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Maine's Aging Economy and the Economy of Aging

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Background

This paper explores the demographics of aging in Maine and the some of the important relationships between these trends and the economy. The first section addresses the issue of how the older population in Maine will change over the next 20 years. The second section will examine how changes in the economy will affect the aging population and vice versa, in particular the question of how the aging population will relate to the workforce.

Demographic Trends Shaping Maine’s Economy

Maine, like the rest of the United States is getting older. In fact, in 2004 Maine was the “oldest” state in the union, with the highest median age. In 2000, about 14% of Maine’s population was 65 or over. But over the next two and a half decades, the population 65 and older will grow to comprise 22% of Maine’s. In absolute numbers, between 2000 and 2030, Maine’s population of 65 or over will more than double from 181,000 to 397,000.¹

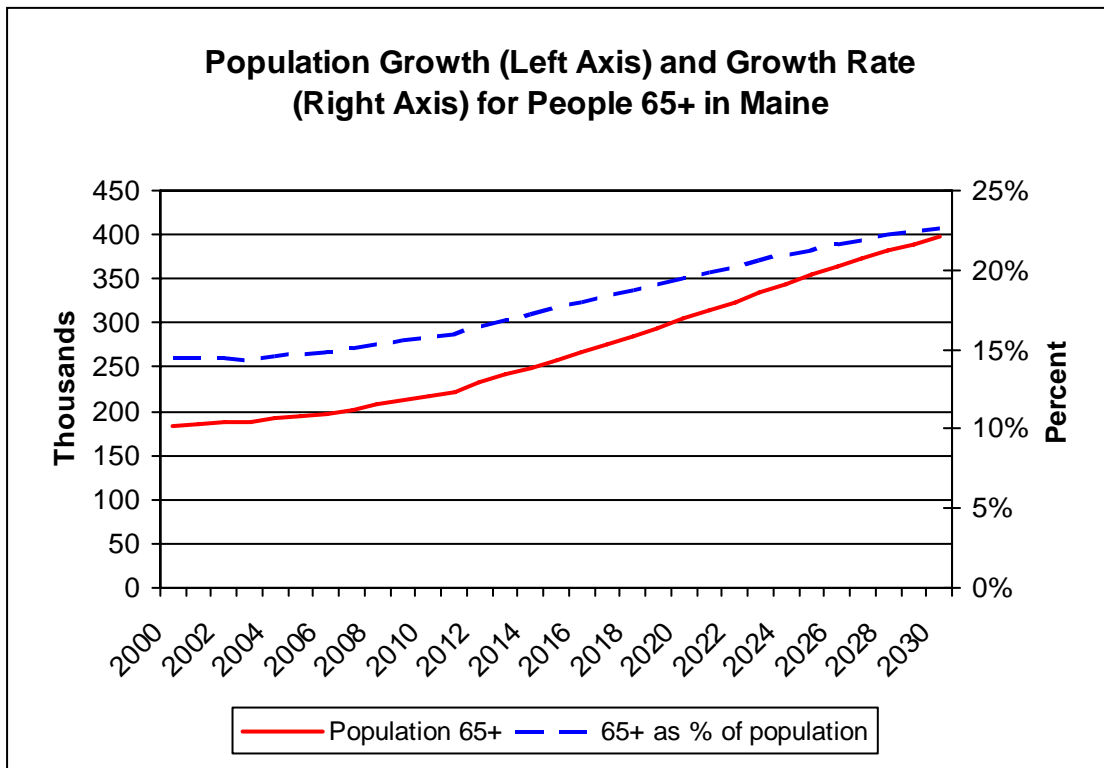


Figure 1

As Figure 1 shows, the vast bulk of the growth in Maine’s older population lies in the future, with the growth picking up significantly in the years from 2010 to 2025, after which the rate of growth will slow somewhat as most of the baby boom generation (those born between 1946 and 1964) will pass 65 in the period between 2010 and 2025.

¹ All projections are prepared by the USM Center for Business and Economic Research

A distinguishing feature of Maine is that growth in the population 65 and older will substantially exceed growth in total population in Maine from 2000-2030. This will not be true in all states, particularly in the south and west, but it will be true of many states in the northeast. Today the elderly growth rate is more than double that of total of the population, but in the next two decades the rate of population growth for the elderly will be significantly higher than general population growth (Figure 2).

