

***The Older Worker Population of Massachusetts and
Its Labor Force Behavior and Labor Market Problems
in the 1990s***

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Massachusetts Jobs Council
Blue Ribbon Commission on Older Workers

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Research Paper #1

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Introduction

Forthcoming demographic developments in the state of Massachusetts and the nation over the next decade that will substantially transform the age structure of the working-age population have created an interest in the labor market behavior and labor market problems of older workers. During 1997, the Massachusetts Jobs Council appointed a Blue Ribbon Commission on Older Workers, Chaired by Professor John Dunlop of Harvard University. The Commission members were charged with the task of identifying and assessing the demographic outlook, labor market experiences, labor market problems, and human resource needs of the state's older worker population (45-69 years old). The Commission also was expected to provide recommendations to the Massachusetts Jobs Council to assist it in its efforts to develop a future workforce development agenda for the older work force of the state. To assist the members of the Blue Ribbon Commission in analyzing the labor market behaviors, experiences, and problems of older workers, a research team consisting of professional staff from the Center for Labor Market Studies of Northeastern University and the University of Massachusetts-Boston was commissioned to prepare a series of background research papers on the older worker population.

This research paper is based on a set of presentations on the Massachusetts older worker population made by the authors to a state forum on older workers in March of 1997 and to the initial meeting of the Blue Ribbon Commission in June of that year.¹ The research paper is devoted to an overview of past, present, and projected future older worker population developments in the state, the labor force behavior of the older worker population from the late 1980s through the mid-1990s, the labor market problems of the

¹ The paper was presented as part of a Panel on Employment Issues Facing the Older Worker in a Forum on Launching Employment the Older Worker Week held at the Massachusetts State House on March 6, 1997. A number of the findings in these two earlier presentations have been expanded and updated in this paper given the availability of more detailed and current data on the older worker population of the state and its labor force behavior.

state's older workers, and estimates of the pools of available, but unutilized and underutilized older workers.

The paper will begin with a brief overview of older worker population developments in the state over the 1970-95 period, compare its growth to that of the working-age population under 45, and assess recent U.S. Census Bureau projections of the older worker population through the year 2010. This demographic analysis will be followed by an overview of key labor force developments in the New England region and the state of Massachusetts in the 1990s, including the absence of any net labor force growth through 1996 and the steep declines in aggregate unemployment rates in recent years.

The recent labor force behavior of the older worker population in Massachusetts and New England will be examined in the third section. Changes in the labor force participation rates of the entire older worker population and key demographic subgroups over the 1989-96 period will be examined, together with findings on changes in the unemployment rates of older workers in the region and state. The dislocation experiences of older workers in New England during the 1990s will be the focus of the fourth section. The re-employment problems of older dislocated workers will be reviewed and assessed. The final section of the paper will present our estimates of the pools of unutilized and underutilized older workers in the New England region and the state of Massachusetts in the mid 1990s and discuss their implications for future workforce development policy in the Commonwealth.

***The Growth of the Older Worker
Population, 1970-1995 and 1995-2010***

Measures of the size of the older worker population of the state are dependent on a clear definition of the term "older worker". The concept of an older worker generally has been defined in the employment and training field as a person 55 years of age or older.

For example, the current Job Training Partnership Act (JTPA) has provided states with federal monies to fund a set of employment and training programs for older workers. Eligibility for participation in such programs is restricted to individuals 55 and older. Similarly, the Senior Community Service Employment Program funded by the U.S. Department of Labor has provided monies to states to create employment opportunities for persons 55 and older who can meet income eligibility criteria.

The Blue Ribbon Commission on older workers has established a generally broader definition of “older workers” to guide its work. Older workers are defined as individuals between the ages of 45 and 69. Many persons 45-54, especially those with no post-secondary schooling, have experienced labor market difficulties in the 1990s due to worker dislocation and structural changes in the labor market. Including them in the older worker population seemed desirable. The use of an upper age cutoff of 69 to define the older worker population also can be justified on several grounds. First, very few individuals 70 or older participate in state or local employment and training programs. Second, only 8 percent of men and women over the age of 70 have been actively participating in the civilian labor force of the state in the mid 1990s.² Persons over 70 account for only a little more than one percent of the state’s civilian labor force today, and their share of the labor force is not projected to rise through the year 2010.³

The age demographics of the working-age population (16+) of the state are changing considerably today and will continue to do so through the year 2010. Between 1970 and 1990, the number of persons 16-69 years old in the state increased from 3.559 million to 4.229 million, a gain of 670,000 or nearly 19%. (Table 1 and Bar Chart). At the same time, the number of older persons 45-69 actually declined by 25,000 or nearly

² The estimates are based on the findings of the monthly CPS surveys for February and March 1997.

³ See: Andrew Sum with Stephen Rubb, Paul Suozzo, and Sheila Palma, The Labor Force Behavior of Massachusetts’ Older Worker Population: An Assessment of Recent Trends and Future Projections, Report Prepared for the Blue Ribbon Commission on Older Workers, Boston, October 1997.

2%. The drop in the number of 45-69 year olds was influenced by the entry into the older worker population of the Depression era birth cohort (those born between 1930 and 1939) which was smaller in size and by out-migration of older, native born workers over past decades. As a consequence of these divergent rates of population growth, the older worker population's share of the non-elderly, working age population declined from 39% in 1970 to 32.5% in 1990 (See Table 1 and Bar Chart).

Table 1:
Trends in the Number of Persons Ages 16-69 and 45-69 in Massachusetts, 1970-2010
(Numbers in 1000's)

	(A)	(B)	(C)
Year	16-69 Year Olds	45-69 Year Olds	45-69 as % of 16-69
1970	3,559	1,399	39.3%
1980	3,953	1,391	35.2%
1990	4,229	1,374	32.5%
1995	4,164	1,440	34.6%
2000	4,233	1,567	37.0%
2005	4,390	1,771	40.3%
2010	4,551	1,974	43.4%

- Sources: (a) 1970, 1980, and 1990 Census of Population and Housing, Massachusetts; tabulations by Center for Labor Market Studies.
(b) U.S. Census Bureau, Projections of the Population by State for the 1995-2025 Period, Middle Series Projections, 1997.

