

Generational Change and Its Potential Impact on Governments

Maureen W. McClure
School of Education
University of Pittsburgh
PA Senate Majority Policy Committee
September 27, 2016

Disruptive Age Cohorts

- ❖ Historically unique
- ❖ Generational hiccup – but much more than annoying
- ❖ Disrupts traditional ways of thinking about government policy
- ❖ 20th century strategic planning was centered on the sustainability of institutions (e.g. schools, universities, unions, departments of education,, etc.) – Necessary but increasing insufficient
- ❖ Need to add an additional layer of policy interest in generational impact - e.g. (baby boomers [b. ~1946-1964], millennials [b. ~1980-2000], etc.)

Now What?

- ❖ In many parts of Pennsylvania, demographic shifts are adding 21st Century problems to policymakers' plates
 - ❖ Growing demand for services for growing numbers of elderly
 - ❖ Shrinking age cohorts with skills gaps
 - ❖ Many adults at the margins of the workforce
 - ❖ Growing poverty among the young
- ❖ Where are tomorrow's tax dollars going to come from?
 - ❖ If tax capacity issues are ignored, it isn't going to be an easy ride
 - ❖ Potential threat to state's economic competitiveness if fewer working people need to carry heavier dependency burden

Age Cohorts Disrupt Education

- ❖ Since the mid-1990s, there has been an almost exclusive focus on education reform related to classroom instruction, achievement and accountability
- ❖ Reform has had two major policy drivers: Access and consumer choice – Revenue generation issues of tax capacities, labor market participation, citizenship and community development were relegated to the margins
- ❖ Demographic disruptions are leading to policy tensions across age cohorts: - e.g., increased pension obligations and growing fragility in revenue sources and workforce development

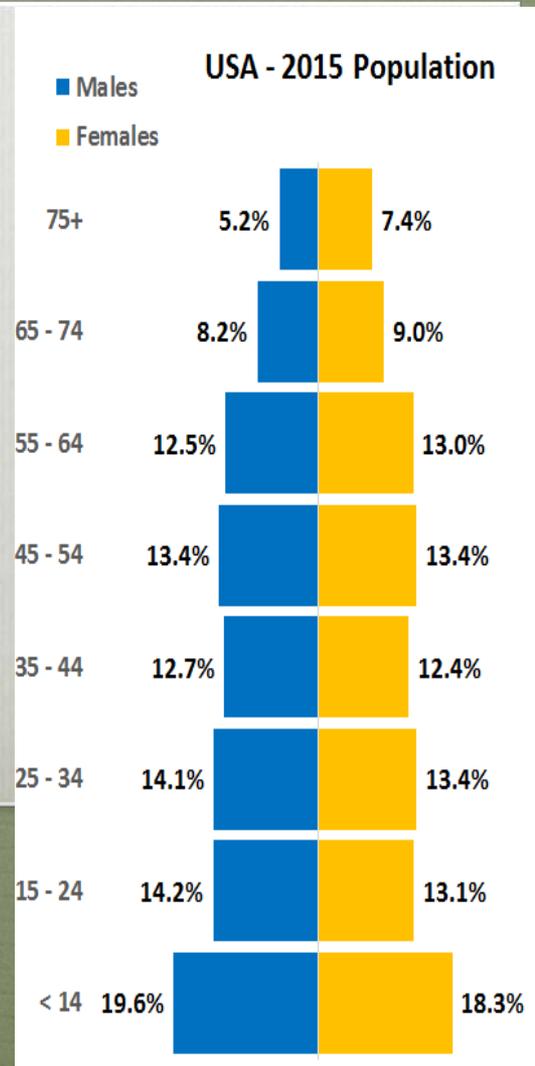
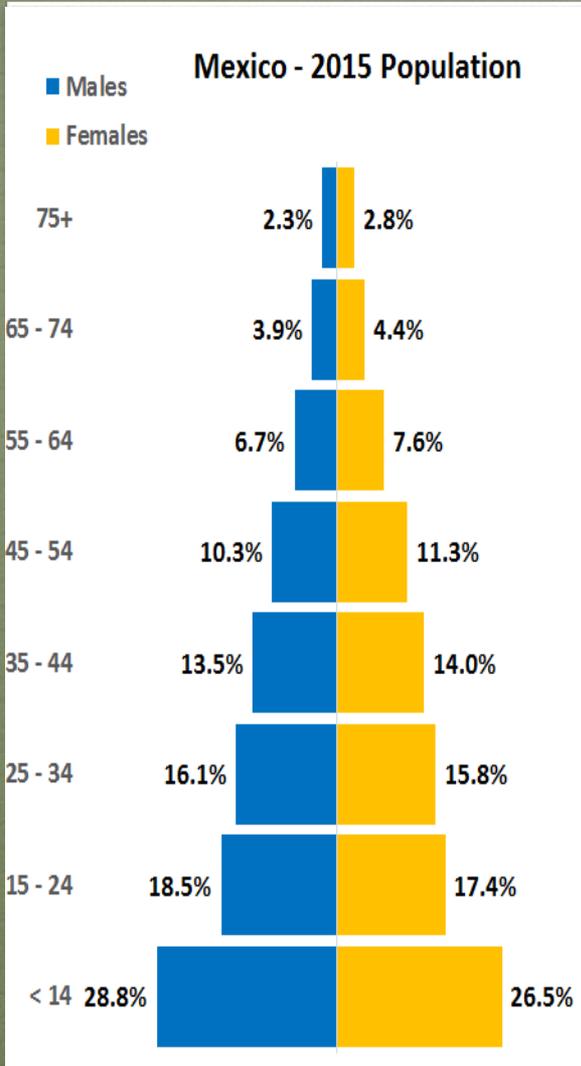
Education for Development

