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Older Workers: An Essential Resource for Massachusetts

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Commonwealth of Massachusetts, Blue Ribbon Commission on Older Workers

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Older Workers: An Essential Resource for Massachusetts

Commonwealth of Massachusetts
Blue Ribbon Commission on Older Workers

April, 2000

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This final report of the Commission was prepared by Professors Andrew Sum and David Terkla, along with Professor Doeringer. The assistance of Alison Gottlieb and Jill Norton of the University of Massachusetts Boston, and Neeta Fogg, Neal Fogg, Sheila Palma, Steve Rubb, and Paul Suozzo of Northeastern University is gratefully acknowledged. Special thanks are also due to Christine Karavites, Charles LaPier, Rickie Moriarity, Jonathan Raymond, David Smith, and Suzanne Teegarden for their thoughtful comments on the various drafts of the report.

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John T. Dunlop, Chair
Warren Pepicelli, Co-Chair

Highlights for Policy Action

The Legislature should:

- Work with the Governor to establish a Workforce Investment Board responsible for all publicly funded human resources programs.
- Provide additional resources for long-term training of older workers by community colleges and other post-secondary institutions to help reduce major skill mismatches.
- Enact a Workplace Training Fund for public-sector employees.
- Establish a 21st Century Workforce Development Commission to report annually on the Massachusetts economy and issues of workforce development.

The Governor should:

- Establish a comprehensive planning system for all publicly funded workforce development programs in the Commonwealth.
- Create a comprehensive network of local "One-Stop" Centers responsible for all publicly funded workforce development programs in the Commonwealth.
- Strengthen the capacity of unions and employers (particularly small firms with fewer than 50 employees) to upgrade the skills of older workers.
- Give priority to meeting the needs of low-income workers in all publicly funded workforce development programs in the Commonwealth.
- Establish an independent system for evaluating all publicly funded workforce development programs in terms of long-term improvements in participants' earnings and reductions in skilled-labor scarcities.

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Preface

The Massachusetts Jobs Council established the Blue Ribbon Commission on Older Workers in 1997 to analyze the labor market for older workers in the Commonwealth and to recommend policies to improve the economic status of the older labor force. Commission members were chosen to represent a cross-section of expertise on older worker issues and the Commission is chaired by John T. Dunlop, former U. S. Secretary of Labor and Harvard Professor.

The Commission held over two years of hearings, town meetings, and focus groups to solicit the views of interested parties. It also commissioned an extensive set of research studies on the role of older workers in the Commonwealth.

The initial focus of the Commission was on programs to help economically disadvantaged workers over 55, the group singled out for special consideration under the federal government's Job Training Partnership Act. However, it soon became evident that the employment and training issues involving older workers can be traced to their earlier employment difficulties. This led the Commission to extend its definition of "older" workers to include workers ages 45-54 so that the employment problems of aging could be addressed before they become chronic.

While analyzing the future employment prospects for older workers, the Commission also found that the Massachusetts labor market is likely to face severe labor market scarcities and skill mismatches over the next decade. The current prosperity is beginning to press against the limits of a labor force that has shown almost zero growth throughout the 1990s and Commission projections show a potentially large labor supply deficit through the middle of the next decade.

Unless significant steps are taken to increase the supply of skilled and educated labor, the continued growth of the Massachusetts economy will be threatened. In the quest for new sources of labor, the Commission's studies show that workers 45 and older represent the largest labor reserve in the Commonwealth potentially available to fill this deficit.

Two major changes in government sponsored training policies occurred during 1999 that influenced the Commission's deliberations. The Commonwealth established a new Workforce Training Fund to assist employers in upgrading the skills of their existing workforces and, on the federal level, the Job Training Partnership Act was replaced by the Workforce Investment Act (WIA). WIA consolidates a number of previous programs (including the elimination of special funds dedicated to assisting older workers) and provides for improvements in program planning, delivery, and evaluation systems at the state and local levels.

The Commission's final recommendations emphasize the need to address the twin

challenges of developing the new sources of labor supply needed for continued economic growth and of ensuring that older workers will share fully in the resulting prosperity. These same recommendations, however, apply with equal force to the Commonwealth's entire workforce development system. If this blueprint for linking education and training programs to the human resources needs of the economy is adopted, Massachusetts could become the nation's leading "workforce development" state.