Since 1990, however, the older worker population of the state has been rising due to the entry of the early members of the baby boom generation into the ranks of the older workers.⁴ Between 1990 and 1995, the number of persons 45-69 in Massachusetts is estimated by the U.S. Census Bureau to have risen to 1.440 million, an increase of five percent over their 1990 population level. Rates of growth in the older worker population are expected to accelerate over the 1995-2010 period as a consequence of the absorption of the remainder of the baby boom generation. Double-digit population growth rates are

⁴ The beginning of the baby boom generation starts with those born in 1946. A person born in 1946 would have turned 45 in the year 1991.

expected between 2000-2005 and 2005-2010. (See Bar Chart). By the year 2010, the resident population of 45-69 year olds will grow to just under two million, a 37% increase over their numbers in 1995. (See Line Chart).

The older worker population of Massachusetts will be growing at a rate considerably above that of 16-44 year olds over the 1995-2010 period. The most recent U.S. Census Bureau projections for the state suggest that the 16-44 year old population within the state will actually decline from 2.72 million in 1995 to 2.58 in the year 2010, reflecting the effects of the baby bust generation and the out-migration of native born workers from the late 1980s through the mid-1990s. As a result of these highly divergent growth rates in the 16-44 and 45-69 year old populations over the 1995-2010 period, the 45-69 year old population will substantially increase its share of the non-elderly working population (16-69) from 34% in 1995 to 43% in the year 2010, its highest share ever in Massachusetts history. The labor force participation behavior of these older workers over the next decade, thus, will have a substantial impact on the growth and age composition of the Massachusetts resident labor force.

Older Workers and the Growth of the New England and Massachusetts Labor Force

The labor force behavior and the labor market problems of older workers in Massachusetts and New England should be viewed in the context of changes in the entire civilian labor force and employment levels in the state and the region in recent years.⁵ Following a decade of fairly strong growth in the labor force of the region during the 1980s, the region's civilian labor force had surpassed seven million for the first time in 1988, and it had grown to 7.139 million by the time of the 1990 Census, representing a growth rate of just under 16% for the decade as a whole. The region's labor force

⁵ The term "civilian labor force" refers to the sum of the number of persons (16+) classified by the U.S. Bureau of Labor Statistics as employed or unemployed. Persons who are neither working nor looking for work are classified as out of the labor force. For a more detailed review of basic labor force concepts, See: U.S. Bureau of Labor Statistics, Employment and Earnings, January 1998, Appendix A.

continued to experience growth at a moderate pace during the early years of the severe regional recession of 1989-91, then began to decline sharply between 1990 and 1992 as aggregate unemployment rose sharply (Table 2). The region's civilian labor force somewhat surprisingly continued to decline as the region's economic recovery gathered steam in 1993 and 1994. During 1995 and 1996, the region's civilian labor force experienced renewed growth (a gain of 57,000 net new participants over this two year period); however, this recent growth still left the region's labor force 128,000 below its level of 1990. During the same six year period (1990-96), the nation's entire civilian labor force increased by 8.1 million or 6.4%.⁶ New England's rate of labor force growth over the 1990s was the lowest among the nine Census geographic divisions; however, preliminary data for 1997 reveal evidence of a surge in labor force growth in the region.

Table 2:
Trends in the Size of New England's Civilian Labor Force, 1990-96
(Numbers are Annual Averages in 1000's, Persons 16+)

Year	Number
1990	7,148
1991	7,083
1992	7,059
1993	7,026
1994	6,963
1995	6,972
1996	7,020
Absolute Change, 1990-96	-128
Percent Change, 1990-96	-1.8%

Source: U.S. Bureau of Labor Statistics, Employment and Earnings, March 1997.

In Massachusetts, the resident civilian labor force grew by approximately 10 percent between 1980 and 1990; however, the state also experienced steep declines in the number of active labor force participants during the early 1990s as the deep economic

⁶ Between 1990 and 1996, the nation's civilian labor force increased from 125.8 million to 133.9 million, a gain of 8.1 million.

See: U.S. Bureau of Labor Statistics, Employment and Earnings, February 1997, "Table A-1", p. 7.

downturn sharply reduced the number of wage and salary jobs in the state (Table 3). The renewal of jobs growth since 1992 combined with continuing foreign immigration has allowed the state's labor force to grow modestly in the past few years with an estimated 3.19 million persons in the state's resident civilian labor force in 1996. For the entire 1990-96 period, however, the state's civilian labor force failed to grow. The 1996 civilian labor force still was 38,000 or 1.2% below that of 1990. Over the same six year period, the civilian labor force of the United States grew by 6.4%⁷ Given the absence of any labor force growth between 1990 and 1996, both the region and the state have continued to experience a decline in their share of the nation's civilian labor force. The situation would have been considerably worse in the absence of continued high levels of foreign immigration into Massachusetts and southern New England over the 1990s. Absent foreign immigration, the region's and state's civilian labor force would have declined even more considerably between 1990 and 1996.

Table 3:
Trends in the Size of the Massachusetts Civilian Labor Force (16+), 1990-1996
(Numbers in 1000's, Annual Averages)

Year	Number
1990	3,227
1991	3,162
1992	3,146
1993	3,166
1994	3,172
1995	3,176
1996	3,189
Absolute Change, 1990-96	-38,000
Percent Change	-1.2%

The absence of growth in the region's and state's civilian labor force over the 1990-96 period was due to a combination of low population growth and declining

⁷ See: U.S. Bureau of Labor Statistics, Employment and Earnings, January 1997, "Table A-1".

aggregate rates of labor force participation among its working-age population (16+). For New England, we have estimated that the number of residents in the working-age (16+) civilian noninstitutional population had risen from 10.241 million in 1990 to only 10.311 million in 1996, a gain of only 70,000 or .7% over the past six years.⁸ This rate of growth in the working-age population of the region was well below that for the nation as a whole over the same time period (6.0%). The resident population (all ages) of Massachusetts also has increased only moderately in the 1990s, rising by only _____ or 1.1% between July 1990 and July 1996, well below both the national average and the state's own experience in the 1980s, when favorable levels of in-migration, especially foreign immigration, helped boost the state's working-age population.⁹

The decline in the state's resident labor force between 1990 and 1996 was due to a drop in the state's participation rate. The aggregate civilian labor force participation rates of Massachusetts' working-age residents have declined in recent years from their historical peak in 1989 (Table 4).