- ❖ Useful data across multiple platforms are available but poorly coordinated
- ❖ For example, in education, related state data outside of PDE usually not used at local levels for education planning (e.g. tax capacities and revenue generation)
- ❖ Bureau of Labor Statistics, Center for Workforce Information and Analysis, US Census
 - ❖ Age distributions, projections and descriptions can better map and describe current generations of taxpayers and voters
 - ❖ Quantity: Age-related labor force participation rates
 - ❖ Quality: Types of employment by industry: low wage, low volume, low wage, high volume, high wage low volume and high wage, high volume

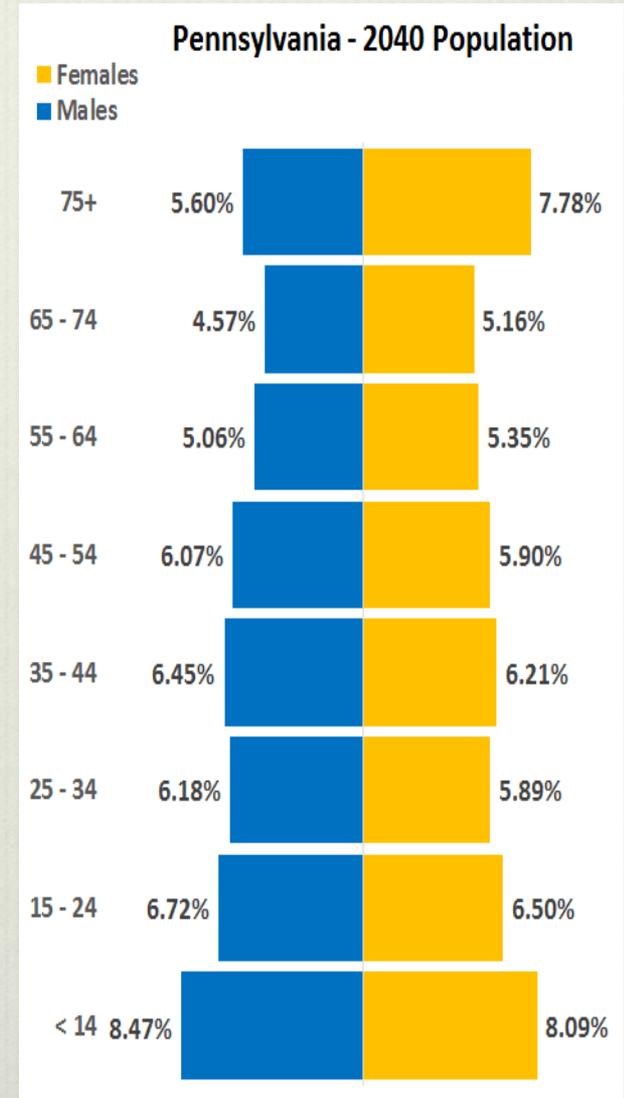
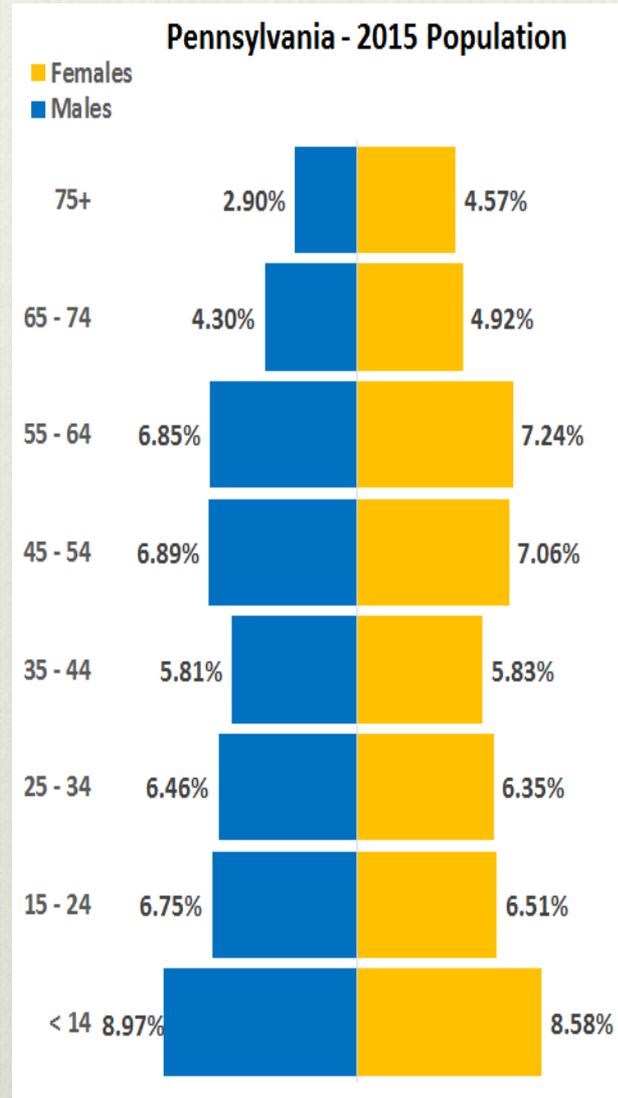
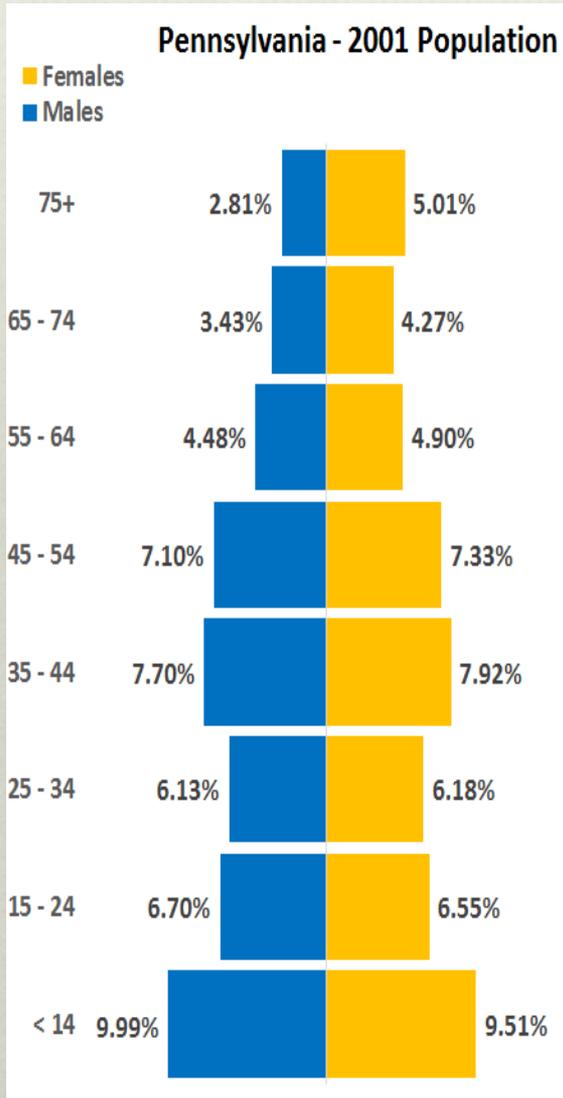
Dependency Ratios

- ❖ Total dependency ratios very roughly compare the economically active and inactive
- ❖ $\text{Dependency Ratio} = \frac{65+ \text{ years old} + 14 \text{ years or younger}}{\text{Total working age population (15–64)}}$
- ❖ Young-age and old-age ratios are also popular
- ❖ Very blunt tools, but a good place to start. More details are needed for policy
- ❖ Population pyramids good way to show shifting age cohorts

WE NEED MAPS!

