

Aging Baby Boomers In a New Workforce Development System^o

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^o This report updates and revises an earlier study by the Urban Institute, *The Aging Baby Boom: Implications for Employment and Training Programs*, June 1997, by Stacy Poulos and Demetra Smith Nightingale. The authors are indebted to the earlier work as well as to the valuable contribution of Edgar Lee and Jesse Valente in the preparation of statistical data for the current report.

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EXECUTIVE SUMMARY

The post-World War II baby boom generation has had a profound effect on public policy and the demand for public services. Because of its sheer number and shifting needs as it ages, the generation will continue to influence society for the next thirty years. Demographic shifts, especially increases in life expectancy and decreases in birth rates, have changed the way individuals and families think about their work years, their “old age,” and what it means to retire. Economic changes, beginning after World War II, are altering the way baby boomers address the latter half of their lives and the way in which public policy may need to respond. Public policies, particularly around retirement, are encouraging individuals to remain in the workforce longer, in part to maintain adequate labor supply and contributions to Social Security and Medicare that will support retirement later. However, major changes in the workplace—in the structure of work, the increasing use of technology and the globalization of the labor market—continue to change the demand for workers, especially increasing the demand for those with the latest high-technology skills.

The baby boomers are moving into their forties and fifties at the same time as states and localities are redesigning their employment and training programs. The new Workforce Investment Act (WIA), which replaces the Job Training Partnership Act (JTPA), is intended to overhaul the nation’s employment and training system, particularly by emphasizing universal access to programs and services that meet the current and future needs of customers—both employers and workers. WIA has eliminated specific targeting for certain populations, including older and disadvantaged workers, and instead encourages state and local Workforce Investment Boards to develop integrated systems and one-stop services that best meet the needs of their areas. The new law also represents a shift in emphasis to incumbent worker training, including retention, skill upgrading and concurrent education.

This report presents information about the baby boom generation, its demographic and workforce characteristics, and how the generation may affect employment and training programs, in order to provide background for understanding how older workers in general

and older disadvantaged workers in particular might be served in the new workforce development systems and one-stop career centers.

Population

The baby boom generation consists of persons born between 1946 and 1964.

- About 75 million baby boomers were born in the U.S. between 1946 and 1964. By 1999, the generation, including in-migrants from other countries, totaled 77 million.
- The 77 million baby boomers represent about 37 percent of the nation's total population 16 years of age and older. They will continue to represent a significant portion of the population until at least 2025, when they will be 65 million, ranging in age from 61-79, and will still make up 25 percent of the population 16 and older.
- In 2000, baby boomers ranged in age from 36 to 54. In 2001 the first of the generation will be 55, and in some pension systems eligible to retire. Between 2000 and 2025, the population that is 55 years of age and older will increase more sharply than any other age group.
- The aging of the generation has implications for costs to the Social Security system and the nation's health care system on the one hand, and the economic well-being of those who continue to need or want to work, on the other. By 2025, the U.S. Census Bureau and the Bureau of Labor Statistics (BLS) project that there will be almost 50 million persons over 65 and not in the labor force—about twice the number in 1995. By that time 18 percent of the population in 39 states will be over 65—now true only for the state of Florida.

Workforce

As the baby boomers have affected the age structure of the population overall, they have also increased the size of the labor force, and as they have aged, have raised the average age of those in the workforce. The average age of the workforce will continue to rise at least until 2020. The increase in older workers will, of course, vary by state, but estimates indicate that parts of the south and west may experience at least a 25 percent increase in the number of older workers in the coming decade.

- In 1985, the median age of workers was 35; by 2008, the median age is projected to be nearly 41 (and covered by age discrimination protections, which begin at age 40 under the Age Discrimination in Employment Act).

- The baby boom generation has had higher labor force participation rates than previous generations. By 2008, the Bureau of Labor Statistics projects that more than 62 million workers (over 40 percent of the labor force) will be 45 and older, and 37 million of these will be between the ages of 45 and 54. This means there will be over 16 million more older workers in 2008 than there were in 1998 (a 37 percent increase). The number of young workers, 16 to 24 years old, is also projected to increase (by 15.1 percent), but those in the 35-44 year old range will actually decline by about 7 percent.
- The large number of persons in this generation means that an increasing number of unemployed persons will also be older, even if overall national unemployment rates remain at the current low level.

Economic well-being

Baby boomers in general have done better than their parents' generation in terms of income and education. Real median household income is 35 to 53 percent higher (depending on their age) than in their parents' generation. And 27 percent of baby boomers have four or more years of college, making this the most highly educated generation in U.S. history.

However, not all baby boomers have done well economically, and not all will be financially able to retire from work, even if they might desire to do so. As the generation ages, there is an increasing policy need to focus on those maturing adults, especially those without high school credentials, who have not been as financially secure but will continue to remain in the labor force.

- Demographers recognize two different cohorts of baby boomers, those now 45 to 54 years old, and a younger group, aged 36 to 44, who have faced very different economic conditions during their working years. Younger baby boomers entered the labor force when the economy was not as strong as had been the case for their older counterparts. Many have faced wage stagnation that began in the mid-1970s and more workforce disruptions than earlier groups. They also have the greater share of immigrants and are less well educated overall than the older cohort.
- About 12 to 13 percent of baby boomers, representing about 10 million people, do not have a high school diploma or equivalency. Younger baby boomers without a high school education have actually experienced a 12 percent decrease in median annual income when compared with individuals of their age with similar education in their parents' generation.

The aging baby boomers will also affect the age distribution of the poor and economically disadvantaged (using the definition in the Job Training Partnership Act (JTPA)).

- Using BLS projections, while there will be a 10 percent increase in 22 to 70 year olds living below poverty between 1998 and 2008, there is likely to be about 24 percent more persons over the age of 45 below poverty in 2008 than in 1998. There may be nearly 10 million poor persons who are over age 45 in 2008, compared to just under 8 million in 1998.
- Using the broader definition of economically disadvantaged, it is estimated that between 1998 and 2008, the economically disadvantaged population between the ages of 22 and 70 will likely increase by about 2.7 million people (11.5 percent). But the number of economically disadvantaged 45 to 64 year olds will increase by about 36 percent over the same time period, while those between the ages of 35 and 44 will probably decrease by about 7.5 percent.

Participation in Employment and Training Programs

The restructured workforce development system is intended to function as a universal source of employment-related assistance and service for all workers and all employers. Older adults in past generations may not have sought services from JTPA and other mainstream programs at the same rate as younger workers. Also, under the targeted JTPA program, funding for programs for the economically disadvantaged and other persons experiencing difficulties in the labor market, such as those permanently displaced from their jobs due to structural economic shifts, allowed only a very small fraction of eligible workers—of all ages—to be served.

- In 1997, of the approximately 12 million economically disadvantaged 45 years and older, only 227,000 (about 2 percent) participated in some Federal employment and training program. Over half of the older workers in Federal employment programs were in JTPA Section 204(d) or the Senior Community Service Employment (SCSEP) programs, both specifically designated for workers 55 and over.
- Only about 112,000, or less than 1 percent of economically disadvantaged adults over 45, participated in other JTPA-funded programs. About 85 percent of those were in dislocated worker programs (Title III), and 15 percent were in mainstream adult programs (Title II).

But the aging baby boomers may be more likely to seek assistance than prior generations of older workers. If aging baby boomers, who have had one of the highest JTPA participation rates and as younger workers comprised the largest share of employment and

training participants in the 1970s, 1980s, and 1990s, maintain their interest in such programs, the number of older persons seeking services in the future (compared to younger persons) is likely to be even higher.

- Because of the aging baby boom generation, the number of older persons in all employment programs—and the average age of participants—will continue to increase for at least ten years, even if the participation rate of older persons does not increase, and even if the total number of persons who can be served remains at current levels.
- As the overall population ages, the age distribution of economically disadvantaged adults in employment and training programs will also shift up, increasing the number of disadvantaged older persons relative to younger persons.

Future Policy and Program Implications

There is increasing concern about the ability of the workforce to contribute taxes necessary to support Social Security, Medicare, and other services for the aging baby boomers, and increasing interest in older workers' ability to remain in the workforce at sufficient levels to maintain their economic well-being.

- In 1950 there were seven persons of working age for every person 65 and older; by 2030, there will be fewer than three.

Wholesale loss of older workers also creates a drain in human capital needed to maintain an experienced workforce, which may not be offset by new entrants in the face of current difficulties in the education system.

- WIA planners may need to actively reach out to low-income older workers, even with the expected increase in demand, in order to promote skills training and other employment services that will allow them to remain in the workforce at levels sufficient to satisfy the workforce needs of employers and the income needs of older workers.

In addition to the increasing numbers of mature workers and mature disadvantaged workers created by the aging of the generation, baby boomers' specific experience in the labor market may create new demands on the workforce development system. The low rate of participation by older adults in past programs such as JTPA can not necessarily be used to plan for future demand.

