

Research and Evaluation Brief

Facts, figures, and insights for workforce development practice and policy

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Future Growth of the Massachusetts Labor Force

Introduction

The size and the human capital characteristics of a state's labor force are major determinants of its overall economic performance. The economic competitiveness of Massachusetts is believed by many analysts to be primarily driven by the quality and innovativeness of its workers and entrepreneurs.

During the 1990s, Massachusetts experienced a substantial deceleration in its labor force growth, with the resident civilian labor force growing by only 2% between 1990 and 2000, the fourth lowest labor force growth performance among the 50 states. The state's resident male labor force was stagnant over the past decade and would have declined sharply in the absence of a major influx of new, male immigrant workers. While the resident female labor force grew more strongly (by 4%) over the past decade, its growth rate also ranked 4th lowest over that time period.

During the current decade, the Massachusetts resident labor force has experienced very little overall growth. Over the four-year period between 2000 and 2004, the civilian labor force of the state is estimated by the state's Division of Unemployment Assistance (DUA) to have increased by only about 26,000 or only 0.8 percent.

Given the limited labor force growth of the state during both the 1990's and the first four years of the current decade, one might ask what the projected outlook is for labor force growth in the state over the coming

decade, 2005-2015. The future growth of the state's resident civilian labor force will be impacted by three sets of factors: the projected increase in the overall size of the state's working age population (16 and older), the changing age/gender/educational attainment composition of the state's working age population and changes in the labor force participation rates of selected age/gender groups over the 2005 to 2015 period.

The U.S. Census Bureau recently released its projections of state population growth through 2025. Findings of the Census Bureau's projections of the state's population by single age groups were used to estimate the number of working-age persons in eight different age groups both in the aggregate and by gender for the years 2005, 2010, and 2015.

The Projected Outlook for Growth

The first key source of residential labor force growth is an increase in the size of the state's working-age population. In 2005, the number of persons in the working-age population of the state is projected to be 5.042 million. By 2010, the working-age population is projected to rise to 5.192 million, representing a gain of slightly more than 150,000 or 2.9%. Between 2010 and 2015, the working-age population is projected to grow more modestly, rising by only 93,500 or 1.8%.¹ For the entire decade, 2005-2015, the size of the resident working-age population is projected to increase by nearly 244,000 or 4.8%. This rate of population growth will be only

REPORT FOCUS

The Projected Outlook for Labor Force Growth in Massachusetts, 2005-2015

¹ Part of the projected slowing of the population growth after 2010 is attributable to an assumption of a rising rate of net domestic out-migration after 2010. Our state's population growth will be dependent on the ability to reduce the high levels of domestic out-migration that have taken place in recent years.

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2 According to population estimates of the U.S. Census Bureau, the state experienced a negative net domestic migration of -150,000 over the past three years, which was offset in part by high levels of net international immigration over the same time period.

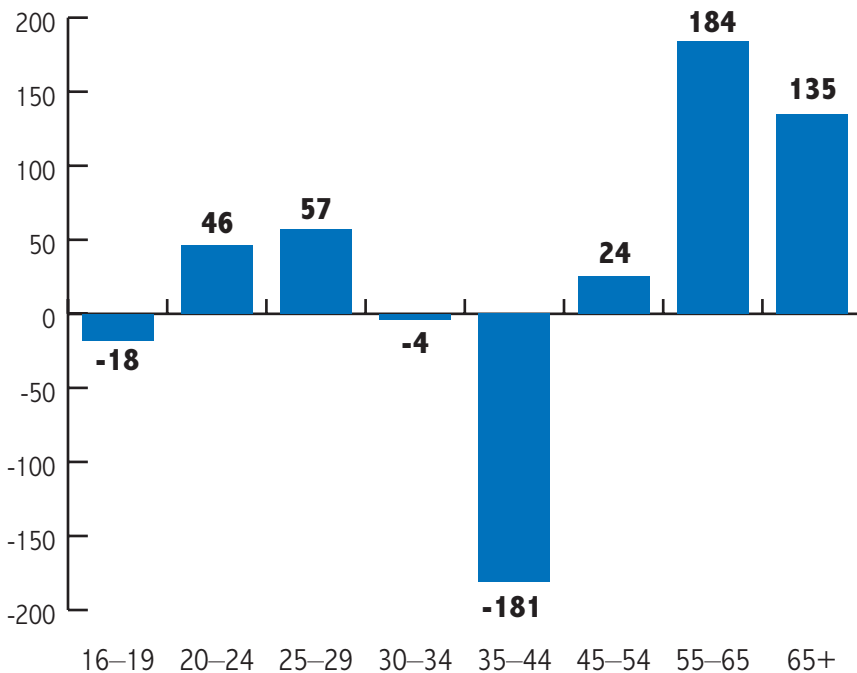
half as high as that projected for the nation (11%) over the same time period. Our state's share of the nation's working-age population will continue to decline over the coming decade with a number of adverse economic and political consequences, including a reduced number of political representatives in the U.S. Congress.

