Does Age Matter? Local Governments in the Post–Baby Boom Era

by Todd Tucker

In the United States today, approximately 12 percent of the population is over the age of 65. By 2010, 10,000 Americans will turn 65 every day. U.S. Census Bureau mid-range estimates for the year 203 percent of the U.S. population will be 65 years of age or older. This projection is likely underestimated, however, because of the population's increased longevity.[1]

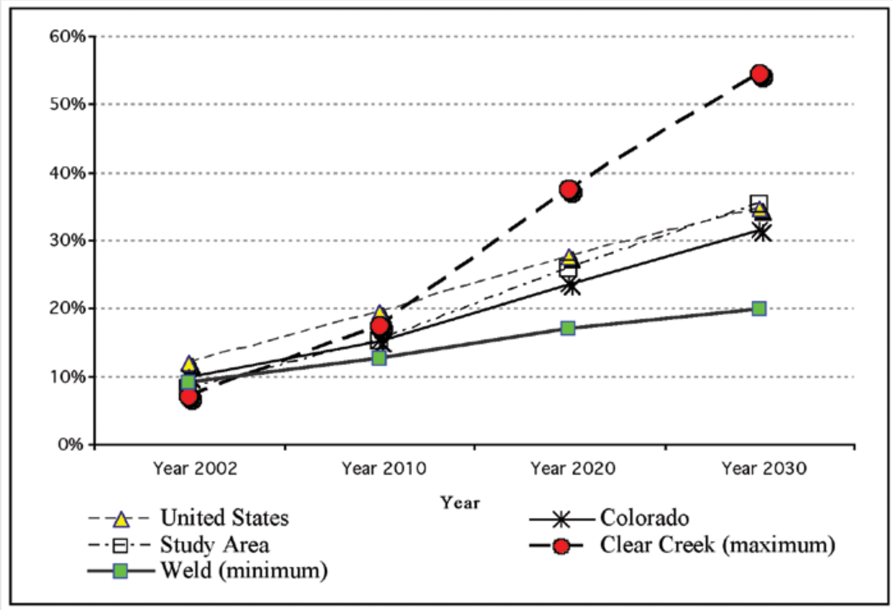
This ballooning population of eligible retirees will result in service changes across the nation. Although it is generally understood that demographic changes will create an increased demand for aging services, there is greater uncertainty about how an aging population might affect local governments. This article, which reflects the results of a research project conducted at the University of Colorado in 2006 titled *Local Government in the Post-Baby Boom Era*, presents the potential effects of an aging population on county governments along the Front Range of Colorado.

VARIABLES OF AGING

Five indicators were measured to determine the potential impact of the aging population: (1) the percentage of elderly individuals as part of the population projected to the year 2030, (2) the percentage of the county government workforce eligible for retirement, (3) the anticipated service demand by county department or division, (4) the anticipated level of attrition for the county government workforce by department or division, and (5) employee training, development, and recruitment programs and priorities.

After assessment of these indicators, it was determined that rural counties will experience the greatest change in age distribution and, consequently, the greatest challenges in meeting service and labor demands (see Figure 1). These projections are due to the expected percentage of elderly, a low or negative rate of population growth, increased longevity, a limited population pool to draw from, and a trend for the aging and elderly to remain in their existing homes as long as possible. Also, rural counties do not always provide their employees with adequate development opportunities to prepare them for the challenges of the future. These rural counties, however, are not alone.

Figure 1. Percentage of Population Age 65 and Older for Selected Populations, 2002, 2010, 2020, and 2030



Source: U.S. Census Bureau, 2005.
Note: Projections 2010 through 2030 assume the 2001–2004 rate of population change remains constant and mortality at 85 yeas of age.

THE COLORADO EXAMPLE

Currently, most counties in Colorado have an elderly population that constitutes less than 10 percent of the population. By 2030, however, the average percentage of elderly within the 10 counties along the Front Range that were studied will be nearly double the U.S. census national estimate of 20 percent. In some instances, as much as 55 percent of the county population will be age 65 or older.

The implication of a change from 10 percent to 30 to 55 percent of a county population over the age of 65 is significant, particularly in rural counties with small and dispersed populations, such as Clear Creek County, Colorado. For counties that are experiencing a high rate of population growth, such as in parts of Weld County, Colorado, the impacts of an aging constituency and nation may be less dramatic because younger people have been the primary driver of continued growth, but even fast-growing counties will experience challenges related to service increases for the elderly and worker shortages.

