



Key Workforce Challenges: Aging Workforce and Looming Retirements

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The recent national recession may have taken center stage for economic issues, but the baby boom generation remains a powerful force casting its shadow over the future. During the recession, the impact on working families went beyond lost jobs to include steep declines in both savings and housing values. As a result, some baby boomers are deciding to postpone planned retirements. But that generation's impact is yet to be felt. As time passes and the oldest baby boomers (those born in the mid-1940s) reach their mid-sixties and full retirement age, it is anticipated that they will leave the workforce taking with them valuable work experience, skills and knowledge.

These older workers, due to their abilities and established work history, have shown as a group to have lower unemployment rates than the total labor force. (For example, 7.4% vs. 9.2%, respectively, July 2012 12-month moving average; see Table 1). Private and public employers are beginning to feel the effects of these retirements. Looking

ahead, one of the biggest challenges for New Jersey and other states will be to ensure that new age cohorts of workers are trained and qualified to fill the gaps created in the workforce as the largest generation of Americans leaves the workplace.

New Jersey's Potential for Filling Jobs

New Jersey's working-age population of nearly 7 million has approximately 2.2 million people ages 55 and over according to the 2010 U.S. Census. In the next few years, many of the state's older workers will consider retirement as soon as it is financially possible. The number of younger potential workers appears adequate to replace retiring baby boomers. There are approximately 1.4 million residents between the ages of 45 and 54 with approximately 1.2 million more residents between the ages of 35 and 44. The state's population also includes approximately 1.1 million younger

residents between the ages of 25 and 34. These approximately 3.7 million persons will help fill the vacancies left behind by the retiring workers.

While many job opportunities will be created for younger workers as the baby boomers retire, the loss of productivity resulting from older workers retiring and taking with them years of acquired skills, knowledge and experience will have to be

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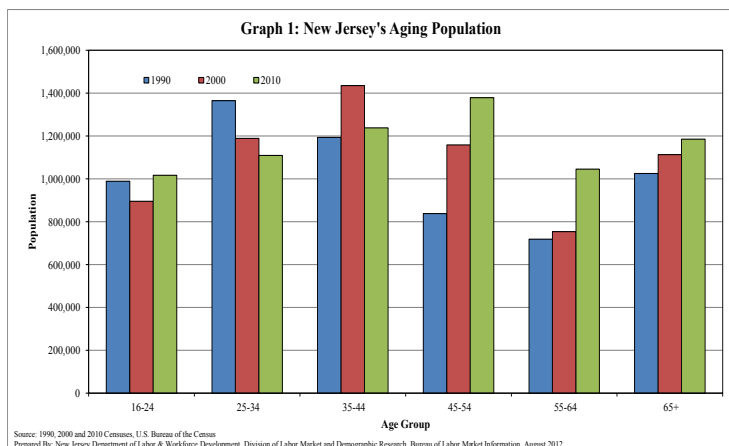
Table 1: New Jersey Labor Force Estimates: Aug. 2011 - July 2012 (12-month Moving Average)

Males	Age	Labor Force	Employed	Unemployed	Rate
	55-64	399,000	372,200	26,800	6.7%
	65+	154,700	141,800	13,000	8.4%
	55 and over	553,700	514,000	39,800	7.2%
Females	Age	Labor Force	Employed	Unemployed	Rate
	55-64	359,900	331,400	28,500	7.9%
	65+	121,300	112,500	8,800	7.3%
	55 and over	481,200	443,900	37,300	7.8%
Both Sexes	Age	Labor Force	Employed	Unemployed	Rate
	55-64	758,900	703,600	55,300	7.3%
	65+	276,00	254,300	21,800	7.9%
	55 and over	1,034,900	957,900	77,100	7.4%
Total Labor Force	Age	Labor Force	Employed	Unemployed	Rate
	16+	4,571,100	4,151,200	419,900	9.2%

Source: Current Population Survey, 12-month moving average, August 2011 - July 2012.

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openings in service occupations, (approximately 9,000) will occur through economic expansion. Health care support occupations (including home health aides) is the only major occupational group expected to have more openings generated by economic growth than by the need for replacements.

addressed through training replacement workers. Companies will need to invest in training for their younger employees prior to the retirements, especially in specialized industries such as health-care and technology-based industries.

Demand for Replacement Workers

Occupational projections prepared by the New Jersey Department of Labor and Workforce Development indicate that the larger number of job openings from 2010 to 2020 will be due to replacements, (those openings created by workers retiring from or permanently leaving an occupation/position). It is projected that New Jersey's employment base will have approximately 320,000 additional jobs by 2020 with annual average job openings of approximately 130,000. Nearly 75 percent or 95,000 of these annual job openings will come from the demand for replacement workers as many workers permanently leave for retirement. The other 25 percent (or 35,000 openings) are projected to be the result of economic growth.