The second set of factors is the growth in the state's working-age population, which over the coming decade will vary dramatically by age group. The aging of the members of the post-World War II baby boom generation (those born between 1946 and 1964) will lead to high rates of growth in the 55–64 and 65+ year old age cohorts. Their projected population growth rates of 26.9% and 18.8%, respectively, over the coming decade will be 4 to 6 times as high as that for the entire working-age population of the state. In the aggregate, the 55+ cohort is projected to increase by nearly 320,000 between 2005 and 2015 (see Chart 1), and they will account for all of the net increase in the resident, working-age population of the state over this decade. While the number of 20–29 year olds also is projected to increase by nearly 104,000 or slightly more than 12% over this time period, this growth will be offset by declines in the teenaged population and a very steep drop in the 35–44

year old population. The latter group is projected to decline by 181,000 or nearly 18% over this decade. In the aggregate, the prime-aged working population (25–54 year olds) will decline by more than 100,000 over the coming decade. This age group is characterized by the highest rate of labor force participation. These projected changes in the age composition of the state over the coming decade will make the state very dependent for its labor force growth upon older workers (55 and older) and young adults (20–29). To achieve the projected growth in the 20–29 year old population, however, the state will have to reverse the high levels of domestic out-migration of the members of this age group that have taken place over the past three years.²

Women will comprise a majority (55%) of the projected growth in the working-age population over the 1995–2005 period. While the gender shares of the projected growth in the population of the state will be more even over the 2005–2010 period (53% women, 47% men), women will comprise nearly 60% of the projected growth in the working-age population between 2010 and 2015. Among both men and women, all of the net growth in the resident working-age population of the state between 2005 and 2015 will occur among those 55 and older.

Chart 1: Projected Change in the Working-Age Population of Massachusetts Between 2005 and 2015 by Age Group (in 1000s)



Labor Force Participation

The third key set of variables that drive the projected growth of the resident labor force is the labor force participation behavior of the working age population. Similar to the behavior of their national counterparts, the civilian labor force participation rates of Massachusetts residents rise sharply as they move from their teenaged years when only 47.8% were active in the labor force to 85 to 87% when they reach their late 20's and their mid to late 30's. Labor force participation rates tend to decline after the mid 40's, drop steeply after age 55 and then after age 65. Men were more likely to be in the labor force than women, except in their teenaged years when women's labor force attachment outpaced that of men.

A comparison of the 2004 civilian labor force participation rates of the state's working-age residents with those of their U.S. counterparts reveals that Massachusetts residents were more likely to be in the civilian labor force, both overall and in each age group, with the exception of those 30–34 years old. For the entire working age population (16 and older), the annual average labor force participation rate of Massachusetts residents was 67.6%, exceeding that of their U.S. counterparts by 1.6 percentage points. The largest percentage point gap in participation rates was for older persons 55–64 years old. In a separate analysis comparing the findings for Massachusetts for 2004 with those of all other states, Massachusetts ranked in the top ten states for only one age group, those 55–64 years old. For many other age groups, our labor force participation rate ranked only in the middle of the state distribution.

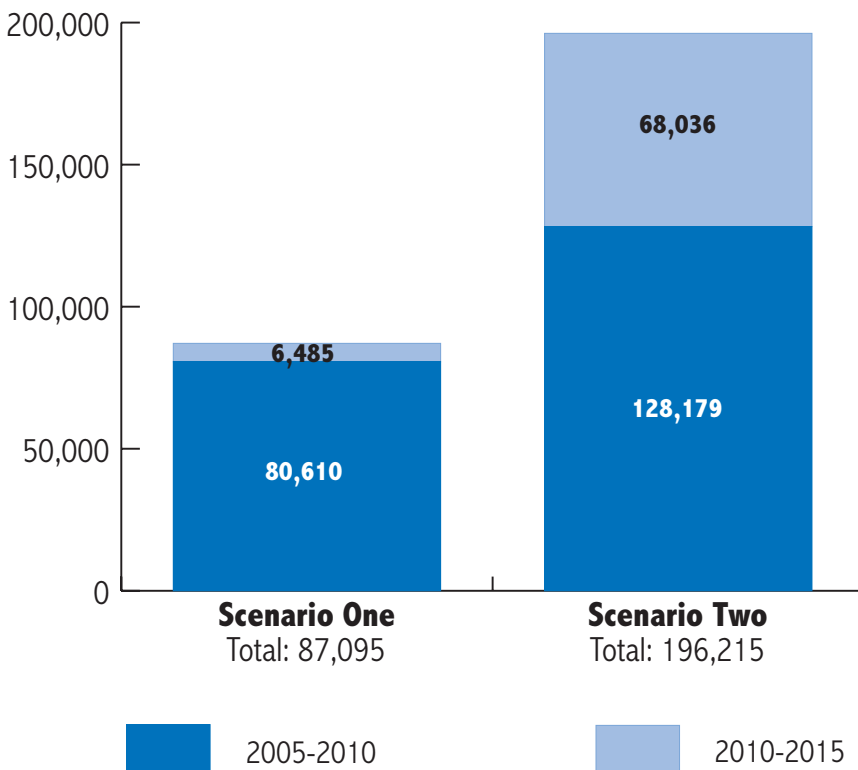
In order to project the size of the state's labor force in 2010 and 2015, two different scenarios were utilized. The first labor force projections scenario for the state for 2010 and 2015, applied the 2004 civilian labor force participation rates for each age/gender subgroup to their

