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Impact of Baby Boomer Retirement

The Baby Boomer generation, those born between 1943 and 1960 and now between the ages of 51 to 68 years, comprises approximately 27% of the current total U.S. population. "Defined by its personality type, this generation is somewhat different from the group defined simply by the well-known demographic fertility bulge (1946-1964)."¹ In Vermont there are 171,856 people aged 51 to 68, approximately 27% of the total Vermont population. Those over 67 make up 13% of the state's population. As Baby Boomers are now beginning to retire, the United States will see a drastic demographic shift that will not go unnoticed. Vermont is the nation's second oldest state measured by median age (after Maine), and by 2030 it is expected that those aged 65 and older will make up 24% of Vermont's population.²

This report examines the effects of this aging population both nationally and in the state of Vermont. The first section details the economic impacts of the retirement of the Baby Boomer generation, followed by a discussion of the political effects. This report also discusses how Baby Boomers can be utilized as a resource rather than seen as a hindrance. Finally, this report explores what other states are doing to address this dramatic demographic shift.

Economic Impact

As Baby Boomers are retiring and young people are seeking opportunity elsewhere, the proportion of active wealth producers is declining.³ "These changes will have major impacts on the state's economy and especially on state and local governments' tax collections and their ability to fund services to the public."⁴ This drastic change of

¹ Neil Howe and William Strauss, "The New Generation Gap," *The Atlantic*, December 1992, accessed August 11, 2011, <http://www.theatlantic.com/past/docs/issues/92dec/9212genx.htm>

² U.S. Census Bureau, "U.S. Census Bureau, 2000: United States," Washington: Government Printing Office, 2000.

³ Richard W. Heaps and Arthur G. Woolf, "Demographic Changes and Their Fiscal Consequences in Vermont," December 1, 2006, accessed June 28, 2011, http://www.ethanallen.org/pdf/Demographics_2006.pdf

⁴ Richard W. Heaps and Arthur G. Woolf, "Demographic Changes and Their Fiscal Consequences in Vermont," December 1, 2006, accessed June 28, 2011, http://www.ethanallen.org/pdf/Demographics_2006.pdf

demographics is seen in the dependency ratio for Vermonters, which is the number of non-working age youths and elderly divided by the working age population (see Figure 1). The dependency ratio is expected to shift from consisting predominantly of child dependents to an overwhelming amount of dependents over 64 years old.

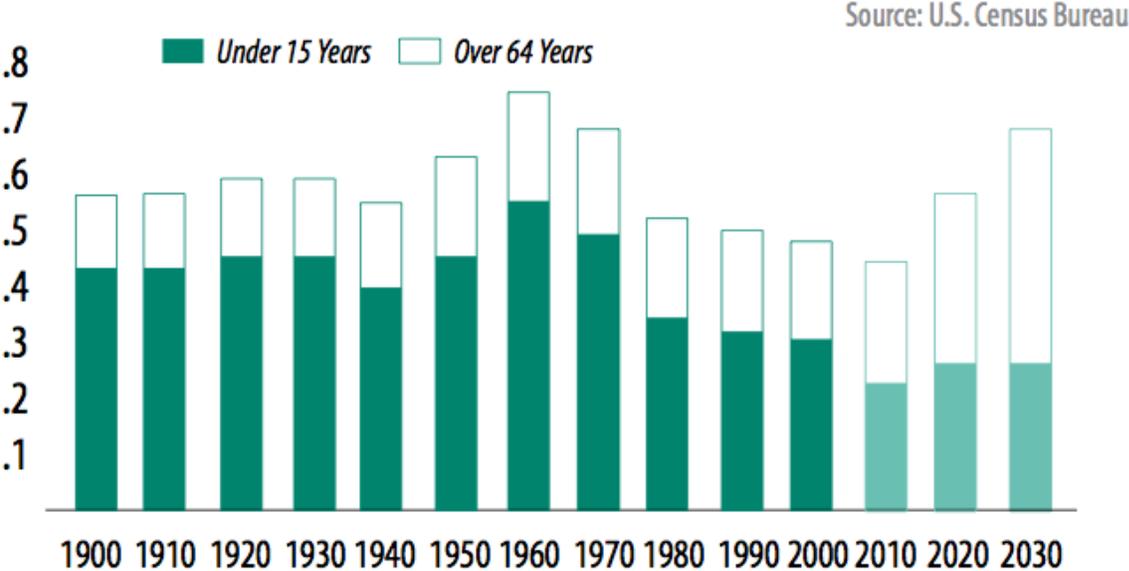


Figure 1: Vermont Dependency Ratios 1900-2030

Note: This figure depicts Vermont historical dependency ratios and after 2000, projected dependency ratios.