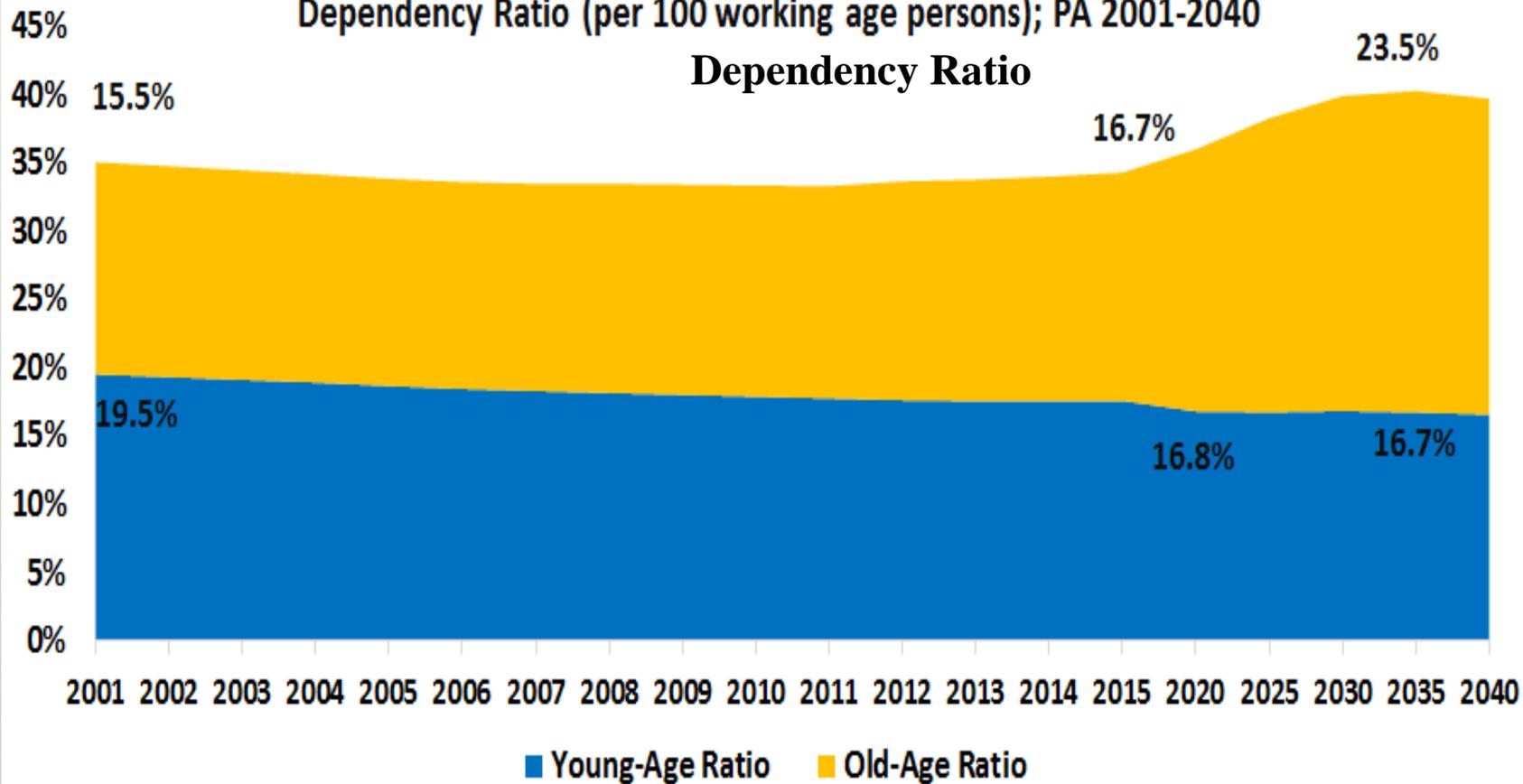


PA Population Pyramids



Dependency Ratio (per 100 working age persons); PA 2001-2040

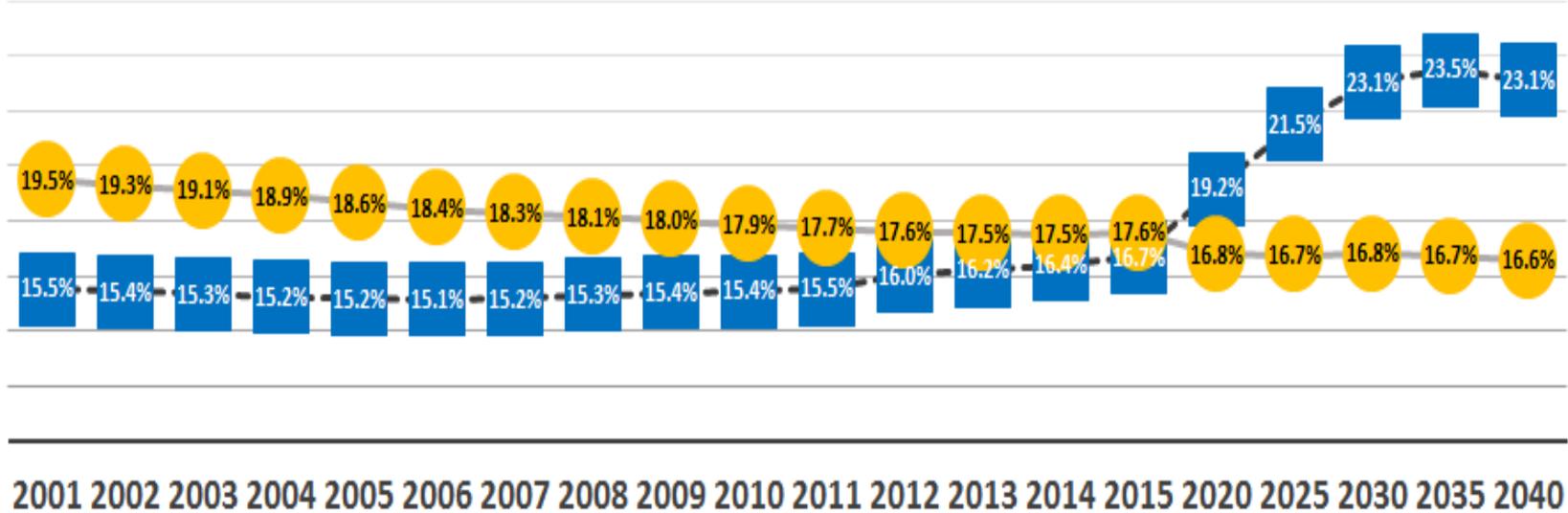
Dependency Ratio



Aging Trends in Fourth Oldest State

Share of Population by Age Cohorts (PA 2001-2040)

