

# Vermont Legislative Joint Fiscal Office

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*ISSUE BRIEF*

December 22, 2016

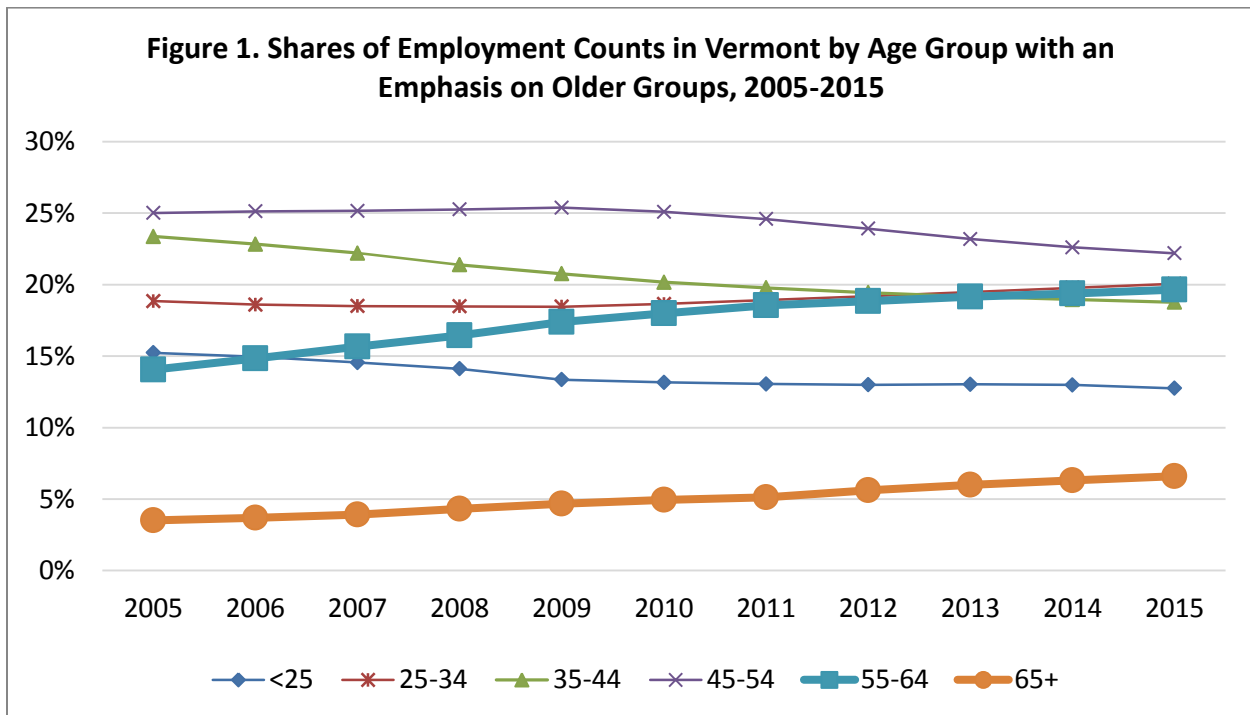
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## Vermont's Jobs Filled or "Employment Counts" by Age Group: 2005, 2015, and Projected for 2025

Vermont has one of the oldest populations in the United States. One question that arises is what happens to Vermont's economy as the bulk of prime-age workers become retired workers. This Issue Brief shows that older people became more likely to hold a job from 2005 to 2015 and are expected to boost employment counts through 2025. The Brief also documents the change in jobs filled by age group from 2005 to 2015 and projects an overall increase in jobs filled in 2025.