⁸ The 1990 population count is based on the findings of the 1990 Census of Population and Housing. The 1996 estimate is based on U.S. Census Bureau updates of the region's population.

⁹ Between 1980 and 1990, the resident population of the state increased from 5.7 million to 6.047 million, a gain of _____, or 6%. Net in-migration was a positive _____ due entirely to high levels of foreign immigration.

See: Andrew M. Sum and Neeta Fogg, Growth and Diversity in the Massachusetts Population, 1980-90, Center for Labor Market Studies, Northeastern University, Boston, 1990.

Table 4:
Trends in Aggregate Civilian Labor Force Participation Rates in the U.S. and
Massachusetts, Selected Years 1989 to 1996
 (Annual Averages, Numbers in Percent)

	(A)	(B)	(C)
Year	U.S.	Massachusetts	Massachusetts - U.S.
1989	66.5	68.9	+2.4
1990	66.5	68.5	+2.0
1991	66.2	67.6	+1.4
1992	66.4	67.5	+1.1
1994	66.6 ⁽¹⁾	67.9	+1.3
1995	66.6	67.6	+1.0
1996	66.8	67.5	+.7

Notes: (1) Beginning in 1994, the CPS survey is based on a slightly revised set of definitions for classifying the employment and unemployment status of respondents, which should have raised the participation rate by approximately .2 percentage points.

In Massachusetts, the state's aggregate civilian labor force participation rate peaked at 68.9% in 1989, one of the highest in the nation, and has drifted moderately downward since then, falling to 67.5% in 1992 and remaining there in 1996.¹⁰ In 1989, the state's civilian labor force participation rate was 2.4 percentage points above that of the U.S. By 1996, the gap between the state's civilian labor force participation rate and that of the nation had declined to under one percentage point. (Table 4). A key labor market research issue for both the New England region and the state is to identify the sources of these declining labor force participation rates and some of their underlying causes. In particular, to what extent has the aging of the region's and state's population contributed to these declining aggregate participation rates and how has the labor force behavior of the older population (45-64) affected the recent downward drift in the overall participation rate?

¹⁰ The estimated 1996 civilian labor force participation rate is based on unpublished data provided to the authors by the U.S. Bureau of Labor Statistics.

A breakdown of the civilian labor force participation rates of men and women in Massachusetts over the 1989-96 period allows us to identify whether there were any important gender differences in trends in their degree of attachment to the labor force. The civilian labor force participation rates of Massachusetts men have declined steadily in the 1990s, falling from nearly 78% in 1989 to 74% in 1996, a drop of nearly four full percentage points (Table 5).¹¹ While the participation rate of males also fell in the U.S. over this time period (from 76.4 to 74.9 percent), the size of the decline was only one-half as large as that prevailing for Massachusetts men.

Table 5:
Trends in the Civilian Labor Force Participation Rates of Working Age
Residents of Massachusetts by Gender, Selected Years 1989 to 1996
(Annual Averages, in Percent)

	(A)	(B)	(C)
Year	All	Men	Women
1989	68.9	77.7	61.0
1990	68.5	77.4	60.7
1994	67.9	75.7	60.7
1995	67.6	75.0	60.8
1996	67.5	74.0	61.5
Absolute Change, 1989-1996	-1.4	-3.7	+0.5

Sources: U.S. Bureau of Labor Statistics, Geographic Profiles of Employment and Unemployment, 1989, 1990, 1994, 1995, 1996.

The civilian labor force participation rate of women (16+) in Massachusetts had risen to 61 percent in 1989, a new historical high. During the early 1990s, however, the fraction of working-age women who were attached to the labor force declined moderately to 60.7%. During the past few years, the rate of labor force participation among Massachusetts women has been rising, reaching 61.5% in 1996, one-half of a percentage point higher than in 1989. Over the same time period, the civilian labor force

¹¹ A civilian labor force participation rate of 78% means that, on average, 78 of every 100 males (16+) were either working or looking for work in 1989.

participation rate of U.S. women increased by nearly two full percentage points.¹² In 1996, Massachusetts women were still somewhat more likely than their national counterparts to be active in the civilian labor force (61.5% vs. 59.3), but the gap between the two groups had decreased over the 1990s.

Unemployment Developments in Massachusetts, 1989-96

During the state economic boom from the mid to late 1980s, unemployment rates of Massachusetts workers were among the lowest in the nation, ranging in the 3 to 4 percent range from 1985 through 1988. During the recessionary years of the early 1990s, however, the unemployment rate increased considerably, reaching 6% in 1990 and rising to a peak of 9% in 1991.

The resurgence in job growth in the state since 1992 combined with only moderate labor force growth since then has facilitated a steep reduction in the unemployment rate of the state (Table 6). In 1991, the state's aggregate unemployment rate was 9.0%, more than double its rate in the 1980s, and 2.2 percentage points above the U.S. unemployment rate during the same year. The state's overall unemployment rate has declined steadily and sharply since 1992, falling to 4.5% in 1996, one full percentage point below that of the nation during that year. In 1997, the unemployment rate would actually fall below 4% for the first time since 1988.

While strong growth in wage and salary jobs from 1994 onward was a key factor in lowering unemployment, the much slower rate of growth in the state's civilian labor force since 1992 also has facilitated the movement to what would clearly be considered a "full employment" situation in its labor markets today. Future job growth in Massachusetts, however, will be critically dependent on higher rates of labor force growth, which can be achieved by increasing the participation rates of existing residents,

¹² See: U.S. Bureau of Labor Statistics, Employment and Earnings, January 1997, Table A-2.

including older persons, providing incentives for existing workers to remain in the state, and encouraging additional in-migration into the state. Improving employment prospects for unemployed and underemployed older workers, assisting older displaced workers in becoming rapidly re-employed, and facilitating re-entry into the labor market of those older persons who had withdrawn from active labor force involvement during the 1990s can contribute to such renewed labor force growth for the state over the remainder of this decade.