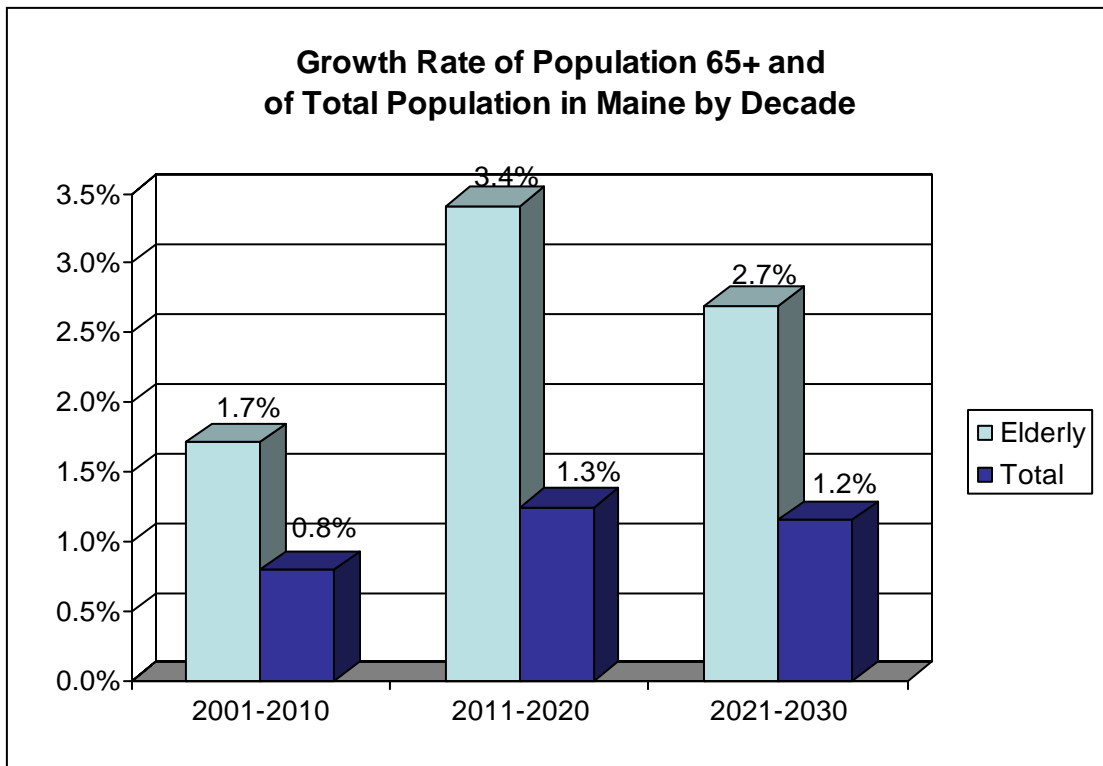


Figure 2

Within Maine, the growth in Maine’s elderly population will not occur evenly, with the result that some parts of Maine will be distinctly “older” than others. Figures 3 and 4 show the geographic distribution of Maine’s growing elderly population. In the critical decade between 2010 and 2020, the fastest growing counties for a growing elderly population will be the coastal counties from York through Knox. The combined forecast for Hancock and Washington counties masks what will most likely also be strong growth in the elderly in the Blue Hill, Ellsworth, and Bar Harbor areas. This rapid growth along the coast will be driven in part by the larger populations of southern counties like York and Cumberland, and in part by the attractiveness of these counties as a retirement destination. Much of this retirement population is already in Maine at least part of the year, usually in the summer.

