

*Estimating the Potential Universe of Need for
Employment and Training Services
Among Older Persons in Massachusetts*

Prepared by:
*Andrew Sum
Neal Fogg
Sheila Palma*

*Center for Labor Market Studies
Northeastern University*

Prepared for:
*Massachusetts Jobs Council
Blue Ribbon Commission on Older Workers*

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Introduction

The planning of human resource programs at the state and local level should be based in part on estimates of the numbers, characteristics, and labor market problems of the population being targeted for services. Existing federally-funded training and employment programs for the older worker population, including JTPA older worker programs and the Senior Community Service Employment Program, typically restrict eligibility to persons 55 and older who are economically disadvantaged. This research paper provides a series of estimates of the universe of need for older worker employment and training programs in Massachusetts based on survey data for the mid 1990s. Our estimates vary the age and income eligibility criteria for participation and introduce a further set of labor market requirements that participants must meet, involving some type of existing labor market problem.

Data Sources for the Analysis

The March CPS surveys for the years 1995 to 1997, including the work experience and income supplements, were used to derive all of the estimates of the universe of need for employment and training services by older workers. Given the sharp reduction in the number of Massachusetts households included in the monthly CPS survey in 1996, we have combined three years of March CPS data to generate our estimates of the universe of need for employment and training services among older workers. Our estimates are based on interview responses for 2,811 individuals ages 45-69 residing in Massachusetts at the time of the March 1995, March 1996, and March 1997 CPS surveys. Of this total, approximately 1,500 respondents were between the ages of 45-54, and 1,320 were in the 55-69 age group.

Findings of the Analysis on the Universe of Need

Our estimates of the universe of need for employment and training services among older persons in Massachusetts are displayed in Table One and an accompanying bar

Table 1:
The Potential Universe of Need for Older Worker Employment and
Training Programs in Massachusetts, 1995-97 Averages

Age/Family Income Group	(A) Number in Population	(B) Number with a Labor Market Problem	(C) Percent With a Labor Market Problem
• 55-69 Years Old			
• Less than 1.25 times Poverty	78,656	12,009	15.2
• Less than 2.00 times poverty	137,775	21,377	15.5
• All Income Groups	681,326	74,763	11.0
• 45-69 Years Old			
• Less than 1.25 times Poverty	150,804	35,232	23.3
• Less than 2.00 times poverty	265,709	65,258	24.6
• All Income Groups	1,456,664	189,652	13.0

The Number of Older Economically Disadvantaged Workers
in the Universe of Need by Type of Labor Market Problem, 1995-97 Average

