



As America Ages

An Initiative of the A. Alfred Taubman Center for Public Policy and American Institutions at Brown University



Opportunities and Implications of the Aging Population on the Private Sector

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February 19, 2009





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The mission of the As America Ages Initiative is to foster cross-sector collaboration to address the challenges and opportunities created by an aging society. To this end, the Initiative strives to:

- accurately describe how an aging population affects America
- produce analysis and research that informs policymaking towards aging
- inspire the next generation of thought leaders to find creative solutions and opportunities for an aging America



INTRODUCTION

There are 78 million baby boomers in the United States, with the first boomers approaching retirement age next year. According to the U.S. Census Bureau, by 2035 more than 70 million Americans will be age 65 or older. This paper examines the private sector opportunities that are created by the aging population, namely in the areas of health, lifestyle, housing, relationships and eldercare. This paper also highlights the implications of such a demographic change, and discusses the respective solutions.

OPPORTUNITIES

Provide health solutions

Health declines with age. About half of Americans age 65 and older have hypertension, and 40% have arthritis.¹ In a 2001 poll, 57% of boomers said they were concerned about getting cancer and 54% were worried about having a heart attack.² Fear is pushing boomers to seek solutions to age well and avoid the many chronic health problems associated with old age. These solutions sought by boomers extend beyond the medical realm to include entertainment, fitness, beauty and spiritual well-being, presenting many different spaces for businesses to invest in.

Support the shift in lifestyle

As boomers age, they increasingly move from full-time work and raising families to spending more time doing what they love. This lifestyle shift includes a greater focus on traveling, renewed interests in hobbies, increased sexuality and affinity for individual fashion. For example, spending on hotels and airlines are above average for those aged above 50,³ and studies show that nearly half of Americans age 60 or older have sex at least once a month and want it more often.⁴ These lifestyle trends will be more pronounced as the boomers enter retirement. Such changes in lifestyle are fueling new market opportunities.

Satisfy the housing demand

Boomers love purchasing homes. As a group, boomers own nearly half of all the homes in America. And the demand is still growing. The 50-plus population is the fastest growing segment of the housing market.⁵ Several trends are affecting the housing decision of boomers, including the need for community, the desire

for “smart homes” and the purchase of second homes. These trends present opportunities for private sector solutions.

Promote strong relationships

Studies show that adults age 65 and above who have strong relationships with family or friends experience better self-esteem, less depression, and better life satisfaction.⁶ As boomers age, they are increasingly bothered by loneliness, and desire to connect and reconnect with family and friends. This problem is especially acute because the number of single-person households is projected to increase by 42% within the next decade among those between ages 45 and 64, as the boomers move into middle age.⁷ Herein lays great opportunities for new businesses to help boomers combat loneliness.

Improve eldercare

MetLife’s Mature Market Institute projects that 40% of people aged 65 and above will require long-term care at some point in their lives.⁸ Such long-term care can vary from self-care to in-home care by adult children to community-based eldercare services. With increased longevity, long-term care will be extended. Opportunities for the private sector lie in the invention of new products and services, such as assistive devices, durable medical supplies and caregiver training, that improve long-term care options and assist people who provide eldercare.

IMPLICATIONS AND SOLUTIONS

Companies may experience a drop in productivity

As an older worker ages, he may experience health problems and lose the strength needed to perform physically demanding jobs. He may also lack up-to-date skills because of technological advancements or lack motivation because of limited future career progression. These factors contribute to an older worker’s drop in productivity.⁹ To avoid such a drop in productivity, companies should invest in training and health care management for older workers as well as provide performance incentives.



Companies may have reduced capacity

With an aging workforce, companies will experience greater rates of retirement. Because retired workers take critical knowledge and skills with them, mass retirement, coupled with a shortage of young workers due to declining birth rates, may hamper a company's ability to make a product or provide a service.¹⁰ To combat a fall in capacity, a company needs to adopt approaches such as productivity improvements and outsourcing to reduce the need for new workers. Also, job transfers and cross-training can be used to solve temporary labor shortages.

There will be an unprecedented shortage of skills and talent

While companies can employ strategies against reduced productivity and capacity, the incontrovertible effect of massive boomer generation retirement and young worker deficit is an unprecedented shortage of skills and talents.¹¹ To stop this brain drain, companies will need to optimize the services of mature workers. Companies will have to rethink their workforce strategies and transform their management and human resources practices to attract, engage and retain mature workers. New strategies may include implementing flexible retirement and reforming pension and benefit laws so that mature workers will choose to stay employed.

CONCLUSION

The aging population creates many opportunities and implications for the private sector. The areas of health, lifestyle, housing, relationships and eldercare present many new market opportunities for companies to tap into. At the same time, companies may be negatively impacted by reduced capacity and productivity, and labor shortages. Companies that will thrive are the ones who build businesses around the opportunities while successfully mitigating the negative implications of the aging population.

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