Source: The Ethan Allen Institute, “Off the Rails: Changing Demographics, Changing Economics, Accumulating Obligations. How Will Vermont Cope with a Challenging Future?” Based on 2000 US Census Bureau data.

As Baby Boomers retire there will be an increased burden on the working age population in Vermont. By 2030, it is projected that 24% of Vermont’s population will be 65 and older. Furthermore, the working age population is expected to decline as well.⁵

Vermont’s state and local governments spend most of their revenues on education, human services, and transportation. In terms of healthcare, “older people do account for a large share of total health care spending, [but] most of that is financed by Medicare, which is a federally financed program and does not require any state contributions.”⁶

⁵ U.S. Census Bureau, 2000: United States. Washington: Government Printing Office, 2000.

⁶ Richard W. Heaps and Arthur G. Woolf, “Demographic Changes and Their Fiscal Consequences in Vermont,” December 1, 2006, accessed June 28, 2011, http://www.ethanallen.org/pdf/Demographics_2006.pdf, 18

Further adding to the strain on the government is the lower-than-expected wealth of Baby Boomers following the collapse of the housing bubble and the recent recession. “The projections suggest that Baby Boomers are less likely than current retirees to have enough postretirement income to maintain their preretirement living standards.”⁷

While there seems to be much pessimism about the economic effects of the retirement of the Baby Boomers’ retirement, the Baby Boomers could potentially prove to positively impact Vermont’s economy through utilizing their skills for volunteer efforts.

Political Impact

The political impact of Baby Boomers due to their voting behavior and participation is likely to be substantial. According to Boston College Professor John B. Williamson of the Sociology Department and the Center for Retirement Research at Boston College, “[w]hile vigorous forms of political involvement tend to decline during late life, more passive forms of political involvement persist well into old age. This includes voting and contacting public officials.”⁸ Figure 2 presents the national and regional voting rates from the U.S. Census Bureau by age for the 2008 election.⁹ The turnout rates for Vermonters by age category are presented in Figure 3.

Figures 2 and 3 indicate that the Baby Boomers provide a substantial contribution to not only the national voting rates, but also to Vermont’s voting rates. A progressive increase in voting rates occurs through age groupings. The nature of the Boomer’s increase in political activism is evolving towards “checkbook activism” and “cyber activism,” whereby technological advancement will allow boomers access to much easier to use forms of the internet, which will facilitate efforts to organize and mobilize the Boomers.¹⁰

⁷ Barbara A. Butrica, Howard M. Iams, and Karen E. Smith, “The Changing Impact of Social Security on Retirement Income in the United States,” *Social Security Bulletin* 65 (2003-2004): 1-13; Dean Baker and David Rosnick, “The Wealth of the Baby Boom Cohorts After the Collapse of the Housing Bubble,” Center for Economic and Policy Research (CEPR), CEPR Reports and Issue Briefs (2009), 1, accessed June 28, 2011, <http://www.cepr.net/documents/publications/baby-boomer-wealth-2009-02.pdf>.

⁸ John B. Williamson, “Political Activism and the Aging of the Baby Boom,” *Generations* 22 (Spring 1998): 55-59.

⁹ Age ranges for the Baby Boomers were 40 to 58 years in 2004 and 44 to 62 years in 2008. The U.S. Census Bureau age groupings do not coincide exactly to variations in Baby Boomer ages in each of these election years.

¹⁰ John B. Williamson, “Political Activism and the aging of the Baby Boom.”