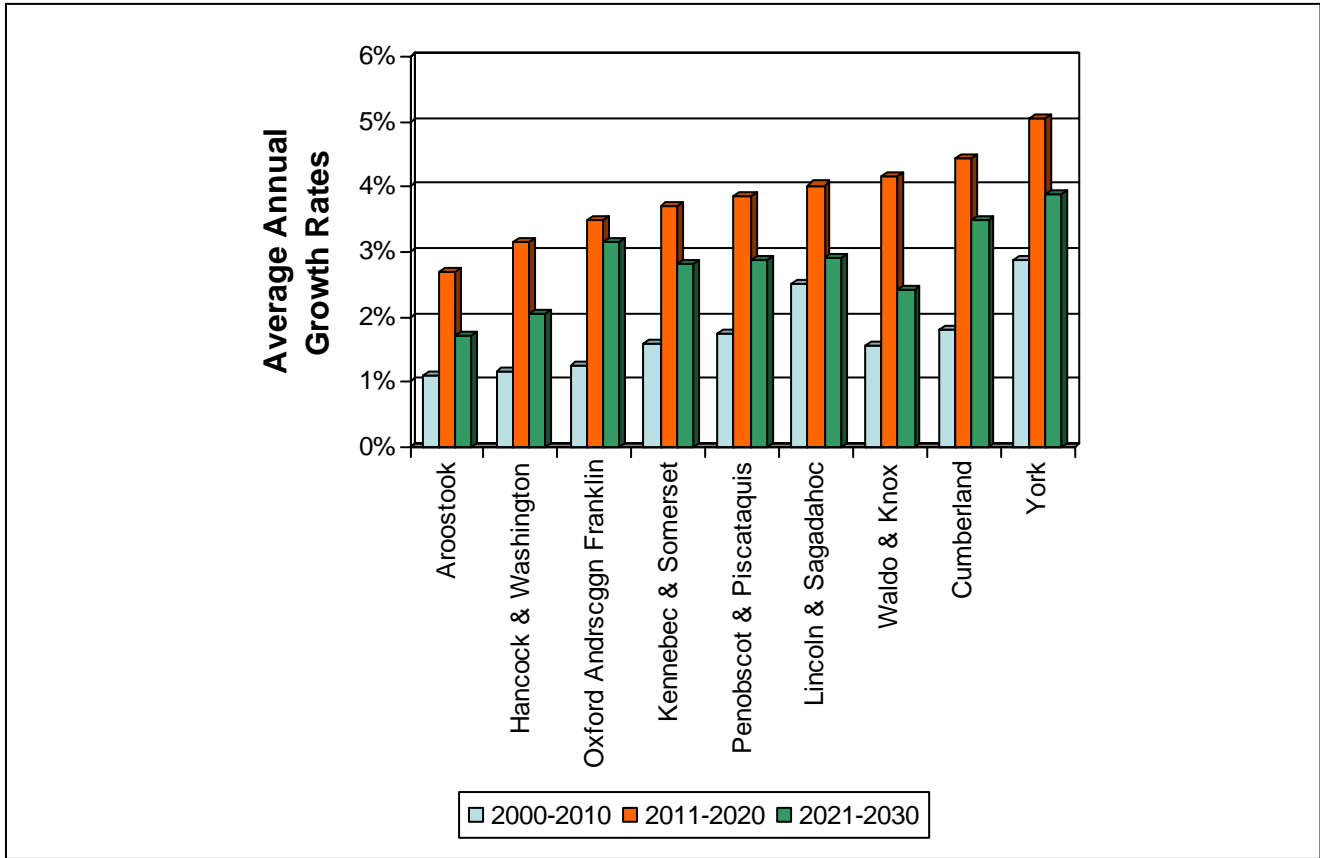


Figure 3

Another key trend in determining which parts of Maine will be the “oldest” is what is happening at the other end of the age spectrum among younger people. Inland areas in particular have seen the size of the population of those under 35 decline, some in absolute terms, some in proportional terms. As a result, counties as Aroostook already are disproportionately older. In 2000, Aroostook was the “oldest” county with 17% of its population 65 or older. By 2030, Aroostook will fall to second place as the Lincoln-Sagadahoc region becomes the oldest county, primarily because of retirement growth in the Boothbay-Boothbay Harbor region.

The “older” parts of Maine over the next 20 years, those above the statewide average proportion of population 65+ will thus be the coastal counties (except Cumberland) plus Aroostook County. Cumberland County will be counted among the “younger” counties despite its relatively high rate of growth in the 65 and older population because Cumberland will have a higher portion of young people. The inland counties will be below the statewide average of older people because these will not be major retirement destinations. But even in these “younger” counties, more than 1 person in 5 will 65 or older by 2030, and there will be many communities in the more rural areas where the proportions of older people may be much higher. York, Waldo-Knox, and Cumberland counties will see the largest change in their share of population 65 and over between 2000 and 2030.

