

Oregon Economic Trends

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Demographic Trends: Oregon's Aging Population

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Sometime this year, the oldest members of the baby boom generation—Americans born between 1946 and 1964—will turn 65 years old. For the bulk of the baby boom population, that's full retirement age.

This milestone may hit Oregon particularly hard. In 2009, 507,578 Oregonians were age 65 or over. By 2020, that number is projected to climb to 795,635.¹

These baby boom retirees can be expected to tap into finite state resources—including state retirement funds, health care, and social services for the elderly—in record amounts. Meanwhile, there will be far fewer adults of working age making contributions to maintain these services and funds.

The Current Baby Bust

Economic conditions are strongly correlated with birth rates. The baby boom was caused by unprecedented economic growth. Recent recessions, however, have resulted in a “baby bust.” The two lowest decades for Oregon population growth were 1980-1990 and 2000-2010; Oregon was severely impacted by recessions during both of these decades.²

**Table 1. Adults Aged 25-54
For Every Adult Aged 65+**

2000	3.4
2010	3.2
2020	2.4
2030	2.0
2040	1.9

The effects of this baby bust on Oregon population demographics are shown in Table 1. The number of prime working-age adults for every adult is projected to decline steadily each decade, from 3.4 in 2000 to 1.9 in 2040.³

The Fiscal Impacts of Baby Boom Retirements

Unless existing programs are cut dramatically, the exploding demand for senior services can be expected to exert tremendous budget pressures in the decades ahead. In addition, the State Treasury is obligated to cover retirement benefits to public employees and pay its state share of Medicaid payments. As a share of total personal income, Oregon's share of Medicaid payments will rise from 0.9% in 2008 to 1.3% in 2018, and payments and contributions to the Public Employee Retirement System (PERS) will rise from 0.3% in 2008 to 1.0% in 2016.⁴

What fiscal decisions is Oregon likely to make in order to pay its obligations to retirees? If the most recent state budget is any indication, education is the first line item to be singled out for cuts. Funding for the Oregon University System, the Department of Community Colleges and Workforce Development, and prekindergarten totaled \$1.9 billion in the 2009-11 budget, but the 2011-13 budget reduced this amount to \$877 million, a decrease of 54 percent.⁵

This budgetary development is particularly alarming to Oregonians concerned with workforce development and employment issues, since investments in education and training are critical to raising the state's per capita personal income and increasing tax revenues in the long term. This problem is exacerbated by the fact that retiring baby boomers are significantly better educated than younger members of the workforce; e.g., workers aged 25-34 years.⁶

Effects of Baby Boom Retirements on the Workforce

In 2007, the Oregon Employment Department projected new job creation at 245,000 from 2004 to 2014, but

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reported that replacement job growth would be almost double that amount.⁷

As baby boomers retire, they will have to be replaced. Since younger Oregonians are entering the labor force with fewer years of education, how challenging will it be for Oregon employers to locate and hire replacement workers with equivalent skill sets and educational attainments?

Not every industry will feel the pinch from baby boom retirements to the same degree, as shown in Table 2. Utilities, Educational Services, Mining, Real Estate, and Public Administration may be especially hard-hit by retirements, while Retail, Food Service, and Construction may hardly be affected at all.

Since Oregon's population is expected to keep growing, a portion of the replacement-worker problem could be solved by the migration of workers to Oregon from other states. The problem, however, concerns not only worker quantity, but also worker quality. The Oregon Employment Department regularly conducts employer surveys to identify high-demand job skills, and employers have indicated that older workers tend

to be much stronger when it comes to the so-called soft skills, such as good communication, dependability, productivity, work ethic, and positive attitude. In the absence of training initiatives that address these needs, it may be very difficult to find replacement workers who possess all of the high-demand skills employers seek. ■

Table 2. Oregon Employment by Age Group and by Industry

	Age 14-99	Age 55+	55+ Pct. 2010	55+ Pct. 2005	Diff. *
All Industries	1,567,250	321,795	21%	16%	5%
Utilities	7,515	2,103	28%	22%	6%
Educational Services	144,452	39,266	27%	21%	6%
Mining	1,712	459	27%	23%	4%
Real Estate and Rental and Leasing	26,390	6,900	26%	21%	5%
Public Administration	78,777	19,993	25%	19%	6%
Agriculture, Forestry, Fishing and Hunting	39,897	10,028	25%	18%	7%
Transportation and Warehousing	50,475	12,412	25%	20%	5%
Other Services (exc. Public Admin.)	59,297	14,370	24%	20%	4%
Health Care and Social Assistance	221,147	51,650	23%	19%	4%
Manufacturing	164,706	33,602	20%	15%	5%
Wholesale Trade	74,537	15,155	20%	16%	4%
Professional, Scientific and Technical Services	69,924	13,835	20%	16%	4%
Management of Companies and Enterprises	32,129	6,287	20%	16%	4%
Finance and Insurance	58,271	10,957	19%	15%	4%
Admin., Support, Waste Mgmt., Remediation	79,570	14,446	18%	14%	4%
Arts, Entertainment and Recreation	25,538	4,538	18%	14%	4%
Construction	74,583	12,986	17%	13%	4%
Retail Trade	182,983	31,131	17%	14%	3%
Information	33,999	5,444	16%	13%	3%
Accommodation and Food Services	141,348	16,233	11%	10%	1%

Source: U.S. Census Bureau, Local Employment Dynamics, Quarterly Workforce Indicators (QWI Online), 2Q2009-1Q2010.

* The rightmost column presents the difference between the rounded 55+ percentage calculated using Census LED data from 2Q2009-1Q2010 and 55+ percentage figures from the period 3Q2004-2Q2005. The 2005 percentage figures, shown in the column labeled **55+ Pct. 2005**, were sourced from the following publication: Workforce Analysis Section, Oregon Employment Department, *Will Oregon Have Enough Workers? Baby Boom Retirements, Economic Growth and Other Trends*, 2007, p. 6. This publication is available online at http://www.qualityinfo.org/pubs/single/enough_workers.pdf.

Notes

¹ Oregon Office of Economic Analysis, *Oregon's Older Population: A Statistical Profile*, May 20, 2010. See <http://oregoneconomicanalysis.wordpress.com/2010/05/20/oregons-older-population-a-statistical-profile/>.

² Oregon Office of Economic Analysis, *Oregon Economic and Revenue Forecast*, March 15, 2011. This document is available online at <http://www.oregon.gov/DAS/OEA/docs/economic/forecast0311.pdf>, p.11.

³ Oregon Business Plan, *Oregon's Challenge: Breaking Out of a Circle of Scarcity*. Available online at: <http://oregonbusinessplan.org/About-the-Plan/Oregons-Challenge.aspx>.

⁴ Ibid.

⁵ Oregon Business Plan, *Breaking Out of a Circle of Scarcity*, PowerPoint presentation, May 2010.

⁶ Oregon Business Plan, *Oregon's Challenge* (URL listed above).

⁷ Workforce Analysis Section, Oregon Employment Department, *Will Oregon Have Enough Workers? Baby Boom Retirements, Economic Growth and Other Trends*, 2007, p.5.