- Compared to earlier generations, baby boomers have probably had more spells and longer periods of unemployment, and lower earnings increases when they moved to new jobs. Those with low education and few transferable skills are likely to have experienced more than one period of dislocation. If worker dislocation continues over the next few years, even at a reduced rate, the maturing baby boomers will probably bear the largest share of job losses as long as they comprise the largest segment of the workforce, leading to greater need for services, especially for dislocated workers.
- WIA planners should assume that the number of older persons seeking employment services will increase continuously over at least the next decade. Based on past service levels, there is a likely need to expand program opportunities to younger baby boomers, between the ages of 45 and 54, who are currently under-served by existing programs and likely to increase the most in the next decade. By 2008 there will be about 1.1 million more 45 to 54 year old economically disadvantaged adults than in 1998, and over 2 million more disadvantaged who are 55 and older.

In order to respond effectively to these increasing numbers of aging participants, workforce development systems should re-examine current service levels and service delivery approaches to assure that they are responsive both to the needs of older persons in general and to the specific needs of those who have been affected by both technological and structural dislocation.

- There may be a need to modify approaches and delivery methods to serve an increasingly older population, such as using work experience, small groups and more individualized, rather than classroom, instruction. Workforce investment boards should review the types of services currently available, including successful models from SCSEP, and the methods for providing employment services. WIA programs should coordinate with older worker agencies at the state and community level to ensure that WIA programs include services that have proven successful for older workers.

However, given the simultaneous increase in 16 to 24 year olds, program service modifications should be made without sacrificing services needed by younger workers.

- WIA planners and One-Stop center operators should ensure that the baby boom's population shifts are reflected in 5-year Workforce Investment plans. Collaborative strategies should be fostered among service systems including SCSEP, Welfare-to-Work, vocational rehabilitation, and adult education to better serve the aging population.
- Policy makers at the national level might consider expanding funding for SCSEP proportionate to the increase in the older population. The loss of the JTPA Section 204(d) set-aside makes SCSEP the only source of designated funds

for mature and older workers. With current annual funding levels, only about 1 percent of eligible persons can be served. As the baby boomers reach 55, beginning in 2001, far fewer than 1 percent will be able to be served if current funding simply remains constant (i.e., increases annually at the rate of inflation or less).

It may also make sense to consider expanding SCSEP to serve workers aged 45 to 54, since the number of economically disadvantaged in that group will increase by 1.1 million by 2008 over what it was in 1998.

- Programs should also reassess ways in which they can help employers use older workers more successfully. One way is to market the merits of older workers (e.g., reliability, low absenteeism, stability and experience) to employers. Another is to help employers design pension and benefit offerings, job descriptions, work sites and work schedules to maintain their valued workforce and to facilitate combining work, retirement, and voluntarism. Employers may be especially receptive as they become increasingly aware of age discrimination issues and as those over 40 become a larger proportion of the workforce.

CHAPTER I:

INTRODUCTION

The post-World War II baby boom generation has had a profound effect on public policy and the demand for public services. Because of its sheer number and shifting needs as it ages, the generation will continue to influence society for the next thirty years. The baby boom generation refers to those persons born between 1946 and 1964. In the U.S. the period saw an average of about 4 million births each year compared to 3 million in the preceding 20 years—for a total of 75 million baby boomers. In 1999, the baby boom generation in the U.S., now aged 35 to 53, and including in-migrants from other countries, totaled 77 million.

A generation is defined by demographers as “a group of people born over a relatively short and contiguous time period that is deeply influenced and bound together by the events of their formative years.”¹ In the case of the baby boomers, prosperity, optimism, and an expanding labor market largely characterized that period of nearly two decades.

Other economic changes, beginning after World War II and continuing today, will alter the way baby boomers address the latter half of their lives and the way in which public policy may need to respond. For example, major changes in the workplace, in the structure of work, and most importantly in the increasing use of technology and the globalization of the labor market, continue to demand different and higher skills of U.S. workers. For many workers these structural shifts are increasing the uncertainty of employment.

In addition, demographic shifts, especially longer life expectancy and reduced fertility, have changed the way individuals and families think about their work years, their “old age,” and what it means to retire². The first of the baby boomers reached the age of 50 in 1996—the phase of the life cycle in which individuals are, or should be, at the peak of their earnings potential, wealth accumulation, and career success. By the end of 2005 the first of the baby boomers will turn 60; beginning in 2001, at age 55, many could be eligible to retire.

Many questions emerge from the aging of this cohort, and have been of concern to policy makers and social scientists for nearly twenty years. A number of issues relate to the extent to which persons in this large cohort either retire or remain in the workforce. Particular concerns include the economic well being of those who choose to or need to remain in the labor force, and the demand for services by and for this exceptionally large generation:

¹ Meredith, Geoffrey and Charles Schewe, “The Power of Cohorts,” *American Demographics* (December 1994).

² A proliferation of recent books are aimed at understanding and adapting to the changes and transitions between life phases and changing expectations about older persons. See, for example, Gail Sheehy, *New Passages: Mapping Lives Across Time* (New York: Random House, 1995); and Betty Friedan, *The Fountain of Age* (New York: Simon and Shuster, 1993).

- Will the working age population be able to support the large number of retirees as the baby boomers retire?
- What are the implications for the Social Security and health care systems of the larger aging population?
- Will the baby boomers have saved enough for retirement?
- Will it be socially desirable to delay retirement of the baby boomers in order to maintain an adequate labor supply, as well as contributions to Social Security and Medicare to support retirement later?
- What incentives are there for employers to retain older workers?

A broad array of policies have already begun to emerge to address some of these questions, in anticipation of the baby boomers approaching retirement age. For example, changes to the Social Security system gradually raise the official age of retirement and eliminate the financial consequences to delayed receipt of benefits, encouraging individuals to work longer. Changes to public and private pension and benefit regulations have removed some disincentives to working beyond age 65. Few defined benefit programs—which produce the greatest return by retiring as soon as one is eligible—have been initiated since the 1980s. New pension plans, which have been of the defined contribution type, are less likely to induce early retirement.³ In addition, Congress has enacted new laws prohibiting age discrimination in the workplace, including restricting policies that mandate a particular retirement age.

As many mature and older workers remain in the labor force new questions arise about how current workforce development policies can best serve their needs. Extensive research and policy analysis have focused on issues related to an aging population in general and to barriers facing older workers in particular. However, little attention has been given to the employment and training needs of the baby boom generation – either as it exists today or as it matures over the next fifteen to thirty years. Moreover, the structure of the employment and training system has now dramatically changed with the enactment of the Workforce Investment Act of 1998 (WIA). Policy makers and program planners will now need to fit the needs of the aging baby boomers into a structure that encourages coordination and streamlining of services, but in the context of universal targeting.

The new Workforce Investment Act no longer targets specific populations such as economically disadvantaged workers, although it continues to give “priority” to low-income individuals and welfare recipients. The Act repeals the Job Training Partnership Act (JTPA), and with it Title IIA adult programs for economically disadvantaged workers, Section 204(d)

³ Fullerton, Howard N., Jr., “Labor Force Projections to 2008: Steady Growth and Changing Composition,” *Monthly Labor Review* (November 1999).

aimed specifically at older workers, and Title III for dislocated workers, which served many older workers under JTPA. Instead WIA authorizes three levels of services for any person who seeks employment-related assistance:

- Core services, which include labor market information, job search assistance, and job placement;
- Intensive pre-employment services and testing for those who need more or specialized help; and
- Training services for those who need additional skills for occupations that are in demand.

The new law also mandates a one-stop delivery system, under the stewardship of new, majority business, Workforce Investment Boards. As these new systems evolve it will be up to policy makers, program planners, and service providers at the state and local level to craft new ways to address the needs of all persons, including older workers.

This paper presents background information on the demographic and workforce characteristics of the baby boom generation, and their employment and training needs as they mature over the next two decades. Two sets of questions underlie the analysis:

- What are the labor force characteristics of this generation and how are they likely to change in future years? Are there subgroups of the baby boom generation that might need special attention as they mature (e.g., those with low incomes, low skills or education, or limited work experience)?
- How have older workers been served in the past by employment and training programs? How can older workers in general, and more disadvantaged older workers in particular be served in a non-targeted universal services system such as WIA?

**CHAPTER II:
DEMOGRAPHIC AND WORKFORCE CHARACTERISTICS
OF THE BABY BOOM GENERATION**

In order to assess how new workforce development policies are affected by maturing baby boomers, it is important to understand the characteristics of this generation compared to earlier generations, their current and projected labor force participation, and their current and projected economic status. This chapter describes the demographic characteristics of baby boomers, their labor force participation, and their economic well-being over time, thus providing a basis for considering the potential need for services under the Workforce Investment Act and other programs.

A. Population Characteristics

In 1946 the number of births in the U.S. was 3.3 million, up from 2.3 million a year at the lowest point during the Depression. Births peaked in the early 1960s at nearly 4.3 million. While most other nations also experienced population growth after World War II, the U.S. baby boom was larger and continued over a longer period of time.⁴ As shown in Exhibit II.1, births did not fall below 4 million per year until 1965.