### Vermont's Jobs Filled by Age Group, 2005 and 2015

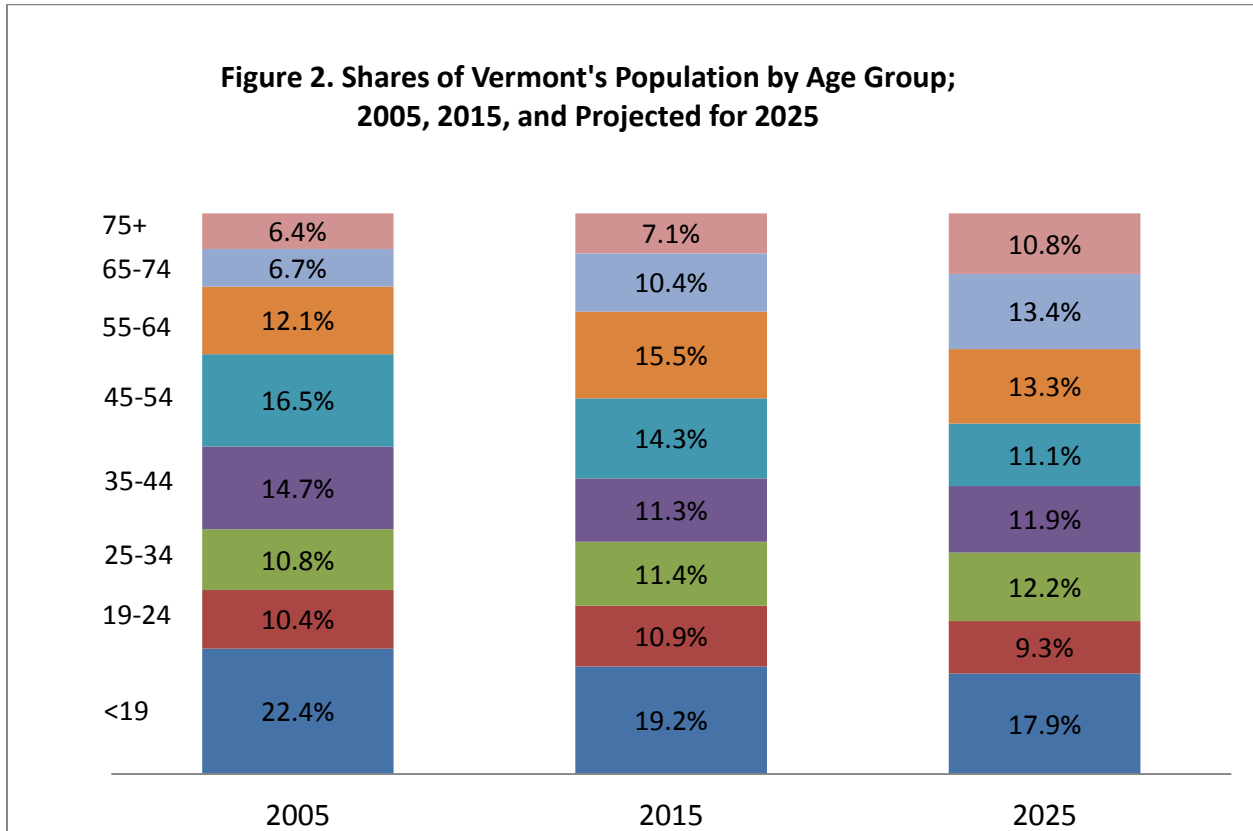
In 2005, the employment count or number of jobs filled in Vermont was 296,166.<sup>1</sup> Across the different age groups, jobs held by people age 45 to 54 comprised the biggest share — 25 percent — closely followed by jobs held by people age 35 to 44—about 23 percent (see Figure 1). Taken together, people age 35 to 54 filled 48 percent of all jobs.



<sup>1</sup> Vermont Department of Labor, Employment & Labor Market Information, Quarterly Workforce Indicators: estimate of the total number of jobs on the first day of the quarter, averaged over the calendar year. <http://qwexplorer.ces.census.gov/#x=0&g=0>

