

# MASSACHUSETTS BENCHMARKS

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by Andrew Sum

The Aging of the Massachusetts

# workforce



ILLUSTRATION: NAOMI SHEA

The size and composition of the Massachusetts labor force have already become increasingly urgent issues, as workforce shortages have threatened the state's economic expansion. In the first seven years of this decade, the size of the resident civilian labor force grew by just one percent. This was well below the national rate for the same period and far below the state's rate for the previous two decades.<sup>1</sup>

Between now and the year 2010, moreover, the age distribution of the state's labor force will be substantially altered by powerful demographic forces — notably, the aging of the postwar baby boom generation. In 1990, only 28 percent of the state's labor force fell into the 45- to 69-year-old age bracket; by 2010, we project that roughly four out of every 10 members of the Commonwealth's labor force will be considered "older workers".<sup>2</sup>

There are economic benefits and drawbacks with an older workforce, as we will see; this shift will also pose challenges to employers and to the state's public-policy makers.

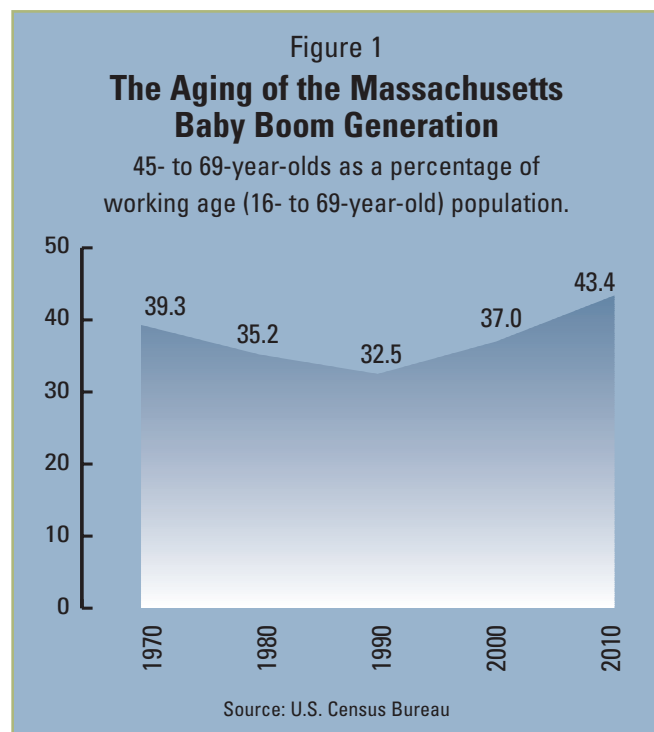
#### TRENDS IN THE STATE'S OLDER POPULATION

Between 1970 and 1990, the number of state residents 45 to 69 years old declined by 25,000, or nearly two percent.<sup>3</sup> This reflected the entry of the smaller 1930s birth cohort into the older population, as well as the out-migration of younger residents.<sup>4</sup> Since 1990, the older population has been growing, as members of the baby boom generation enter the ranks of those 45 and older. During the first half of the 1990s, the number of 45- to 69-year-olds in Massachusetts is estimated to have increased by 66,000, or five percent.

The U.S. Census Bureau recently projected that the state's population of 45- to 69-year-olds will increase at an accelerated pace over the next several years, rising by 26 percent during the first decade of the new century. If the projections are right, this older population will increase by 534,000 people to 37 percent above its 1995 levels. All of the net increase in the state's working-age population will occur in this age group. The share of the state's working-age population accounted for by this population will rise from 32.5 percent in 1990 to an all-time high of 43.4 percent by the year 2010 (Figure 1).<sup>5</sup>

#### LABOR FORCE PARTICIPATION TRENDS FOR THE OLDER WORKER POPULATION SINCE 1990

In recent years (1995–97), a higher percentage of the state's older population has been drawn into the labor



force, reversing a trend in the early 1990s, as the economic expansion has created very tight labor markets and more abundant job opportunities. Their stronger degree of attachment to the labor market contributed to an increase in the state's overall rate of labor force participation and boosted the growth of the resident labor force. Despite increases in their attachment, the 1997 labor force participation rates of the state's older worker population were below those at the time of the 1990 Census (Figure 2).<sup>6</sup> Labor force participation of older men and women in Massachusetts is above average, relative to the nation as a whole, but some states far surpass us on this measure.