Warren Pepicelli
Member, Massachusetts Jobs Council and
Co-Chair,
Blue Ribbon Commission on Older
Workers

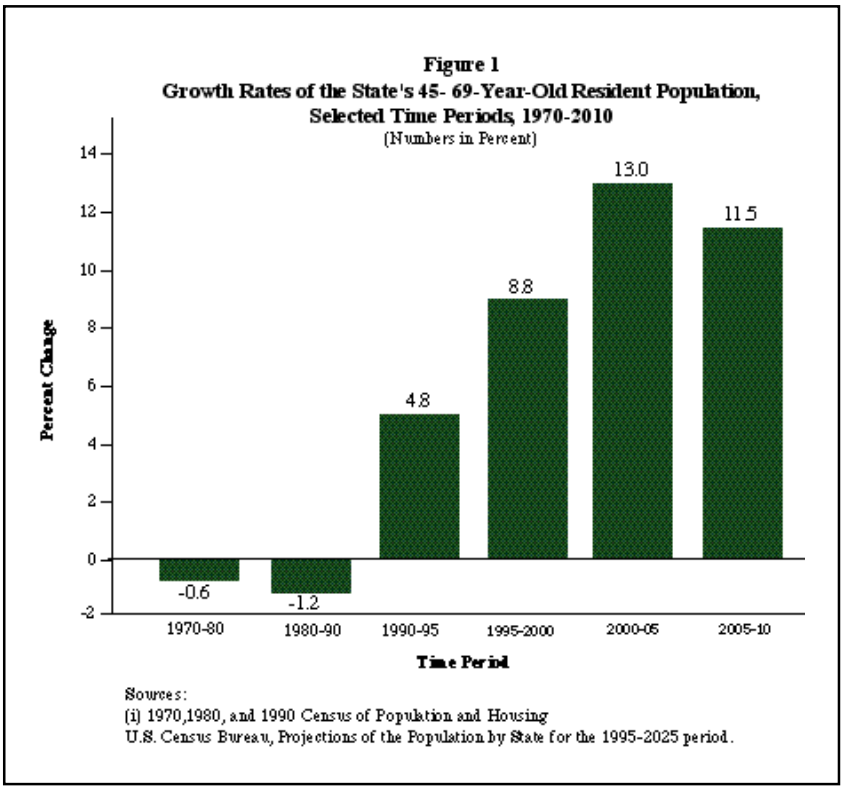
Older Workers: An Essential Resource

President Clinton has recently highlighted the "phenomenal demographic change" that will occur as the baby boom generation enters its fifties (Economic Report of the President, 1999). Men and women age 65 can expect to live another 15.7 and 19.2 years, respectively, an increase of about 25% since 1950, for example. This aging of the baby boom generation comes at a time when longer life spans permit older persons to be productive long after the customary age of retirement. Even if the retirement age were raised to 70, the average American worker would spend three more years in retirement than in 1950. Nevertheless, most Americans continue to retire between ages 62 and 65, or even earlier, and many others are switching from full-time to part-time jobs before retirement.

Policy debates about the implications of longer lives and the aging of the workforce typically focus on the adequacy of retirement incomes and the solvency of Medicare and Social Security. While these are valid concerns, equally important are labor-market factors affecting the work incentives of older workers and the prospects for productively extending their working lives.

For example, extending the working lives of older persons to take advantage of the 25% increase in life spans since 1950 would help solve the financial problems of the Social Security system. Similarly, tapping the potential for longer working lives could provide important labor reserves as the economy approaches full employment.

The Massachusetts economy provides a dramatic illustration of the importance of these issues of work and retirement. The number of older persons (defined by the Commission as those aged 45-69) in the state's population began rising in the 1990s as the first wave of the baby boom generation reached their mid-forties, and this trend will accelerate over the next decade (see Table 1; Figure 1; and



also Research Report #4, 1997). Between 1995 and 2010, the older population (45-69) will rise by 534,000 and its share of the state's working age population (16-69) will reach an historical high of 43%, up from 32% in 1990 (Sum & Suozzo, 1999).

These population trends are mirrored in the aging of the Commonwealth's labor supply. The average age of the workforce is projected to jump from 36 in 1990 to over 40 by 2005 (see Figure 2), while the fraction of the workforce accounted for by older workers (those aged 45-69) will grow from 28% in 1990 to 40% by 2010 (See Figure 3; also Research Report #4, 1997)[1]. Despite a trend towards earlier retirement among male workers, projections prepared for the Commission show that all of the net increase in the labor force to 2006 would come from older workers (see Figure 4). The aging of the workforce is particularly severe in Massachusetts, but similar trends are occurring throughout the country.