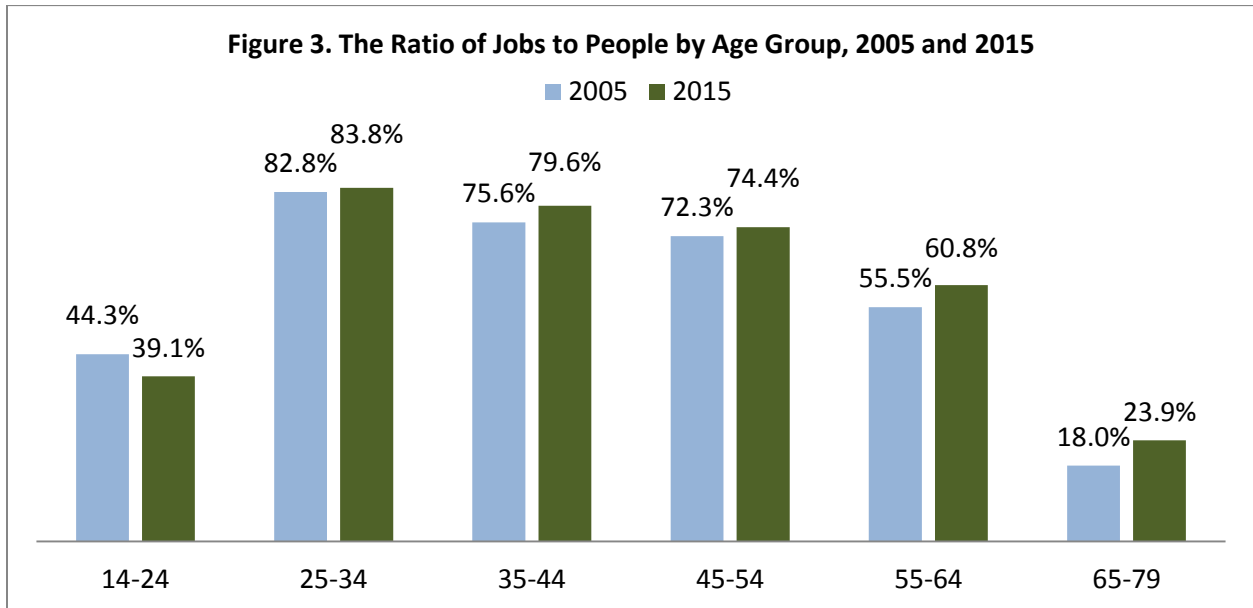
The number of jobs increased to 299,485 by 2015. But the shares changed notably as shares of jobs held by middle-aged people declined but older people had a greater presence among job holders. The share of jobs held by people age 35 to 54 fell from 48 percent of all jobs to about 40 percent of all jobs. The share of jobs held by people age 55 to 64 rose from about 14 percent to almost 20 percent as baby boomers aged into that group, and the share for people age 65 or older almost doubled from 3.5 percent to almost 7 percent.

The presence of older people among the employment count became more pronounced for two reasons: an increase in the number of older people and their greater likelihood of having a job. First, Vermont’s aging population implies relatively more people in the older age groups and relatively fewer people in the younger age groups. For example, people age 35 to 44 were almost 15 percent of Vermont’s population in 2005 (see Figure 2). That share dropped to about 11 percent in 2015. At the same time, the share of the population age 55 to 64 rose from 12 percent to 15.5 percent.



In addition, more jobs were held by older people because the ratio of jobs to people in the older age groups rose. If each working person held one job, the ratio of jobs to people would be the same as the proportion of people who are employed. The possibility that one person holds more than one job and the availability of data on jobs, not people, cause us to look at the ratio of jobs held by people in an age group to the population in that age group.

For example, in 2005 about 74,000 jobs were held by people age 45 to 54; the total number of people in that age group was about 102,500, making the ratio of jobs to people about 72 percent. From 2005 to 2015, the ratio of jobs to people increased in each age group except the youngest, but the rise was especially significant among older people (see Figure 3). Among people age 55 to 64, the ratio of jobs to people rose from about 56 percent to almost 61 percent. In percentage terms, the increase was even greater for people age 65 to 79, increasing almost one-third from 18 percent to almost 24 percent.<sup>2</sup>



A couple of reasons help to explain the increase in the ratio of jobs to people among older people. First, people anticipate living longer and need to have enough income and assets to last throughout their longer retirement. Life expectancy at age 65 increased by almost one year from 2005 to 2015.<sup>3</sup> Second, the age at which full Social Security retirement benefits are available increased from age 65 to age 66, causing many older people to delay their claiming of Social Security benefits and stay in the workforce.<sup>4</sup>

<sup>2</sup> The overall unemployment rate in 2005 was 3.5 percent, similar to the rate in 2015 of 3.7 percent. Thus the change in the ratio of jobs to people in an age group is likely similar to the change in the rate of labor force participation for that age group if the number of jobs per person remains approximately steady across the three years examined here. Precise data on employment rates and unemployment rates by age group in Vermont are not available, however, making the construction of labor force participation rates by age group unreliable.