A more detailed analysis of data by gender reveals that older men's 1997 participation rates remained 3 to 5 percentage points below those in 1990, while the participation rates of older women under age 65 had surpassed 1990 numbers. In fact, the 80.1 percent participation rate of women 45 to 54 years of age and the 56.8 percent rate of those 55 to 64 in 1997 were historical highs for the state.<sup>7</sup>

**Participation behavior and education.** The labor force participation of older men and women has become even more strongly associated with their educational attainment. Among males 45 to 69, the participation rates of high school dropouts and high school graduates with no post-secondary schooling declined sharply between 1990 and 1996, while that of men with at least some college remained constant (Figure 3).<sup>8</sup>



During 1996, the labor force participation rates of older men varied from a low of 48 percent for those lacking a high school diploma or GED certificate to a high of 85 percent for those completing four or more years of college. The depressed labor force participation rates of older males with no post-secondary schooling represent a continuation of trends since the early 1970s. Many of those men who withdraw from the labor market before age 62 experience severe income problems, supporting themselves and their families through public assistance programs, including Social Security Disability Income (SSDI) and Supplemental Security Income for the Disabled (SSI).<sup>9</sup> Their early retirements have reduced the size of the state's resident labor force, lowered our potential output capacity, raised the cost of cash and in-kind transfers, and reduced tax receipts.

The labor force participation rates of older women with 12 or fewer years of school declined between 1990 and 1996, while women with some post-secondary schooling showed gains in participation. Labor force participation among older women was even more strongly associated

**In recent years, a higher percentage of the state's older population has been drawn into the labor force, reversing a trend in the early 1990s.**

with formal schooling than was participation among men, with 1996 rates ranging from 34 percent for those without high school diplomas to 75 percent for those completing some post-secondary schooling. Formal schooling plays a strong role in influencing the expected market wage for older women, which in turn (all things being equal) increases the likelihood that they will be active participants in the paid labor force.

**OLDER WORKERS AND THE PROJECTED STATE LABOR FORCE IN THE YEAR 2005**

Combining projections of future population and labor participation by age, it is projected that the state's overall labor force will increase by just under 200,000, or 6.1 percent, between 1995 and 2005 (Figure 4).<sup>10</sup> This rate of growth would be only about half as high as that projected for the United States over the same time period, but would represent a substantial improvement over our labor force growth performance in the 1990s.

The projected number of older workers in the state's labor force reflects an increase of 308,000 (33 percent) to 1.25 million by 2005. Very strong growth (45 percent) would occur in the number of 55- to 64-year-olds in the state's resident labor force over this period. If these projections come to pass, all of the net change in the state's labor force between 1995 and 2005 would take place among persons aged 45 to 69. This dramatic shift in age distribution would increase the older population's share of the labor force from 28 percent in 1990 to nearly

