



iStockphoto

ENCORE CAREERS

One Solution to the Coming Labor Shortage

With nearly 10 percent of the American labor force unemployed as of this writing and another 7 percent so discouraged by their prospects that they either have dropped out of the workforce or have settled for part-time jobs, the most urgent economic challenge is how to generate enough jobs to put America back to work.¹

So it may come as a surprise that within less than a decade, the United States may face the opposite problem—not enough workers to fill expected job openings.

BY BARRY BLUESTONE AND MARK MELNIK

That is likely to occur as the baby-boom generation reaches traditional retirement age. U.S. Census-projected population growth between 2008 and 2018 suggests that the nation will undergo a dramatic shift. The vast majority of population growth is projected to take place in the 55 and older age group, one that historically has had labor force participation rates well below those of younger workers. If the shift in the age distribution to older Americans results in a substantial reduction in overall labor force participation—the proportion of an age cohort working or looking for work—long-term economic output could suffer.

The numbers are startling. Between 2008 and 2018, the total U.S. population age 18 and over is expected to increase by 21.8 million as a result of immigration and greater longevity. But of this total, only 900,000 will be under age 55 because a baby bust followed the baby-boom generation; 20.9 million will be over 55. (See “Estimated Population by Age Cohort,” p. 22.)

A Changing Labor Picture

Research based on U.S. Bureau of Labor Statistics (BLS) data suggests that a return to healthy economic growth could mean 14.6 million additional non-farm payroll jobs created between 2008 and 2018. However, given projected population growth and current labor-force participation rates (and assuming no major change in immigration policy), there will be only about 9.1 million additional workers to fill all those positions. Even taking into account multiple-job holders, the total number of jobs that could be filled at current labor-force participation rates is 9.6 million, leaving 5.0 million to 5.7 million potential jobs vacant.

The BLS projects, however, that boomers will stay active in the labor force longer than previous generations because of better health and a desire to keep active. Moreover, boomers may need to work longer to make up for value lost in homes or portfolios in the downturn. Nevertheless, the increases may not be enough to avert a labor

shortage. Using BLS estimates of future labor-force participation rates, there could still be 3.3 million to 4.0 million unfilled jobs by 2018.

Beyond Retirement

One way to help reduce the size of the potential labor shortage is by encouraging older workers to continue in their current jobs beyond normal retirement age or to find *encore careers* after they retire. Civic Ventures, a nonprofit think tank focusing on baby boomers and social-purpose work, defines *encore careers* as occupations for older workers that “combine personal fulfillment, social impact, and continued income.”² One sector of the economy that exhibits the characteristics of *encore careers* is the social sector: for example, health care and social assistance; educational services; nonprofit community and religious organizations; the performing arts; museums; libraries; and government.³

Social-Sector Jobs

The social sector is projected to be an increasingly important part of the labor market. Currently, social-sector jobs account for 32 percent of employment. By 2018 there will be 6.9 million new jobs in the social sector, accounting for 47 percent of all the expected U.S. employment growth.

Looked at by industry, nearly 4 million of the most promising *encore career* opportunities will be in health care and social assistance; 1.1 million in local government; 800,000-plus in educational institutions; nearly 450,000 in state government; and close to 380,000 in nonprofits such as religious and community organizations. (See “Social-Sector Job Growth.”)

Among the millions of opportunities that will be added to social-sector jobs (more than 85 percent of which do not require physical stamina), the vast majority are well suited to *encore career* seekers. In many cases, older workers could carry their existing skills and credentials into

Social-Sector Job Growth for Some Encore Careers

2008-2018 (in thousands)

	Total Employment 2008	Total Employment 2018	Net Job Growth 2008-2018	Net, Less Physically Demanding, Job Growth 2008-2018
Wage and Salary Employment				
Health care and social assistance	15,819	19,816	3,997	3,510
Educational services	3,037	3,842	806	750
Nonprofits	2,973	3,353	379	319
Performing arts	118	127	9	24
Museums	132	161	29	22
Libraries	30	35	5	4
Total private social sector	22,109	27,333	5,224	4,629
Federal government	2,764	2,859	95	75
State government	5,178	5,624	446	399
Local government	14,557	15,703	1,146	831
Total government	22,499	24,186	1,687	1,305
Total social sector	44,608	51,519	6,911	5,934

Source: U.S. Bureau of Labor Statistics; Dukakis Center/BRA Labor Market Assessment Tool.

new settings. For example, a registered nurse might move from a major hospital to a community clinic; a computer systems analyst at a private software company might take a job in local government; a civil engineer at a private construction firm might work on a state government highway project.

