



Happy on Mondays

The Importance of Montana's 55-and-Over Labor Force

by Christopher Bradley,
Economist

What do you call someone who is happy on Mondays?

Retired.

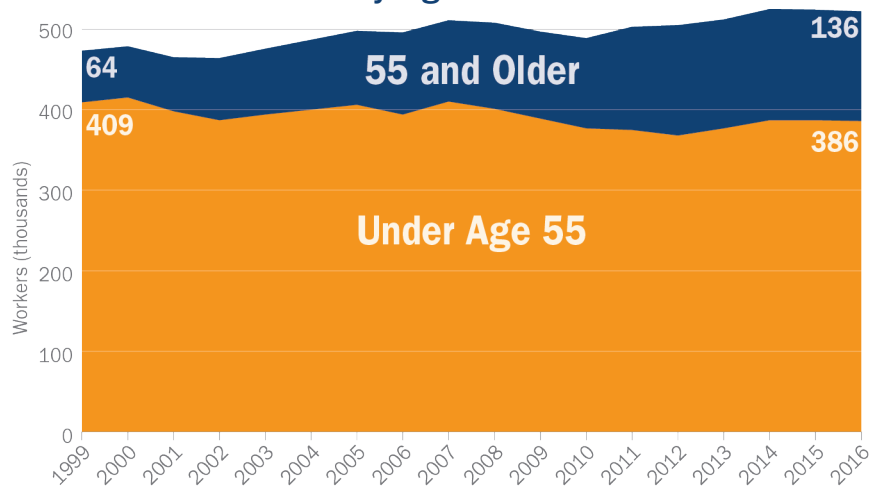
It's an old joke, but does it still work or should it be retired? For every retirement-aged worker counting down the days to freedom, there's another who wouldn't think of giving up their life's work. The decision whether to stay in the labor force is a personal one, but that doesn't mean economic factors aren't at play. Pinpointing these factors, both economic and personal, will become increasingly important as Montana's labor market tightens, and its population ages.

Older workers have become a larger part of the labor force and it is more important than ever to know the ins and outs of this subset of the labor force. Employers trying to fill open positions with experienced workers and younger workers looking for opportunity to fill vacated positions will both benefit from having a deeper knowledge of Montana's older workforce. This month's article will look at Montana's workers aged 55 and older, reasons they do and don't participate in the labor force, and the types of employment they tend to be engaged in.

Older Workers in the Labor Force

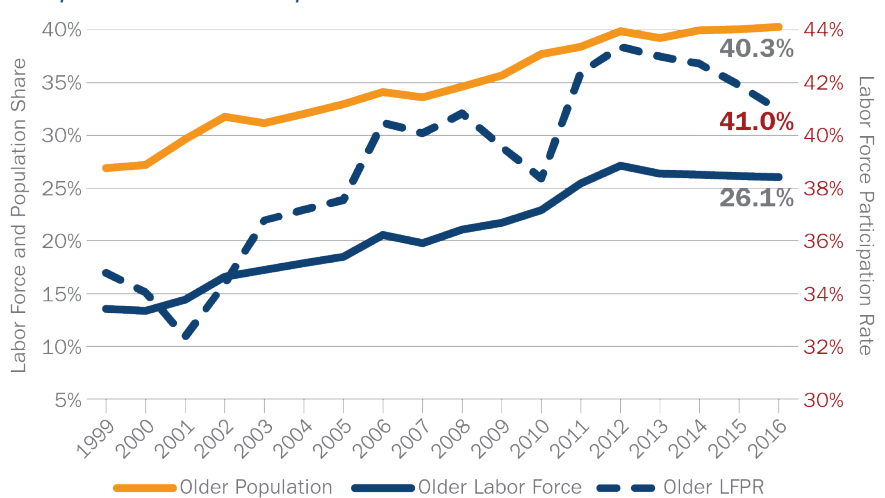
For the purposes of this article, Montanans 55 years of age and older will be referred to as "older workers" or "older people." Data on Montana's labor force participation by age goes back as far as 1999. **Figure 1** shows that the number of older workers in Montana has more than doubled since 1999. At the same time, the labor force under 55 years has remained about the same size. Two factors can explain the increasing size of the 55 and over workforce (see **Figure 2**). The share of the population over age 55 has increased from close to 25% in 1999 to over 44% in 2016. The large size of the baby boomer generation naturally leads to a larger workforce of older workers. At the same time, the labor force participation rate of older workers has increased from under 20% to over 40%. Not only is the share of people over age 55 larger than it has ever been, but the age group is working at consistently higher rates than before.