Table 6:
Unemployment Rates of Massachusetts, and the U.S., 1991 to 1996
(Annual Averages, Numbers in Percent)

	(A)	(B)	(C)
Year	Massachusetts	U.S.	Massachusetts - U.S.
1990	6.0	5.6	+.4
1991	9.0	6.8	+2.2
1992	8.5	7.5	+1.0
1993	6.9	6.9	.0
1994	6.0	6.1	-.1
1995	5.4	5.6	-.2
1996	4.3	5.4	-1.1

Recent Trends in the Labor Force Behavior and Employment Status of Older Persons (45-69) in New England and Massachusetts

The above findings have revealed an absence of labor force growth and declining aggregate rates of labor force participation in New England and Massachusetts during the 1990s, with males accounting for the net decline in participation rates between 1989 and 1996. To what degree has the labor force behavior of older persons in Massachusetts and New England adhered to this general pattern? To answer this question, we examined recent trends in the labor force behavior of the older population in New England and Massachusetts. We have analyzed the findings of the CPS household surveys from the end of the 1980s through 1996 to track changes in the labor force behavior of older

workers. Between 1989, the end of the economic boom in New England, and 1996, the labor force participation rates of persons 45-54 and 55-64 declined by 3.0 and 3.1 percentage points, respectively (Table 6). The absolute size of these declines in participation rates were somewhat greater for men than for women. A particularly disturbing finding for older men is the substantial fraction who are withdrawing from the labor force well before the “normal retirement age” of 65. In early 1996, nearly 30% of New England men ages 55-64 were not actively engaged in any positive labor force activity. One positive finding is that, for older men (65-69), a higher fraction in New England were active in the labor force in the mid 1990s than in 1989. One factor believed responsible for such trends both nationally and regionally is the increased economic incentives for 65-69 year olds to remain working resulting from a number of 1990 changes in the Social Security Act which reduced the tax rate on social security benefits from earnings and increased the Delayed Retirement Credit.

Table 7:
Trends in the Civilian Labor Force Participation Rates of
All Persons 16+ and Persons 45+ in New England in Selected
Age and Gender Subgroups, March 1989, March 1995, March 1996
(Numbers in Percent)

	(A)	(B)	(C)	(D)
Age/Gender Group	1989	1995	1996	Absolute Change 1989-96
All	69.4	67.8	67.1	-2.3
<u>Both Sexes</u>				
• 45-54	85.6	84.2	82.6	-3.0
• 55-64	62.7	61.8	59.6	-3.1
• 65-69	26.1	26.1	24.8	-1.3
<u>Men</u>				
• 45-54	90.2	89.5	88.7	-1.5
• 55-64	72.6	69.6	71.3	-1.3
• 65-69	28.2	31.7	30.0	+1.8
<u>Women</u>				
• 45-54	78.8	79.2	76.7	-2.1
• 55-64	53.9	54.8	49.2	-4.7
• 65-69	17.9	21.9	19.6	+1.7

Source: March 1989, March 1995, and March 1996 CPS public use tapes, tabulations by Center for Labor Market Studies.

Within Massachusetts, there also was a fairly sizable decline in the participation rate of 45-54 year olds and 55-64 year olds between 1990 and the mid-1990s (1995-96). Among 55-64 year olds, the estimated decline in participation was nearly 4 full percentage points (Table 8). The bulk of the decline in the participation rate of older persons in Massachusetts was attributable to the behavior of men.

Table 8:
Trends in the Civilian Labor Force Participation Rates of Persons 45 and Older in Massachusetts, 1990, 1995, and 1996 by Gender and Age Subgroup
 (Numbers in Percent)

	(A)	(B)	(C)	(D)
Group	1990	1995	1996	Absolute Change, 95/96 Average - 1990
<u>Men and Women</u>				
• 45-54	85.4	84.0	83.7	-1.6
• 55-64	63.6	60.4	59.7	-3.6
• 65+	14.9	11.3	11.2	-3.7
<u>Men</u>				
• 45-54	92.4	89.8	89.3	-2.8
• 55-64	74.5	67.6	67.9	-6.7
• 65+	21.2	17.3	15.5	-4.8
<u>Women</u>				
• 45-54	78.8	78.7	78.4	-.3
• 55-64	53.9	54.0	52.2	-.8
• 65+	10.8	7.2	8.0	-3.2

Sources: (i) 1990 Census of Population and Housing, Massachusetts, tabulations by Center for Labor Market Studies.
 (ii) 1995 and 1996 Geographic Profiles of Employment and Unemployment, U.S. Bureau of Labor Statistics, unpublished data provided to CLMS.

The patterns of change in the labor force participation behavior of older persons (45+) in the region and the state during the 1990s varied markedly by their educational attainment. Less well educated older persons have experienced steep declines in their participation rates while better educated older workers (those with some college education) have either increased their rate of participation or held their own. Among high school dropouts (45+) in New England, the participation rate declined from 36% in 1989 to under 25% in 1996, an 11 percentage point drop (Table 9). Among comparable-aged high school graduates, the participation rate declined by nearly six percentage points in New England. In contrast to these findings, older persons with some post-secondary

schooling actually increased their rate of participation in the labor force while those holding a bachelor's or higher degree maintained their rate of participation. Very similar patterns prevailed in Massachusetts, with older workers lacking any post-secondary schooling experiencing steep declines in their participation rates. The downsizing of the job market in the region during the early 1990s adversely affected employment opportunities for many blue collar and lower level white collar workers whose ranks were dominated by workers with no more than 12 years of schooling. The reduced demand for less educated labor has increased unemployment problems among such older workers and in many cases hastened their departure from the labor market, often well before the early retirement age of 62. During 1995-96, only one-fourth of all high school dropouts ages 45 and older were actively participating in the labor markets of the region or state. In contrast, over 70% of four-year college graduates in the same age group were either working or actively looking for work. Demand for workers in occupations dominated by four year college graduates has remained at high levels in the region and the state in the 1990s.