Exhibit II.1: Annual Number of Births in the U.S., 1940 to 1964		
Year	Live Births (000's)	Births per 1000 Women (Ages 15 to 44)
1940	2360	73.5
1945	2735	82.5
1946	3289	98.3
1947	3699	110.0
1948	3535	104.8
1949	3559	105.2
1950	3554	106.2
1951	3751	111.3
1952	3847	113.5
1953	4017	114.7
1954	4017	117.6
1955	4047	118.0
Year	Live Births (000's)	Births per 1000 Women (Ages 15 to 44)

⁴ Pifer, Alan and Lydia Bronte, eds. *Our Aging Society: Paradox and Promise*. (New York: W.W. Norton and Company, 1986) p.5.

1956	4163	120.8
1957	4255	122.7
1958	4204	120.1
1959	4245	120.1
1960	4258	118.0
1961	4268	117.2
1962	4167	112.1
1963	4081	108.5
1964	4027	105.0
1965	3760	96.6
1970	3761	87.9

Source: Urban Institute compilation based on Vital Statistics from the *United States Statistical Abstract, 1975.*

The U.S. baby boom generation is categorized by demographers into two distinct groups, summarized in Exhibit II.2. The first group includes those individuals born between 1946 and 1955; the second group of baby boomers was born between 1956 and 1964. The early segment averaged 3.5 million births per year, and the later group, 4.2 million per year. While the two cohorts represented about equal shares of the 75 million births in the U.S. from 1946-1964, the later cohort, affected by increased immigration, now constitutes the majority of persons in the U.S. baby boom generation.

Exhibit II.2: Number of Persons in the U.S. in 1999 in the Baby Boom Generation			
Cohort	Years of Birth	Age Range in 1999	Cohort Population in 1999 (in millions)
Early Cohort	1946-1955	44-53	37.1
Later Cohort	1956-1964	35-43	39.8
Total	1946-1964	35-53	76.9

Source: U.S. Census Bureau July 1999, civilian non-institutional population

The baby boom generation has had a profound effect on the age structure of the population in general, and the Census Bureau projects the aging trend in the nation will continue to be affected by the baby boom until about 2040. In fact, as shown in Exhibit II.3, the aging of the U.S. population has continued for most of this century, interrupted only by the baby boom birth years, shown as the slight dip in Exhibit II.3, and has accelerated since 1970.

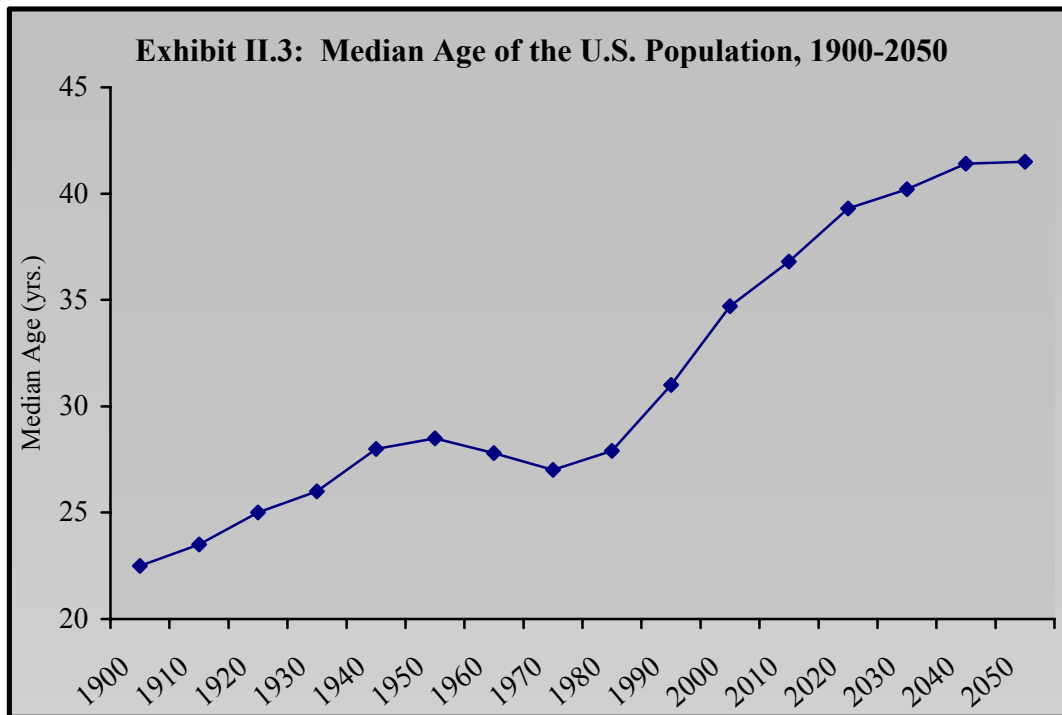
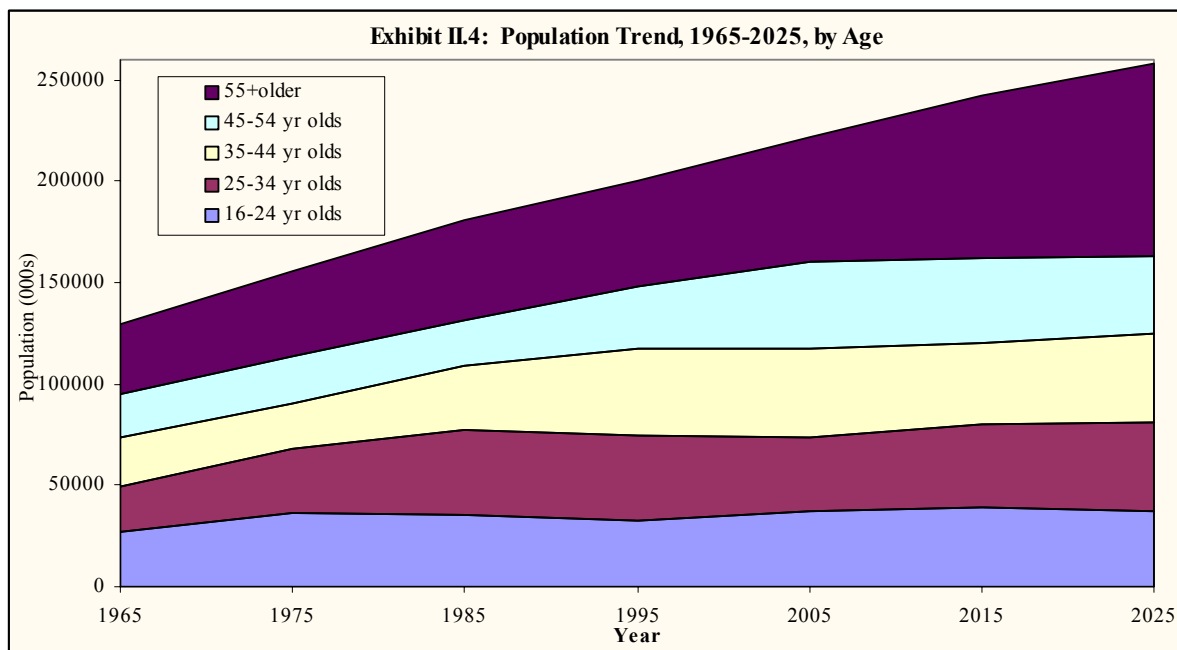


Exhibit II.4 shows the population trends by age group from 1965 to 2025. In each ten-year period, the baby boom generation has affected the age distribution of the total population. Between 1996, when the first baby boomers reached 50, and 2025, the population that is 55 years of age and older is expected to increase more sharply than any other age group. In 1999, the 77 million baby boomers represented about 37 percent of the nation's total population 16 and older. They will continue to represent a significant portion of the population until at least 2025, when they will be 65 million, ranging in age from 61-79, and will still make up 25 percent of the population.



B. Workforce Characteristics

This aging of the population has implications for many public policies, including those related to retirement and employment. Exhibit II.5, shows the aging of the baby boom through 2030. In 2000, baby boomers ranged in age from 36 to 54. In 2001 the first of the generation will be 55, and in some pension systems eligible to retire.