Projected growth and replacement job openings by occupational group are illustrated in Graph 2. Service occupations are anticipated to have the most openings through 2020. Of the approximately 30,000 expected annual job openings in service occupations, more than 21,000 of them will be due to replacement needs. The remaining

Health Care and Social Assistance May See the Most Retirements

The number and percentage of workers over the age of 55 gives an idea of the particular industry sectors that will experience the most retirements in the upcoming years. According to figures from the U.S. Census Bureau's Local Employment Dynamics program, the industries that stand out in size and percentage are health care and social assistance, retail trade and manufacturing. Although they represent a smaller percentage of the industry's total workforce, the number of workers age 55 and over working in the healthcare and social assistance industry equals nearly 116,000, or 22.9 percent of workers in the industry. Retail trade ranks second with 81,000 workers 55 and over, followed

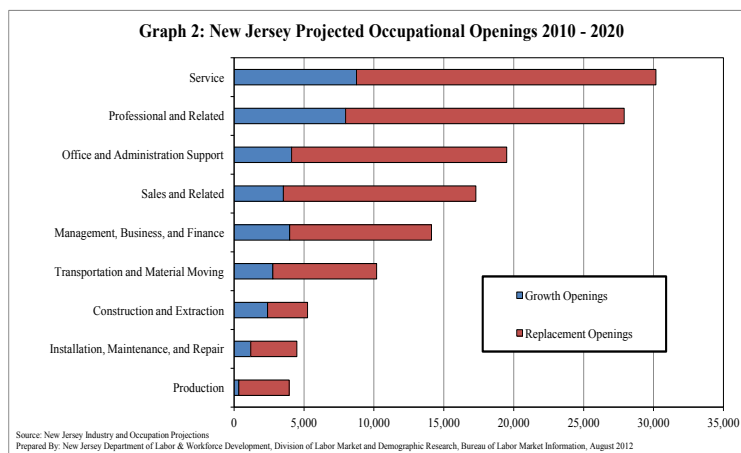


Table 2: New Jersey Workers by Industry Sector

	Total Workers	Workers Age 55 and Over	Percent Age 55 and Over
All Industries	3,140,115	654,182	20.8
Manufacturing	262,152	69,652	26.6
Real Estate and Rental and Leasing	55,082	13,734	24.9
Educational Services	75,084	17,905	23.8
Wholesale Trade	214,209	49,508	23.1
Transportation and Warehousing	148,771	34,373	23.1
Health Care and Social Assistance	505,666	115,980	22.9
Other Services (except Public Administration)	122,035	26,691	21.9
Administrative and Support and Waste Management and Remediation Services	221,898	45,368	20.4
Professional, Scientific, and Technical Services	279,493	54,960	19.7
Management of Companies and Enterprises	79,534	15,271	19.2
Finance and Insurance	185,463	34,240	18.5
Retail Trade	441,530	81,229	18.4
Construction	118,989	21,792	18.3
Utilities	14,399	2,548	17.7
Information	76,300	13,082	17.1
Accommodation and Food Services	275,215	42,319	15.4
Arts, Entertainment, and Recreation	53,198	7,180	13.5
Agriculture, Forestry, Fishing and Hunting	9,352	1,168	12.5

Source: U.S. Census Bureau, Local Employment Dynamics, Average of Second Quarter 2011 and preceding three quarters

Prepared by: NJ Department of Labor & Workforce Development, Division of Labor Market & Demographic Research, Bureau of Labor Market Information, August 2012

jobs held by workers age 55 and older.

The Northwestern Region, at nearly 22 percent, has the largest percentage of workers ages 55 and over but this larger percentage represents only 12,100 baby boomers or approximately 294,000 fewer workers ages 55 and over than in the Northern Region.

Workers 55 and over account for approximately 28 percent of employment in the manufacturing industry in the Northern Region, 25 percent in the Southern Region, and 25 percent in the Central Region. They represent approximately 29 percent of employment in the real estate, rental, and leasing industry in the Coastal Region, and 35 percent of employment in the transportation and warehousing industry in the Northwestern Region.

The figure, “Older Workers (55 & Over) by County,” shows that the distribution of older workers is consistent with that of New Jersey’s population in that the Northern Region, with nearly double the number of workers of any other region in the state, also has more workers ages 55 and over.

by manufacturing with 69,000 workers. The manufacturing industry employs the highest concentration of baby boomers at 26.6 percent.

Northern Region Leads the Way with the Most Workers Ages 55 and Over

The Northern Region of New Jersey, which has the highest concentration of population in the state, also has the largest number of workers ages 55 and over with 306,000 workers (21.1 percent of workers in the region). The Central Region is a distant second with only approximately 142,000

Table 3: New Jersey Workers by Region

Region	Total Workers	Workers Age 55 and Over	Percent Age 55 and Over
Northwestern Region	55,480	12,142	21.9
Coastal Region	462,500	97,671	21.1
Northern Region	1,453,841	306,381	21.1
Southern Region	470,769	96,047	20.4
Central Region	697,525	141,941	20.3

