

The AGING WORKFORCE of the Pioneer Valley Region

Labor Force and Population Trends for the Future

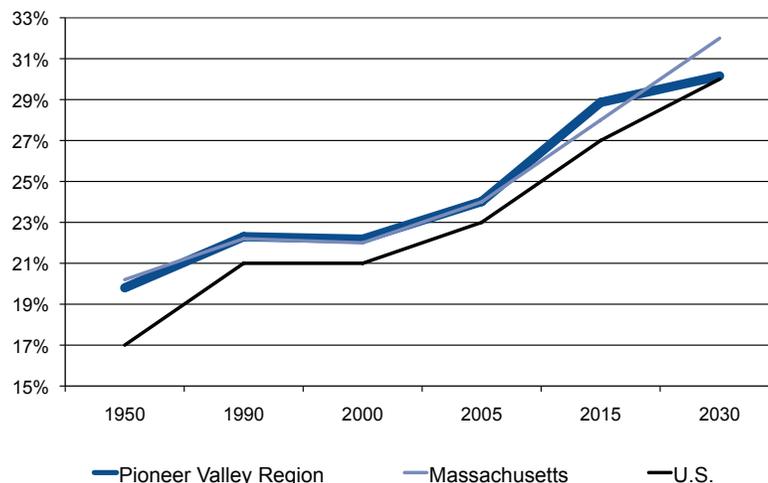
The Baby Boom Generation, which consists of people born between 1946 and 1964, is aging, and as the members of this generation retire and leave the workforce, vacancies in a variety of industries and businesses in the nation, state, and Pioneer Valley region¹ are likely to result. While there has been much media discussion of the impact of this trend on programs such as Social Security and Medicare, declines in the share of the population that is younger than 55 could cause significant reductions in the region's labor force over the next 20 to 25 years. For area businesses to remain viable and running efficiently, these openings will need to be filled with educated, trained individuals.

Overview of the Aging Trend

The significant effects on the composition of the population created by the major increase in births from 1946–1964 was compounded by a significant decline in the birth rate from 1965–1976, known as the Baby Bust Generation. The Baby Boom Generation has always been larger than the other generation cohorts, but as its members move into the age range of retirement, new affects of this phenomenon become significant.

Historical census data and population growth estimates for the United States, Massachusetts, and the Pioneer Valley region show that the share of the population that is age 55 or older has steadily increased, and will continue to increase over time (Figure 1). From 1950 to 2005, the share of people in the region over the age of 55 grew from 19.8 percent to 24 percent, compared with changes of 17 percent to 23 percent nationally and 20 percent to 24 percent for the state. According to current Pioneer Valley Planning Commission population estimates, by 2030 the portion of the region's population over age 55 (30.2 percent) should continue to exceed the same figure for the nation (30.0 percent) although it will remain slightly lower than the portion for the state (32.0 percent).

Figure 1: Percentage of Population that is 55 Years or Older



Source: U.S. Census Bureau (PUMS 2005); PVPC

Effects on the Labor Force

Estimates suggest that the labor force in the Pioneer Valley region could be significantly affected by the aging of its workforce. According to the U.S. Census Bureau's American Community Survey, labor force participation rates start to fall when workers reach 55 years of age.

Between 2005 and 2030, the region's overall labor force is expected to shrink by 37,095 people, a decrease of nearly nine percent.

This decline would begin gradually and become more exaggerated over time. From 2005 to 2015, the region's labor force is expected to decline by 2,143 people, a decrease of only about half of one percent.

However, over the following 15 years, between 2015 and 2030, the labor force could shrink by an additional 34,952 people, an 8.5 percent decrease.

Pioneer Valley Region Industries Potentially Affected

This aging phenomenon could have a particularly significant impact on the region's three largest industries. As classified by North American Industry Classification System (NAICS), these sectors include health care and social assistance, manufacturing, and education.

As of 2005, these three industries accounted for 38.5 percent of the region's total employment, and the workforce employed by these key industries are among the oldest in the area.

More than 20 percent of employees in each of these three major industries are 55 or older and, therefore, are likely to retire within a decade or so (see Table 1).

Retirement will occur most rapidly in industries in which a large proportion of their employees are 65 or older. In the Pioneer Valley region, the educational industry has the highest percentage of employees that are 65 and older, with 33 percent of workers over the age of 55 years falling in this age category.

Of workers who are over the age of 55 years, the health care and social assistance industry has 28.1 percent of who are 65 and older while manufacturing has 24.5 percent.