FIGURE 1:
Montana Labor Force by Age



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

FIGURE 2:
Labor Force Participation of Older Workers
Compared to Montana Population and Labor Force Shares



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

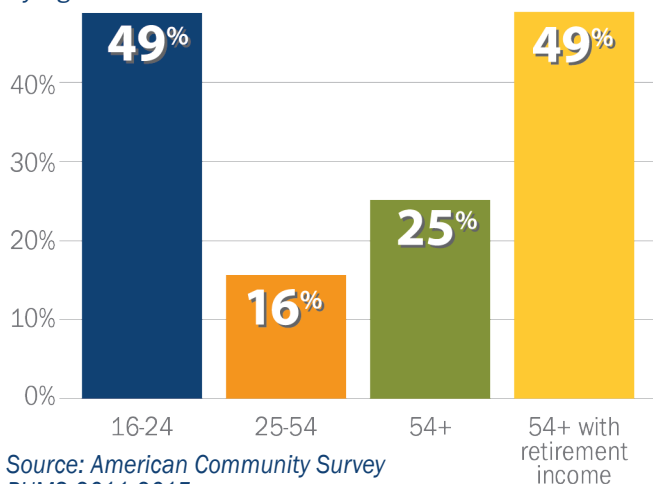
Multiple factors contribute to older Montanans participating in the labor force at higher rates than in the past. Life expectancy for Americans has improved¹ and allows for people to work longer into life. Along the same vein, longer expected life spans make retirement more expensive and lead to later retirements. Finally, the financial collapse in 2008 had large impacts on a number of American's savings and forced many people to return to work. The 2010 spike in participation rates (seen in **Figure 2**) that went above pre-recession levels reflects this.

Who Isn't Working?

Economists think that a person's decision to work is part of a trade-off between the utility of money gained from working versus the value of leisure. As people age, time for leisure becomes scarcer and money more plentiful, making leisure more valuable and earnings less so. As a result, many people choose not to work at older ages.

FIGURE 3:
Share of Part-time Workers

By Age

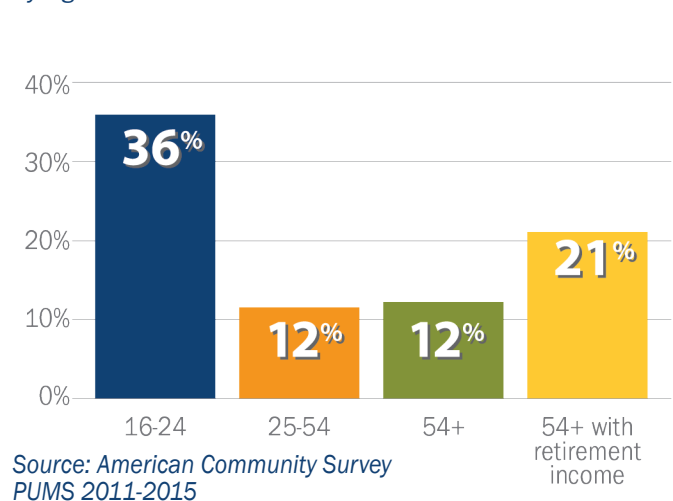


Retirement can take many forms. Some choose not to work at all, while others enjoy aspects of a job and may continue to work full or part-time. While there is not perfect data on what decisions older Montanans have made about retirement, the American Community Survey (ACS) can provide some clues.

Respondents to the ACS report annual income from different sources, such as retirement income from IRAs, 401ks, and pensions. This article assumes that people collecting these types of income are retired, or at least “retired”. According to the ACS, between 2011 and 2015, about 62% of older people earned some retirement income and those people had a labor force participation rate of 19%. On the other hand, older Montanans who did not earn retirement income participated in the labor force at a much higher rate, 76%. The difference in participation rates for those with retirement income versus those without suggests

FIGURE 4:
Employees Working <40 Weeks per Year

By Age



¹ U.S. Centers for Disease Control, National Vital Statistics Report Volume 65 Number 8, November 2016. www.cdc.gov/nchs/data/nvsr/nvsr65/nvsr65_08.pdf.

that people with the financial ability not to work tend to choose not to. In other words, the value of leisure has outweighed that of the potential work earnings.

Beyond the financial ability to retire, health issues are another reason older people may no longer work. Difficulty seeing or hearing, mobility problems, and cognitive impairment are all reasons a person may no longer work. Almost 31% of older Montanans report at least one of these difficulties, and these respondents have a labor force participation rate of 19%. Participation rates change depending on whether the person has retirement income. People with no retirement income that have these difficulties participate in the labor force at a rate of 49%. Lack of retirement income is a considerable motive for people to remain in the labor force despite health issues.

What kind of work are older workers doing?

Among Montana's labor force, older workers are the most likely to be self-employed. Nearly a quarter of older workers are self-employed, compared to 14% for workers ages 25-54 and 4% for the youngest workers. Years of experience on the job and in business networks gives older workers a marketable and valuable skill set that they can use to their benefit. Additionally, older workers have had more time to accrue capital and make the investments required to start a business, leading to higher self-employment levels.