Exhibit II.5: Age Range of Baby Boom Generation for Selected Years, 1999-2030		
Year	Younger Cohort	Older Cohort
1999	35 to 43	44 to 53
2000	36 to 44	45 to 54
2005	41 to 49	50 to 59
2010	46 to 54	55 to 64
2015	51 to 59	60 to 69
2020	56 to 64	65 to 74
2025	61 to 69	70 to 79
2030	66 to 74	75 to 84

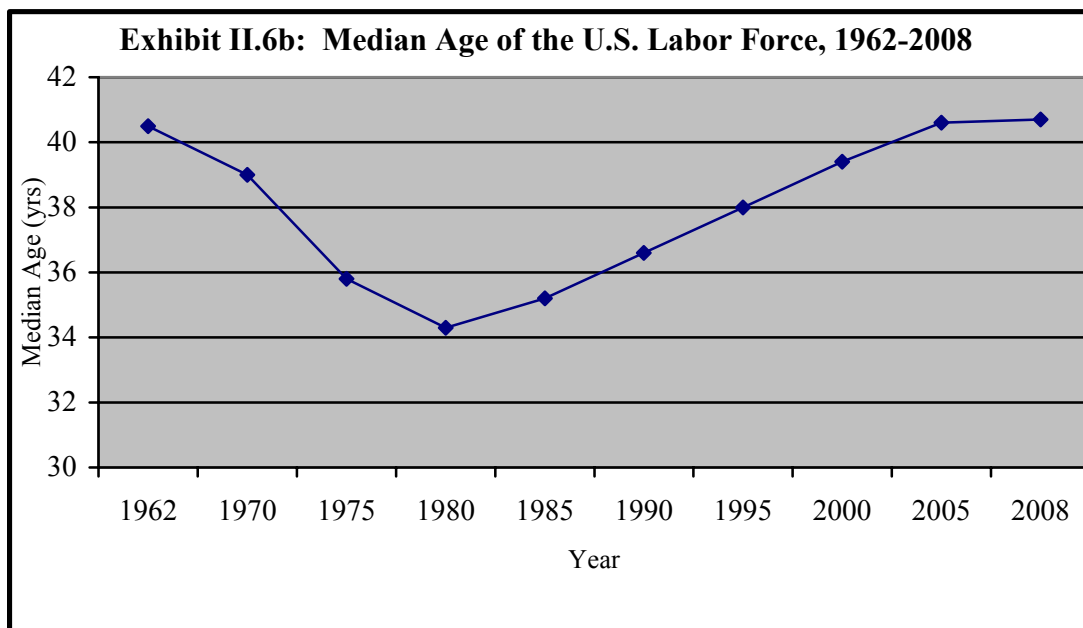
Source: The Urban Institute

Just as the baby boomers have affected the age structure of the population overall, they have also increased the size of the labor force, and, as they age, raise the average age of those in the work force. Before the baby boom generation, the median age of persons in the labor force reached a peak in 1962 at 40.5 years. As shown in Exhibits II.6a and II.6b, in the 1960s and 1970s the median age of workers declined steadily while baby boomers were children and young adults, but began rising again after 1980 as the baby boomers aged. The U.S. Bureau of Labor Statistics (BLS) projects that by 2008 the median age will revert back to the previous range, at 40.7 years, just slightly higher than it was in 1962 when the first baby boomers started entering the job market.⁵ The median age will continue to rise as long as the baby boomers represent a substantial portion of the labor force.

⁵ Howard N. Fullerton, Jr., "Labor Force Projections to 2008: Steady Growth and Changing Composition," *Monthly Labor Review* (November 1999).

Exhibit II.6a: Median Age of the U.S. Labor Force, Selected Years, 1962-2008	
Year	Median Age
1962	40.5
1970	39.0
1975	35.8
1980	34.3
1985	35.2
1990	36.6
1995	38.0
2000	39.4
2005	40.6
2008	40.7

Source: Bureau of Labor Statistics



Labor Force Participation Over Time

The baby boom generation, in part because of an increase in the overall labor force participation of those under fifty, has had higher labor force participation rates than previous generations. For example, in 1985 when the baby boomers were between 21 and 39 years of age, their participation rate was 82 percent, compared to 74 percent for the same age group in 1975, and 69 percent in 1965.⁶

⁶ Howard N. Fullerton, "The 2005 Labor Force: Growing, but Slowly," *Monthly Labor Review* (November 1995).

By 2008, the BLS projects that over 62 million workers (over 40 percent of the labor force) will be 45 and older, and 37 million of these will be between the ages of 45 and 54.⁷ This means there will be about 16 million more older workers in 2008 than there were in 1998 (a 37 percent increase). The number of young workers, 16 to 24 years old, is also projected to increase (by 15.1 percent) for the first time in 25 years, but those in the 35-44 year old range will actually decline by 6.9 percent.

Although overall labor force participation rates have increased over the past two decades, the rate of increase has not been the same for men and women. In fact, labor force participation has been declining for all age groups of men since the mid 1970s, while women have continued to increase their participation as they have since World War II. In 2000, the labor force participation rate of females between the ages of 35 and 54 was 77 percent, compared to 74 percent in 1990. The rate of males was 91 percent in 2000, compared to 93 percent in 1990.

Several explanations have been put forth for the declining labor force participation rates among prime age men, including that baby boomers have had more competition in the job market because of the large workforce. Some of the participation decline is also probably related to inadequate education and skills for jobs that are in high demand. The decreases have been greatest, for example, for men with less than a high school education.⁸ Labor force activity by both men and women over 50 years of age has declined the past two decades, and, according to BLS, will continue to decline slightly in the next thirty years. But by 2008, BLS projects that the labor force participation rate for the younger baby boomers (those who will be between the ages of 45 and 54) will still be 80 percent for women and 89 percent for men.

Retirement

Changes have also occurred in the age at which workers retire, reflected in part by the trends discussed above. Two common measures of retirement are (1) non-participation in the labor force, and (2) receipt of Social Security (Old Age and Survivors' Insurance, OASI) retirement benefits. While there are limitations with each measure (e.g., non-participation includes some workers who want to work, and OASI recipients include some individuals who also work), both indicate a trend toward earlier retirement, as shown in Exhibit II.7. For example, according to BLS, in 1999 the labor force participation rate for 60 to 64 year olds was 48 percent, down from 55 percent in 1965. The rate is expected to decline until about 2015, when the rate for 60 to 64 year-olds is expected to stabilize at about 41 percent.⁹

The combination of the declining labor force participation of older persons and the large cohort of aging baby boomers means that by 2025 there will be almost 50 million

⁷ Howard N. Fullerton, "Labor Force Projections to 2008: Steady Growth and Changing Composition," *Monthly Labor Review* (November, 1999).

⁸ Blank, Rebecca, "Outlook for the U.S. Labor Market and Prospects for Low-Wage Entry Jobs," in Demetra Smith Nightingale and Robert A. Haveman, eds., *The Work Alternative: Welfare Reform and the Realities of the Job Market* (Washington, D.C.: Urban Institute Press, 1995).

⁹ Labor force participation rates are from the Department of Labor, Bureau of Labor Statistics Employment Projections, 1998 to 2008.

persons over 65 (all of them baby boomers) who are not in the labor force—about twice the number in 1995. Because of changes in life expectancy and earlier retirement the average male can now expect to spend 18 years in retirement compared to 13 years in 1965. For women, the number of years in retirement has increased to 20.¹⁰

Exhibit II.7: Trend in Average Age of Retirement, Using Two Measures, Selected Years				
Year	Percent of Persons 65 and Older Not in the Labor Force		Average Age Workers Begin Receiving OASI	
	Males	Females	Males	Females
1940	n/a	n/a	68.8	68.1
1950	54.2	90.3	68.7	68.0
1960	66.9	89.2	66.8	65.2
1970	73.2	90.3	64.4	63.9
1980	81.0	91.9	63.9	63.5
1991	84.2	91.4	63.7	63.5
1997	83.5	91.4	63.7*	65.4*

Source: C. E. Steuerle and J.M. Bakija. *These items are for 1998, from U.S. Census Bureau.

Not all baby boomers will choose to or be able to retire. Ramifications for society and public policy include concerns about the:

- Economic well-being of the baby boomers,
- Extent to which they will be financially prepared for old age,
- Added costs they will create for the Social Security system, and
- Increased pressure they may place on the nation's health care system.

A secondary, but important, concern is the potential underutilization of productive human resources.¹¹ This will be a new and important policy issue for employment-related programs, as discussed further in Chapter III. By 2025 the number of persons over 65 will be at least 18 percent of the population in 39 states—now true only for the state of Florida.¹² Not all states will be retirement havens like Florida. Indeed, labor force participation by older workers may vary state to state, creating different demands on state health care, social service and workforce development systems.

¹⁰ Murray Gendell, "Trends in Retirement Age in Four Countries, 1965-1995," *Monthly Labor Review* (August 1998).

¹¹ C. Eugene Steuerle and Jon M. Bakija, *Retooling Social Security for the Twenty-first Century* (Washington, D.C.: Urban Institute Press, 1994).

¹² U.S. Bureau of the Census, Census Brief, "Warmer, Older, More Diverse: State-by-State Population Changes to 2025," CENBR/96-1 (December 1996), as cited in Committee for Economic Development, *New Opportunities for Older Workers* (New York, 1999), p.6.

C. Economic Well-Being

The future economic well-being of the baby boom generation, especially in their retirement years, will depend on the success they have, and have had, during their prime working years. While baby boomers as a whole have made great advances over their parents' generation, the two baby boom cohorts have faced very different economic circumstances, especially in the nature of the labor market. When the older baby boomers began working, in the late 1960s and early 1970s, the nation's economy was strong, interest rates were low, and wages consistently increased annually. The younger cohort, though, came to adulthood in the 1980s—a time that lacked the sustained economic growth of the previous decade. When this younger group entered the labor force, the economic environment was not as strong as it had been for the earlier cohort. The younger cohort of baby boomers are the first workers since World War II to face stagnant wage growth. In particular, for all but the most highly educated workers, real wages have not increased since 1973.