Proportion of Population 65+ by County Region 2000 and 2030

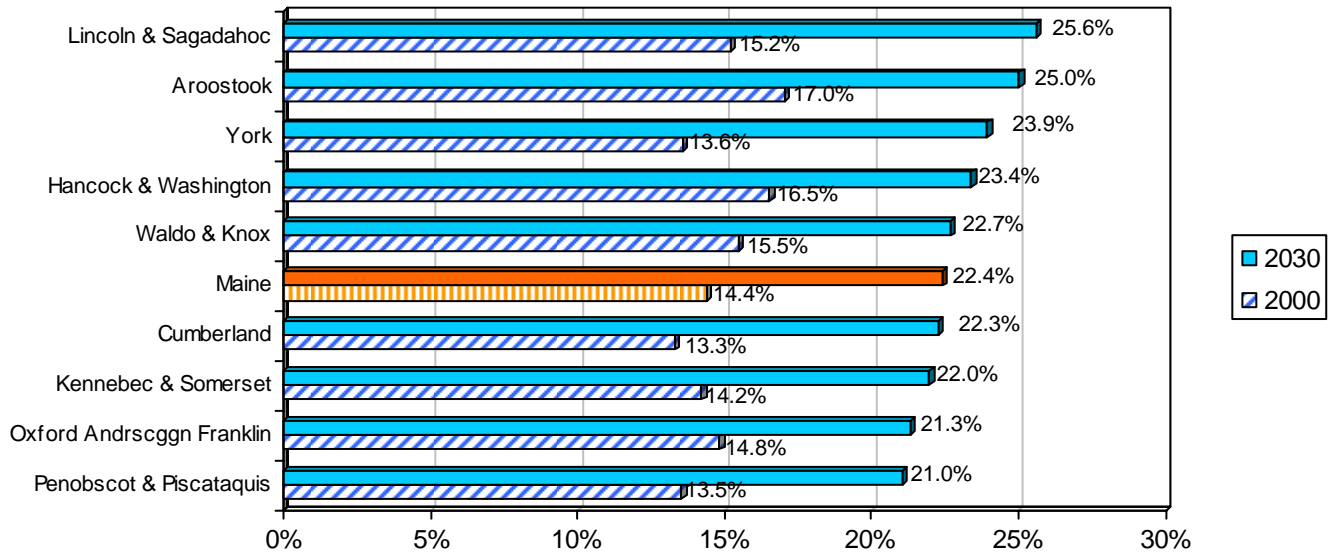


Figure 4

Another view of the demographics of aging in Maine is to divide the population into four groups: ages 55-64, 65-74, 75-84, and over 85. (The age groupings are obviously arbitrary). In 2000, 40% of Maine’s population 55 and older was in the 55-64 group, but in 2030 less than a third of Maine’s 55+ population will be in this category (see Figure 5). The 65-74 group will grow from less than a third of Maine’s 55+ population in 2000 (31%) to more than a third in 2030 (35%). Those over 75 (the 75-84 group plus those over 85) will also increase their share of the 55+ population to a third. By 2030, the population over 85 will total approximately 62,000 (about the size of the City of Portland today), up from 23,000 in 2000.

