

In 2004, Massachusetts General Law Chapter 43D was signed into law. This program offers communities a tool for targeted economic development. The law allows cities and towns that opt into the program to target expedited permitting to those areas where they want to encourage economic development. It provides cities and towns with up to \$150,000 in direct technical assistance to implement 43D strategies. (The \$150,000 total is halfway between the \$200,000 cap approved in the Senate and the \$100,000 approved in the House.)

Key attributes of state hospital parcels often include previously landscaped grounds (in some cases in Massachusetts, the work of Frederic Law Olmsted and his successor firm), important natural resources such as wetlands, and a sense of history conferred by architecture as well as the strong sense of ownership from the surrounding communities once benefiting from and contributing to the institution. This preexisting sense of place plays a large role in the redevelopment strategy, influencing which aspects of the site are preserved, reused, recycled, or demolished. Redevelopments that maintain some aspect of the existing structures or some acknowledged link to their former use fare better for their connectivity to the community and historic value.

Most hospital redevelopment favors a combination of uses—recreation, housing, civic, and commercial—and a variety of renters and buyers are attracted by developments that offer an urban village environment. In the case of Massachusetts, the mixed-use, mixed-income redevelopment of underused and vacant state hospital sites is a successful strategy used to address the commonwealth's current housing needs, even within the current downturn in the housing market. **UL**

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# Demographic Shifts Shape Tomorrow's Workforce

JERRY W. SZATAN

**Baby boomer retirements and changing demographics in the United States will reinforce recent trends that are altering the face of tomorrow's workforce.**

AN AGING POPULATION and retiring baby boomers are producing widespread economic and social consequences in the United States. More retirees and fewer workers will strain the financial viability of both Social Security and Medicare. Slower labor force growth, in turn, reduces potential economic growth. Employers worry about lost skills and knowledge as veteran employees retire and, fearing potential talent shortages, are concerned about their ability to attract and retain the new talent they need to compete.

The civilian noninstitutional population—those 16 years of age and over—will be older in the next decade as the baby boomers—those born between 1946 and 1964—age. (See Figure 1 on following page.) The proportion of 16- to 24-year-olds, who constitute the majority of entry-level workers, will decline. The share of the so-called prime working age group—those 25 to 54 years old—with the greatest likelihood of being in the labor force, also will fall from 54.6 percent in 2006 to 50.6 percent in 2016. Only those over 55 years old will see their share of the population increase. The baby boomers, who in 2006 were 42 to 60 years old and mostly in the prime working ages, by 2016 will be 52- to 70-year-olds and well into the traditional retirement years. (Some predict that baby boomers will be more likely to work beyond traditional retirement ages.) As they retire, they will be replaced by the much smaller baby bust cohort. This population group also will be more diverse as African Americans, Asians, and especially Hispanics increase their share of the total population.

Though the population will be older, the labor force—individuals who are working or looking for work—will grow from 151.4 million in 2006 to 164.2 million in 2016; but it will not grow as fast as in recent years: increasing at 0.8 percent annually from 2006 through 2016, less than the 1.2 percent annual growth of the previous decade.

The size of the labor force depends not only on the number of people of traditional working age, but also on how they behave—namely, whether they choose to seek work or not. (People not in the labor force may be staying home as caregivers, in school, retired, etc. Some, known as discouraged workers, say they want a job but are not actively looking because they think that no jobs are available for them.)

**FIGURE 1: CIVILIAN NONINSTITUTIONAL POPULATION: AGE, GENDER, RACIAL, AND ETHNIC SHARES**

Age Group	Percentage of Population: 2006	Projected Percentage of Population: 2016
16-24	16.1	14.6
25-54	54.6	50.6
55+	29.3	34.8
55-64	13.7	16.3
65+	15.6	18.5
<b>Gender, Race, Ethnic Group</b>		
Male	48.3	48.5
Female	51.7	51.5
Caucasian	81.4	79.6
African American	11.8	12.4
Asian	4.4	5.3
All others*	-	2.7
Hispanic	13.2	15.6
Caucasian, non-Hispanic	69.2	65.1

Sources: Author's calculations and U.S. Bureau of Labor Statistics data.