The Promise of Encore Jobs

According to the BLS, the labor-force participation rate of younger adults will continue to decline as more attend college and graduate school and undertake professional studies. There will even be slight declines in participation among those aged 25 to 54 if parents decide to take advantage of improved maternity and paternity leave.

In contrast, large increases in labor-force participation are expected to occur among those 55 and older, with 55- to 64-year-olds increasing their participation rate from 64.5 percent to 68.1 percent between 2008 and 2018. Workforce participation by those aged 65 to 74 is expected to increase from 25.1 percent to 30.5 percent. Participation by those aged 75-plus is projected to increase from 7.3 percent to 10.3 percent. (See “Labor-Force Participation Rates.”)

Changes in labor-force participation rates mean that the social-sector subset could see its workforce increase by 5.4 million. But that still leaves a gap of 1.5 million social-sector jobs that could remain unfilled if projected participation rates hold true.

The gap could be closed if the participation of adults 55 and older increases more than official projections. One scenario for filling the entire employment gap would involve both raising the labor-force participation rate for 55- to 64-year-olds to 74.4 percent (more than 6 percentage points

higher than the BLS projects for 2018 and 10 percentage points higher than the current 2008 rate) and raising the rate for 65- to 74-year-olds to 33.3 percent from the projected 2018 rate of 30.5 percent (and the current rate of 25.1 percent) while boosting the rate for those 75 and older to 12.4 percent.

Such a scenario is not impossible given continued expected improvements in the health status and projected lower morbidity of older Americans, but it would likely require changes in many jobs. That is why beginning to think of ways to restructure work to appeal to older workers is advisable. What types of training and mentoring will they need? How can social-sector jobs be reconfigured to take full advantage of the talents of an older, but experienced, workforce? If jobs are not restructured to attract older workers, it is likely that wages will be bid up to entice enough workers to fill expected vacancies—and that could lead to higher rates of price inflation.

Soon a much larger percentage of the workforce will be over 55. As one observer has suggested, if trained and strategically deployed, boomers could “function as the backbone of education, health care, nonprofits, the government, and other sectors essential to national well-being.”⁴ Society could gain workers uniquely suited to providing many of the services on which the country relies.

Labor-Force Participation Rates 2008 and 2018

Age Group	2008 Rate (in percent)	2018 Rate (in percent)
16-24	58.8	54.5
25-34	83.3	82.4
35-44	84.1	83.2
45-54	81.9	81.7
55-64	64.5	68.1
65-74	25.1	30.5
75+	7.3	10.3
Total	66	64.5

Source: Mitra Toosi, “Labor Force Projections to 2018: Older Workers Staying More Active,” *Monthly Labor Review*, November 2009.

Barry Bluestone is dean of Northeastern University’s School of Public Policy and Urban Affairs and the director of the Dukakis Center for Urban and Regional Policy. **Mark Melnik** is the Boston Redevelopment Authority deputy director for research.

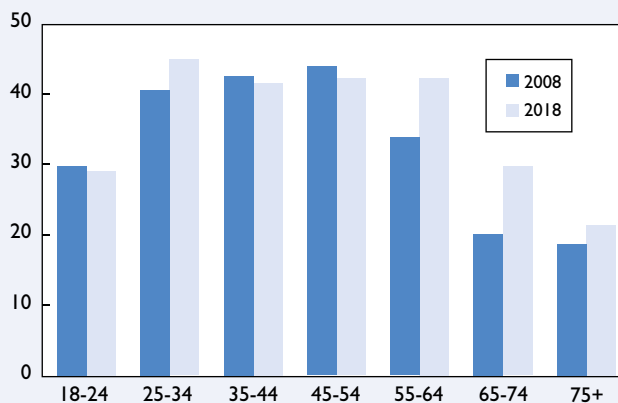
Endnotes

- ¹ This article is based on Barry Bluestone and Mark Melnik, “After the Recovery: Help Needed—The Coming Labor Shortage and How People in Encore Careers Can Help Solve It,” *Civic Ventures*, March 2010.
- ² See <http://www.encore.org/learn/about-encorecareers>.
- ³ For our purposes, the definition of the social sector is limited to that portion of the economy. But because jobs beyond the scope of our analysis (for example, green jobs) can be considered part of the sector, the implications are, if anything, understated.
- ⁴ Marc Freedman, *Encore: Finding Work That Matters in the Second Half of Life* (New York: Public Affairs Books, 2007).

► This Communities & Banking article is copyrighted by the Federal Reserve Bank of Boston. The views expressed are not necessarily those of the Bank or the Federal Reserve System. Copies of articles may be downloaded without cost at www.bos.frb.org/commdev/c&b/index.htm.

Estimated Population by Age Cohort

2008-2018 (in millions)



Source: U.S. Census Bureau.