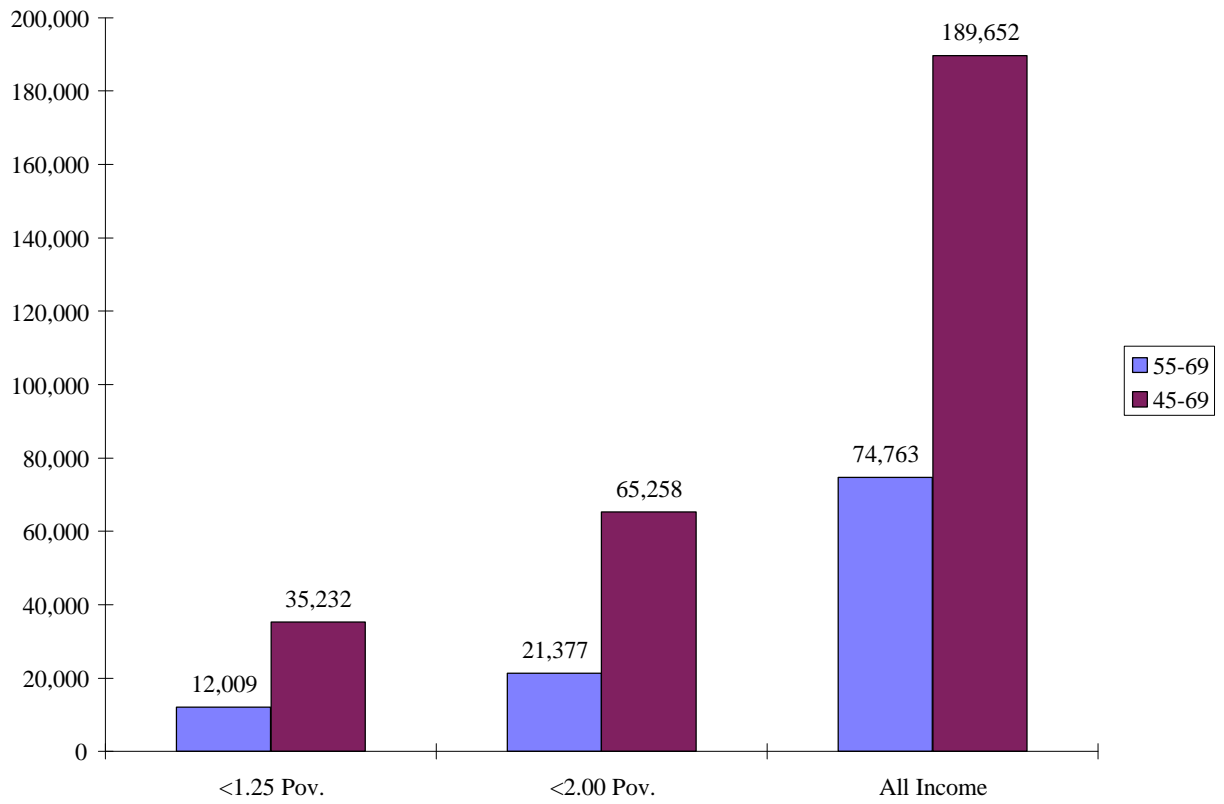


chart. Using the income eligibility criteria of 125% of the poverty line and the current age criteria used by the JTPA system for defining older workers (55-69), we estimate that there were approximately 79,000 older economically disadvantaged individuals in the state during the mid-1990s.

Not all economically disadvantaged older persons were active in the labor force in the mid-1990s, and most of those not engaged in any labor market activity do not express a desire for current paid employment of any type. For example, only one of every four disadvantaged older persons (55-69) were members of the adjusted work force in the mid-1990s.¹ Only 6 percent of the near 63,000 disadvantaged non-participants indicated a desire for immediate employment. Yet a relatively high fraction of those in the labor market do experience a labor market problem of some type. We have classified older disadvantaged workers (and later on the non-disadvantaged as well) into one of four, mutually exclusive labor market subgroups:²

- Unemployed; i.e., using official Bureau of Labor Statistics' definitions, those persons who are not working, but are actively looking for work and available for employment.

- The underemployed. This labor market problem group consists of those persons who are employed on a part-time basis for economic reasons. They report to the CPS interviewer that there is slack work at their firm, material shortages restricting their work hours, or that they simply cannot find a full-time job.

¹ The adjusted work force includes the employed, the unemployed, and members of the labor force overhang as defined in this report.

² The low wage worker group is based on earnings during an entire calendar year; thus, some of them can overlap with the three other labor market problem subgroups. Our combined estimates exclude all overlapping categories; thus, the complete count is mutually exclusive.

- The labor force overhang. These are persons not actively looking for work who report that they would like to be employed now. Since they do not meet the active job search test, they are excluded from the official count of the unemployed.

- Those who worked full-time in the previous calendar year, but did not receive average weekly wages over \$300 per week. A year-round, full-time job that paid \$300 per week in the mid-1990s would have allowed an individual to obtain an annual income high enough to support a family of four above the federal government's poverty line. This weekly wage standard also has been used in a number of other studies of wage adequacy for workers in US labor markets.

The average number of economically disadvantaged 55-64 year olds who experienced one of our four labor market problems in the mid 1990s was 12,000 (Table 1). Unemployment represented only a small fraction (13%) of those experiencing one of the four labor market problems. Underemployment, low weekly wages, and non-participation (the labor market overhang) were far more dominant for this group as well as for most other older worker subgroups.

The use of a low income cutoff point to determine eligibility for employment and training services seems overly restrictive for a modern workforce development policy. We have generated a series of alternative estimates of the "universe of need" for employment and training services among older workers by varying both the family income eligibility criteria and the age criteria. For family income, we have generated estimates for two additional groups: those older persons living in families with a combined money income less than twice the poverty line and all older persons with a labor market problem regardless of their family income. The age range of 55-69 was then expanded to incorporate those older workers in the 45-54 age group, the age criteria used by the Blue Ribbon Commission on Older Workers to assess the labor market experiences and problems of older workers in the Commonwealth.

Estimates of the universe of need for employment and training services under the alternative family income and age criteria are displayed in Column B of Table 1. Among 55-69 year olds, the estimates ranged from a low of 12,000 when the 125% of poverty income criteria are used to establish eligibility to a high of nearly 75,000 when no income criteria are used. When the age range is extended to include those 45-54 years of age, the universe of need estimates range from 35,000 when the 125% of poverty line income criteria are used to a high of 190,000 when no family income criteria are considered for eligibility.