The aging of the labor force affects the Massachusetts economy in complex ways. Older workers who lose their jobs often face obstacles to re-employment and thus tend to have longer

TABLE 1

Number of Massachusetts Residents Ages 16-69 and 45-69, 1970-2010

(in 1000's)

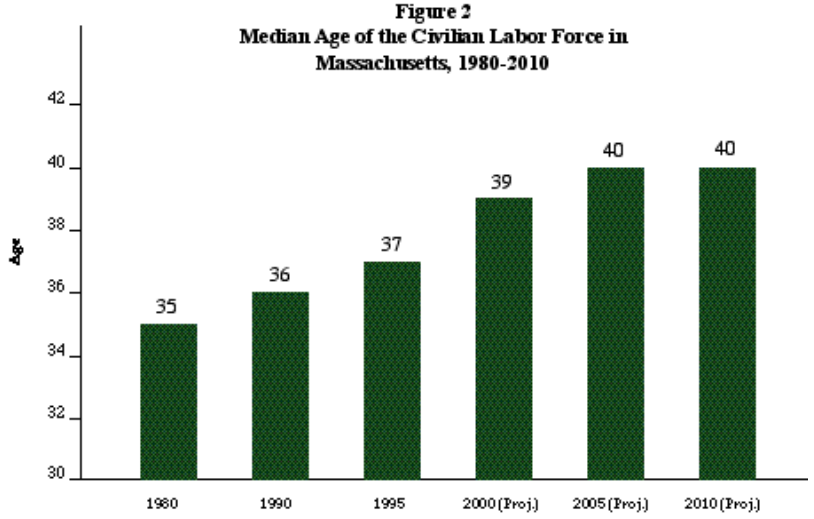
Year	(A) 16-69	(B) 45-69	(C) 45-69 as % of 16-69
1970	3559	1399	39.3
1980	3953	1391	35.2
1990	4229	1374	32.5
1995	4164	1440	34.6
2000	4233	1567	37.0
2005	4390	1771	40.3
2010	4551	1974	43.4

Sources:

(i) 1970, 1980, and 1990 Census of Population and Housing.

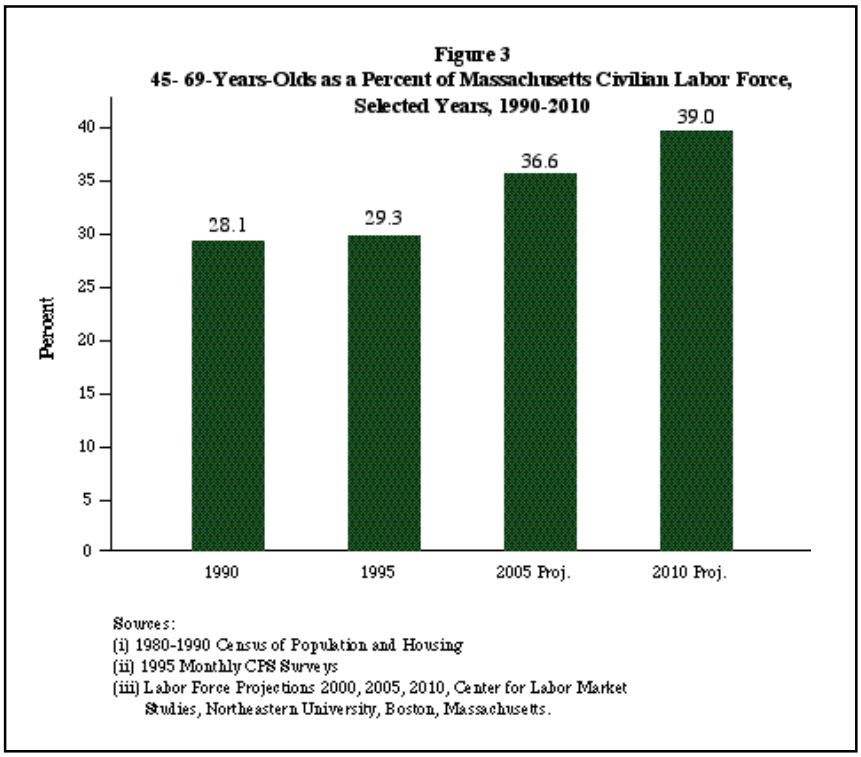
(ii) U.S. Census Bureau, Projections of the Population by State for the 1995-2025 Period.