2005, 2010, and 2015 projected population levels. The assumption underlying the labor force projections under scenario one is that these participation rates will remain unchanged over this ten-year period, 2005 to 2015. Under the second projections scenario, the 2004 labor force participation rates for each age/gender group in Massachusetts were adjusted for the projected national changes in those rates for these same demographic subgroups between 2005 and 2012. The U.S. Bureau of Labor Statistics has projected civilian labor force participation rates for these age groups from 2002 through 2012.

Under the first scenario, the state's resident civilian labor force would rise by about 87,000 or 2.5% between 2005 and 2015. Nearly all of this modest projected growth will take place between 2005 and 2010. From 2010 through 2015, the state's resident labor force is projected to rise by only 6,500 or less than 0.2 percent (see Chart 2). Over the decade, women would make up a slight majority (53%) of the growth in the civilian labor force. The bulk of the growth in the resident labor force would be generated by persons 45–64 years of age. Their combined growth would exceed 125,000, accounting for all of the net growth in the state's resident labor force over this ten year period. A projected rise in the number of 20–29 year olds will be more than fully offset by a steep decline (-105,000) in the number of 30–44 year olds in the state's labor force.

Under scenario two, a rise in the projected labor force participation rates of most subgroups, especially those 55 and older, will generate a larger gain in the size of the state's resident labor force. Over the 2005–2015 period, the labor force would rise by nearly 200,000 or 6 percent. Approximately two-thirds of this growth would occur over the 2005–2010 period. Slowing in the growth of the working-age population and the continued aging of the population due to the graying of the baby boom generation will be key factors in the reduced growth of the labor force after 2010. Under the second scenario, women will account for slightly more than 70 percent of the growth in the projected size of the labor force over the coming decade. Again, workers 55 and older will account for the dominant share of the pro-

Chart 2: The Projected Increase of the Civilian Labor Force in Massachusetts, 2005–2015, Two Scenarios



The projected growth in the number of 20-29 year olds in the state's labor force will only take place if domestic out-migration among young adults is reduced in the coming years.

jected labor force growth. Their numbers are projected to rise by 200,000 between 2005 and 2015, with persons 55–64 representing 155,000 of that projected growth. A combination of rapid population growth among those 55–64 years old and rising labor force attachment produce this particular finding.

The population projections of the U.S. Census Bureau that underlie these labor force estimates assume that all of the state's

population growth over the coming decade will be generated by new foreign immigrants.³ Since the vast majority of the new immigrants in recent years are of working-age, it is quite likely that they will dominate the ranks of new labor force entrants.

Implications for Workforce Development

The above findings on the projected growth of the state's resident labor force over the coming decade have a number of implications for state workforce development and economic development policy. First, the population growth projections are dependent upon a slowing of the high levels of domestic out-migration that the state has experienced in recent years. The projected growth in the number of 20–29 year olds in the state's labor force will only take place if domestic out-migration among young adults is reduced in the coming years. This will require strong growth in job opportunities for this age group and an improvement in housing costs. Second, the outlook for labor force growth is more optimistic

for the first five years of the projections period than for the second five years, i.e., 2010–2015. The slowing of the growth of the working-age population and its continued graying from 2010 onward will reduce the outlook for labor force growth after 2010. Third, under both scenarios, a very large part of the labor force growth will take place among the population 55 and older. The state's labor force will be aging in the decade ahead, and this development will have a number of important implications for firms' training and promotion policies. Fuller and more efficient use of older workers will be a key factor underlying our state's ability to grow economically in the coming decade. Fourth, there are other untapped sources of labor force growth that should be carefully reviewed by state and local workforce development agencies, including the state's high schools and colleges. Strengthening the labor force attachment of teens and young adults (20–24) should be given a priority in the years ahead. Massachusetts is no longer a national leader in using the labor of its teens and young adults. Policies to boost their labor force attachment and employability should be implemented and tested. If successful, they can increase the future size of the resident labor force and improve the quality and size of the pool of young workers. Finally, it is quite likely that immigrant labor will continue to play a key role in generating labor force growth in the state over the coming decade. A better understanding of the sources, demographic and human capital traits, and labor market behavior of these new immigrants is indispensable for workforce development policy.

³ *Between 2005 and 2015, the total resident population of the state is projected to increase by 242,000 while net international immigration is projected to be 346,000 according to our calculations based on Census Bureau net immigration rates for the state.*

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