Table 9:
Trends in the Civilian Labor Force Participation Rates of Persons 45+
in New England and Massachusetts, by Years of Schooling Completed,
March 1989, March 1995, March 1996
 (Numbers in Percent)

Geographic Area/Educational Attainment Group	(A) 1989	(B) 1995	(C) 1996	(D) Absolute Change 1989-96
<u>New England</u>				
• Less than 12 Years	36.4	26.5	24.6	-11.8
• 12 Years	51.7	47.2	46.1	-5.6
• 13-15 Years	57.7	61.0	63.7	+6.0
• 16 or More Years	70.4	70.1	70.4	.0

Table 9: Continued

	(A)	(B)	(C)
	Average 1988-1989	Average 1995-1996	Absolute Change, 1989 - 1995/96
<u>Massachusetts</u>			
• Less than 12 Years	32.8	25.2	-7.6
• 12 Years	49.8	44.4	-5.4
• 13-15 Years	56.1	65.8	+9.7
• 16 or More Years	68.6	71.5	+2.9

Source: March 1989, March 1995, and March 1996 CPS public use tapes, tabulations by Center for Labor Market Studies.

The decline in the labor force attachment of many older workers has been accompanied by a rise in their rates of open unemployment from the late 1980s through the mid 1990s. (Table 10). At the tail end of the economic booms of the 1980s, unemployment rates among all major age subgroups of older workers were in the 2 to 3 percent range in both New England and Massachusetts. In the mid-1990s, however, these rates of unemployment for each age subgroup of older workers were 2 to 5 percentage points higher, both in the region and the state.¹³

Table 10:
Trends in the Unemployment Rates of Persons 45+ in
New England and Massachusetts, Selected Years, March 1989 to March 1996

	(A)	(B)	(C)	(D)
Area/Age Group	1989	1995	1996	Change 1989-96
<u>New England</u>				
• 45-54	3.0	3.9	5.1	+2.1
• 55-64	2.7	4.2	5.5	+2.8
• 65-69	2.1	5.8	7.3	+5.2

¹³ Recent unemployment data for the entire calendar year (1996) indicate that unemployment rates of older workers dropped sharply over the remainder of the year with 45-54 year olds experiencing only a 3.5% annual average rate of unemployment in Massachusetts.

Table 10: (Continued)

	(A)	(B)	(C)
	1988-1989	March 1995-1996	Change, 1988-89 to 1995-96
<u>Massachusetts</u>			
• 45-54	3.0	5.2	+2.2
• 55-64	2.4	4.4	+2.0
• 65-69	2.8	8.0	+5.2

Source: March 1989, March 1995, and March 1996 CPS public use tapes, tabulations by Center for Labor Market Studies.

As a consequence of both declining rates of labor force participation and rising unemployment rates among older workers, the fraction of older persons 45-69 with a job in New England and Massachusetts had declined during the 1990s. The above two factors together generated substantial drops in the employment/population ratios (E/P) for nearly all major subgroups of older workers in the region and the state between 1989 and the mid-1990s (Tables 11 and 12). In New England, the declines in the E/P ratios of 45-54 year olds and 55-64 year olds were close to five full percentage points, while for 65-69 year olds it was 2.6 percentage points. In New England and Massachusetts, the declines in employment rates were considerably higher for men than for women, who managed to hold their own overall in the region as a whole. Part of this result is due to the fact that older males had been more severely impacted by past job dislocations in the region and the state, especially among blue collar workers in manufacturing and construction industries.

Table 11:
Trends in the Employment to Population Ratios for Persons 45-69 in
Selected Age and Gender Groups, in New England and Massachusetts,
March 1989-March 1996
 (Numbers in Percent)

	(A)	(B)	(C)	(D)
	1989	1995	1996	Change 1989-96
<u>New England</u>				
• 45-54	83.0	81.0	78.4	-4.6
• 55-64	61.0	59.2	56.3	-4.7
• 65-69	25.6	24.6	23.0	-2.6
Men 45+	60.3	57.1	56.0	-4.3
Women 45+	41.4	42.7	41.4	.0
	(A)	(B)	(C)	
	1989	Average 1995-1996	Change, 1988-1995-96	
<u>Massachusetts</u>				
• 45-54	81.9	77.8	-4.1	
• 55-64	60.0	58.4	-1.6	
• 65-69	20.0	21.8	+1.8	

Source: March 1989, March 1995, and March 1996 CPS public use tapes, tabulations by Center for Labor Market Studies.

The declines in employment opportunities for older workers (45+) in both New England and Massachusetts have been concentrated entirely among those with no post-secondary schooling (Table 12). Within the New England region, the employment rates of older high school dropouts and high school graduates with no post-secondary schooling declined by 14 and 7 percentage points, respectively, between 1989 and 1996. Similar but less extreme patterns were observed for the older population in Massachusetts.

Table 12:
Trends in the Employment/Population Ratios of Persons 45+ in
 New England and Massachusetts, by Years of Schooling Completed
March 1989, March 1995, March 1996
 (Numbers in Percent)

	(A)	(B)	(C)	(D)
	1989	1995	1996	Change 1989-96
<u>New England</u>				
• Less than 12 Years	35.2	24.6	21.0	-14.2
• 12 Years	50.4	45.7	43.3	-7.1
• 13-15 Years	56.2	58.1	61.4	+5.2
• 16 or More Years	68.5	67.8	68.5	.0
	(A)	(B)	(C)	
	March 1989	March 1995-1996	Change, 1989 to 1995-96	
<u>Massachusetts</u>				
• Less than 12 Years	31.6	22.0	-9.6	
• 12 Years	48.0	42.3	-5.7	
• 13-15 Years	56.0	62.8	+6.8	
• 16 or More Years	68.0	69.0	+1.0	

Source: March 1989, March 1995, and March 1996 CPS public use tapes, tabulations by Center for Labor Market Studies.

Given the declines in the employment/population ratios of both 45-54 year olds and 55-64 year olds in New England and Massachusetts between 1989 and 1996, one can estimate the additional number of older persons (45-64) who would have been employed in both areas in 1996 if they had been able to obtain employment at the same rate they had at the tail end of the economic boom of the 1980s. Our estimates are displayed in the bar chart on the following page. In New England, maintenance of the 1989 E/P ratios for older persons would have yielded 128,000 additional employed older workers, of whom 77,000 were 45-54 years of age and 51,000 were 55-64 years old. In Massachusetts, the maintenance of E/P ratios from the late 1980s would have generated 63,000 additional employed older workers in 1996, or about half of the net gain throughout the entire

region. An additional 63,000 employed persons in Massachusetts in 1996 would have increased total employment statewide by 2%. Clearly, there are important aggregate employment effects that could be generated for the Commonwealth through strengthening the labor force participation rates of older workers and improving the re-employment prospects of the currently unemployed.