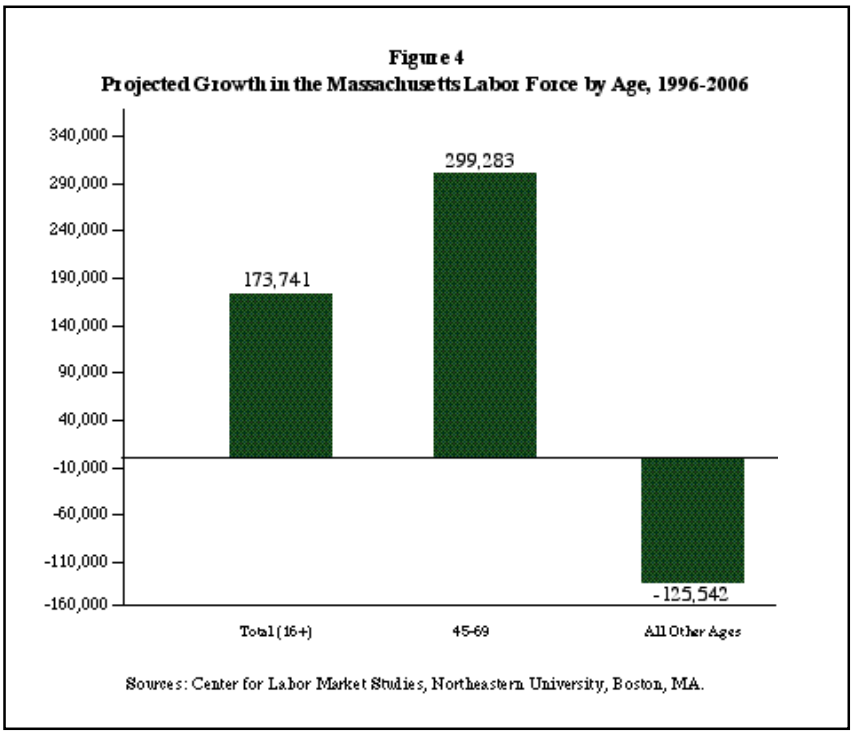
Figure 2
Median Age of the Civilian Labor Force in Massachusetts, 1980-2010



Sources:
(i) 1980-1990 Census of Population and Housing
(ii) 1995 Monthly CPS Surveys
(iii) Labor Force Projections 2000, 2005, 2010, Center for Labor Market Studies, Northeastern University, Boston, Massachusetts.

[1]The size of the resident labor force under age 25 will rise through 2005, but this will be offset by steep declines in the number of 25- 39-year-olds.





spells of unemployment than younger workers. They also tend to experience substantial earnings losses when they become re-employed, or they may retire prematurely.

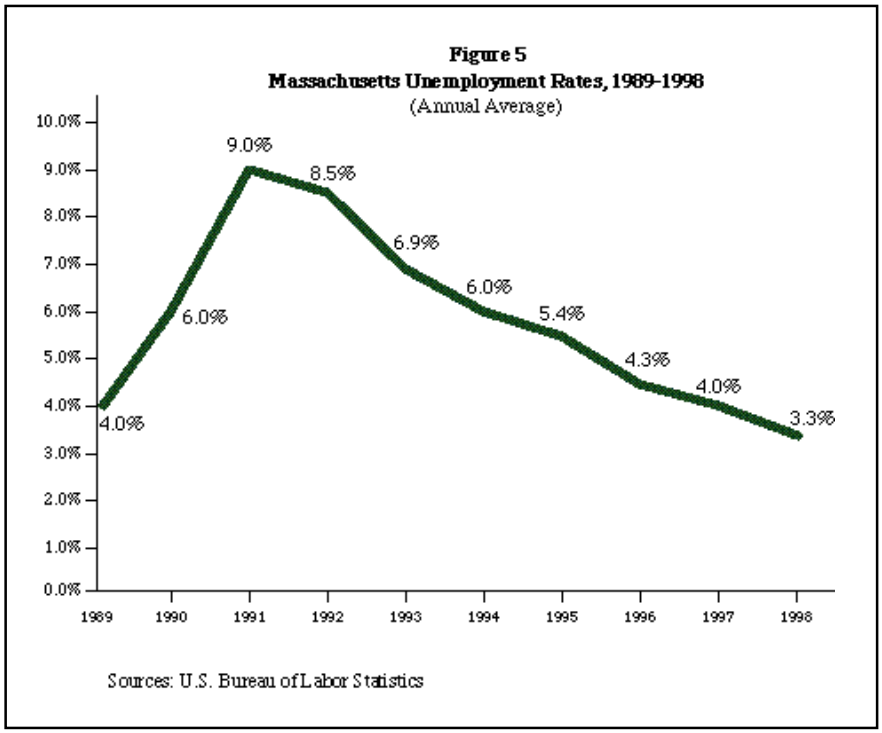
At the same time, however, the trend towards earlier retirement among males in recent years has helped to reduce unemployment and raise earnings for workers in Massachusetts because it has slowed the growth of the labor supply. The Commonwealth's labor force grew by only 1% between 1990 and 1997 – a rate of growth that places Massachusetts 47th out of 50 states. With flat growth in labor supply and a strong economic expansion, unemployment rates have fallen rapidly from 8%-9% in the early 1990s to close to 3% in late 1998 (see Figure 5), the lowest level in over a decade. Real earnings have also begun to grow again, and per capita income has risen in inflation-adjusted (1996) dollars by 15% since 1991, following a decline of nearly 6% during the 1989-91 recession (see Figure 6).