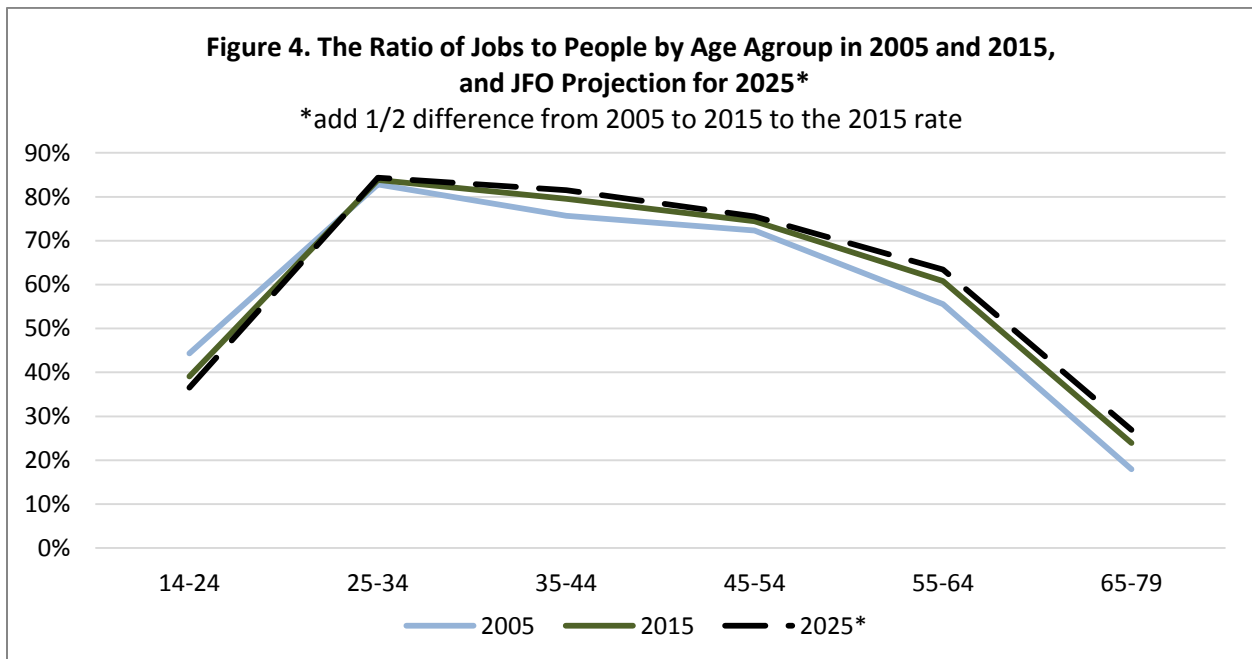
<sup>3</sup> *The 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds.*

<sup>4</sup> Patrick J. Purcell, "Employment at Older Ages and Social Security Benefit Claiming," *Social Security Bulletin*, Vol. 76, No. 4. <https://www.ssa.gov/policy/docs/ssb/v76n4/v76n4p1.html>