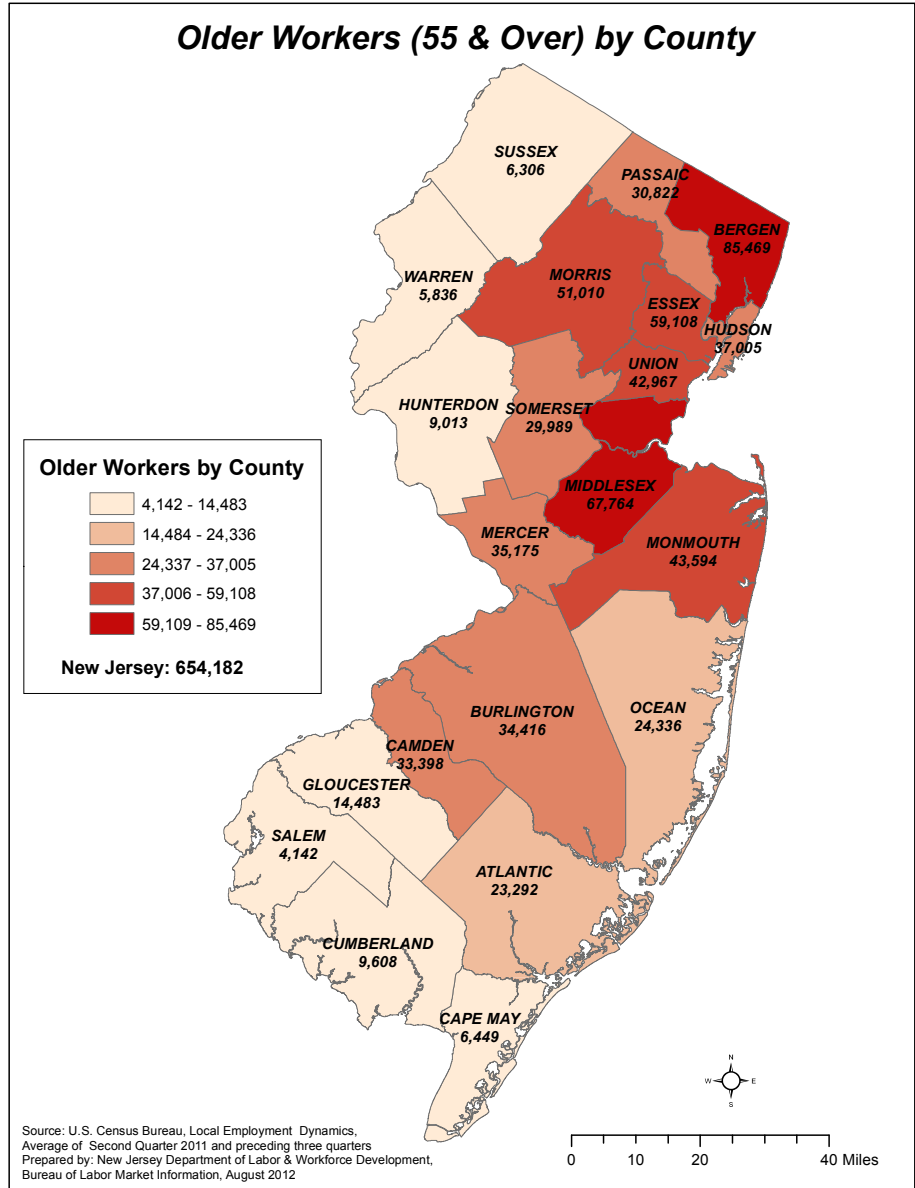
Note: Northwestern Region (Sussex and Warren counties), Coastal Region (Atlantic, Cape May, Monmouth, and Ocean counties), Northern Region (Bergen, Essex, Hudson, Morris, Passaic, and Union counties), Southern Region (Burlington, Camden, Cumberland, Gloucester, and Salem counties), Central Region (Hunterdon, Mercer, Middlesex, and Somerset counties)

Source: U.S. Census Bureau, Local Employment Dynamics, Average of Second Quarter 2011 and preceding three quarters

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Boomers will Take Important Knowledge with Them

In many businesses, older workers often are key employees whose retirements create gaps in valuable work experience and knowledge, as well as gaps in a business' workforce. These retirements thus create additional challenges for employers who may wish to plan ahead need to find qualified workers and arrange some knowledge transfer prior to a worker's retirement. The impact of the recent recession on savings, earnings and home values has made such a process more difficult since older workers may have postponed retirement plans for several years. Some will wait until age 66 in order to receive full retirement benefits from Social Security, while others, if financially able to, may elect to retire at an earlier age. By working together and planning for these changes, the employer community and the workforce development system can ensure that younger workers are properly trained to take on more responsibilities at work when future openings occur.



Data Availability

Data presented in this report are from the U.S. Census Bureau, Decennial Censuses 1990, 2000 and 2010; U.S. Census Bureau, Local Employment Dynamics; U.S. Census Bureau, Current Population Survey; and the New Jersey Department of Labor & Workforce Development, 2010-2020 Industry & Occupational Employment Projections. More detailed data are available on the Internet by clicking here: http://lwd.dol.state.nj.us/labor/lpa/LMI_index.html

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