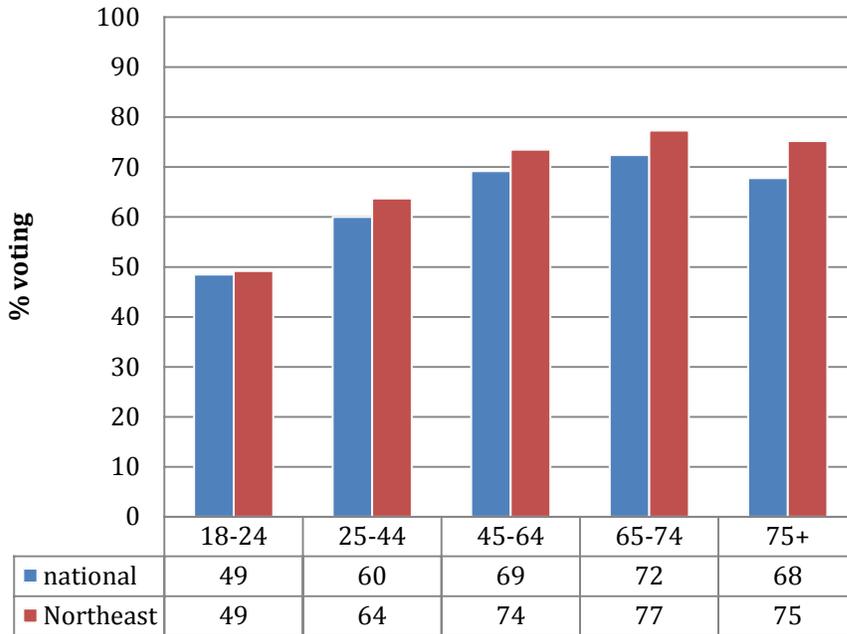


Figure 2: Voter turnout as a percentage of voting age population for the 2008 Election, by age category for the U.S. and Northeastern Region.

Source: U.S. Census Bureau, accessed December 28, 2011, <http://www.census.gov/hhes/www/socdemo/voting/publications/p20/2008/tables.html>

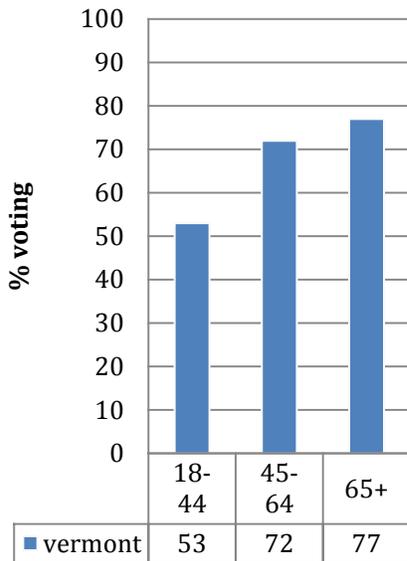


Figure 3: Vermont voting rates for the November 2008 election by age.

Source: U.S. Census Bureau

Baby Boomer Engagement

Baby Boomers are more culturally diverse, healthy, educated, financially secure, and active than any previous generation.¹¹ It is anticipated that 51% of retired Baby Boomers will be involved in some sort of formal volunteering.¹² An increasingly large part of the Baby Boomer generation indicates interest in volunteering now or in the future suggesting that the 51% volunteer rate may be a conservative estimate.¹³ Approximately 30% of people aged 55 to 64 and 25% percent of people 65 and over are engaged in formal volunteer activities.¹⁴ In Vermont, 39% of Baby Boomers, including those working and retired, volunteer. This places Vermont as having the 9th highest percentage of Baby Boomer volunteers, a figure that will likely increase as more Boomers retire.¹⁵

A few important factors that affect volunteerism include levels of education, income, and the amount and involvement of non-profit organizations in the community. In terms of education, the more education received, the greater the chance that an individual will begin volunteering after retirement. Having a college education adds between 8 to 23 percentage points to the probability of an individual volunteering.¹⁶ Nationally, 28% of the population has a college degree. In Vermont, 32% of the population has a college degree.¹⁷