Figure 2

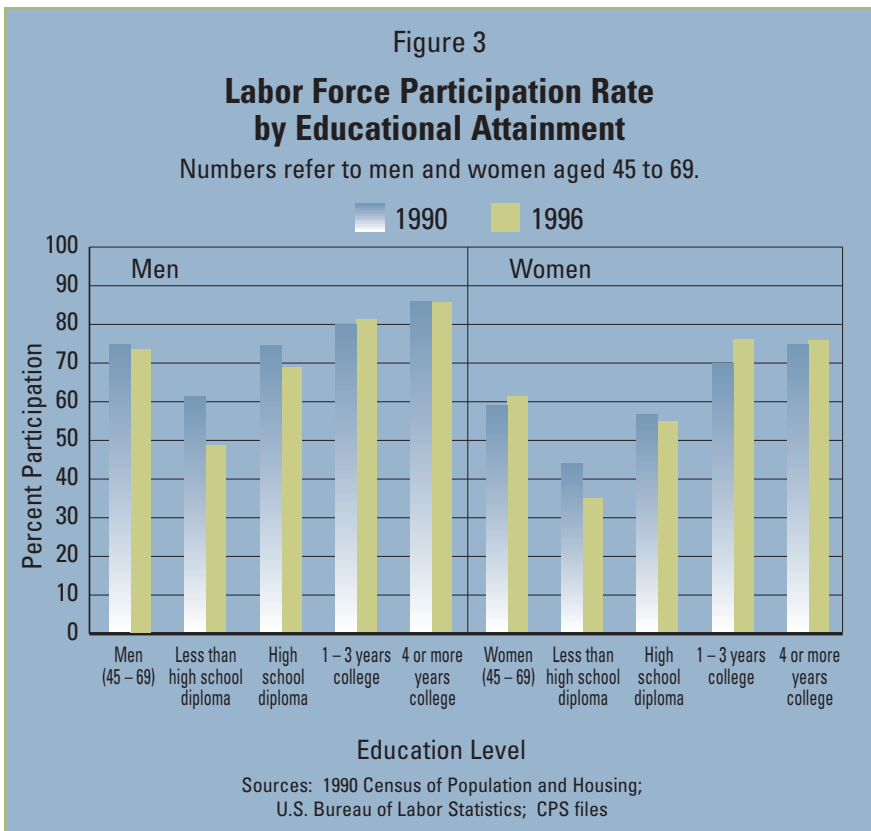
**Labor Force Participation by Gender and Selected Ages**

Overall participation is down since 1990.

Gender/ Age Group	1990 Participation Rate	1997 Participation Rate	Percentage Point Change 1990 - 97
<b>Men and Women</b>			
45 - 54	85.4	84.7	-0.7
55 - 64	63.6	62.6	-1.0
65 +	14.9	13.0	-1.9
<b>Men</b>			
45 - 54	92.4	89.4	-3.0
55 - 64	74.5	69.1	-5.4
65 +	21.2	16.8	-4.4
<b>Women</b>			
45 - 54	78.8	80.1	1.3
55 - 64	53.9	56.8	2.9
65 +	10.8	10.0	-0.8

Sources: U.S. Census Bureau; U.S. Bureau of Labor Statistics; author's calculations





and families, but it may pose a number of problems and challenges for employers and human resource development agencies as well.

The aging of the workforce will help the state achieve and maintain low rates of unemployment. The unemployment rates of workers in the United States and Massachusetts tend to diminish uniformly through age 65 and are relatively low for workers 45 to 64. For example, during 1996, annual average unemployment rates in Massachusetts ranged from highs of 13.8 percent for teenagers and 6.4 percent for those 20 to 24 to lows of 3.5 percent and 2.7 percent, respectively, for those 45 to 54 and 55 to 64 years of age. In part, this is due to the greater job security that comes with seniority, as well as less inclination on the part of older workers to “churn” in the labor force.

When older workers do lose their jobs, they experience more difficulty regaining employment. Many of them end up withdrawing from active labor force participation well before age 65.<sup>11</sup> As older workers continue to increase

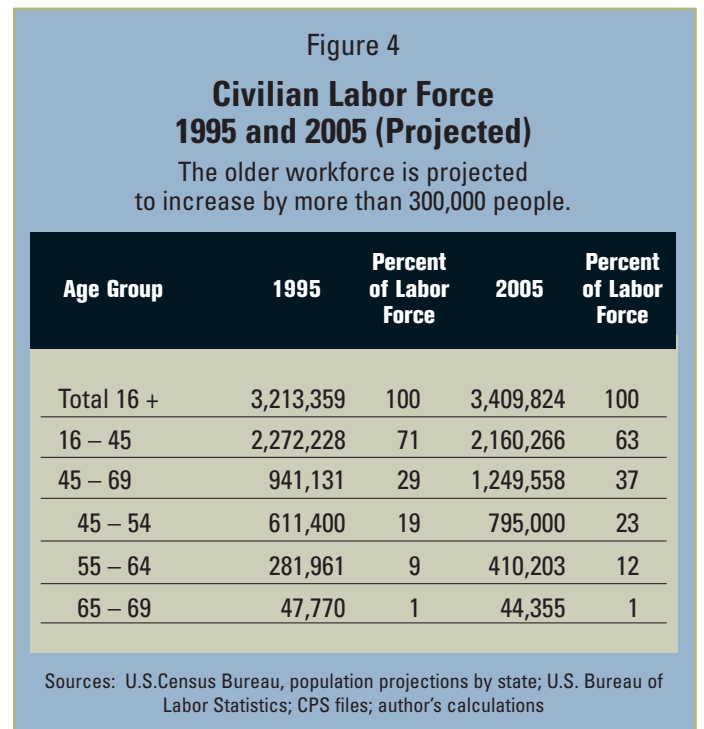
37 percent in the year 2005, and we project a further rise in that share to 39 percent by the year 2010. The median age of the state’s labor force will rise from slightly under age 36 in 1990 to slightly over age 40 in 2005.