Furthermore, high rates of population growth may not result in a balance in the age distribution in Colorado counties because Colorado is a destination for mobile retirees.[2] Thus, projections for the percentage of elderly for all counties in Colorado could well be low. Similar projections also indicate that the census mortality estimates for those aged 65 and older are high.

While there are advantages to continued growth and an increasing population of retirees, there will also be challenges for local governments and businesses, including potential increases in demands for services for the elderly, shortages of skilled labor, and reductions in revenues and federal funding assistance for local governments.

Projections of increased demand and a shortage of labor have already begun to appear in the United States. While working on a 2004 research project for the National Association of Counties (NACo), a study team found that several counties anticipate increased demand as a result of an aging constituency and increased attrition caused by an aging workforce.[3] Local governments are already experiencing labor shortages in health care, education, and law enforcement, and these shortages are starting to affect other labor sectors across the nation.

Labor shortages and increased service demands are expected in five and 10 years by several Colorado counties in a variety of service sectors, including aging services, social services, law enforcement, public works, and fire (see Figure 2). The study (Clark, 2004) prepared for NACo also found that 50 percent of the local government workforce is potentially eligible for retirement. Furthermore, few local governments indicated that they provide any training, development, retention, or recruitment programs for their more junior employees.

Although not the focus of this Colorado case study, it was observed that global shifts in demographics will also affect the revenue stream for the federal government in the United States, which will result in funding reductions for local governments. In other words, as the global population ages, particularly in the industrialized nations of North America, Europe, and much of Asia, global production

Figure 2. Percentage of County Departments in the Front Range of Colorado That Expect Workforce Shortages and Increased Service Demand in Five and 10 Years

Department	Workforce shortages		Increase in service demand	
	In five years (%)	In 10 years (%)	In five years (%)	In 10 years (%)
Sheriff	43	29	43	43
Social services	43	14	86	43
Public works	43	43	29	0
Fire	14	43	43	14
Revenue and taxation	14	43	14	14
Court system	14	43	14	14
Transportation	14	14	57	29
Utilities	14	29	29	14
Aging services	14	14	100	57

will decline.[4] This trend will impact the global economy adversely.

The demand for qualified workers also will increase as nations struggle to maintain historic productivity levels and provide services for their populations. If this observation is realized, revenue allocations and reductions will dilute government resources around the globe.

Another study prepared for NACo shows that a shortage of skilled labor in the United States has affected efforts to promote new economic development and the expansion of an existing economic base in the private sector.[5] Reductions in the economic base can result in a leveling or reduction in revenues for local governments by affecting sales tax returns and property valuations. Studies also suggest that to maintain historic levels of economic productivity and domestic output, the U.S. workforce will have to increase by 58 million during the next 30 years.[6]

These studies further indicate that the number of available workers will increase by less than half that amount. In addition to the short supply of labor, the education and skills necessary to maintain historic levels of productivity are also in doubt, exacerbating the labor and revenue deficit.[7] Furthermore, although 76 million young people will be moving into the U.S. workforce over the next 20 years, the longevity of earlier generations with a combined population of 191 million will increase the elderly dependency ratio (the number of working-age individuals compared with the number of retirees) from the current level of 5 to 1 to a level in 2030 of 2.6 to 1.

In other words, by 2030, there will be 2.6 people between 15 and 64 for every person over the age of 65; and in some industrialized nations this ratio will be reduced to nearly 1 to 1. This level has changed significantly since the 1960s, when the number of workers to retirees was 7 to 1 in the United States. What's more, this figure does not include the child dependency ratio that further reduces the number of workers to nonworkers. As a result of the changing demographics caused by increased health and longevity and the increased cost of health care, it is expected that there will not be enough workers in the generations succeeding the baby boomers to adequately fund and provide services or to meet historic productivity levels.[8]

Consequently, the burden of welfare programs will increase for these future workers; and unless the productivity of the average worker can increase significantly over the next 20 years, the overall productivity output in the United States and other industrialized nations will decline as there will not be enough qualified labor to meet the demand.

The effects of a decline in productivity will include reductions in revenues, which in turn create fiscal challenges for local governments. These fiscal challenges could lead to significant social implications, including potential cuts to Medicare and Medicaid. Although the National Governors Association is working to limit federal cuts to Medicare and Medicaid,[9] expert testimony before Congress indicates that the financial burden for these programs combined with debt service payments will unduly constrain the federal budget over the next 10 to 20 years.[10]

As a result of these growing budgetary constraints, funding for these programs will likely shift from the federal government to state and local governments, stretching already thin budgets.