\* "All others" includes Native Americans, Pacific Islanders, and individuals of mixed race.

The overall labor force participation rate—the percentage of the working-age population in the labor force—will fall slightly from 66.2 percent in 2006 to 65.5 percent in 2016, but this masks more profound changes, particularly at the younger and older ends of the spectrum. (See Figure 2 below.)

The labor force participation rate of 16- to 24-year-olds will fall to 57.1 percent in 2016, continuing its long-term decline. Much of this

will be attributable to more young people staying longer in school. (Twenty- to 24-year-olds have higher labor force participation rates than 16- to 19-year-olds, but rates for both are falling.) People in the prime working years (25 to 54 years) have the highest participation rate and it will increase slightly by 2016. Older individuals (55-plus) are least likely to be in the workforce, but their participation rate has been increasing since the late

**FIGURE 2: LABOR FORCE PARTICIPATION: AGE, GENDER, RACE, AND ETHNIC GROUPS**

Age Group	Labor Force Participation Rate: 2006	Projected Labor Force Participation Rate: 2016
Total	66.2	65.5
16-24	60.6	57.1
25-54	82.9	83.6
55+	38	42.8
55-64	63.7	66.7
65-74	23.6	29.5
<b>Gender, Race, Ethnic Group</b>		
Male	73.5	72.3
Female	59.4	59.2
Caucasian	66.3	65.5
African American	63.8	64.9
Asian	65.9	65.9
All others*	67.0	68.9
Hispanic	68.6	68.6
Caucasian, non-Hispanic	65.9	65.0

Sources: Author's calculations and U.S. Bureau of Labor Statistics data.

\* "All others" includes Native Americans, Pacific Islanders, and individuals of mixed race.

1980s. The biggest jump in labor participation rates in the over-55 group is among "young retirees," those aged 65 to 74. Some older individuals work because they are healthier into traditional retirement ages and want to work. Others need to work for financial reasons—for example, because of higher eligibility ages for Social Security benefits or because of inadequate retirement savings.

Growing labor force participation by women was the biggest workforce-related development of the last few decades; the Bureau of Labor Statistics, however, projects that it will decrease slightly to 59.2 percent by 2016. (Women's labor force participation rate was 43.3 percent in 1970 and peaked at 60 percent in 1999.) Men remain much more likely to be in the labor force than women. Among racial/ethnic groups, Hispanics and "all others" have the highest labor force participation rates in both 2006 and 2016. By 2016, Caucasians, African Americans, and Asians all will have similar participation rates.

The labor force aged 55-plus is projected to grow 3.9 percent annually—almost five times faster than the total labor force. In absolute numbers, the over-55 workforce is projected to increase by about 11.9 million—far more than the 2.5 million increase in the 25- to 54-year-old prime working age groups. The number of 16- to 24-year-olds in the workforce is projected to decrease by 1.5 million over the decade.

The minority labor force, including all major non-Caucasian racial groups and Hispanics, grew faster than the Caucasian labor force between 1996 and 2006 and is projected to grow at even faster relative rates in 2006–2016. (See Figure 3 on facing page.) The Hispanic labor force grew 4.9 percent annually between 1996 and 2006, much faster than any other group. It is projected to grow 2.7 percent annually between 2006 and 2016—a rate comparable to Asians—and both will grow almost five times faster than the Caucasian labor force. The minority population generally is younger and more likely to be in the labor force.

Reflecting both aging of the overall population and changing behavior among different age groups, the workforce will be older in 2016. The median age of the workforce will reach a record high 42.1 years in 2016, up from 40.8 years in 2006.

The labor force will become even more diverse as the proportion of Caucasians and especially non-Hispanic Caucasians declines and the proportions of African Americans, Asians, Hispanics, and others increase. The female share also will increase slightly, reaching 46.6 percent.

These trends are national, but most labor markets are local and national trends may vary among industries, regions, and communities. Population has been moving south and west for decades. According to U.S. Census Bureau estimates, between 2000 and 2006, 2.2 million residents left the Northeast and 1.4 million left the Midwest to move to the South, which gained 3.2 million, and the West, which gained 400,000. (Many of these people are retirees and thus less likely to affect the labor force.) In 2006, the ten states with populations with the youngest median ages were all in the South and West, and eight of the oldest states were in the Northeast or Midwest.