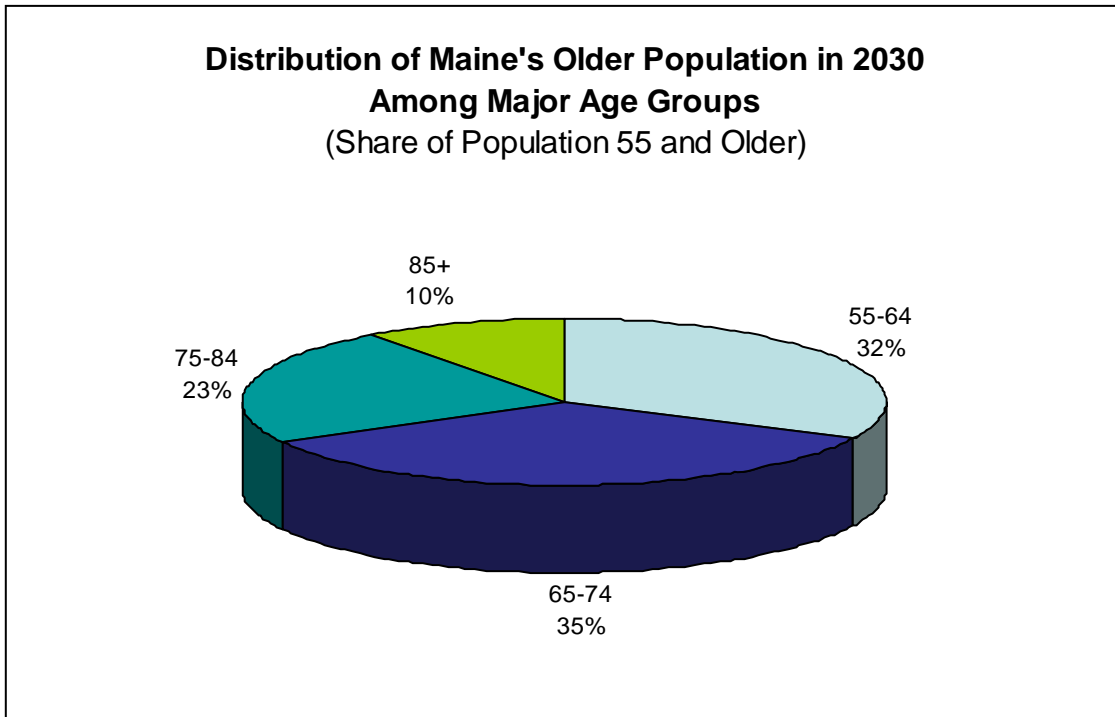


Figure 5

Maine's Aging Population and the Workforce

The future of aging in Maine and in the United States will in many ways be very different from the experiences of the older population in earlier years that have shaped perceptions about aging in American society. One of the most important differences is that there will no longer be a bright line between “work” and “retirement”. It is very likely that many people who have reached the traditional retirement age of 65 will remain in the workforce for an extended period of time, either by remaining in their “pre-retirement” jobs or by retiring from their current employment and entering into a period of “quasi retirement” in which they undertake other employment.

There are three reasons why it is likely that older people in the future will work to a much greater extent than the past:

1. The nature of work has greatly changed. Many fewer jobs are involved in the physically demanding fields of agriculture, natural resource extraction (like fishing and logging) and many more in service and trade jobs that may be more suitable for older people.
2. There are large questions about the adequacy of retirement savings. Leaving aside questions about the future viability of programs such as Social Security, there is a great deal of research that many, perhaps most, Americans have not adequately saved for retirement. This is partly due to personal decisions and partly to the steady decline in the number, and value, of private pension schemes which have been key for many.

- The changing structure of families has meant that there many fewer extended families living together in the same region. Retirement may even mean moving away from the family to the “retirement” destination like the Maine coast. In such circumstances, individuals will be more on their own in their older years, and work will become one of the ways in which they connect with the community.

Because these factors are so new and will affect a much larger proportion of the population than ever before, little is known about the extent to which the older population will stay in the workforce in current or new employment. This is a critical question not only for Maine’s aging population but for the state as a whole. A significant decline in young people in the workforce (those between 16 and 24) must be offset by those over 65 remaining in the workforce (see Figure 6). The projections used here assume that the number of people 65+ still in the workforce will more than triple between 2000 and 2030, while the number of people between 16 and 24 will decline between now and 2020. The labor force participation rate for those 65+ will have to increase by more than 25% from 2000 levels for this to happen.