CHALLENGES

Local governments will confront generational and fiscal challenges as the global and national populations age. These challenges will increase over time and across the nation. For Colorado, the challenge may be greater than in other parts of the country because of the projected increase of elderly residents, which is expected to be nearly double the projected national average of elderly for 2030. So, despite improved health and longevity, labor and funding resources will be diluted as the population continues to mature locally, nationally, and globally. Therefore, to maintain historic levels of domestic productivity, the competition for skilled labor will be even greater, with an ever-dwindling pool of qualified applicants to draw from in Colorado and across the country.

In the short term, some labor supply and economic impacts may be softened by delayed retirement and a greater participation in the workforce by women and immigrants or by increased use of aging employees as volunteers or as part-time or outsourced employees. However, the size and projected longevity of those aged 65 and older will result in service demands that stretch the country's ability to meet the need, which, in turn, will affect local government in Colorado.

Effects will be felt in the form of slower economic growth; a lower standard of living and persistent structural unemployment for the elderly, the unskilled, and minority groups; income redistribution caused by the purchase of foreign goods and services; further erosion of the industrial base caused by a limited pool of skilled labor; wage-push inflation for the available skilled labor; and reductions in federal funding assistance for local governments.[11]

LOCAL GOVERNMENT ACTION

In addition to the challenges described above, most local governments do not appear to be addressing or adapting to generational differences in work values and service expectations or implementing competitive programs equally among the generations for employee retention, job satisfaction, and employee development. Should the predictions of slower economic growth come to pass, local governments will contend with reductions in revenues from sales tax and other funding sources, including reductions in assistance from the federal government as the demand for services increases. Thus, local governments will be required to do more with much less, and it is critical that local governments partner with their employees to ensure adequate service provision and retain or develop critical skills.

Fortunately, a few county governments in Colorado and in other areas have begun to implement measures to address attrition, labor shortages, skills deficits, and increases in service demands. Some local governments, for example, are crossing political boundaries to form partnerships and aggregate services for the elderly; one example is Adams County, Colorado, which also services portions of Arapahoe County through its Senior Hub program. Still other governments, such as Ajo, Arizona, with its arts and culture program, are combining compatible services between the elderly and youth. Yet more must be done.

Local governments can also reduce service and contact demands as they create or expand on self-service systems to include online bill payments or payment assistance, service scheduling for such elder care assistance as meals-on-wheels, and more online resources and information, like applying for government assistance or unemployment insurance. They can even expand on such remote monitoring systems as photo radar, site security, and computerized systems for acquiring building permits. In addition, new partnerships with surrounding jurisdictions, agencies, and nonprofit organizations or even the privatization of some services may be useful for meeting service demands and cutting aggregate costs.

Perhaps local governments can also borrow concepts from the private sector for employee retention and morale and create programs such as flextime, job sharing, or hiring retirees back part time or as consultants in order to retain aging workers. It also will be increasingly important to provide opportunities for junior workers to participate in decision making and mentoring and development programs.