Table 1: Percentage of Employees Over 55 Years Old by Major Industry

| Major Industry | Total Employed | Number Employed 55+ | Percent Employed 55+ |
|-----------------------------------------------------------------|----------------|---------------------|----------------------|
| Other services/ not elsewhere classified | 47,349 | 9,382 | 19.8% |
| Health Care & Social Assistance | 47,272 | 9,716 | 20.6% |
| Manufacturing | 44,214 | 9,246 | 20.9% |
| Educational | 43,395 | 10,582 | 24.4% |
| Retail Trade | 34,304 | 5,704 | 16.6% |
| Arts, Entertainment & Recreation, Accommodation & Food Services | 33,574 | 2,819 | 8.4% |
| Finance, Insurance & Real Estate | 22,266 | 4,425 | 19.9% |
| Professional, Scientific & Technical | 20,156 | 4,238 | 21.0% |
| Construction | 18,725 | 3,388 | 18.1% |
| Public Administration | 15,373 | 3,659 | 23.8% |
| Wholesale Trade | 10,812 | 1,603 | 14.8% |
| Administrative Services | 5,254 | 857 | 16.3% |
| Transportation, Warehousing & Utilities | 4,217 | 978 | 23.2% |
| Agriculture, Fishing, Forestry & Mining | 3,157 | 719 | 22.8% |
| Total | 350,068 | 67,316 | 19.2% |

Source: U.S. Census Bureau 2005

The Challenge

As described earlier, approximately 37,000 of the region's jobs will likely be vacated and need to be filled over the next two decades, especially in the health care and social assistance, manufacturing, and education industries.

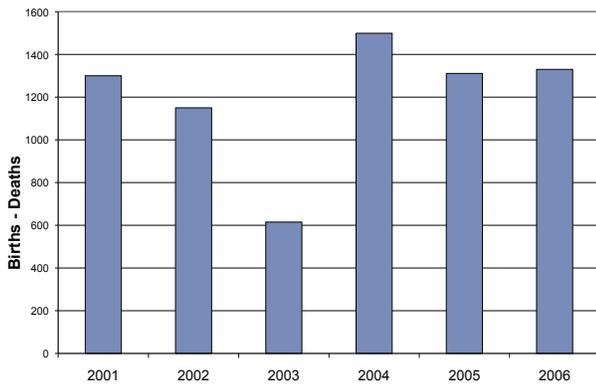
To help determine what proactive or creative strategies might be used to address this challenge, it is useful to examine several other factors that can affect the size of the region's labor market including domestic migration and foreign immigration.

Domestic Out-Migration and the Value of Foreign Immigration

Domestic out-migration has already led to declines in the region’s population and labor force. Additional efforts could be made to reverse this trend in order to maintain the size of the region’s labor force.

Examining only births and deaths (the “natural increase” in population), in each of the six years between 2001 and 2006, births have exceeded deaths by an average of 1,201 per year (see Figure 2).

Figure 2: Pioneer Valley Region Natural Increase in Population (Births - Deaths)



Source: MA Office of Health and Human Services

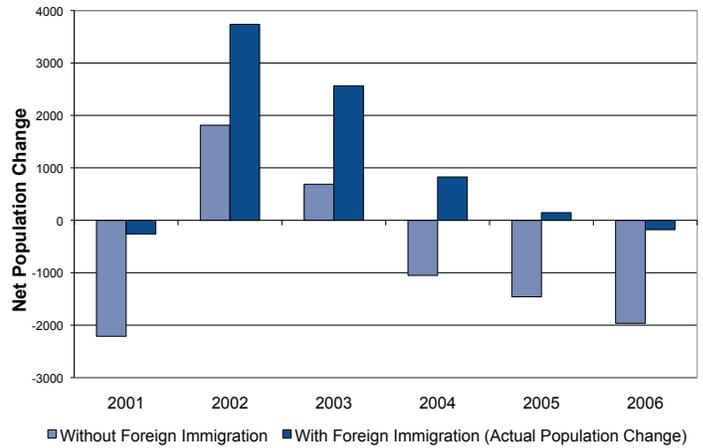
Despite this “natural increase,” the phenomenon of people leaving the region and the state for other places in the United States has seriously limited the region’s population growth and decreased the size of its labor force.

In four of the six years between 2001 and 2006, net losses in domestic migration have outpaced gains in the region’s population due to the natural increase (see Figure 3).

Overall, from 1990 to 2001, about two-thirds of the domestic out-migration from the region can be attributed to people younger than 45 years old. Over the last six years, the one trend that has kept the Pioneer Valley region from sustaining a significant loss in population, or major shrinkage in the size of its labor force, has been an influx of people arriving from foreign countries and settling in the region (see Figure 3).

Population and migration trends suggest that investing in the needs, education, and development of the immigrant workforce could be an effective strategy to maintain, if not grow, the region’s workforce.

