




The Emerging Older Population (55+) and the Labor Force in New England

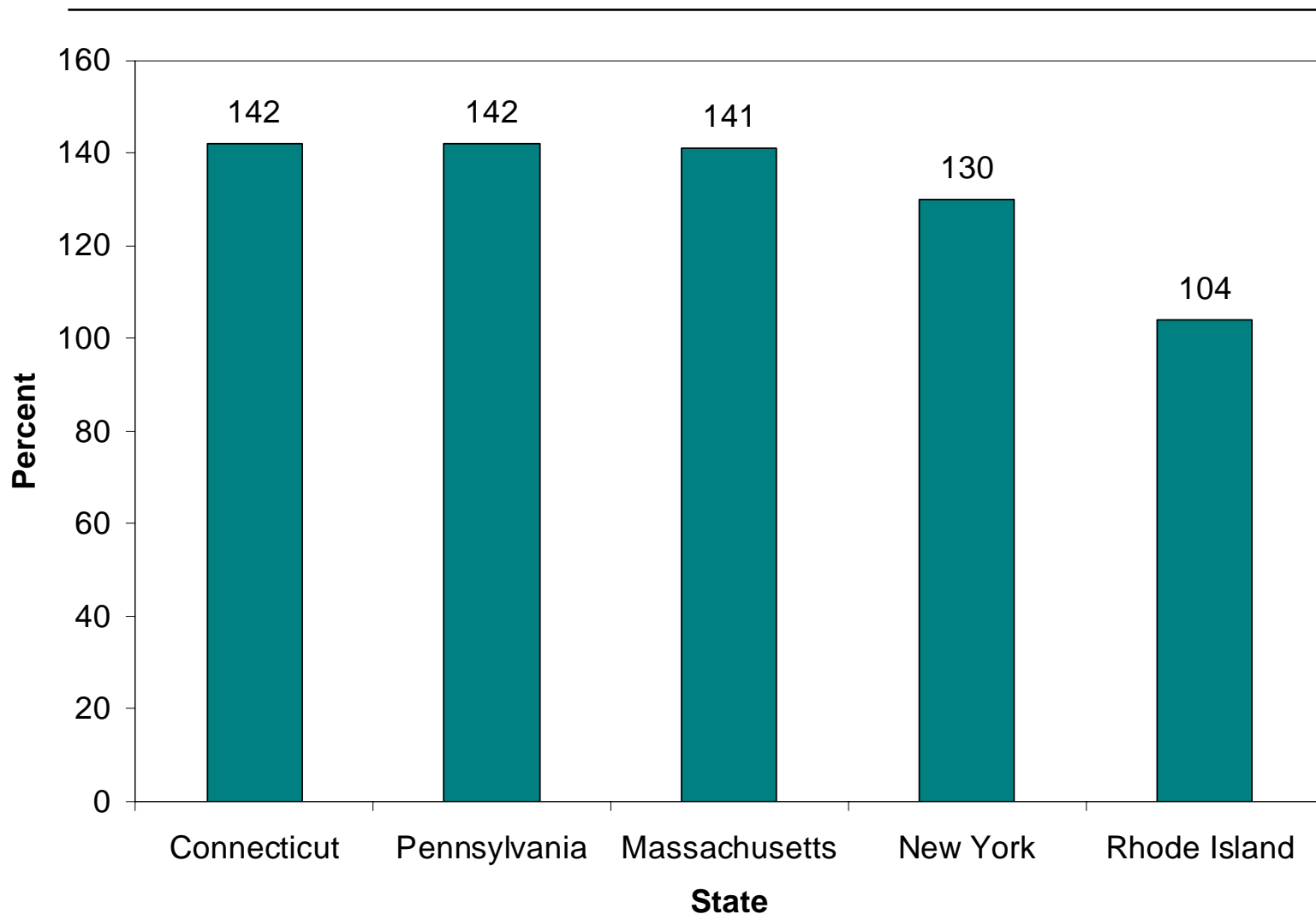
1. The aging of the baby boomers is having and will continue to have an even more dramatic impact on the growth of the working-age population and the labor force in New England than in many other regions across the nation
 - Over the 2006-2014 period, all of the net increase in the working-age population of the southern New England states (Connecticut, Massachusetts, Rhode Island) will come from those 55 and older;
 - Over the same time period (2006-2014) the U.S. Bureau of Labor Statistics projects that the labor force participation rates of those adults 55-64 and 65+ will continue to rise (while those of teens and young adults decline). As a consequence of their above average population growth rates and their projected increased participation rates, older persons 55+ in most of New England will generate all of the net growth in the resident labor force of our region.