■ Population 65+ ● Population 0-14

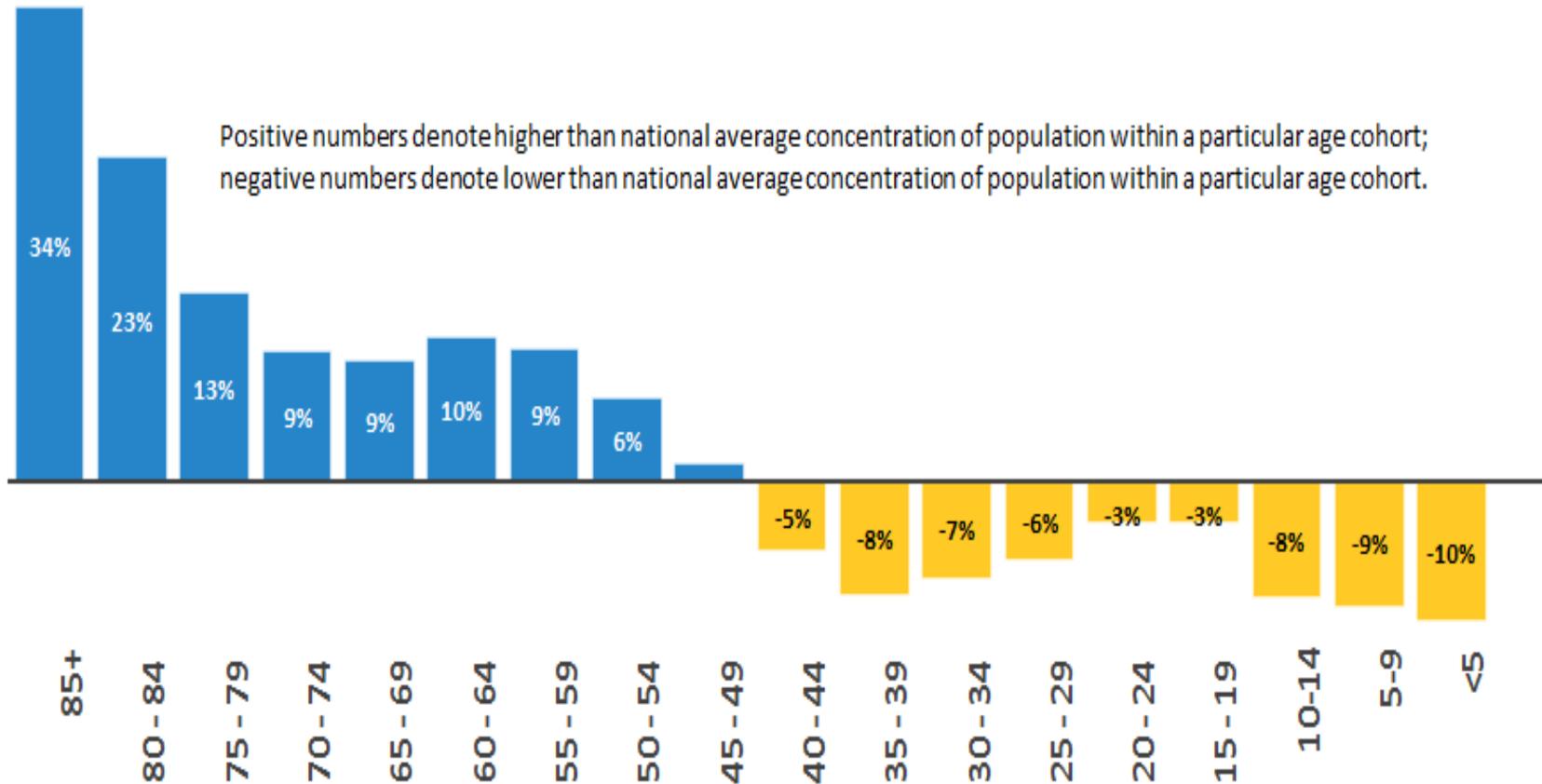


Data Source: U.S. Census Bureau, 2015; PA State Data Center/Center for Rural Pennsylvania, 2015

More Older Workers and Fewer Younger Ones

PA Population Compared to U.S. Population by Share of Age Cohorts (2015)