Part-time work is also more common for older workers than for those aged 25-54. Defining part-time as less than 30 hours per week, about 26% of older workers are working part-time compared to

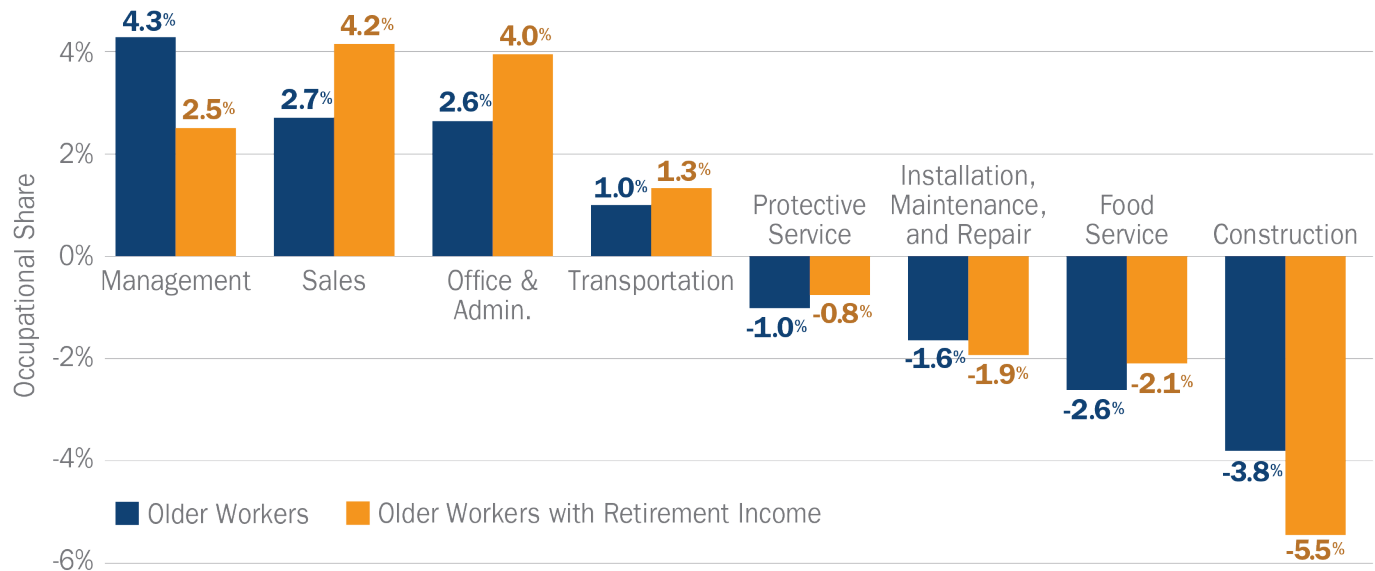
16% for workers aged 25 to 54. Young workers age 16 to 24, who are more likely to still be in school, also have a high rate of part-time work at 47%. Interestingly, when looking only at the pool of older workers who have retirement income, the rate of part-time work is nearly 50%, about equal to that for youth. It suggests that many older workers with retirement income are working for supplemental income, personal enjoyment or fulfillment, or some other reason.

Part-time schedules are more common for older workers, but seasonal employment is not. Looking at workers based on whether they work more or less than 40 weeks out of the year gives an idea of how many are seasonally employed. Even though Montana has many seasonal jobs in the recreation and leisure industries that may seem desirable to older workers, it does not appear that older workers are more likely to do seasonal work. Only 13% of older workers work less than 40 weeks out of the year, similar to the 11% of prime age workers that do the same. Older workers with retirement income, on the other hand, work fewer weeks out of the year with 21% at fewer than 40 weeks. More than three quarters of older workers are still employed over 40 weeks per year.

Do Certain Occupations and Industries Attract Older Workers?

Occupational choices of older workers can inform types of work that older workers prefer. Overall, most occupational groups make up a similar share of employment for older workers as for workers age 25-54. Among those that differ, **Figure 5** shows the major occupational groups that have a greater than 1% difference in share between older workers and the prime working age.

FIGURE 5:
Difference in Employment Share between Older Workers and the Prime Working Age
by Occupational Group, Montana



Source: American Community Survey PUMS, 2011-2015

In **Figure 5**, a positive difference implies that older workers are more likely to work in that occupation while a negative difference implies the opposite. Older workers are more likely to work in management, sales, and office jobs while less likely to work in protective service, construction, and food service. Some of these effects grow larger for workers with retirement income, suggesting that given the option, older workers are opting out of physically demanding work.