Income

Exhibit II.8 presents the real (inflation adjusted) annual median household income by quintile for the two groups of baby boomers compared to their parents' generation at similar ages. The median annual income for both groups in the baby boom generation is higher than for their parents' generation.

Exhibit II.8: Annual Median Household Income of Baby Boomers Compared to Their Parents' Generation (in 1998 dollars)						
	<u>Older Cohort</u>			<u>Younger Cohort</u>		
	Parents	Baby Boomers	Percent Difference	Parents	Baby Boomers	Percent Difference
Median	\$25,100	\$38,400	53%	\$22,300	\$30,000	35%
Quintiles						
20 th Percentile	14,200	19,700	39	13,400	14,900	11
40 th percentile	21,900	32,200	47	19,800	24,000	21
60 th Percentile	28,400	45,400	60	24,700	35,100	42
80 th Percentile	38,100	63,100	66	32,000	49,900	56

Source: Congressional Budget Office, *Baby Boomers in Retirement: An Early Perspective*, 1993.

While these overall increases in average income from one generation to the next are large, the economic gains for the older baby boomers has been much greater than that of the younger cohort. In 1989, the income of the older cohort of baby boomers (when they were in the 35 to 44 age category) was 53 percent higher (in real terms) than their parents' generation at the same age. But the 1989 median income of the younger cohort (25 to 34 years old) was only 35 percent higher than income of persons of the same age in their parents' generation.

Furthermore, the income growth has not been spread evenly across income groups. The gains for baby boomers in the lowest quintiles (compared to their parents) have been dramatically less than the gains for the higher quintiles. Some of this difference can be attributed to demographic shifts. For example, the proportion of households headed by single persons is higher now than it was in 1959. The Congressional Budget Office (CBO)

suggests that some of the increase in income in the upper quintiles may be related to households having fewer children, possibly allowing more adults to work in the regular labor market for pay, work longer hours, or get more education or advanced training.¹³ Most of the increases in income, however, are attributed to education and skills, as described below.

Education

Education accounts for most of the differences in income among subgroups of baby boomers and the differences between the baby boomers and their parents' generation. The baby boom is the most well-educated generation in history. According to the CBO, in 1960 only three-fifths of the population of 25-29 year olds had a high school degree, and just one out of ten had completed four years of college. By 1998, 88 percent of the 25-29 year old population had completed high school, and 27 percent had completed four years of college.¹⁴

The higher education levels of baby boomers translate into higher income. Exhibit II.9 shows real median household income in 1989 by education level of the head of the household for the two baby boom groups compared to persons in their parents' generation (in 1959). A few points are particularly important.

¹³Congressional Budget Office, *Baby Boomers in Retirement: An Early Perspective* (Washington, DC: 1993).

¹⁴ Current Population Survey, March 1998.

Exhibit II.9: Education Level and Income of Baby Boomers Compared to Their Parents' Generation						
Education Level	(in 1998 dollars)					
	<u>Percent of Households</u>			<u>Median Annual Income</u>		
	Parents (1959)	Baby Boomers (1989)	% Diff.	Parents (1959)	Baby Boomers (1989)	% Diff.
Older Cohort						
No High School Degree	49%	12%	-76%	\$20,700	\$20,800	0%
High School Degree	40	58	45	27,500	35,600	29
Four Years of College	11	30	169	38,500	53,400	39
Younger Cohort						
No High School Degree	42%	13%	69%	\$18,600	\$16,300	-12%
High School Degree	43	62	42	23,900	29,000	21
Four Years of College	15	25	73	29,200	41,800	43
Source: Congressional Budget Office, <i>Baby Boomers in Retirement: An Early Perspective</i> , 1993.						

First, for both the baby boomers and their parents, a college education is clearly related to higher income; and educated baby boomers have done even better than educated persons in their parents' generation. Second, the earnings gain has been most significant for the older group of baby boomers, where high school graduates' median real earnings were 29 percent higher than the prior generation (\$35,600 compared to \$27,500), and college graduates had earnings 39 percent higher (\$53,400 compared to \$38,500). Third, the wage stagnation that began in the mid-1970s is also evident, especially for the younger cohort of baby boomers. Those with only a high school degree have incomes only 21 percent higher than their parents' generation, compared to the 29 percent gain for the older boomers. But younger baby boomers without high school degrees have real household incomes that are actually 12 percent lower than similarly educated persons in the previous generation (\$16,300 compared to \$18,600).

Thus, while baby boomers generally have done better than their parents' generation in terms of education and income, the later group of baby boomers has not done as well as the earlier group. While many baby boomers will be financially secure as they age, there is an increasing policy need to focus on those maturing adults who have not been economically secure in their working years. This is especially true for the 12 to 13 percent of baby boomers who do not have high school credentials and those with relatively low incomes. The nation's employment and training system, now typically referred to as the workforce development system, has traditionally served the low-skilled and low-income population generally, and the aging of the baby boom generation has important implications for those programs, as discussed in the following chapter.

CHAPTER III:
PROGRAMS AND SERVICES
FOR MATURE WORKERS UNDER
A NEW WORKFORCE DEVELOPMENT SYSTEM

In 1985 all baby boomers were under the age of 40. Since then, they have been moving into what is sometimes referred to as the mature adult or older adult category, aged 45 and older. This means mature workers make up an increasing share of all workers. The new workforce development system under WIA, therefore, will be called upon to serve more mature and older workers than the former system under JTPA. The adequacy of the new system will depend both on the number and characteristics of the maturing workforce over the next several years, and on the availability of services needed by this population. This chapter first describes the projected trends in the population and labor force activity of mature adults, with particular emphasis on those with low income, low skill, low educational achievement, or limited work experience. The chapter then reviews participation by mature and older workers in federal employment and training programs in the past, particularly JTPA, in order to provide a baseline for considering how the new Workforce Investment Act (WIA) might serve mature workers with similar needs now and in the future.

A. Baby Boom Effect on Mature and Older Worker Population

The policy implications of the aging baby boom generation depend on how this cohort changes both the number and characteristics of persons who might be expected to participate in Social Security, and employment and training programs, or require other public services. Population and labor force projections are presented in this section, based mainly on published estimates by the U.S. Census Bureau and the Bureau of Labor Statistics.

Mature Adult Population

By 2005 all baby boomers will be over 40. By 2015, they will all be over 50, and the oldest baby boomers will begin to reach 70 years of age.

Exhibit III.1 shows that the aging baby boom will dramatically increase the nation's total population 45 and older. There were 89 million persons in this age group in 1998; by 2008, there will be about 112 million (a 26 percent increase). In 1998 there were about 22 million persons between the ages of 55 and 64; in 2000, there are about 24 million, and by 2008 it is estimated that there will be 33 million--an increase of about 46 percent in just one decade. In comparison, the Census Bureau expects the total population of the nation to increase by only about 9 percent over this ten-year period.¹⁵

¹⁵ U.S. Bureau of the Census, Population Division, Release PPL-41, "U.S. Population Estimates, by Age, Sex, Race and Hispanic Origin, 1990 to 1995" and Series P25-1130, "Population Projections of the United States by Age, Sex, Race, and Hispanic Origin: 1995 to 2050."

Exhibit III.1: Actual and Projected Number of Mature and Older Adults in Selected Years, 1998-2008

Age Group	(millions of persons)				Percent Change 1998-2008
	1998	<u>Year</u> 2000 (projected)	2005 (projected)	2008 (projected)	
45-49	18.8	19.9	22.2	22.6	20.2%
50-54	15.6	17.1	19.5	21.1	35.3
55-59	12.2	13.2	16.6	18.0	47.5
60-64	10.1	10.5	12.6	14.6	44.6
65-69	9.4	9.2	9.9	11.1	18.1
70 and Older	22.9	23.2	24.3	24.9	8.7
45-54	34.4	37.0	41.7	43.7	27.0%
55 and Older	22.3	23.7	29.2	32.6	46.2
Total 45 and Older	89.0	93.1	105.1	112.3	26.2%

Source: Urban Institute calculations based on USDOL-BLS data on the civilian non-institutional population.

Labor Force Activity of Mature Adults

The aging of the baby boom population will also affect the number of older persons in the labor force and, therefore, the age distribution of the labor force. BLS projects about a 12 percent increase from 1998 to 2008 in the total number of individuals in the labor force (from 138 million to 155 million),¹⁶ with most of the increase representing persons 45 years of age and older, as noted in Exhibit III.2.

Exhibit III.2: Age Distribution of the Labor Force, 1998-2008

Age Group	<u>1998</u>		<u>2008</u>		<u>Change 1998-2008</u>	
	Number (millions)	Distributio n (%)	Number (millions)	Distributio n (%)	Number (millions)	Percent Change

¹⁶ Howard N. Fullerton, Jr., "Labor Force Projections to 2008: Steady Growth and Changing Composition," *Monthly Labor Review* (November 1999).