In addition, the more non-profits in a community, the more likely the volunteer rate will be higher. Vermont has more than twice the national average of non-profits per 1,000 residents, with 9.24 versus 4.45.¹⁸ Lower rates of participation are associated with adults that have lower incomes, less education, and more physically demanding jobs.¹⁹ There is little difference between volunteerism rates in urban and rural environments. However, access to transportation does matter; 92% of 'engaged' adults own a vehicle compared to 77% of 'unengaged' adults.²⁰

Research indicates that Baby Boomer volunteerism must be focused on socially rewarding and fulfilling tasks for the Baby Boomers. According to the Harvard School of Public Health,

¹¹ Center for Health Communication, "Reinventing Aging: Baby Boomers and Civic Engagement," *Harvard School of Public Health*, 2004, accessed June 26, 2011, www.hsph.harvard.edu/chc/reinventingaging/Report.pdf.

¹² Phillip A. Rozario, "Volunteering Among Current Cohorts of Older Adults and Baby Boomers," *Generations* 30 (2006-2007): 35, accessed June 20, 2011, <http://generations.metapress.com/content/a3t6334714522085/>.

¹³ Sheila R. Zedlewski and Barbara A. Butrica, "Are We Taking Full Advantage of Older Adults' Potential?," *Perspectives on Productive Aging* 9 (2007): 1-8, accessed June 20, 2011, <http://www.urban.org/publications/411581.html>.

¹⁴ Phillip A. Rozario, "Volunteering Among Current Cohorts of Older Adults and Baby Boomers."

¹⁵ Volunteering in America, "Volunteering in Vermont," June 2010, accessed June 24, 2011, <http://www.volunteeringinamerica.gov/VT>.

¹⁶ Sheila R. Zedlewski, "Will Retiring Boomers Form a New Army of Volunteers?" *Perspectives on Productive Aging* 7 (2007): 1-2, accessed June 24, 2011, <http://www.urban.org/publications/411579.html>; Sheila R. Zedlewski and Simone G. Schaner, "Older Adults Engaged as Volunteers," *Perspectives on Productive Aging* 5 (2006): 2-5, accessed June 24, 2011. <http://www.urban.org/publications/311325.html>.

¹⁷ Volunteering in America, "Volunteering in Vermont."

¹⁸ Volunteering in America, "Volunteering in Vermont."

¹⁹ Sheila R. Zedlewski and Barbara A. Butrica, "Are We Taking Full Advantage of Older Adults' Potential?"

²⁰ Sheila R. Zedlewski and Barbara A. Butrica, "Are We Taking Full Advantage of Older Adults' Potential?"

the primary inducement to volunteering is being asked by a friend or family member, which suggests that volunteering is widely considered a part of one's social life, not a function separate from it.²¹ The Independent Sector's biennial national survey, *Giving and Volunteering in the United States*, found that nearly seven in ten (68%) older adults who do not volunteer were never asked to serve. When personally asked, older adults become five times more likely to volunteer; raising the rate of volunteerism to 8 out of 10 older adults (81%).²² A survey by VolunteerMatch shows that the primary factors affecting interest in volunteering include: working on causes that matter to the individual (56%), using their skills (35%), the convenience of volunteering (43%), and flexible scheduling (46%).²³ According to volunteer Canada, "When Baby Boomers volunteer, they want mission-linked, productive, satisfying work that allows them to use their skills and experience. They want short-term work, flexible schedules at convenient locations – including opportunities to volunteer online. To effectively engage Baby Boomers, organizations must think about volunteer roles and responsibilities and adapt to meet their needs while meeting the needs of the organization."²⁴

Baby Boomers as a Resource

Research suggests volunteering Baby Boomers are capable of having a big impact on corporations, non-profits, individuals, and society as whole. As stated by the advocacy group, National Council on Aging, "[m]any [boomers] are highly skilled, and a significant percentage has managerial or professional experience. For nonprofit community-service organizations, they represent an abundant, burgeoning, and untapped resource."²⁵ Studies using Bureau of Labor Statistics marketplace data have shown that volunteers 55+ play a variety of critical roles within an organization. The value produced by those volunteers far exceeds the investment required to engage them.²⁶ In highly technical fields Baby Boomers can mitigate the skill loss by acting in 'bridge' or 'encore' careers in which they act as mentors, consultants, and advisors to organizations, helping train new hires and facilitate the adjustment process.²⁷ As cited by the National Governors Association, VolunteerMatch has found that more than 90% of organizations that use volunteers report an increase in the quality of services or programs. Approximately 70% of these same organizations

²¹ Center for Health Communication, "Reinventing Aging: Baby Boomers and Civic Engagement."