Connecticut: 2006-2014, the total Civilian Labor Force (CLF) will rise by 69,000 or 3.7% under our projections scenario two while the number of persons 55 and older in the state's resident labor force is projected to rise by over 98,000, accounting for all of the net increase in the state's civilian labor force. The number of CLF participants under 55 will decline by nearly 30,000 with sharp declines in the number of teens and 35-44 year olds (the baby bust generation)

In Massachusetts between 2005 and 2015, all of the projected growth in the state's working-age population would take place among the 55 and older population (320,000 vs. 244,000 for the entire working-age population of the state over the same time period). Given the projected increases in their labor force participation rates over the 2005-2014 period, all of the net growth in the state's resident labor force would be attributable to 55+ year olds: 217,000 more 55+ year olds versus 154,000 persons 16 and older; the labor force under 55 years of age will decline.

Projected Changes in the Older Worker Labor Force (55 and Older)
as a Share of the Projected Growth in the Total Resident Labor
Force of Connecticut, Pennsylvania, New York, Massachusetts, and
Rhode Island 2005 – 2015 (%)





What demographic, economic, and socioeconomic forces underlie these increases in the labor force participation rates of older persons in the U.S. and New England:

Factor One:

The baby boomers entering into the ranks of the 55 and older population are better educated than their predecessors. The participation rates of 55-64, 65-69, and 70-74 rise strongly with years of school among both men and women

Civilian Labor Force Participation Rates of Connecticut Adults 55 - 74

	Men 55-64	Men 65-69	Men 70-74	Women 55-64	Women 65-69	Women 70-74
<12	58.8	31.4	17.2	45.1	17.2	9.2
12	68.5	36.2	25.0	62.4	24.6	17.1
13-15	77.5	44.4	27.0	69.2	36.9	17.2
BA	82.9	45.5	28.2	71.0	38.6	23.4
Master's	83.2	56.4	38.3	72.7	36.7	21.9
	24 point gap from MA to dropout	25 point gap	21 point gap	27 point gap	20 point gap (2X)	13 point gap (2X)

Factor Two:

The rise in the participation rate of older married males has been partly influenced by rising participation rates of their wives

- There is a strong complementarity of leisure among older married couples; see recent article in Journal of Labor Economics on this topic; the wife's participation in U.S., Canada, and England has large positive effects on participation rates of their husbands
- Families that work together, stay together. Higher joint earnings among well educated older married couples raises their incomes at above average rates (combined with high assortative mating among married couples, especially the newer entrants into the 55 and older cohort), this increases the degree of household income inequality among those 55 and older.

Factor Three:

Real hourly wages of many older adults (55-64, 65-74) improved over time; between 2000 and 2007, median real weekly earnings of 55+ year olds employed full-time rose by 8 to 9 percent while they declined among all age groups under 35, higher wages, ceteris paribus, increase the likelihood of participation among 55-74 year old men and women in Connecticut, Massachusetts / U.S.

- Each \$1 higher hourly wage from 8 – 14 per hour raises CLF participation rates by about 3 percentage points
- Higher wages also increase hours of labor supply among men and women; but effects diminish with the size of the wage. Backward bending L_s curve for men and women. For men, L_s maximizes at wage = ~\$25
- For women, L_s reaches a maximum at a wage of about \$25 as well; very strong effect on L_s behavior or lower wage women. Similar findings apply to men



Factor Four:


As Gene has shown on his slide 6 (share of order Adults Reporting Poor or Fair Health); the self-reported health status of older adults, especially those 65-74 and 75-84, have shown substantial and fairly steady improvement over the past 25 years.