Positive numbers denote higher than national average concentration of population within a particular age cohort; negative numbers denote lower than national average concentration of population within a particular age cohort.



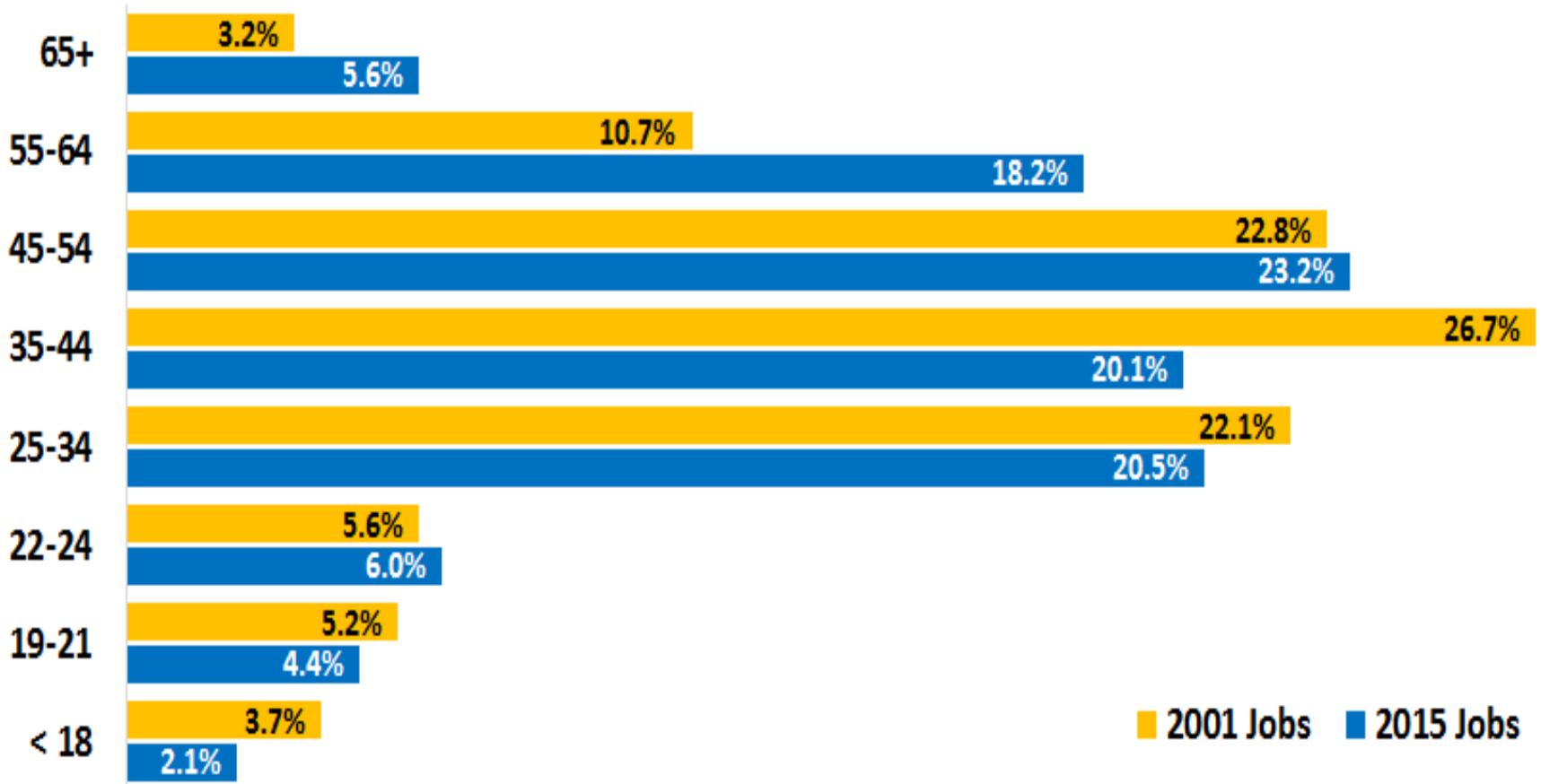
Data Source: U.S. Census Bureau, 2015.