Not only does the magnitude of the universe of need change considerably as we vary the family income and age criteria for eligibility, but so does the distribution of this universe of need among the four labor market problem groups. (Table 2 and accompanying bar chart). Larger fractions of the younger cohort (those 45-54 years of age) are active in the labor market and experience unemployment or underemployment problems, and the younger non-participants are also more likely to express a desire for a current job and, thus, be members of the labor force overhang. Among the 55-69 year old disadvantaged, we found that only 13% of those with a labor market problem were classified as unemployed; however, among all 45-69 year olds, regardless of family income, one-fourth of the universe of need were classified as unemployed, a substantial fraction of whom were displaced from their career jobs and would be eligible for JTPA Title III programs.

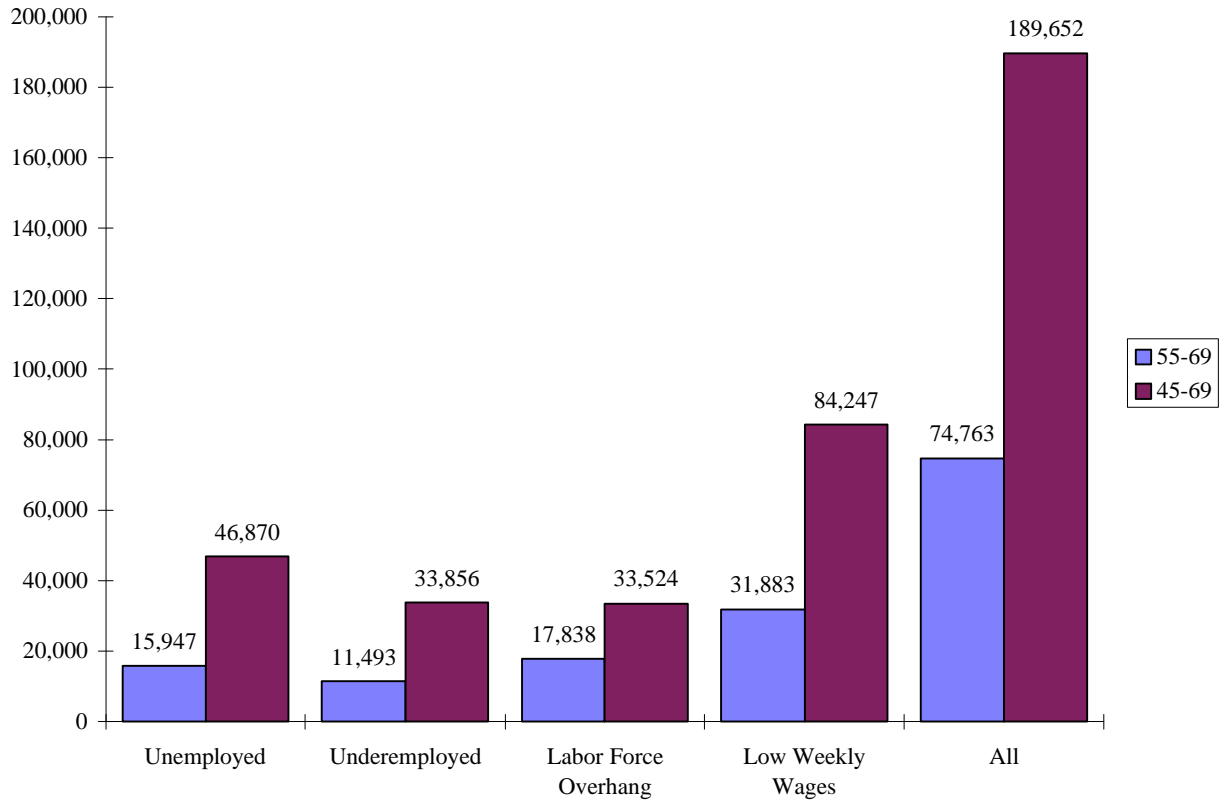
Of the 190,000 older persons experiencing one of the four labor market problems in the mid 1990s, approximately one-fourth were unemployed, another 34% were either underemployed or a member of the labor force overhang, and the remaining 42 percent were full-time, low wage earners.³ (See pie chart). The combined pool of 80,000

³ Since some of the low wage earners could have been unemployed or underemployed at the time of the March CPS surveys, the sum of the four labor market problem groups can exceed our non-duplicative count appearing in Column (E) of Table 2.