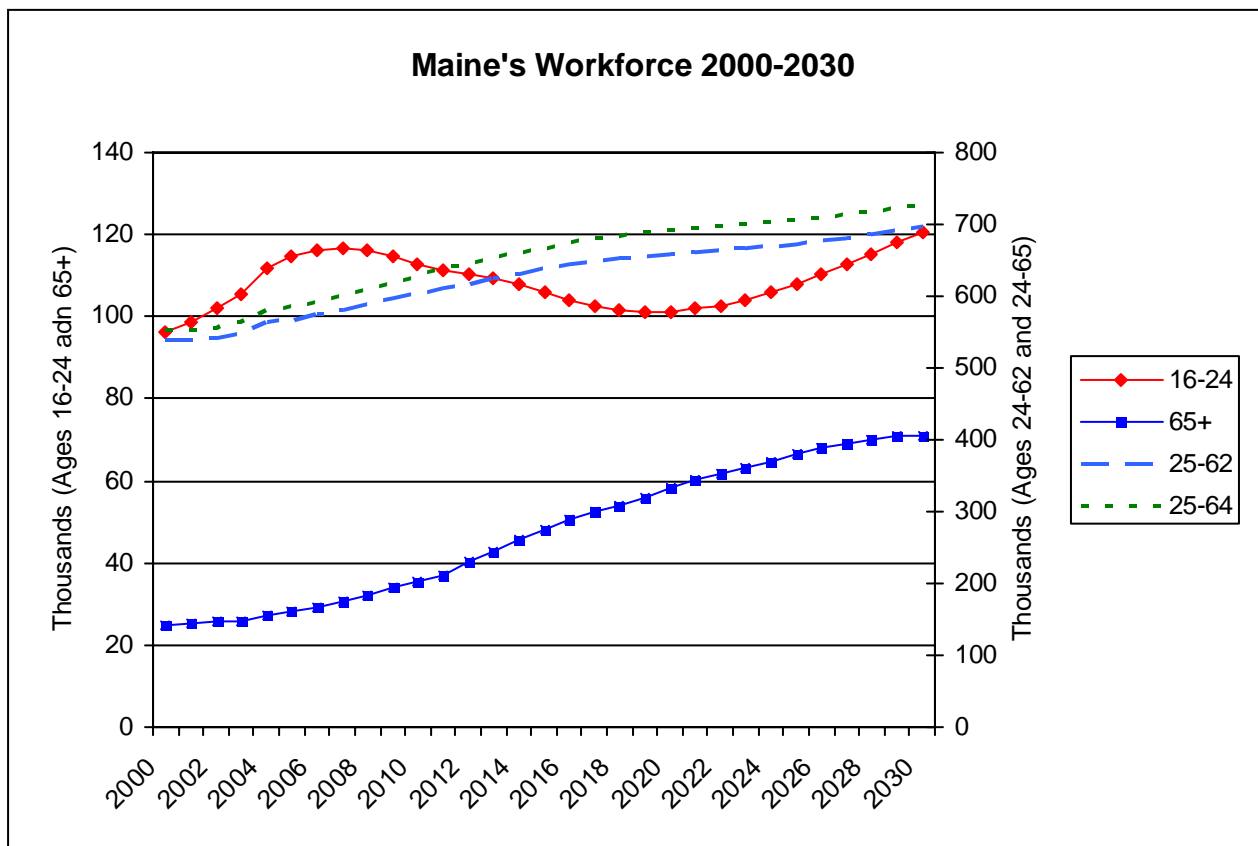


Figure 6

The Labor Force problem is illustrated most vividly by the situation in Aroostook County. Between 2000 and 2020, the labor force between 16 and 24 will decline by about 800. The labor force between 25 and 62 will grow by just over 2000 people (or a growth of about 100 people per year), but if people in Aroostook retire at 62, there will be 670 fewer people in the labor

force. Even if everyone retires at 65, the 670 additional people in the labor force will not be enough to offset the loss of the younger people.

Only if people retire at 65 AND a large number of people over 65 stay in the labor force, will there be any significant growth in the labor force to sustain economic growth in Aroostook County. This problem will be repeated to varying degrees in almost all of Maine. Only counties such as Cumberland, York, and Penobscot which attract a significant number of younger people will see a smaller demand for older workers.

