for recommendations for over-the-counter medication because they probably have the same aches and pains . . . If we don't learn how to recruit and retain older people, we won't have a business."[13] Joe Mullich of *The Wall Street Journal* has remarked that CVS has become the "corporate benchmark" for employing aging workers.[14] And the policy formula, it seems, is quite simple: small, cost-effective changes that attract, accommodate, and appreciate older workers who can then raise levels of customer satisfaction.

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It is becoming clear that more and more individuals will not leave the workforce when they reach "traditional retirement age." While some will continue to work because they enjoy it, many others will postpone retirement for financial reasons. In fact, according to the Employee Benefit Research Institute's 2011 Retirement Confidence Survey, 56 percent of respondents said that, excluding the value of their primary residence and any defined benefit plan, they had less than $25,000 saved for retirement, with a full 29 percent claiming to have less than $1,000.[15] Programs like those at BMW and CVS demonstrate how policies can be proactive and get out in front of the changing workplace realties to harness the marketplace power of older individuals. These programs show that, in the future, policies put in place by governments and private industry must recognize two issues. First, older workers can change the workplace for the better and create long-term value. Second, many workers will not be able to retire as early as previous generations. Given our already stressed national entitlement programs, it is time for policy to follow the lead of private industry.

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Tesco: Pensioner-Friendly Shopping

Though BMW and CVS differ in how they are working to capitalize upon aging populations, they do share one important similarity: each company is focused on aging as it applies to their workforce. Each company is finding new ways to keep older workers happy, healthy, and productive. Addressing aging populations and economic activity from the reverse angle is Tesco, the British-based supermarket chain. In recent years, Tesco has been focusing on aging populations as consumers. Though the supermarket chain, which is the largest private sector employer in all of Britain, has over 55,000 employees over the age of fifty, some of the company's most notable innovations relate to how they are remodeling their stores for elderly shoppers. In Britain, the aging population is skyrocketing, and the aging represent one of the key demographic sectors for retail success in the coming decades. According to David Sinclair of the UK's International Longevity Center, in 2008, the over-sixty-five population spent £97 billion. This demographic accounts for 20 percent of the total U.K. consumer population, and, over the next thirty years, it's projected to grow to as much as 40 percent. While it may seem obvious that certain accommodations need to be made to attract the over-sixty-five crowd, Sinclair points out that many retail chains are not taking note. He identifies Interflora, Britain's largest flower delivery business, as one such company. According to Sinclair, a report ran in *The Telegraph* in September 2010 accusing Interflora of "ageism" as it sold "Happy Birthday" balloons with an age range that only went up to sixty. Whether Interflora's products reflect ageist or discriminatory business practices is beside the point. In looking at Interflora from an economic perspective, the balloon line is missing 20 percent of potential consumers. In addition, it is important to bear in mind that the older populations often buy and receive consumer goods as gifts, so the 20 percent figure may even be too low.[16]

In response to this massive and under-served demographic, Tesco teamed up with researchers to design and build Britain's first "pensioner-friendly" supermarket in Newcastle-upon-Tyne, England. The market will be located in the Campus for Ageing and Vitality, a state-of-the-art development that will bring together age-focused academics, businesses, retail, and healthcare. Developed by The Institute for Ageing and Health at Newcastle University, and funded by the NHS Foundation Trust, the Campus positions Newcastle-upon-Tyne at the cutting-edge of age-friendly cities, a policy approach championed by the World Health Organization. The "pensioner-friendly" Tesco, currently under development, is built upon research that focuses on what accommodations could make elderly shoppers more comfortable. After a series of interviews with local seniors who frequent the supermarket chain, Tesco and the university researchers selected a group of shoppers to travel down to Germany, where one age-friendly supermarket was already in operation. The German market, Kaiser, had remodeled one of its smaller stores to cater to the physical needs of the elderly. The store features wider aisles, so seniors can take their time examining products; lighter shopping carts with seats, locking wheels, and magnifying glasses; larger signage; anti-slip floors; and a senior section that provides couches, a taxi service, television, and a water cooler. Professor Jim Edwardson, founder of Newcastle University's Institute for Ageing and Health, said that senior response to the German store was positive. According to Edwardson, "Almost everything about supermarket shopping in the UK is wrong for elderly customers, from shelving that is too high to reach or too low to get to."[17] The new Tesco underway in Newcastle will be located next to the Institute for Ageing and Health, and it will cover 60,000 square feet. If all goes according to plan, the market will 'revolutionize the way silver shoppers buy their groceries.'"[18] And in a country with more pensioners than children under the age of sixteen, Tesco will be staking a competitive advantage over those who are failing to find ways to keep aging populations as active economic participants.

These kinds of accommodations, like the ones Tesco are making to enhance the shopping experiences of older individuals, reveal a larger, more significant issue. In order for aging populations to remain active and productive members of their communities, the communities themselves will have to adjust. We need to think more broadly about how communities and businesses can adjust to better serve the needs of aging populations. One example is the recent launch of the World Health Organization's Age-Friendly Cities program. The program encourages suburban areas to enhance the quality of life for older individuals through "age friendly" city planning and public services. Like Tesco, the program is designed to extend the length of time in which the aging are able to participate in their communities. The WHO program remains in its early stages, and more cities must be encouraged to both understand and enact changes that will provide long-term benefits for their aging populations. Programs like Tesco's and the WHO's must be the beginning of a broader discussion of what both governments and private industry can do to harness the potential of the eminent global demographic revolution.

Conclusion

It would be reductive and simplistic to argue that the challenges brought by aging populations can be solved by softer floors, fifty-year pins, and shopping carts with magnifying glasses. But each of these examples argues a larger point: traditional models of aging—those based on disability and dependency—need to be replaced. They need to be replaced by innovative thinking that reimagines seniors as an active, healthy, integral part of the economy. It will be the families, businesses, and nations that integrate aging populations into economic life that will thrive in the twenty-first century. So while governments from Washington to Brussels to Beijing deliberate policies that address aging issues, the private sector is leading with simple, yet highly effective modifications that transform the economic lives of aging populations. Some businesses that are transforming aging populations into critical drivers of economic growth and prosperity, and, as the examples of BMW, CVS, and Tesco should suggest, innovative and creative solutions at the business firm level can transform a supposed problem into a competitive advantage and hopeful driver of opportunity.

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Notes

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