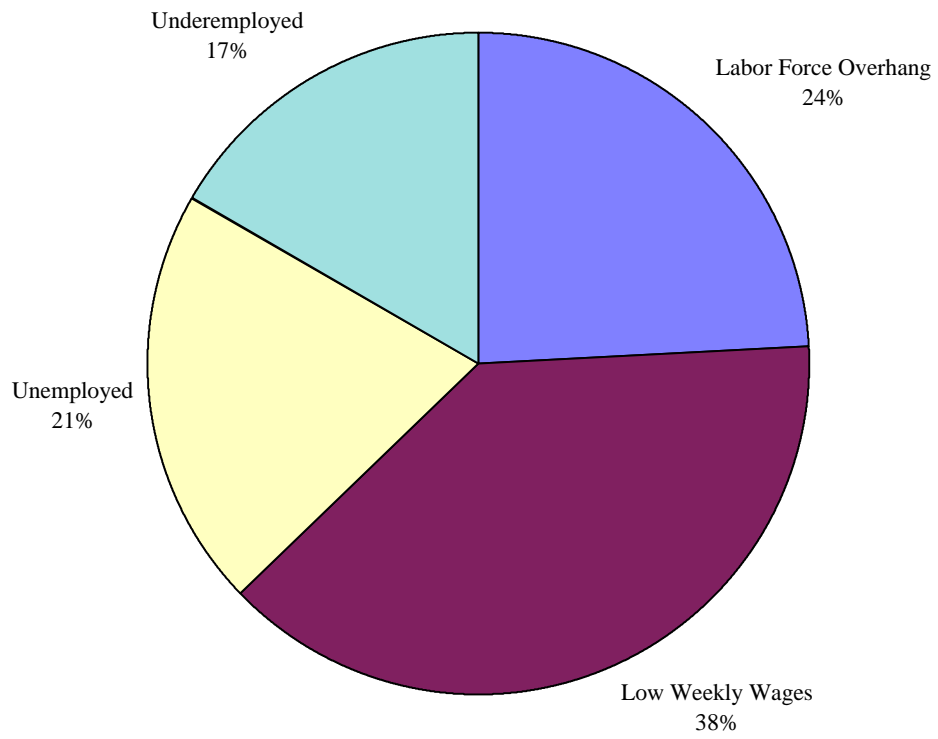
Table 2:
The Distribution of the Older Worker Universe of Need by
Type of Labor Market Problem, 1995-97 Averages

Age/Family Income Group	(A) Unemployed	(B) Underemployed	(C) Labor Force Overhang	(D) Low Weekly Wages	(E) All
• 55-69 Years Old					
• Less than 1.25 times Poverty	1,572	3,246	3,965	3,226	12,005
• Less than 2.00 times poverty	3,636	3,526	5,669	8,546	21,377
• All Income Groups	15,947	11,493	17,838	31,883	74,763
• 45-69 Years Old					
• Less than 1.25 times Poverty	8,078	6,482	9,451	15,048	35,232
• Less than 2.00 times poverty	13,314	10,318	13,587	33,684	65,258
• All Income Groups	46,870	33,856	33,524	84,247	189,652

The Number of Older Workers in the Universe of Need by
Type of Labor Market Problem, 1995-97 Average



The Percentage Distribution of the Older Worker Universe of Need (45-69 Year Olds)



unemployed older workers and members of the labor force overhang could contribute substantially to the growth of the employed labor force in a Massachusetts economy characterized by a growing number of labor shortages in selected industries and occupations.

At the same time, there is a considerable number of full-time employed older workers who could not achieve weekly earnings over \$300 during the mid-1990s. There were nearly 84,000 such workers each year during the mid-1990s. The vast majority of such workers (80%) were not economically disadvantaged although 40% of them lived in families with a combined money income below 200% of the federal government's poverty line. Since the days of CETA programs, very little effort has been made by federal employment and training programs to provide upgrading services to the low wage employed. Instead, the vast majority of those served are either unemployed or out of the labor force at the time of program entry. At this time, there are several proposals to provide state monies to finance incumbent worker training programs in Massachusetts. Older workers should be viewed as a key target group for these incumbent worker training efforts for several reasons. First, older workers will be substantially increasing their share of the state's resident labor force over the next decade; thus, efforts to provide additional incumbent worker training to older workers could boost the labor productivity and earnings of a key segment of the state's labor force. Second, over the past two decades, there has been growing inequality in the annual earnings distribution among full-time older workers (45-69) in our state. This rising earnings inequality has occurred among both older men and women, with particularly large gaps between the top and bottom of the earnings distribution. Incumbent worker training could play a role in reducing this high degree of wage inequality by targetting additional training investments on those older workers in the bottom half of the annual earnings distribution.