**THE SHIFTING DEMOGRAPHIC COMPOSITION OF THE STATE’S OLDER-WORKER POPULATION**

While the state’s 45- to 69-year-old population will rise at an extraordinarily high rate over the next decade, the educational and demographic backgrounds of this population also will change. Younger members of the Commonwealth’s labor force are better educated than their older counterparts. In 1996, only 8 percent of the state’s 35- to 44-year-olds (soon to become “older workers”) lacked a high school diploma or GED, while 23 percent of residents 60 to 69 did so. Sixty-two percent of the state’s 35- to 44-year-olds had completed some post-secondary schooling, and 36 percent held bachelor’s or more advanced degrees, versus 22 percent of 60- to 69-year-olds. In fact, the share of the state’s 35- to 44-year-olds who held bachelor’s degrees in 1996 was the second highest in the nation. The stronger educational backgrounds of these entrants into the older worker population should boost labor force attachment and increase the size of the state’s labor force.

**IMPLICATIONS FOR THE STATE’S FUTURE LABOR FORCE AND WORKFORCE DEVELOPMENT POLICY**

The aging workforce is likely to generate a number of potential benefits for the state’s labor markets, workers,



their share of the state’s workforce, they will account for a growing share of the pool of dislocated workers. Effective job placement and retraining strategies will need to be in place to assist them in remaining active in the labor market.

As workers age and gain both general and specific work experience, their real wages and earnings tend to rise, although at a diminishing rate. The peak earning

years, however, do vary by educational attainment and occupation, with many college-educated workers not reaching a peak until their mid- to late-fifties. An older, more experienced workforce should, thus, be characterized by higher real earnings but will impose higher wage and employee benefit costs (especially health insurance and pension coverage) on the state's employers.

These higher costs will reduce the economic competitiveness of the state, unless they are offset by higher labor productivity. Unfortunately, employers' training investments in their workers tend to diminish with age.<sup>12</sup> Improvements in labor productivity will require greater training and education investments, both on and off the job, in the state's older worker population. Newly enacted state legislation designed to train incumbent workers, partly financed with federal and state workforce-development money, can play a role in this process.<sup>13</sup>

Demographic changes, particularly the shifting age of the Massachusetts population, will continue to change the face of the Commonwealth's workforce. Coupling this age dynamic with slow overall population growth and a strong economy has the potential to reverse a long-held trend that favored younger workers and enjoyed the luxury of being able to acquire them. This will influence many things in many ways. Among the most salient of these may be its effect on the bottom line: the cost of doing business in the modern world.



*Many of the research findings presented in this article are based on a series of background reports prepared for The Commonwealth of Massachusetts Blue Ribbon Commission on Older Workers (see endnotes). Copies of these papers can be obtained from either the Center for Labor Market Studies of Northeastern University or the Gerontology Institute of the University of Massachusetts Boston.*

*The views expressed in this article are those of the author alone and do not necessarily reflect the views of the Commission on Older Workers.*

1. For a more comprehensive review of labor force development in Massachusetts during the 1990s, See: Neal W. Fogg and Andrew Sum, *Population and Labor Force Developments in Massachusetts in the 1990s: Implications for the Labor Market and State Workforce Development Policy*, report prepared for MassINC, Boston, 1998.