Immigration policy will affect the size and growth of the workforce; immigrants generally are younger and more likely to be in the labor force. Immigrants historically have concentrated in established gateway cities/regions such as New York, Los Angeles, Chicago, and others, and this influx of new residents offsets the movement of domestic ones. William H. Frey in “Metropolitan America in the New Century” (June 2006, page 99) notes that while these remain primary magnets, many immigrants are choosing communities and regions that had not previously received many immigrants.

While projecting the working-age population ten years from now is a relatively safe bet—everyone who will be 16 to 64 years old in ten years is alive today—their behavior and changes in behavior affect the labor force. The sustained surge of women entering the workforce in the 1970s through the 1990s offset the long-term decline of male workforce participation for decades. While women’s participation rate is projected to decline slightly, it could resume growing. Older individuals may opt to work longer either by preference or because of financial need, especially if there is another increase in retirement age for Social Security benefits.

The consequences of these demographic changes in the labor force will be widespread.

**FIGURE 3: LABOR FORCE WILL BE OLDER AND MORE DIVERSE AND ETHNIC SHARES**

Age Group	Annual Percentage Growth Rate: 1996–2006	Projected Annual Percentage Growth Rate: 2006–2016	Projected Change: 2006–2016 (Millions)	Projected Percentage Change: 2006–2016	Percentage of Labor Force: 2006	Projected Percentage of Labor Force: 2016
Total 16+	1.2	.8	12.8	8.5	–	–
16–24	0.6	(0.7)	(1.5)	(6.9)	14.8	12.7
25–54	0.7	0.2	2.5	2.4	68.4	64.6
55+	4.8	3.9	11.9	46.7	16.8	22.7
<b>Gender, Race, Ethnic Group</b>						
Male	1.2	0.8	6.5	8.0	53.7	53.4
Female	1.3	0.9	6.3	8.9	46.3	46.6
Caucasian	0.9	0.5	6.8	5.5	81.8	79.6
African American	1.4	1.5	2.8	16.2	11.4	12.3
Asian	1.7	2.7	2.0	29.9	4.4	5.3
All others*	–	2.8	1.2	32.4	2.3	2.9
Hispanic	4.9	2.7	6.2	29.9	13.7	16.4
Caucasian, non-Hispanic	0.4	0.1	1.5	1.4	69.1	64.6

Sources: Author’s calculations and U.S. Bureau of Labor Statistics data.

\* “All others” includes Native Americans, Pacific Islanders, and individuals of mixed race.

Some fear labor shortages, while others argue that markets will adjust and that higher wages will make it more attractive for potential retirees to stay in the workforce—or others not in the workforce to enter it. Nevertheless, labor availability overall and retaining workers will become more important. There will be fewer young workers and more old ones and more non-Caucasians. Industries that rely on younger workers, the 16- to 24-year-olds, likely will find it more difficult to find them in the next decade.

Business may respond with changes in workplace policies and environment to help recruit and retain talent. R.J. Brennan, director of workplace strategy at Chicago-based IA Architects, notes that older workers benefit from brighter lights and workplace design that cuts down on background noise, and that companies also face design challenges to encourage greater interaction and knowledge transfer between older and younger workers.

Policies that support workers who are responsible for child or elder care will encourage them to stay in the workforce. Flexibility may be the desired attribute for all these groups. Some companies that find it difficult to recruit workers may be more likely to move

operations to areas with available labor, either domestically or abroad, or to design operations, if feasible, to use at-home workers.

Labor availability will affect the ability of regions and communities to compete for new investment. Insufficient labor can constrain growth of existing companies and hinder attracting new ones. Communities with growing labor forces and relatively greater numbers of new labor force entrants, especially well-educated ones, will have advantages in attracting and supporting new business facility investment. Efforts to attract such workers by enhancing quality of life will grow.

In summary, the United States can expect an older and more diverse workforce in the years ahead. Companies and communities that recognize these changes and turn them into an opportunity rather than a burden will gain a competitive advantage. **UL**

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