Problems of Job Dislocation Among Older Workers (45+) in New England

Among the labor market problems receiving increased attention from labor market analysts, the media, and public policymakers during the early 1990s was that of worker dislocation. The U.S. Bureau of Labor Statistics defines a dislocated worker as an individual who has permanently lost his or her job due to a plant closing, a reduction in force, abolition of a shift, or a technological change.¹⁴ After experiencing overall worker dislocation rates well below the national average throughout the decade of the 1980s, the New England region and the state of Massachusetts were buffeted severely by steep job losses from 1989 through 1992 and accompanying high levels of worker dislocation.¹⁵ While they continue to be displaced from their jobs at lower rates than their younger counterparts, older workers (45+) in the region were displaced at fairly high rates over the 1991 to 1995 period. Data from the two most recent BLS dislocated worker surveys (those for January 1994 and February 1996) reveal that 7.5% of all labor force participants ages 45 and older in New England were displaced from their jobs between 1991 and 1993 and another 6.0% were displaced between 1993 and 1995. (Table 13). Over the 1991-92 period, we estimate that somewhat more than 168,000 older workers

¹⁴ Due to the relatively small sample size for dislocated workers in Massachusetts in 1996, we have chosen to focus on results for the entire New England region.

¹⁵ For an earlier review of worker dislocation problems in New England, See: Andrew M. Sum, et.al, The State of the American Dream in New England, Massachusetts Institute for a New Commonwealth, Boston, 1996.

For a review of the post-displacement labor market experiences of a large group of Massachusetts dislocated workers,

See: Yolanda K. Kodrzycki, "Displaced Workers in a Time of Structural Change," New England Economic Review, July/August, pp. 3-26.

(45+) had their jobs eliminated as a result of a plant shutdown, a major reduction in force, a plant relocation, or a corporate downsizing effort. Over the 1993-95 period, the estimated number of older dislocated workers in our region fell to 142,000; however, all of the reduction in dislocation in recent years appears to be due to lower job losses among workers in the 45-54 age group. The estimated rate of dislocation among workers 55 and older in New England was approximately the same in 1993-95 as it was in the earlier 1991-93 period. A little over 7 percent of the workers in this age group were displaced in both time periods. These dislocation rates were more than twice as high as those faced in the 1980s.

Table 13:
Number and Percent of the Older Worker (45+) Labor Force in New England
Who Were Displaced from their Jobs Between 1991-93 and 1993-95

Age Group	1991-93		1993-95	
	Number	Percent	Number	Percent
45+	168,509	7.5	141,825	6.1
45-54	103,182	7.8	75,748	5.5
55+	65,327	7.1	66,077	7.1

Source: U.S. Bureau of Labor Statistics, January 1994 and February 1996 dislocated worker surveys, tabulations by Center for Labor Market Studies.

Older dislocated workers, especially those 55 and older, face the most severe problems in becoming re-employed. For example, at the time of the January 1994 dislocated worker survey, only 62% of those dislocated workers ages 45 and older in New England had been able to regain any type of employment (Table 14). Nearly one-quarter of them remained unemployed, and another 15% had withdrawn from active participation in the labor market, thereby depressing the labor force participation rate of older persons. Employment prospects for older dislocated workers have improved moderately in recent years; however, at the time of the February 1996 survey, only 64% reported themselves as employed. Unemployment rates among older dislocated workers

in New England have declined in recent years from 27% to 18%; however, a considerably higher fraction of them have chosen to terminate their active job search and withdraw from the labor market altogether. In February 1996, nearly 23 of every 100 older dislocated workers (45+) and close to 40 of every 100 between the ages of 55 and 64 had withdrawn from active labor force participation. The re-employment difficulties of many older dislocated workers, thus, are contributing in a substantive way to the depressed labor force participation rates that we earlier observed among older persons in New England and Massachusetts.

Table 14:
Labor Force Status of Older Displaced Workers (45+) in
New England, January 1994 and February 1996
(Numbers in Percent)

Time Period/ Age Group	(A) Employed	(B) Unemployed	(C) Out of Labor Force	(D) Unemployment Rate ⁽¹⁾
<u>January 1994</u>				
• All 45+	62.1	23.4	14.5	27.4
• 45-54	72.0	21.0	7.0	22.6
• 55+	46.5	27.1	26.3	36.8
<u>February 1996</u>				
• All 45+	63.5	14.0	22.5	18.1
• 45-54	80.2	10.6	9.2	11.7
• 55-64	47.4	13.9	38.7	22.7
• 65+	26.4	34.4	39.2	56.5

Note: (1) The unemployment rate is obtained by dividing the percentage share of the unemployed by the combined share of the employed and the unemployed.

The re-employment difficulties of older dislocated workers in New England tend to vary by their level of educational attainment. (Table 15). Older dislocated workers who did not graduate from high school have faced the greatest difficulties in securing new employment. At the time of the February 1996 survey, only 48% of the region's dislocated high school dropouts (ages 45+) had obtained a new job versus 65% of high

school graduates and nearly 70% of those with one to three years of post-secondary schooling. The less educated encountered considerably higher rates of unemployment and were more likely to withdraw from the labor force after a long spell of unemployment.

Table 15:
Employment Rates and Unemployment Rates of Older Dislocated
Workers (45+) in New England, by Educational Attainment, February 1996
(Numbers in Percent)

Educational Attainment	(A) Employment Rate	(B) Unemployment Rate
All	63.5	18.1
Less than 12 Years	45.3	38.0
12 Years	65.4	12.3
13-15 Years	69.6	9.6
16 or More Years	66.3	10.9

Source: February 1996 dislocated worker survey, tabulations by Center for Labor Market Studies.