Figure 3: Pioneer Valley Region Change in Population - The Effect of Foreign Immigration



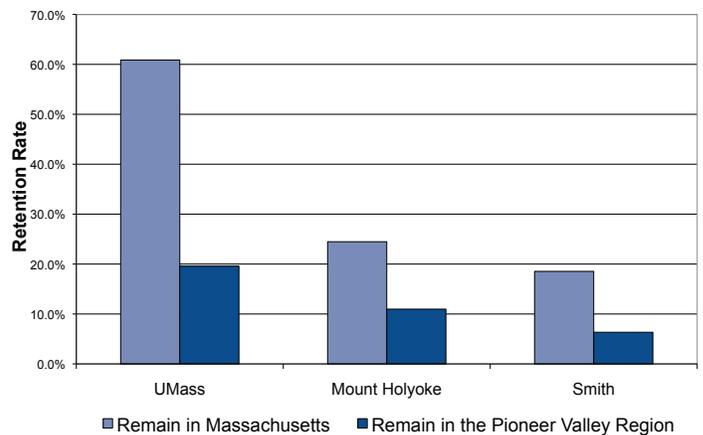
Source: U.S. Census Bureau, MA Office of Health and Human Services

Recruitment of New Workers

A recent Pioneer Valley Planning Commission survey examined the current ZIP codes of students who graduated from the University of Massachusetts, Mount Holyoke College, or Smith College in 2000.

The results showed that most college students are leaving the Pioneer Valley region after graduation. One in five UMass graduates remained in the region, while only one in ten Mount Holyoke graduates and one in 16 Smith College graduates did so (see Figure 4).

Figure 4: College Retention Rates



Source: National Center for Education Statistics (IPEDS)

This trend highlights an opportunity for the region to proactively address domestic out-migration, especially by younger segments of the population, while trying to meet labor force demands.

As has been done with promising results over the past several years, effective and sustained efforts to link educational institutions with major employers in the region to train and prepare the vast local student population to become valuable potential employees in the fields that are expected to have the most future vacancies needs to be a priority.

This type of coordination allows young people to graduate from college with skills more directly related to those in demand by local employers and better prospects of landing a job in their chosen career by establishing better communication between employers and educational institutions that forge direct pathways from college to employment.

The Intern Here web-based matching program, which encompasses the intrastate Knowledge Corridor of Massachusetts and Connecticut, is an excellent model of how this strategy can be pursued to advantage employers, college students, and the regional economy.

Transfer of Knowledge

Ideally, an efficient transfer of jobs from exiting to entering workers would also include the transfer of a large base of institutional and industry-related knowledge of immense value to employers.

One possible approach to facilitating this knowledge transfer is for employers to develop more flexible personnel policies and regulations that allow retirees to gradually change their work schedule from full-time to part-time before they leave the workforce.

This proactive approach can help facilitate the transition for the employer, as well as the retiree.

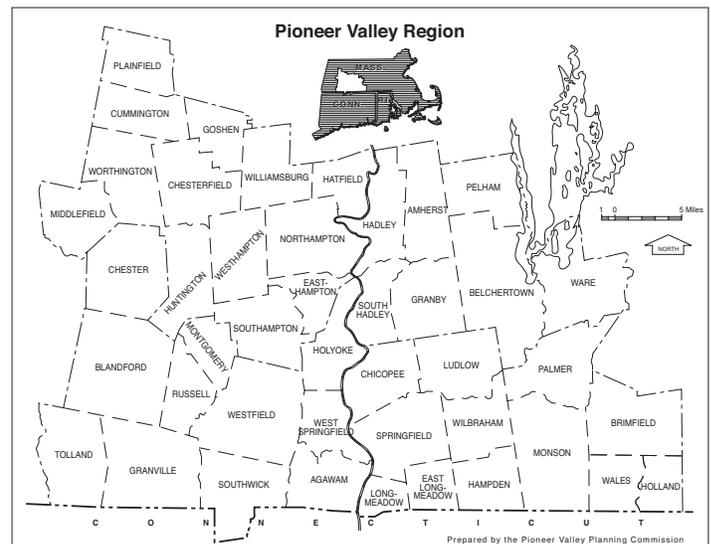
During these additional years of part-time work, older workers can participate in mentoring and training programs designed to help transfer knowledge from one generation of workers to the next, minimizing the loss of knowledge and skills that can occur as part of a transitioning workforce. In doing so, older workers can stay engaged in the workforce and offset, to some degree, the negative impacts from large scale retirements.

Conclusion

As large numbers of the Pioneer Valley region's skilled and experienced employees leave the workforce, there will likely be employment gaps in a variety of fields that will need to be filled in order for the economy to remain healthy, and capable of sustained growth.

An effective strategy for mitigating labor shortages involves an array of proactive approaches designed to discourage large numbers of people from leaving the region's labor force through retirement or out-migration to other areas while looking to attract new skilled workers to the Pioneer Valley region.

Finally, efforts to smooth the transfer of knowledge from old to new workers will be critically important as maintaining the size and quality of the region's workforce over the next two decades is pivotal to the region's future progress and prosperity.



Prepared in cooperation with the Massachusetts Department of Transportation, and the Federal Highway Administration and the Federal Transit Administration - U.S. Department of Transportation. The views and opinions of the Pioneer Valley Planning Commission expressed herein do not necessarily state or reflect those of the U.S. Department of Transportation.