Great Variance Across PA

- ❖ Dependency ratios are important but blunt tools.
- ❖ Other useful policy analysis sources can help clarify the impact of age cohorts in a variety of development conditions across the state
 - ❖ Harrisburg (e.g., IFO, State Data Center)
 - ❖ Colleges and Universities
 - ❖ Other local and regional governments
 - ❖ Policy centers – many good ones (e.g. Center for Rural Pennsylvania, Temple's Institute for Public Affairs, Pitt's Center for Metropolitan Studies, etc.)

Age Cohort Shifts and Jobs

Distribution of Jobs by Age Cohorts (PA, 2001-2015)



Data Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages; EMSI, 2015.

Workforce Quality Issues

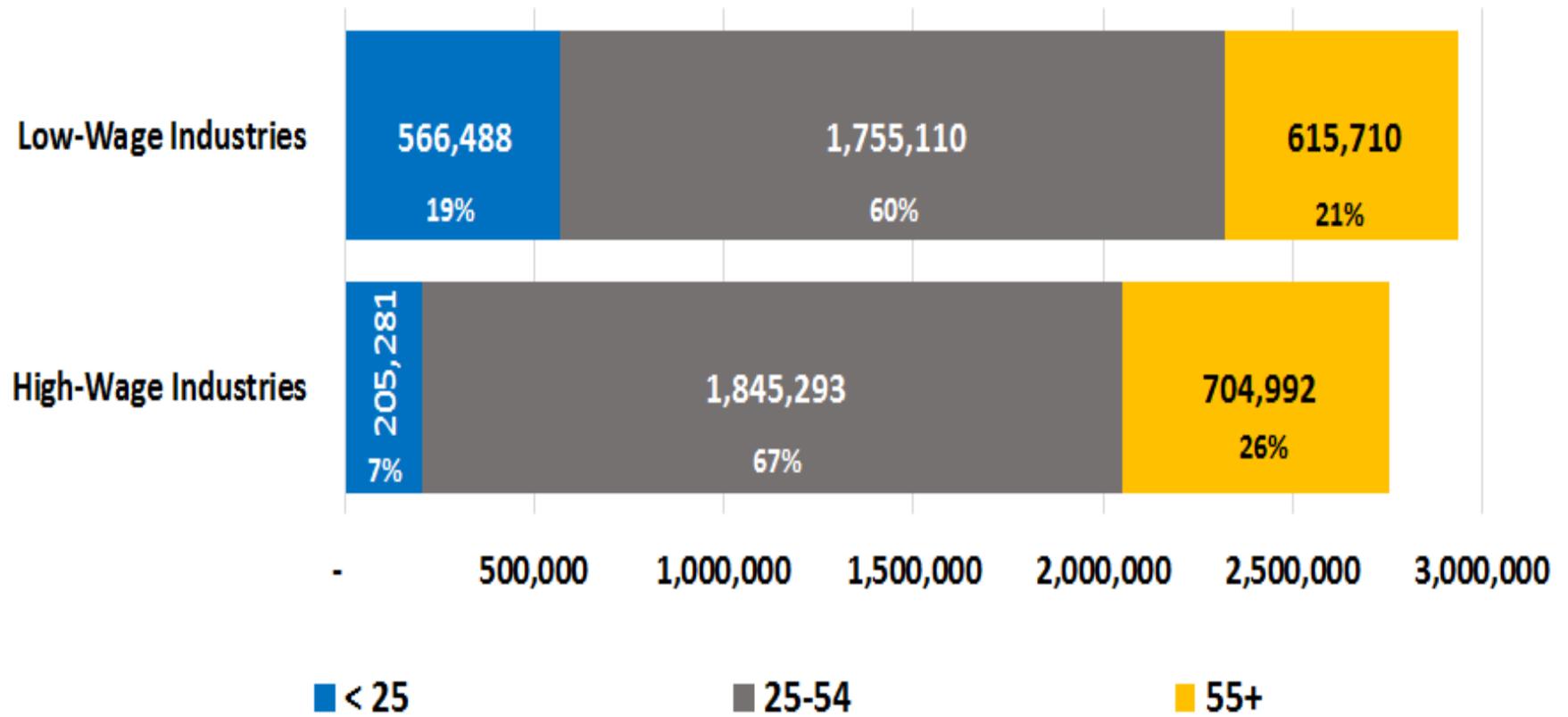
- ❖ PA labor force participation rates already low – 62.5%
- ❖ For every ten people who work, six do not (includes dependent age cohorts – very young and old)
 - ❖ Almost 47% of the workforce is now 45+ — 2x as many workers 55+ as under 25)
 - ❖ Part-time (Before recession 2.5 – 3.0%: After – 4.5 -5.0%)
 - ❖ Unemployed or discouraged (2015 – 2x the 2007 level) workers
 - ❖ Disabled (~11% of working age –only 20% full time)
 - ❖ Voluntarily not in the labor force (home-based caregivers)

Analyzing Disruption

- ❖ Tax capacities, workforce development, citizenship and quality of life issues are closely tied to the value education contributes to the political economy – they are the longer term consequences of generational investments in education
- ❖ Necessary to include impact of age cohorts on governments' tax investments because of their “pay forward” nature and their long-range return horizon
- ❖ Revisit planning frameworks to include a generational interest that accounts for differences in age cohorts to account for both institutional AND generational sustainability

Age and Wage

Jobs by Age of Workers and Wage Sector (PA, 2015)



Big Picture

- ❖ Economic growth and political stability require taking demographic thinking into account
- ❖ State has a compelling interest in successful generational transitions