While better educated older, dislocated workers in New England generally have been more successful in obtaining re-employment in recent years, they have found it difficult to recapture the weekly earnings that they had received on the jobs from which they were displaced. For all re-employed older dislocated workers, the replacement wage ratio (the gross weekly wage on their new job as a percent of the weekly wage on the old job) was only 71%; however, this wage replacement ratio varied from a high of 97% among high school dropouts to 81% among high school graduates to a low of only 59% for four year college graduates. Steep wage declines in the 30 to 40 percent range among older re-employed dislocated workers in our region also were found with the 1994 dislocated worker survey data. The large size of these personal earnings losses among re-employed older workers seem to call for a renewed commitment to improving job development, retraining, and job placement services for the region's dislocated workers.

These earnings losses imply steep declines in labor productivity among those who became re-employed, which, if not addressed, will reduce the future output potential of the Massachusetts and New England economies.

The state of Massachusetts and each of the other New England states administer a variety of employment and training programs for dislocated workers under the Job Training Partnership Act and other legislation to improve their re-employment prospects and reduce wage losses upon re-employment. The members of the Blue Ribbon Commission on Older Workers may well choose to assess the findings of these programs with respect to their services and outcomes for older dislocated workers in the Commonwealth.

Table 16:
Mean Weekly Wages of Employed Older Dislocated Workers (45+)
in New England on Job from Which Displaced and Current Job, by
Years of Schooling Completed

	(A)	(B)	(C)
Educational Attainment	Displaced Job	Current Job	Weekly Wage Replacement Ratio
All	\$727	\$518	71.2%
Less than 12 years	449	438	97.5%
12 years	475	387	81.5%
13-15 years	751	555	73.9%
16 or more years	1,105	650	58.8%

Source: February 1996 CPS dislocated worker survey, tabulations by Center for Labor Market Studies.

Identifying The Unutilized and Underutilized Older Worker Population in New England and Massachusetts

At a time when both major areas of the New England region and a number of local labor markets in Massachusetts appear to be confronting general labor shortages for the first time since the late 1980s, one should ask whether the region's and state's older

population (45 and older) contains a substantive stock of individuals who can immediately contribute to an increase in the future number of employed or more fully employed persons in our region. To answer this question, we will begin by estimating the size of three groups of older individuals (45-64 years old) in the region, who can immediately contribute to an increase in either the ranks of the currently employed population in the region or the total hours of work provided by older workers. Estimates of the size of each of these three groups in New England and Massachusetts will be presented for the late 1980s and for the 1994 and 1995 period. These three groups are the following:

- The unemployed; i.e., those actively looking for work and currently available for employment¹⁶
- The underemployed; those who are working part-time for economic reasons rather than voluntarily.
- The labor force reserve; those persons not active in the labor force, who express a desire for current employment.

As noted earlier, unemployment rates of older workers in New England in the mid 1990s had remained well above the rates prevailing among such workers in the late 1980s at the end of the regional economic boom. In both 1994 and 1995, there were 84,000 to 85,000 unemployed persons ages 45-64 in the region during a typical month. (Table 17). This number of older unemployed was twice as high as the levels prevailing in 1988 and 1989. A relatively high fraction (50%) of the recent older unemployed in the region had been out of work for 15 weeks or longer, thereby classifying them as members of the long-term unemployed. Nearly one-third of these older unemployed had been out of work for six consecutive months or longer, suggesting the existence of important

¹⁶ A subgroup of the unemployed do not have to meet the active job search criteria. These are temporarily laid off individuals who have a specific recall date or expect to be recalled to their former jobs within the next six months.

structural barriers to their reabsorption in the labor market. Unfortunately, these long term older unemployed often end their spell of unemployment not by finding a job, but instead by withdrawing from active participation in the labor market.

Table 17:
Number of Unemployed and Percentage Distribution of Unemployed
Persons 45-64 Years Old in New England by Length of Current Spell of
Unemployment, 1994 and 1995

	(A)	(B)	(C)	(D)
Year	Number of Unemployed	1-14 Weeks	15-26 Weeks	27 or More Weeks
1994	85,466	44.3%	18.3%	37.4%
1995	83,902	56.6%	17.5%	26.0%

Note: Estimates for 1994 are based on five monthly CPS surveys (January, March, May, October, November). Estimates for 1995 are based on four monthly CPS surveys.

Relative to the situation in the late 1980s, a considerably higher share of the part-time older employed labor force in New England in the mid-1990s claimed to be working part-time for economic reasons (slack work, inability to find a full-time jobs).¹⁷ Since the average weekly hours worked by the part-time employed are typically only one-half as high as the hours worked by the full time employed (21 hours vs. 41-42 hours), the hours of work lost due to the underutilization of these part-time employed older workers can be quite considerable. In 1994, there were nearly 70,000 employed persons (45-64 years old) in New England who reported that they were working part-time for economic reasons, of whom over 50,000 were between 45 and 54 years of age. This group of older underemployed was 82% higher than the number experiencing such problems in the late 1980s. During 1995, an expanding regional economy increased full-time employment opportunities for the region's working-age residents, and the number of employed 45-64

¹⁷ During the recessionary environment of the early 1990s, these underemployment problems in New England increased sharply among all of the employed.

See: Andrew M. Sum and Paul Harrington, et.al, The New England Economy in Recession, Center for Labor and Education, Northeastern University, 1992.

year olds working part-time for economic reasons declined to slightly below 60,000. Again, the vast majority of these underemployed individuals were in the 45-54 age group.

Table 18:
Number of Employed Persons 45-64 Years Old in New England
Who Worked Part-Time⁽¹⁾ for Economic Reasons, by Selected Age Group, 1994 and 1995

	(A)	(B)
Age Group	1994	1995
45-64, All	69,695	59,543
• 45-54	50,154	43,000
• 55-59	13,905	10,999
• 60-64	5,636	5,539

Note: (1) The part-time employed are those persons who worked less than 35 hours per week . Part-time for economic reasons include slack work at one’s firm, material shortages, and an inability to find a full-time job.

Source: 1994 and 1995 CPS surveys for New England, tabulations by Center for Labor Market Studies.