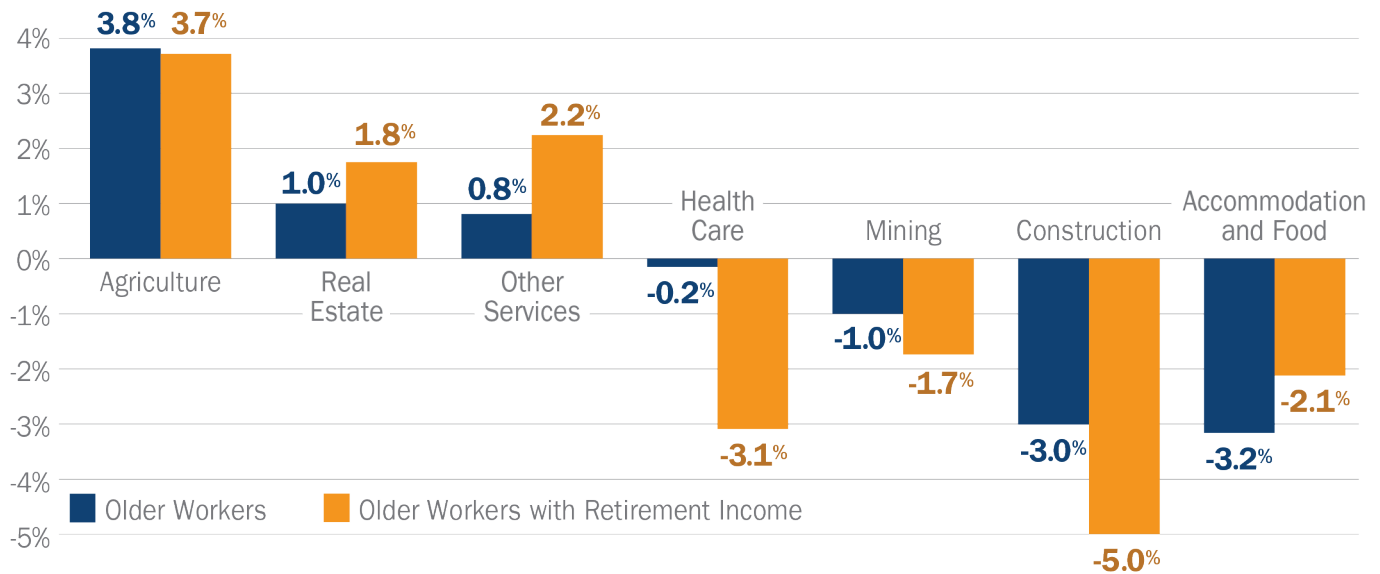
The most common specific occupations for older workers in Montana are in **Figure 6**. Looking at specific occupations informs what occupations will have the most retirements. Farm and ranch managers are by far the largest single occupation for older workers with

FIGURE 6:
Top 10 Occupations for Older Workers
By Employment in Montana

Occupation	Employment	Average Total Income
Farm and Ranch Managers	6,421	\$61,046
Administrative Assistants	4,359	\$30,026
Miscellaneous Managers	3,873	\$76,083
Drivers and Truck Drivers	3,539	\$45,887
Janitors and Building Cleaners	3,285	\$28,872
Supervisors of Retail Workers	3,278	\$52,059
Retail Salesperson	3,175	\$38,601
Accounting, and Auditing Clerks	2,731	\$27,359
Registered Nurses	2,550	\$57,511
Elem. & Middle School Teachers	2,442	\$49,990

Source: American Community Survey PUMS, 2011-2015

FIGURE 7:
Industry Distribution Difference Between Older Workers and the Prime Working Age



Source: American Community Survey PUMS, 2011-2015

over 6,400 employed. Administrative assistants and other types of managers round out the top three. Registered nursing, Montana's 5th largest occupation overall is ninth for older workers. The average total income for workers in these occupations are shown in **Figure 6**, although this potentially includes income sources other than employment (such as investment income).

Industry group distributions for older workers also vary from those for people age 25-54. Similar to the occupational breakdown, certain physically demanding industries are less likely to have older workers, including mining, construction, and accommodation and food services. Interestingly, the agriculture industry is the industry with the largest difference in employment share for older workers. While farming and forestry occupations did not have a large difference for older workers compared to others, the agriculture industry is

relatively larger among older workers. This suggests many older workers are classified in agricultural management as opposed to farming occupations.

Conclusion

Older workers in Montana are making up an increasingly large part of the labor force. As retirements continue and the labor market tightens, it will become more and more important to know the behaviors and preferences of Montana's older workers. Many aging workers with the ability to retire do just that. However, those that do not are more likely to work part-time, in self-employment, and in less physically intensive fields. As employers navigate low unemployment rates, being able to locate and attract these workers will become increasingly more important. While retirement can certainly be fun, many people do still find benefit from working and older workers will be an important part of the labor force in the future.