16-24	21.9	15.9%	25.2	16.3%	3.3	15.1%
25-34	32.8	23.8	32.4	21.0	- 0.4	-1.2
35-44	37.5	27.3	34.9	22.6	- 2.6	- 6.9
45-54	28.4	20.6	36.8	23.8	8.4	29.6
55-64	13.2	9.6	20.6	13.3	7.4	56.1
65 and Older	3.8	2.8	4.6	3.0	0.8	21.1
Total Labor Force	137.7	100.0%	154.6	100.0%	16.9	12.3%
16 and Older						36.6%
Labor Force 45 and Older	45.4	33.0%	62.0	40.1%	16.6	
Source: Urban Institute calculations based on USDOL-BLS data on the civilian non-institutional population. Numbers and percentages may not total as shown due to rounding.						

By 2008, over 40 percent of the labor force (62 million individuals) will be 45 and older. The number of labor force participants between the ages of 45 and 54 will increase by about 30 percent (from 28 million to 37 million), and those over age 55 will increase by about 48 percent (from 17 million to 25 million). It is important to note that the youth labor force (aged 16 to 24) is expected to grow more rapidly than the overall labor force for the first time in 25 years. That is, in the coming decade, both young workers and older workers will increase, while the number of workers in the middle ages (25-44) will actually decline.¹⁷ The increasing number of mature workers, over 45, means that there will also be an increasing number of unemployed persons who are older, even if overall national unemployment rates remain at the current low level.

While the rate of growth for women in the labor force is expected to slow, BLS projects that it will still increase faster than for men. This trend is also evident in the projected behavior of older workers. Labor force participation rates are higher for men than for women in all age groups, but BLS indicates that the male rate is declining while the female rate is increasing. By 2008, BLS estimates that men aged 55 to 64 will have a labor force participation rate of 69 percent, an increase of only 1 percent from 1998, while women of the same age will have a rate of nearly 58 percent, an increase of nearly 7 percent from 1998.¹⁸ Employment and training programs should thus expect both to serve an increasing number of women and an increasing number of older adults (men and women).

State Variations

Although nationwide the number of workers over the age of 45 is expected to increase by about one-third in the decade following 2000, there will be variation across states. Precise estimates of state labor force projections by age are not currently available, but rough estimates were prepared using BLS population and labor force projections for states. As indicated in Exhibits III.3a, six states can expect over 2 million more older workers in 2010 than they had in 2000: Illinois, New York, Pennsylvania, California, Florida and Texas. And ten states can expect at least 25 percent more older workers in 2010 than

¹⁷ Ibid., p.19.

¹⁸ Ibid., p. 24.

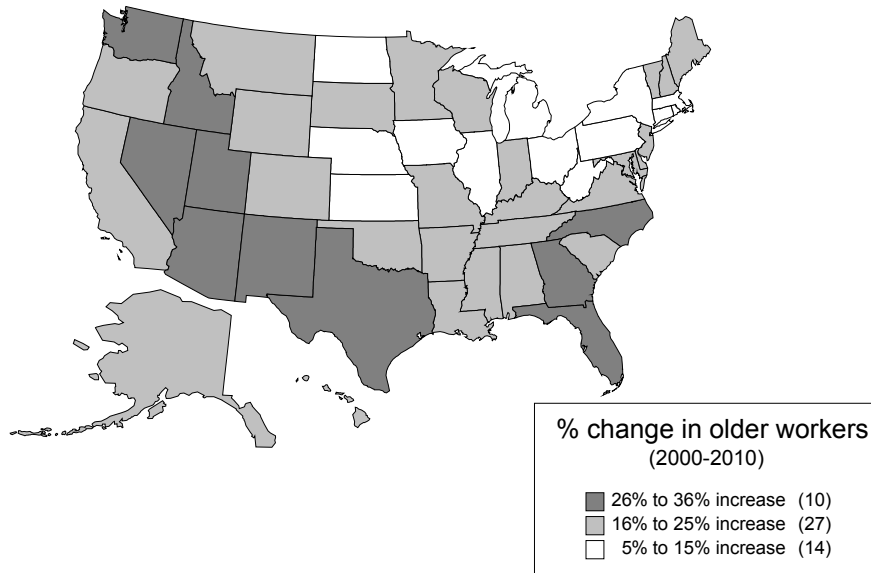
there were in 2000: Idaho, Nevada, New Mexico, Utah, Arizona, Georgia, North Carolina, Washington, Florida, and Texas. The nationwide geographic pattern depicted in Exhibit III.3b shows that states in the south and the west can expect the largest percentage increases in older workers in the coming decade.

Exhibit III.3a: Estimated Increase in Workers 45 and Older, by State, 2000-2010

Estimated Increase in the Number of Older Workers Between 2000 and 2010	States with 100,000–500,000 older workers in 2000	States with 500,000 to 1 million older workers in 2000	States with 1-2 million older workers in 2000	States with 2 million or more older workers in 2000
5% to 15% increase	Connecticut District of Columbia Nebraska North Dakota Rhode Island Vermont West Virginia	Iowa	Massachusetts Michigan Ohio	Illinois New York Pennsylvania
16% to 25% increase	Alaska Colorado Delaware Hawaii Montana New Hampshire South Dakota Wyoming	Alabama Arkansas Kansas Kentucky Louisiana Maine Minnesota Mississippi Oklahoma Oregon South Carolina	Indiana Maryland Missouri New Jersey Tennessee Virginia Wisconsin	California
26% to 36% increase	Idaho Nevada New Mexico Utah		Arizona Georgia North Carolina Washington	Florida Texas

Source: Urban Institute approximations based on BEA projections of population by age and by state, and BLS projections of labor force participation by age.

Exhibit III.3b: Estimated Increase in Workers 45 and Older, by State, 2000-2010



Disadvantaged Mature Workers

To explore the effect this aging labor force will have in the future on employment programs for disadvantaged workers, a simple calculation was done using current labor force activity to make assumptions about future labor force behavior of older persons. Exhibit III.4 shows the labor force status of workers by selected age groups in 1998, 1999 and 2008, based on BLS data and projections. The employment and unemployment estimates for 2008 in the table are based on (simplified) assumptions that the national unemployment rate and the unemployment rates for each age group of older workers in 2008 would be the same as they were in 1999 (as reported by BLS).

A general observation can be drawn from the table. If one assumes that economic conditions and the labor market behavior of older persons will not change substantially over the next few years, the aging of the baby boom generation means that, compared to 1999, in 2008 there would be nearly 400,000 more older unemployed workers. Applying the same logic, if the national unemployment rate in 2008 were to rise to 5 percent, that could mean nearly 700,000 more unemployed older workers than there were in 1999. While these simplifications cannot be interpreted as estimates of future unemployment, the exercise does help us better understand the effect the aging baby boomers might have on the nation's workforce.

**Exhibit III.4: Actual and Projected Increase in Mature Worker Population,
by Labor Force Status, 1998-2008**
(in thousands)

Labor Market Status and Age Group	1998 (actual)	1999 (actual)	2008 (projected)	Change 1999-2008
<u>Labor Force Participants</u> (in thousands)				
45-49	15,920	16,330	19,473	3143
50-54	12,450	13,058	17,317	4259
55-59	8,490	8,895	13,093	4198
60-64	4,720	4,787	7,495	2708
65-69	2,110	2,137	2,732	595
70 and older	1,740	1,868	1,913	45
Total 45 and older	45,430	47,075	62,023	14,948
<u>Employed</u> (in thousands)				
45-49	15,510	15,904	18,965	3061
50-54	12,130	12,731	16,884	4153
55-59	8,270	8,656	12,741	4085
60-64	4,600	4,659	7,294	2635
65-69	2,060	2,065	2,640	575
70 and older	1,690	1,817	1,861	44
Total 45 and older	44,260	45,832	60,385	14,553
<u>Unemployed</u> (in thousands)				
45-49	410	426	508	82
50-54	320	327	433	106
55-59	220	239	352	113
60-64	120	128	201	73
65-69	60	72	92	20
70 and older	50	51	52	1
Total 45 and older	1,180	1,243	1,638	395

Source: Actual and projected labor force and employment data from Bureau of Labor Statistics tabulations dated 12/99. Unemployment for 1999 and 1998 from BLS published table, "Employment status of the civilian non-institutional population by age, sex, and race," accessed on-line 6/30/00. For 2008, this exercise assumes a national unemployment rate of 4.0; and employment and unemployment by age are estimated by applying 1999 rates for each age group. Numbers shown may not total exactly, due to rounding.

The aging baby boomers will similarly affect the age distribution of the poor and economically disadvantaged population. Examination of BLS projections shows marked increases in the low-income portion of the maturing population over the next decade, as indicated in Exhibit III.5. (Here, again, simplified assumptions for 2008 are based on 1999 income and poverty levels by age.) The main effect of the aging baby boom cohort can be seen in the very large increase in the number of older persons below poverty. Even though poverty rates of older persons in general continue to be somewhat lower than for young adults, between 1998 and 2008 the likely increases in specific age groups living in poverty are:

- 10% increase in 22 to 44 year olds,
- 24% increase for persons over 45, and
- 43% increase in 55 to 64 year olds.