2. The concept of an "older worker" has been defined in different ways in recent years. National employment and training legislation has defined the older worker population as those 55 and older. In this paper, we use the 45- to 69-year-old group as representative of the older worker population, a definition employed by the Commonwealth of Massachusetts Blue Ribbon Commission on Older Workers.

3. Population developments among the older worker population of the state since 1970 are reviewed in the following paper: Andrew Sum and Paul Suozzo, with Sheila Palma, *Recent and Projected Trends in the Older Worker Population of Massachusetts: A Demographic Assessment*, prepared for the Commonwealth of Massachusetts Blue Ribbon Commission on

Older Workers, Boston, 1997.

4. For an overview of birth developments during the Depression decade of the 1930s, See: Steven Mintz and Susan Kellogg, *Domestic Revolutions: A Social History of American Life*, Free Press, New York, 1988.

5. We have used age 69 as the upper age limit for the older worker population. While persons 70 and older do participate in the labor force, their overall participation rates are very low, accounting for only slightly more than 1 percent of the state and national civilian labor forces. See: U.S. Bureau of Labor Statistics, *Employment and Earnings*, January 1998, Table A-13.

6. A more detailed review of the changing labor force behavior and employment problems of the state's older workers appears in Andrew Sum, Neal Fogg, Paul Suozzo with Sheila Palma, *The Labor Force Behavior of the Massachusetts Older Worker Population in the Current Labor Market Boom: Implications for Future Workforce Development Policy*, paper prepared for the Commonwealth of Massachusetts Blue Ribbon Commission on Older Workers, Boston, August 1998.

7. While Massachusetts women aged 45 to 64 do participate in the civilian labor force at a rate above the U.S. average, Massachusetts women do not appear in the top ten states on this measure of labor market activity. During 1996, the participation rates of Massachusetts women aged 45 to 54 and 55 to 64 were only 22nd and 20th highest among the 50 states.

8. Findings of the author's multivariate statistical analyses of the labor force participation decision for older men and women in Massachusetts have revealed that formal schooling plays a significantly greater role in the 1990s than it did in the 1970s or 1980s.

9. See: Andrew Sum, Neal Fogg, and Steven Rubb with Sheila Palma, *The Declining Labor Force Attachment of Older Males in Massachusetts and the U.S.: Implications for Poverty/Near Poverty Problems, the Income Transfer System, and Future Workforce Development Policy*, prepared for the Commonwealth of Massachusetts Blue Ribbon Commission on Older Workers, Boston, December 1997.

10. Our 1995 estimated civilian labor force is about 45,000 higher than the official CPS estimate for this year. The higher estimated size of the civilian labor force is due to higher levels of the working-age population for Massachusetts under the U.S. Census Bureau population estimates for 1995. To maintain consistency in the underlying population concepts and measures between 1995 and 2005, we used the 1995 data from the U.S. Census Bureau population projections, rather than the age break-outs from the 1995 CPS surveys.

11. For evidence on the re-employment experiences of older dislocated workers in New England and the United States, See: (i) Andrew Sum, David Terkla, and Paul Suozzo with Sheila Palma, *The Older Worker Population of Massachusetts and Its Labor Force Behavior and Labor Market Problems in the 1990s*, Boston, 1998; (ii) Andrew Sum and Neal Fogg, "Labor Market Turbulence and the Older Worker" in *Turbulence in the American Workplace* (Peter B. Doeringer, editor), Oxford University Press, New York, 1991, pp. 64-101.

12. See: (i) U.S. Bureau of Labor Statistics, *January 1991 CPS Survey, Job Training Supplement*, tabulations by Center for Labor Market Studies; (ii) *Turbulence in the American Workplace* (Peter B. Doeringer, editor), Oxford University Press, New York, 1991.

13. The incumbent worker training bill was passed by the Massachusetts legislature as part of H.5709: *An Act Reducing Income Taxes and Unemployment Insurance Rates and Providing for Work Force Training*, Boston, 1998.