A third potentially large group of underutilized older workers consists of those persons who express a desire for current employment even though they are not actively looking for work. We refer to this group as the labor force reserve or the labor force overhang.¹⁸ The size of this group in New England was quite large in both 1994 and 1995. During 1994, we estimate that there were 82,000 persons (45+) in the labor force reserve in New England. In the following year as labor market conditions improved, the labor force reserve of older workers fell moderately to 71,000. Nearly all of this decline, however, took place among persons in the 65 and older group. The number of 45-64 year olds in the labor force reserve in New England was close to 51,000 in 1995, only 1,000 below the 1994 estimate, a statistically insignificant difference (Table 19). The existence of such a large labor force reserve among New England older workers indicates the

¹⁸ This labor force reserve is not the same as the pool of “discouraged” workers. In 1994, the U.S. Bureau of Labor Statistics revised its definition of a discouraged worker. To be classified as a discouraged worker today, an individual must (a) express a desire for immediate employment, (b) have looked for a job in the past 12 months, and (c) be available for employment. Only a small fraction (5 to 7 percent) of the labor force reserve can meet the criteria for being a “discouraged worker”.

potential for expanding the size of the current civilian labor force of the region through concerted efforts to recruit more of these older workers back into the labor force and match them with available jobs in the labor market. Greater knowledge of the specific job interests of these members of the labor force reserve and their personal barriers to active labor force participation would be helpful in designing strategies to successfully boost their labor force participation and employment rates.

Table 19:
Number of Persons 45+ Years Old Who Were Not Active in the Labor Force of New England, but Expressed a Desire for Immediate Employment, 1994 and 1995

	(A)	(B)
Age Group	1994 ⁽¹⁾	1995 ⁽²⁾
45-54	29,607	25,460
55-59	8,995	12,585
60-64	13,724	12,902
65+	29,675	19,914
Total, 45+	82,001	70,861
Total, 45-64	52,326	50,947

Notes: (1) 1994 findings are based on CPS surveys for five months (February, March, May, October, November).
(2) 1995 findings are based on CPS surveys for four months during that year (March, May, October, November).

Nationally, the likelihood of a non-participant being a member of the labor force reserve varies quite considerably by age group, being highest for younger persons and lowest for the elderly (65+). For example, in January 1997, 15 percent of 16-24 year old non-participants expressed a desire for immediate employment versus 13 percent of 25-54 year olds, and only 2% of those 55 and older.¹⁹ Job desires of older non-participants in New England in 1994 tended to vary quite considerably by age group. Nearly 12% of those 45-54 years of age expressed a desire for an immediate job versus only 7% of those 55-59, 6% of those 60-64, and only 2% of those 65 and older (See Bar Chart). Once past

¹⁹ See: U.S. Bureau of Labor Statistics, Employment and Earnings, February 1997, "Table A-34," p. 39.

65, the vast majority of the retired prefer that status. Very similar patterns prevailed for older non-participants in Massachusetts during 1995. Slightly over 8% of all 45-59 year old persons not active in the labor force in 1995 indicated a desire for an immediate job versus only 5% of 60-64 year olds and less than one percent of those 65 and older.

The total pool of unutilized and underutilized older workers in New England and Massachusetts in the mid-1990s appears to be quite considerable. Focusing only on those older individuals 45-64 years of age, we have combined the estimated number of the unemployed, the underemployed, and the labor force reserve in 1994 and 1995 in New England (Table 20). We also have compared these estimates to those prevailing in the late 1980s (Bar Chart). In 1994, the combined number of 45-64 year olds in one these three groups of unutilized and underutilized labor pools was slightly over 207,00. By 1995, their numbers had declined moderately to 194,000. The combined numbers of unutilized and under-utilized persons in both of these years were nearly twice as high as the numbers prevailing in 1988 and 1989. Clearly, the unutilized and underutilized pool of older workers in New England has increased considerably since the late 1980s. The combined pool of such individuals in 1995 was equivalent to 3% of the region's entire employed labor force (16+). These untapped and underutilized pools of older workers can play a potentially important role in boosting the ranks of the employed in the region and the state over the remainder of the decade and into the first decade of the coming century.

Table 20:
Estimates of Unutilized and Underutilized Older Persons
45-64 Years Old in New England, 1994 and 1995

	(A)	(B)
Labor Market Group	1994	1995
Unemployed	85,466	83,902
Labor Force Reserve ⁽¹⁾	52,326	50,947
Underutilized ⁽²⁾	69,695	59,543
Total, Above Three Groups	207,487	194,392

- Notes: (1) The labor force reserve consists of those jobless persons not actively seeking work who reported in the CPS survey that they wanted to have a job at the current time.
- (2) The underutilized are those employed individuals working part-time for economic reasons rather than voluntarily. Their mean hours of work per week were approximately 21 hours.

Similar findings on the pool of unutilized and underutilized older persons hold true for the state of Massachusetts. In March 1988 and 1989, only 50,000 older persons in our state experienced one of the above three labor market problems. By 1995, their numbers had increased close to 85,000 a rise of nearly 70% in the pool of unutilized and underutilized older labor.²⁰ The official unemployment statistics would capture only a little more than 40% of the pool of older workers in one of our three problem groups.

Table 21:
Estimates of Unutilized and Underutilized Older Persons
45-64 Years Old in Massachusetts, 1988, 1989, 1995

	(A)	(B)	(C)
Labor Market Group	1988	1989	1995
Unemployed	20,892	22,498	36,892
Labor Force Reserve	7,767	13,371	22,020
Underutilized	21,362	14,602	25,698
Total, Above Three Groups	50,021	50,471	84,610

²⁰ The labor force reserve of 45+ year olds in the state remained fairly high in 1996. Annual average estimates for 1996 indicate that 31,000 older persons (45+) reported a desire for employment.

The labor force participation behavior and the labor market problems of the older worker population of the state should receive considerably greater emphasis from state employment and training policymakers and private and public employers throughout the state. Over the forthcoming decade, the 45-64 year old population will be the fastest growing segment of the state's resident working-age population, and they will account for a rapidly rising share of the state's resident labor force through the year 2010. The labor force utilization rates and productivity levels of these older workers will play a key role in determining the success of the Massachusetts economy over the next 10 to 15 years.