- ❖ Can't apply 20th century institutional solutions to 21st century generational problems - governments can act as broker for generational investments in the state's sustainability
- ❖ Multi-sector data accounting for the generational impact of age cohorts need to be better integrated into budgeting, strategic planning, contract negotiations, and assessments, etc.
- ❖ Need complicated “maps” describing shifting generations and their impacts

What is a Generational Interest?

- ❖ Governments have a compelling interest in protecting generational sustainability
- ❖ Governments already lead in protective efforts in cooperation with other parts of civil society (families, businesses, non-profit organizations, religious organizations, etc.)
- ❖ Government interests in generational transitions also related to economic competitiveness with other states – heavy dependency burden – more able may leave
- ❖ Generational returns too complex to be easily measured, but too important to be ignored

Bottom Line

- ❖ PA governments need to consider more carefully growing generational tensions (i.e. pensions)– need better descriptions of the state’s generational investments and return
- ❖ Also need to shift planning resources toward greater consideration of investments in fair and successful generational transitions
- ❖ Good news is the state has great resources not only in Harrisburg, but also in its great colleges and universities, across both private and public sectors, etc. – The problems are better access, coordination and sustainable quality
- ❖ Better off than many states facing demographic concerns

Thank You

Maureen W. McClure
Associate Professor
Administrative and Policy Studies
School of Education
University of Pittsburgh
Pittsburgh, PA 15260

Phone: 412.648.7114

E-mail: mmcclure@pitt.edu

- ❖ McClure, M. W., & Krekanova, V. (2016). More trouble ahead for public school finance: The implications of generational change in Pennsylvania. *Commonwealth*, 18(1), 49–69. <http://doi.org/10.15367/cjppp.v18i1.84>