- In Canada, U.K., U.S., health status of older workers has been shown to be a significant, independent predictor of their labor force status
- Healthier workers, *ceteris paribus*, are more likely to be active in the civilian labor force and employed

Factor Five: The Role of Non-Wage Income

An unknown factor for the future is the declines in housing prices and the retirement incomes of current and forthcoming retirees from 401k plans and other stock / financial holdings.


- Lower home prices and financial incomes will increase economic pressures among older age groups to remain in the labor force and supply more labor
- Among older men and women in Connecticut and Massachusetts (55-74), higher non-wage incomes reduce the likelihood of labor force participation among both men and women
- Among older men, each \$10,000 reduces CLFPR by about 2.2 percentage points

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- Among older women, we find a negative effect of 2.7 percentage points on the probability of labor force participation for every \$10,000 of own non-wage income
 - Declining home values and financial assets would be expected to increase the attachment of older persons to the labor force
 - The number of persons 55 and older in U.S. were the only ones to experience a rise in employment over the past year (October 2007 – October 2008).



Older Workers in Need of Employment and Training Services

- A very large and rising group of older persons in the U.S. face very bleak retirement prospects – a retirement lifetime with very limited employment / low incomes / high exposure to poverty and near poverty
- In 2007, we estimate there were 9.5 million persons 55-74 years old who were eligible for Senior Community Service Employment Program due to low incomes / cash assistance dependency very few of them were at work (12 -14%)
- Also very few were served by WIA adult / dislocated worker / one stop centers
- There is a clear need for workforce development services for members of this group
 - (a) High poverty persistence rate
 - (b) Low income older persons often socially isolated – depression, physical health (higher blood pressure / mal-nutrition)

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- Less civically engaged
 - Feelings of being socially useless
 - Remarks of one SCSEP participant

“Before I joined this program, I was just killing time. No, time was killing me, nothing to look forward to”.


- How to expand employment opportunities for those lower income older adults – subsidized jobs – transitions into unsubsidized work; what role for E & T services to help out – no serious impact analyses for most existing WD program for older workers in our state, region, and country.




Revamping the Federal EITC to Encourage Work Effort Among Older Workers

(Final Comments on the Gene Steuerle presentation)

1. Gene proposed a number of fiscal incentives to encourage greater work effort among “older workers” by reducing marginal tax rates on their wages; let us call them “mature workers”
 - These incentives include
 - Elimination of the social security payroll tax on their wages including that of employers
 - Removal of social security benefits from the income tax to reduce marginal tax burden on earnings of older workers
 - Also could have considered an income in the delayed retirement credits for those working beyond age 66 and 70.
 - Both proposals have merit for consideration, but he ignored extending the federal and state EITC credits to older (and younger workers under 25)

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- Today, the eligibility criteria for the federal EITC impose an upper age limit of 64 and lower age limit of 25;
 - The EITC's extension to older workers would be particularly valuable in increasing work effort among lower income and less educated older workers, if properly implemented
 - Proposed EITC for younger and older workers
 - Singles; 30% credit on the first \$12,000 in earnings. No tax on the EITC credits until earnings hit \$16,000; an 18% tax on annual earnings over \$16,000; breakeven earnings level is \$36,000.
 - Social security income is ignored in calculating eligibility for the EITC
 - For married couples, the EITC is applied to each of the two members as if they were single

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- The federal EITC also should be extended to all young adults under age 25; a 20% tax credit for teenagers that could be supplemented by a 20% federal contribution if the EITC monies are applied to an education or training fund that could be used through age 24 to pay tuition and fees for post-secondary education and training. Work and learning should go together. A 30% tax credit for employed young adults 20-24 years old with both parents in a married couple family eligible for the credit base on their own earnings to encourage marriage among young families. We are in the midst of an enormous family crisis among the young with a huge increase in out-of-wedlock childbearing especially among young adults with no substantive post-secondary schooling – over 50% of all births to women under 30 took place out-of-wedlock in 2007 – up from 6% in 1960, <20% in 1980.