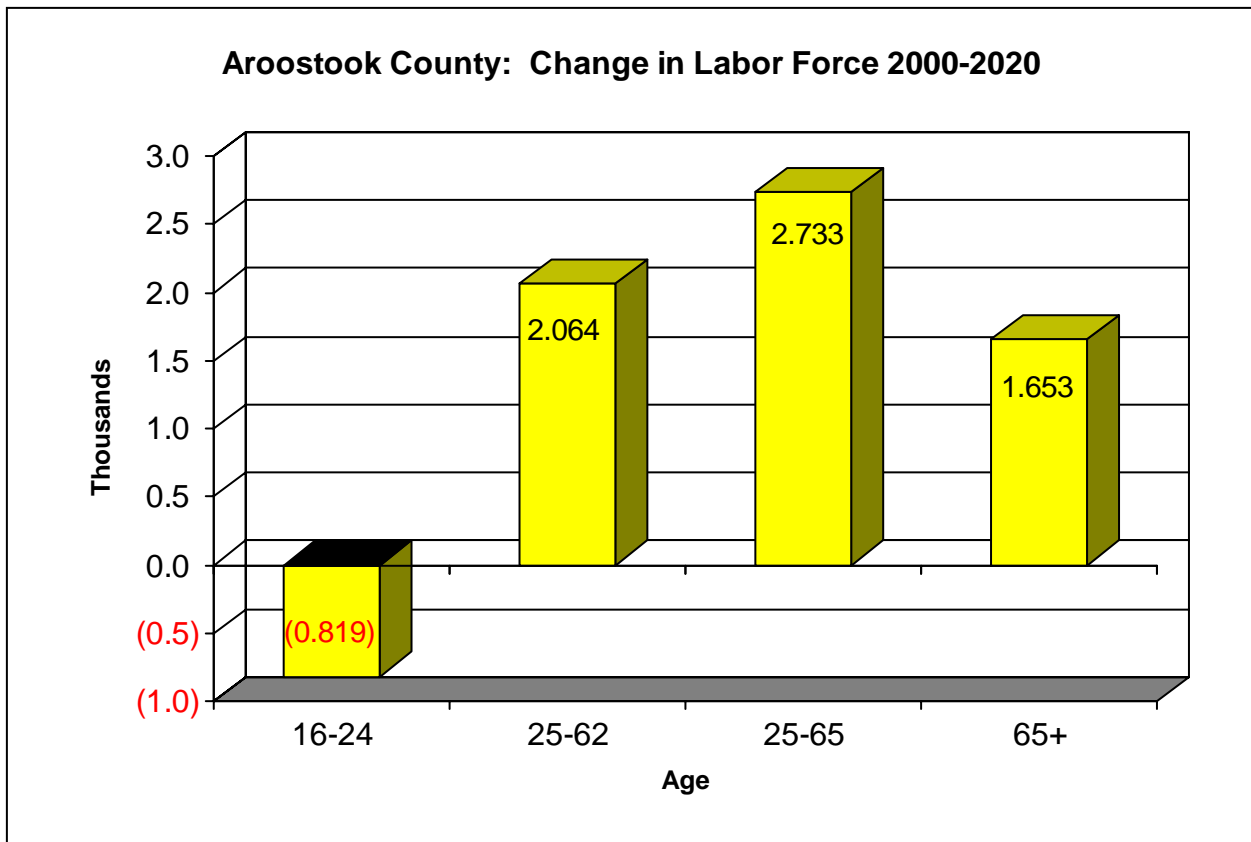


Figure 6

Some Implications

Discussions of the relationship between the aging population and the economy often focus on the worker/retiree ratio. In 2000, there were 4.6 people in Maine between 20 and 64 for every person over 65. By 2030, this ratio will drop to 2.6 people 20-64 for every person over 65. The concern is that the “dependent” population of people over 64 will be inadequately supported by the working age population. This is a serious concern, but this imbalance does not mean that Maine is doomed to a faltering economy by demographic trends. Rather, over the next twenty years Maine (and the U.S.) will make a number of adjustments to the new demographic realities, either sooner (when they will be easier to make) or later (when they will likely be harder). The story of Maine over the next decade will be shaped by these adjustments, which will include:

- The distinction between work and retirement will become less and less clear. Social programs predicated on such a distinction will become more difficult to fit to new complex ways in which people actually live, and the programs themselves will have to find ways to adapt eligibility criteria, as well as service types and delivery mechanisms.
- The fact that a significant portion of the older population will be concentrated in rural areas and coastal regions will present particular difficulties for transportation networks. Regions like Boothbay Harbor, which are remote from principal transportation corridors, will present particular challenges. Transportation issues will not only increase over traditional concerns like assuring access to health care, but also to employment.
- The issue of available workforce, which has almost always been identified with the problems of education and the younger entrants to the workforce, will more and more focus on older workers and their needs. A large number of employers will have to find ways to adjust to employing older workers. This will be particularly true in areas like Aroostook County where a lack of younger people will create workforce shortages, which could be economically damaging. Public policy will play an important role in informing employers about both the needs of older workers and helping develop strategies for employers to effectively use these workers.
- Already complex issues of state and local fiscal (tax and spending) policies will be made even more complex. At both the state and local levels, the competition between the demands of education for the young and lower taxes or more services for the older population will greatly intensify. State fiscal policy will confront difficult questions about whether to continue an estate tax and the exemption of social security payments from the income tax. As the older population grows, the estate tax will become a more important source of revenue even as it is being dramatically scaled back or perhaps eliminated at the federal level.
- Maine is overwhelmingly a state of single-family residences, partly a legacy of the state's rural history and partly the result of the long cycle of younger families dominating the housing market. Many communities make few if any provisions for kind of multi-family housing that will have to become more and more common for an older population. The challenges of housing an aging population will put new strains on state and local planning and development processes.