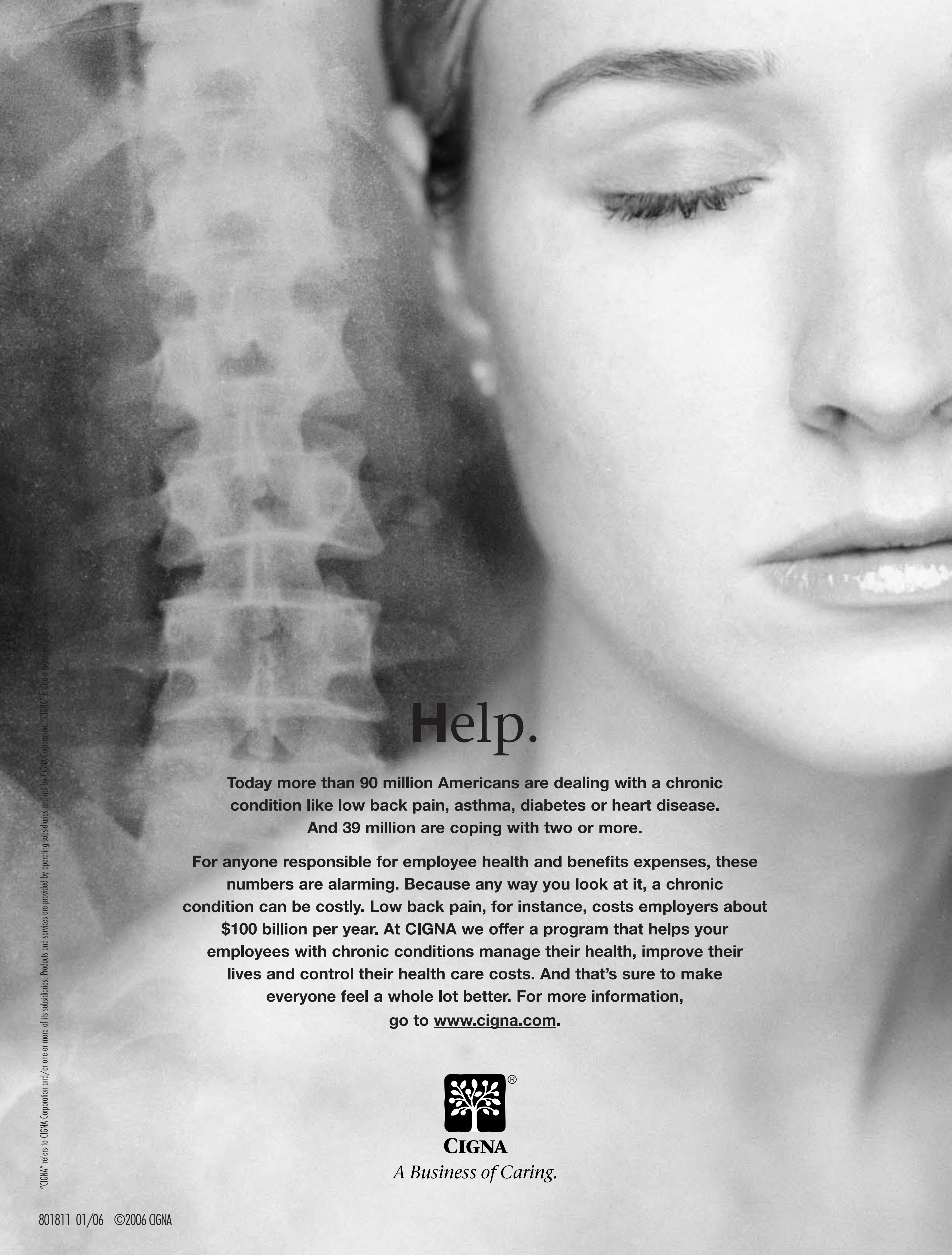
Boulder County, Colorado, for example, has developed a year-long employee leadership program called the Public Service Institute to provide training in self-efficacy and organizational awareness. Encouraging, retaining, developing, and training existing employees in such a manner may offset the impacts of an aging population by providing current employees with the skill sets, resources, and knowledge necessary to fill the gaps.[12]

Current literature focuses primarily on programs to retain retiring employees and to enhance youth development. It is rare to find articles or studies of government employers that place equal emphasis on providing senior, junior, and sophomore workers with training, retention, development, and quality-of-life opportunities. Current literature suggests that younger workers have commitment levels, work values, and career goals different from their predecessors, possibly caused by divergent generational values.[13]

Career goals could have as much to do with opportunity as they have with divergent generational values. As older government employees delay retirement, younger employees may find limited opportunities for advancement and critical skills development, and, as a result, may exhibit withdrawal behaviors leading to decreased productivity and commitment as well as the desire to seek fulfillment and opportunity elsewhere.[14]

Consequently, as the pool of qualified candidates shrinks, leadership voids may result when vacancies occur. This may result in more outsourcing, the recruitment of employees who need specialized training, and the retention of employees with less experience than may be desired.

The wide array of challenges that face the nation over the next 20 years or so may cause local governments in particular to work closely with younger workers to develop their abilities and learn to become successors with the requisite values to manage greater diversity, the ethics to make balanced decisions, and the skills to meet the eminent challenges of tomorrow. **PM**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[12]NACo recently described additional efforts in a special supplement on succession planning; see "Hot Topics, Succession Planning," special supplement to *County News* (NACo), December 11, 1006, www.naco.org/Template.cfm?Section=Labor_and_Employment&template=/Content Management/ContentDisplay.cfm&ContentID=21985.

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Todd Tucker is town planner, Frederick, Colorado (ttucker@frederickco.gov). Author retains the article copyright, and the article can't be cited or reproduced in whole or in part without the written permission of the author.