²² Civic Enterprises, "More to Give: Tapping the Talents of the Baby Boomer, Silent, and Greatest Generations," American Association for Retired Persons, accessed July 1, 2011, <http://www.civicerprises.net/reports.php>.

²³ Sheila R. Zedlewski and Barbara A. Butrica, "Are We Taking Full Advantage of Older Adults' Potential?"

²⁴ Editorial Board, "Boomer Volunteer Engagement," *Canadian Journal of Volunteer Resource Management* 17 (2009): 4, accessed June 30 2011, www.volunteercalgary.ab.ca/pdfs/cdn_journal.pdf.

²⁵ National Council on Aging, "The Boomer Solution: Skilled Talent to Meet Nonprofit Needs," *RespectAbility Initiative Report* (2010): 3, accessed June 24, 2011, www.ncoa.org/assets/files/pdf/100524_RespectAbility-Final-Report_3.pdf.

²⁶ National Council on Aging, "The Boomer Solution: Skilled Talent to Meet Nonprofit Needs."

²⁷ Gerard A. Callanan and Jeffrey H. Greenhaus, "The Baby Boom Generation and Career Management: A call to Action," *Advances in Developing Human Resources* 10 (2008): 81, accessed June 30, 2011, adh.sagepub.com/content/10/1/70.full.pdf.

reported that volunteers help prevent costs.²⁸ According to the National Council on Aging, top performing organizations engage nearly six times as many 55+ volunteers in senior executive roles, project leader, manager, and fundraiser roles.²⁹

Societal benefits are also significant. As stated by researchers at the Urban Institute, “research increasingly documents how engagement in work and formal volunteer activities benefits the participants, the recipients of volunteer services, and the economy. Those who regularly work or volunteer enjoy better health and live longer, thanks to stimulating environments and a sense of purpose.” Ten studies since 1999 document the benefits of volunteer activity for the older volunteer, ranging from: decreased mortality and depression, improved health, greater happiness, and enhanced cognitive ability. Children especially benefit from this older cohort of volunteers. Volunteers 55+ significantly reduce hospitalization rates among chronically ill and disabled children. Children with behavioral problems linked with 55+ mentors show improved class attendance, more positive attitudes towards school, and reduced substance use. Thirty-seven studies that link volunteers and children or young adults found 85 percent of those being helped had significantly improved results.³⁰

Several studies have been conducted to quantify the value of volunteers delivering the manpower to enable nonprofits and businesses to save money and do more. Based on moderate-cost assumptions, formal volunteer work performed by people 55+ is estimated to have an annual value of \$44.3 billion per year while informal means of volunteering totals to \$17.8 billion annually. When time spent caring for family members is factored in at approximately \$100 billion, the economic value of 55+ volunteering is estimated at \$161.7 billion annually, \$2,698 per person.³¹ Finally, the National Council on Aging’s Model of Significant Service Initiative found that in the experience of 40 participating nonprofit organizations around the country, the average return on investment in 55+ volunteers is nearly 800 percent.³²

State Action

Recently, states have taken a variety of actions to utilize the potential of older adults. In 2007 and 2008, respectively, the Governors of Ohio and Colorado hosted large-scale conferences with hundreds of businesses, academics, and policy executives to discuss the importance of engaging older adults in the workforce and the benefits it brings.

²⁸ Linda Hoffman and Erin Andrew, “Maximizing the Potential of Older Adults: Benefits to State Economies and Individual Well-Being,” National Governors Association Center for Best Practices, accessed June 29, 2011, <http://www.nga.org/files/live/sites/NGA/files/pdf/1004OLDERADULTS.PDF>.

²⁹ National Council on Aging, “The Boomer Solution: Skilled Talent to Meet Nonprofit Needs.”

³⁰ Sheila R. Zedlewski and Barbara A. Butrica, “Are We Taking Full Advantage of Older Adults’ Potential?”