## JFO's Projection of Vermont's Employment Counts in 2025

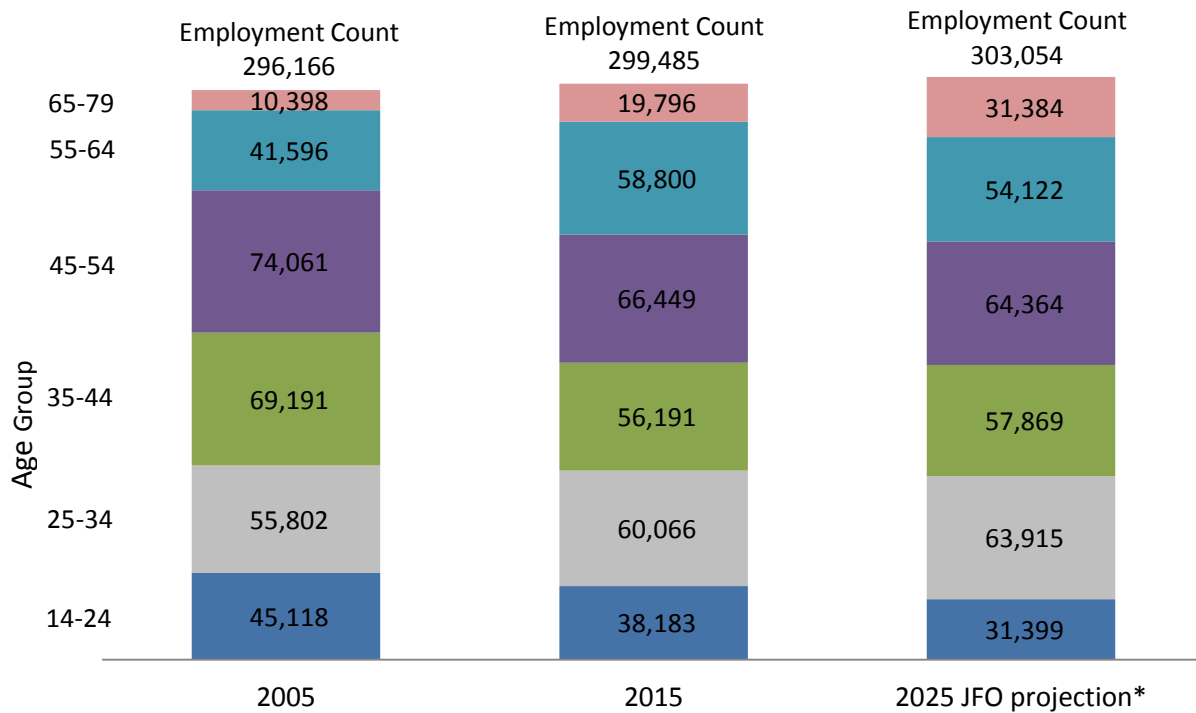
From 2015 to 2025, both life expectancy and the age at which full Social Security retirement benefits are available are expected to increase again. According to the Social Security Administration, life expectancy at age 65 is expected to increase about two-thirds of a year. And as the full retirement benefits age rises from age 66 to 67, people will need to delay claiming their Social Security benefits further to avoid a cut in benefits. Most analysts expect that people will also choose to delay further their exit from employment.

To project the ratio of jobs to people by age group in 2025, the Joint Fiscal Office assumed that the unemployment and migration situations would be similar to those of 2015 and that one-half of the change in jobs observed for each age group from 2005 to 2015 would occur again. In other words, if the ratio of jobs to people increased 5.3 percentage points for the age group 55 to 64 from 2005 to 2015, we assume that it will increase again by 2.65 percentage points by 2025, reflecting continued increases in both life expectancy and the full retirement age for Social Security benefits (see Figure 4).



Under those assumptions and using the Consensus JFO-Administration population projections as of Fall 2016, Vermont's employment count would rise 2 percent from about 299,500 in 2015 to about 303,000 in 2025 (see Figure 5). That overall number includes about 31,000 jobs held by people age 65 and older. Without those older workers, Vermont's employment count would shrink significantly to about 270,000 jobs. That result illustrates the importance of including people age 65 or older in any analysis of labor markets in Vermont.

**Figure 5. Vermont Employment Count by Age Group; 2005, 2015 and JFO Projection for 2025\***



\*JFO projection assumes that the 2015 ratio of jobs to people by age group will change by half the 2005-2015 changes and is based on the Consensus JFO-Administration population projections as of Fall 2016.

If JFO included older people among job holders but assumed no change in the ratios of jobs to people by age group between 2015 and 2025, Vermont’s employment count would drop to 296,900. That level of jobs is just barely above the number of jobs filled in 2005 but lies beneath the number in 2015. Ignoring any increases in jobs held per person by age group, changes in the number of people by age group alone drive changes in employment counts. The numbers of younger people age 14 to 24 and pre-retirement-age people age 55 to 64 are expected to shrink about 12 percent each, leading to a fall in jobs held unless jobs per person increase.