There will be about 2 million more poor persons over the age of 45 in 2008 than there were in 1998, for a total of nearly 10 million (compared to just under 8 million in 1998).

This aging pattern also holds true for the somewhat broader low-income population that was referred to under JTPA as “economically disadvantaged.”¹⁹ The economically-disadvantaged population between 22 and 70 years of age (the target population for many federal employment and training programs for adults, particularly those supported under JTPA) can be expected to increase by about 11.5 percent (or 2.7 million persons) between 1998 and 2008. But, again, the age distribution will shift up because of the aging baby boom. Projecting out toward the end of the decade, as shown in Exhibit III.5, there may be 36 percent (nearly 3 million) more economically disadvantaged persons 45 to 64 year olds in 2008 than there were in 1998. This contrasts with a decrease (of about 7.5 percent) in economically disadvantaged 35 to 44 year olds over the same time period.

¹⁹ The term “economically disadvantaged” is used here as it was defined for JTPA eligibility purposes: receiving or in a family receiving cash welfare, receiving food stamps, and/or in a family receiving cash welfare or food stamps, and/or in a family that had income in the prior six months that was below the official poverty level or below 70 percent of the DOL-established lower-living standard level. The “economically-disadvantaged” population is larger than, but includes, the poverty population.

Exhibit III.5 Estimated Number of Adults Below Poverty, by Age Group, 1998-2008 (in millions)				
Status and Age Group	1998 (actual)	2000 (projected)	2008 (projected)	Percent Change 1998-2008
<u>Below Poverty</u>				
16-21	4.3	4.5	5.0	16.3%
22-24	1.7	1.8	2.0	17.6
25-34	4.6	4.4	4.5	- 2.2
35-44	4.0	4.1	3.7	- 7.5
45-54	2.4	2.6	3.0	25.0
55-64	2.1	2.2	3.0	42.9
65-69	0.9	0.9	1.1	22.2
70 and older	2.4	2.4	2.6	8.3
22-70 year olds	15.7	16.0	17.3	10.2
22 and older	18.1	18.4	19.9	9.9
45 and older	7.8	8.1	9.7	24.4
55 and older	5.4	5.5	6.7	24.1
<u>Economically Disadvantaged</u>				
16-21	5.3	5.5	6.0	13.2%
22-24	2.4	2.4	2.7	12.5
25-34	7.0	6.7	6.8	- 2.9
35-44	5.3	5.4	4.9	- 7.5
45-54	4.1	4.4	5.2	26.8
55-64	3.3	3.5	4.9	48.5
65-69	1.4	1.4	1.7	21.4
70 and older	3.4	3.5	3.7	8.8
22-70 year olds	23.5	23.8	26.2	11.5
22 and older	26.9	27.3	30.0	11.5
45 and older	12.2	12.8	15.5	27.0
55 and older	8.1	8.4	10.3	27.2
<i>Source: Urban Institute calculations based on BLS tabulations of population data and projections, dated 12/7/99. Poverty estimates based on 1999 poverty rates for each group; economically disadvantaged estimates based on adjustments as presented in Loprest, Pamela J. and Burt S. Barnow, <i>Estimating the Universe of Eligible for Selected ETA Programs</i> (Washington: The Urban Institute, October 1993).</i>				

Thus, over the next decade, the aging of the baby boom generation will substantially increase the number of mature and older workers and, therefore, the number of older workers who are unemployed, below poverty, or otherwise characterized as economically disadvantaged. The number of older workers and their projected increase over the next decade have implications for various employment and training programs, as discussed in the following sections.

B. Past Participation in Employment and Training Programs

The Workforce Investment Act (WIA) introduces universal access to services, in contrast to many provisions in JTPA, which targeted most resources and programs on specific populations (e.g., economically disadvantaged). While some priority is to be given to the poor, universal targeting means that WIA-funded programs will be expected to serve a broader group of individuals than had been served under JTPA—economically disadvantaged as well as those with higher incomes, and older workers as well as younger. The experience that public programs have had serving older and disadvantaged workers in the recent past may indicate the potential demand for employment and training services for older workers in the future.

Exhibit III.6 shows the participation of older workers in Program Year 1997 in the four main programs under which older workers received employment-related services: JTPA Adult Training (Title IIA); Services for Older Workers (Title IIA, Section 204(d)); Dislocated Worker Training (Title III); and the Senior Community Service Employment Program (SCSEP), authorized under Title V of the Older Americans Act. The JTPA programs have now been terminated and ultimately subsumed by the new Workforce Investment Act. SCSEP continues under separate authority.

Exhibit III.6: Older Worker Participation in Major Employment and Training Programs, by Age Group, Program Year 1997			
Program	Age 45 to 54	Age 55 and Older	Total, Age 45 and Older
Senior Community Service Employment Program (SCSEP)	0	104,140	104,140
Dislocated Worker Programs (JTPA-III)	66,528	26,661	94,414
Services for Older Workers (JTPA-Section 204(d))	0	11,672	11,672
Adult Training (JTPA-IIA)	14,771	2,954	17,210
Total	81,299	145,427	227,436
Source: Urban Institute calculations based on JTPA <i>Standardized Program Information Report</i> , PY1997.			

The first point to note is that actual participation of older workers in federal programs is only a small fraction of those potentially eligible. In Program Year 1997, of the approximately 12 million economically disadvantaged 45 years and older, only 227,000—or

about 2 percent—participated in some federal employment and training program.²⁰ Over half were in JTPA Section 204(d) or SCSEP—the two programs designated for workers 55 and over.

In fact, of the programs administered by the Employment and Training Administration, SCSEP serves the largest number of low income older workers. It provides part-time employment (at least 20 hours per week) in community service to individuals 55 or older (it gives priority to those over 60) who are below 125 percent of poverty, unemployed and have poor employment prospects. SCSEP also assists older workers to obtain unsubsidized jobs through counseling, job search assistance, supportive services, and some job training. In 1997 SCSEP served about 104,000, still less than one percent of those eligible.

The other main sources of federal funding for employment-related services for older workers were authorized under the JTPA legislation. Section 204(d) of JTPA funded services for older workers, and was principally targeted to those 55 and older who were economically disadvantaged. In 1997, about 11,000 individuals received services funded under Section 204(d), down from over 13,000 in 1995.

Other JTPA programs (under Titles III and IIA) were more broadly available for disadvantaged persons of any age. Of the approximately 112,000 JTPA participants 45 and older in those programs, the greatest number (about 94,000) were served under the Title III programs for workers dislocated from their usual jobs, due, for example, to foreign competition or permanent plant closures. Most of the Title III older workers, about 72 percent (or about 67,000 individuals), were under 55 years old.

The experiences of older workers in Title III illustrates the potential effectiveness of older worker training. Like other participants in Title III programs, nearly 60 percent of those over the age of 45 received occupational skills training or retraining. Compared to younger workers, persons over 45 were somewhat more likely to be trained for clerical and administrative occupations, and on average received shorter-term training. Similar to others in Title III programs, about 70 percent of those 45 and older entered employment. Their hourly wages, though, were somewhat higher than other participants—\$11.59 an hour compared to \$8.81 for those 29 and younger, and \$10.63 for those 30-44. However, the average wage replacement rate for those over 45 was .91, compared to 1.10 for those 29 and younger and .98 for those 30-44. The differences in program services and outcomes, of course, may be related to the characteristics of workers being displaced, the types of jobs from which they are displaced, and the types of jobs they wish to obtain. And the lower wage replacement rates may reflect that as workers age it becomes more difficult in general to increase their wages when changing jobs. Nonetheless, the Title III experience highlights the fact that persons over 45 are being retrained and entering employment, though the types of training they receive and their wage opportunities are somewhat different than for younger workers.

²⁰ U.S. Department of Labor, Employment and Training Administration, *Standardized Program Information Report for Program Year 1997*, the most recent available at the time of this report. Slight adjustments were made to SPIR data to account for individuals in multiple programs.

Thus, of the approximately 12 million economically disadvantaged workers 45 and older who were eligible for JTPA services in 1997, only about 123,000, or about 1 percent, participated. This rate is consistent with overall participation in JTPA, where participation rates are, mainly because of funding, quite limited. Some estimates indicate that JTPA was able to only about 2 percent of the persons eligible.

C. Future Implications for ETA Programs

The enactment of the Workforce Investment Act affords an important opportunity for reexamining the entire system of programs administered through the Employment and Training Administration. The discussions in the previous sections have several implications for the services and implementation strategies appropriate in the future under WIA.

Implications of Demographic Trends for Program Participation

The demographic shifts, economic status, and likely program participation based on past experience should affect WIA programs in at least three ways.