³¹ Richard W. Johnson and Simone G. Schaner, “Value of Unpaid Activities by Older Americans Tops \$160 Billion Per Year,” *Perspectives on Productive Aging* 4 (2005): 3, accessed June 24, 2011, <http://www.urban.org/publications/311227.html>.

³² National Council on Aging, “The Boomer Solution: Skilled Talent to Meet Nonprofit Needs.”

The Governor of Ohio signed an executive order creating the Ohio Senior Civic Engagement Council. The goal of the Council is to collect data on the involvement of older adults in various types of employment and volunteer positions as well as the impact the involvement has upon individuals. The Council will work with the Ohio Workforce Policy Board on policies and practices to increase the job opportunities for older adults.³³

States such as Colorado, Wyoming, California, and Pennsylvania have created toolkits to increase awareness among private-sector employers regarding the benefits of hiring older workers. Each state's toolkit offers lists of the best practices and examples for engaging older adults as well as resources for attracting and effectively using their skills. The toolkits also list the resources offered by the state to assist employers in the process.³⁴ The Pennsylvania toolkit discusses ways to 're-skill' older workers, how to manage generational differences, and how to understand the unique issues faced by older workers.³⁵

New York and California have created new cabinet-level positions to address the facilitation of community and national service. Both have helped raise awareness of the benefits of volunteering for employers and volunteers and to meet the community and state needs for those volunteers.³⁶

In Ohio, the Board of Regents has created the Lifelong Learning Initiative to encourage higher education for older adults by offering convenient class times, online courses, discounts, and topics geared towards their interests. Alabama policymakers are working with the state's Rural Action Commission to focus on reducing transportation barriers for older adults through its United We Ride plan, a federal initiative to coordinate funding and programs to lessen such barriers. Finally, Arizona's Department of Public Safety has two volunteer programs that allow older individuals to donate their time to the state. The Sworn Reserve and Civilian Volunteer programs saved the department \$348,000 during the 2006-2007 fiscal year by having volunteers work in patrol operations, assist officers, work on collision investigations, as well as in other areas.³⁷

³³ Ohio Department of Aging, "Ohio State Plan on Aging FFY 2012 – 2013," November 1, 2011, accessed December 28, 2011,

<http://www.nasquad.org/documentation/tasc/state%20plans/Ohio%20State%20Plan.pdf>.

³⁴ Linda Hoffman and Erin Andrew, "Maximizing the Potential of Older Adults: Benefits to State Economies and Individual Well-Being," a National Governor's Association Issue Brief, accessed December 28, 2011,

<http://www.nga.org/files/live/sites/NGA/files/pdf/1004OLDERADULTS.PDF;jsessionid=66C5A69AA559A97F4BA8C33324A3956C>.

³⁵ Linda Hoffman and Erin Andrew, "Maximizing the Potential of Older Adults: Benefits to State Economies and Individual Well-Being."

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Conclusion

As the Baby Boomer cohort approaches retirement a number of economic effects are expected, namely an increase in the national dependency ratio and a decrease in the working age population. In terms of political impact, an increase in voting activity is expected in those ages 45 to 64 years, thus increasing this cohort's effect on the vote not only through voting percentages, but also through an increase in interest group membership and spending. In addition to political engagement, there is an expected increase in Boomer volunteerism, indicative of levels of education, income, and community involvement. Vermont currently ranks 9th in the nation for highest percentages of Boomer volunteers, maintains a 32% college educated Boomer population, and surpasses the national average of non-profit organizations per 1,000 residents with a reading of 9.24. Thirty percent of Vermont's population is comprised of Baby Boomers. This demographic offers a valuable resource to non-profits, corporations, and local communities in the wake of the declining work force population. Other states have developed toolkit programs that seek to inform employers about the benefits of hiring older workers, as well as online resources aimed at mobilizing the Baby Boomer population for research and volunteer opportunities.

This report was completed by Katie O'Rourke, Michael Ferris, and Henry Webster under the supervision of graduate student Kate Fournier and Professor Anthony Gierzynski on December 28, 2011 in response to a request from State Representative Mike Mrowicki.

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