First, the number of older workers—and the average age of participants—in employment programs will continue to increase for at least ten years. The aging of the baby boom generation as a whole will naturally increase the number of older workers in the labor market. It will also likely increase the need for employment-related services to those older workers who are relatively less advantaged. The U.S. economy increasingly rewards high levels of education. Older workers with high education or technical skills will probably continue to be in demand as long as they maintain or upgrade their skills as appropriate. But those without higher education may find it increasingly difficult to compete in the labor market and may turn to public employment and training programs for assistance. The baby boom generation is likely also to continue to experience more work disruptions and transitions than previous groups of maturing workers because the nature of the labor market has changed dramatically during their working years.

According to DOL-ETA statistics, about 55 to 60 percent of JTPA IIA participants in the 1990s were between the ages of 30 and 54. Only about 2 percent were 55 and older. As young workers in the 1970s, 1980s, and 1990s baby boomers comprised the largest share of employment and training participants. If they maintain their interest in such programs as they age, the number of older persons seeking services in the future (compared to younger persons) could be higher than it has been in the past. Younger baby boomers had a high JTPA participation rate, and may continue to seek public job training services as they age or when they make job or career changes in the future. Since they are already familiar with public employment programs, they may continue to seek services as they age. Therefore, their rate of participation could be more similar to the rate they currently have as younger workers, rather than the rate of today's older workers.

As the overall population ages, the age distribution of economically disadvantaged workers who enter federal employment and training programs will also shift up, increasing the number of disadvantaged older workers (relative to younger workers). For that reason alone, the WIA and one-stop system can expect to see more older persons entering their

offices. Even if total number of participants in WIA and other related programs must remain the same as in JTPA in recent years due to budget constraints, the average age of registrants—like the average age of the labor force in general—will increase. The number of 25 to 44 year olds in 2008 will be lower and the number of 45-64 year olds will be considerably higher than in 1998. For example, about 150,000 persons were served under JTPA II-A in 1997 (beyond simply receiving “objective assessment”) and about 12 percent were 45 or older. There would be about 18 percent more older participants in 2008 than there were in 1997 (20,000 compared to about 17,000) if two variables remain the same:

1. If the rate of participation among various age groups in the disadvantaged population remains the same as it has been in the past decade, and
2. If there were still only 150,000 disadvantaged adult participants.

The point is that even if the WIA system takes no special action to target programs, the system should expect more older persons seeking services in the coming years.

At the same time, though, the number of young workers, 16 to 24, is also expected to grow more rapidly than the overall labor force for the first time in 25 years, while the number of persons in the middle years declines. The increased demand for services for older workers will be accompanied by some increased demand by young workers, while the number of participants in the 25 to 44 year old range decreases.

Second, employment programs’ services may need to change to respond effectively to the aging participants. The aging of participants in programs means, in turn, that most programs will feel the need to change the types of services they offer as they attempt to serve an increasingly older population.

For example, technological change has penetrated deeply into the workplace, increasing the demand for new and greater skills in almost all occupations. The baby boom generation has been particularly affected by the economic restructuring of the past twenty years. As they age, this generation is likely to represent an even larger share of those persons who require re-training and assistance services. While older persons can continue to learn new skills, there is evidence that individuals may learn differently as they age. Re-training programs with significant numbers of mature workers may be most effective if they use teaching strategies and curricula suited to mature workers, such as small group and individualized instruction rather than larger classroom instruction, as had been the norm for JTPA Title IIA programs. As workforce development programs are called upon to serve an increasing number of older workers, some of the strategies that have proven successful in SCSEP (e.g., work experience, and small group instruction) could be adapted by other programs that will be serving increasing numbers of mature workers. Presumably, the documented success of SCSEP results from the fact that the components and services are specifically designed to meet the needs of the mature population.²¹

²¹ Nancy M. Pindus and Pamela A. Holcomb, *Analysis of the Impacts of Proposed Legislative Changes in the Senior Community Service Employment Program* (Washington: The Urban Institute, March 1996).

In addition, baby boomers, especially the younger cohort, have experienced very high rates of dislocation due to company closures, permanent layoffs, downsizing, and responses to international trade conditions. Such dislocation may have affected their lifetime earnings, employment histories, and retirement planning in unique ways. Recent experience shows a lessening of dislocation and resultant earnings losses. But compared to earlier generations, baby boomers have probably had more spells of unemployment, longer periods of unemployment, and possibly lower earnings increases when they moved to new jobs. Those with low education and few transferable skills are likely to have experienced more than one period of dislocation. If worker dislocation continues over the next few years, even at a reduced rate compared to the past 15 years, the maturing baby boomers will probably bear the largest share of job losses as long as they comprise the largest segment of the workforce. Therefore, even a constant level of dislocation will lead to more demand for services by older workers because baby boomers (large in number) will continue to comprise a large share of those who are dislocated, compounded by their diminishing ability to be re-employed.

Third, SCSEP may have to be expanded to allow continued targeting on mature workers. As the baby boom cohort ages, more persons will also become eligible for the only remaining program specifically authorized for older workers. Beginning in 2001, the first wave of baby boomers will reach 55. The SCSEP program has been reasonably effective at helping increase income and employment among older low-income workers who choose to work or must work for economic reasons. At current annual funding levels, though, only about 1 percent of eligible persons can be served. Once the baby boom generation begins to reach 55 in 2001, far fewer than 1 percent will be able to be served if SCSEP funding remains constant (i.e., increases annually at no more than the rate of inflation). Since this program has been effective, presumably because its services are targeted on the specific needs of older workers, an increase in funding proportionate to the increase in the older population may be worth consideration.

Similarly, it may make sense to consider whether the SCSEP should be expanded to also serve the younger cohort of mature workers between the ages of 45 and 54 who are now not eligible. In 2008, there will be about 1.1 million more 45 to 54 year old economically disadvantaged adults than in 1998 – about one-third of whom will be between the ages of 50 and 54. Many of them presumably might benefit from the types of subsidized employment and job placement services offered through SCSEP. At the same time, though, the number of disadvantaged persons over age 55, the traditional target population of SCSEP, will also increase by over 2 million. This means it would not be wise to simply shift resources to the younger age group; it may be necessary to both increase resources to serve the growing older population and expand to serve the population in need under age 55, which is also growing rapidly.

Changes to SCSEP become even more important in the context of the WIA. The WIA legislation repealed the Section 204(d) set-aside program for older workers. SCSEP, part of the new workforce development system, is now the only source of designated funds for mature and older workers, and at current funding levels, each year it will only be able to serve a continually decreasing portion of those eligible.

Implications for WIA Planning and Implementation

As state and local officials implement the Workforce Investment Act, it will be important to consider both the aging of the population and the special needs of older workers. The low rate of past program participation by older workers argues for WIA planners to improve strategies for reaching out to those who will be working and needing services longer. This outreach is particularly necessary for those who may be unlikely to seek the help they need to remain in the workforce at income levels sufficient to support their needs. This may require special attention by program planners, even with the expected increased demand from older workers themselves.

The WIA system would do well to take an active approach to serving older workers, not only because there will be more of them, but because there are strong national policy reasons to encourage and assist individuals to extend their work years. The old age dependency ratio (the ratio of people 65 and older to those 20-64) will increase sharply in the coming decades. In 1950 there were seven persons of working age for every person 65 and older; by 2030, there will be fewer than three.²² There is increasing concern about the ability of the workforce to contribute taxes necessary to support Social Security, Medicare, and other services, including those specifically for the aging baby boomers. Wholesale loss of older workers also creates a drain in human capital that an experienced workforce provides and that may not be offset by new entrants in the face of current difficulties in the education system.

The new workforce development system may need to be more than a passive player in assuring that the aging workforce as well as new entrants to the job market maintain competitive skills and remain in the labor market as long as possible. Workforce development systems should, therefore, re-examine current service delivery approaches to assure that they are responsive both to the needs of older persons in general and to the specific needs of those who have been affected by both technological and structural dislocation. However, given the simultaneous increase in the 16 to 24 year old age group, the program service modifications must be done without sacrificing services needed by younger workers.

Low participation rates in older worker programs in the past suggest that WIA planners should be consciously developing strategies to make services accessible to older workers, including those who may be unlikely to seek the necessary help to remain in the workforce at income levels sufficient to support their needs. Coordinating with older worker agencies at the state and community level is one way to ensure that WIA programs include services that older workers need and to ensure that access to those services is appropriate. Including SCSEP on local workforce investment boards is one mechanism for ensuring that such coordination occurs.

Programs should also reassess ways in which they can help employers use older workers more successfully. One way is to market the merits of older workers (e.g., reliability, low absenteeism, stability and experience) to employers. Another is to help employers design pension and benefit offerings, job descriptions, work sites and work schedules to maintain their valued workforce and to facilitate combining work, retirement,

²² Committee for Economic Development, *New Opportunities for Older Workers* (New York, 1999).

and voluntarism. Employers may be increasingly wary of age discrimination issues as those over 40 become a larger proportion of the workforce.

Finally, WIA planners and One-Stop center operators should ensure that the baby boom's population shifts are reflected in 5-year Workforce Investment plans. Collaborative strategies should be fostered among service systems including SCSEP, Welfare-to-Work, vocational rehabilitation, and adult education to implement such planning in order to better serve the aging population.