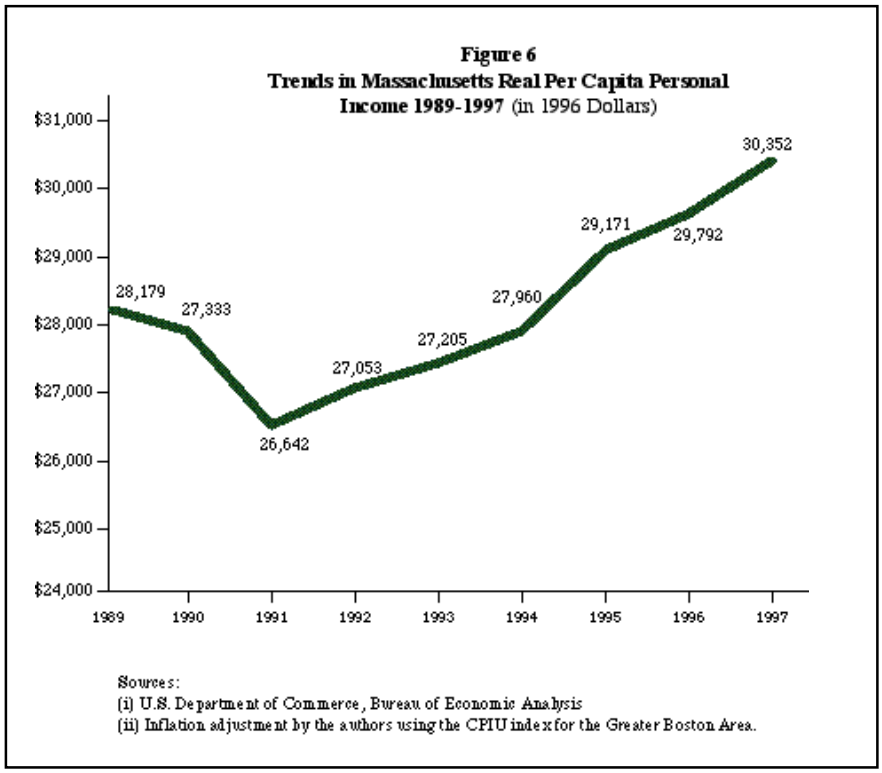
Many older persons who continue to work have shared in these economic gains, particularly women and those with some post-secondary schooling. Since 1979, the real average annual earnings of males aged 45-64

rose from $43,800 to just under $54,000 (1997), a gain of 23% (Research Report #13, 1998) and well-educated older men (those with 17 or more years of schooling) improved their real earnings by 35% between 1979 and the mid-1990s. The gains in real earnings for older women (45-64) are even more impressive, with average earnings rising from $18,720 to $27,057 during this period, a gain of almost 45%, as both their wages and the number of hours worked increased.

Despite these gains, however, the average annual earnings of older women who work still lag considerably behind those of men. The median earnings of older women who work full time are only 60% of those for full-time older male workers. There is also a sizeable group of older male and female workers who are left behind by growth. Those left behind represent a diverse set of employment problems, ranging from inadequate education and obsolete skills to family care responsibilities and age discrimination. However, they experience similar consequences of unemployment, underemployment, and poverty.

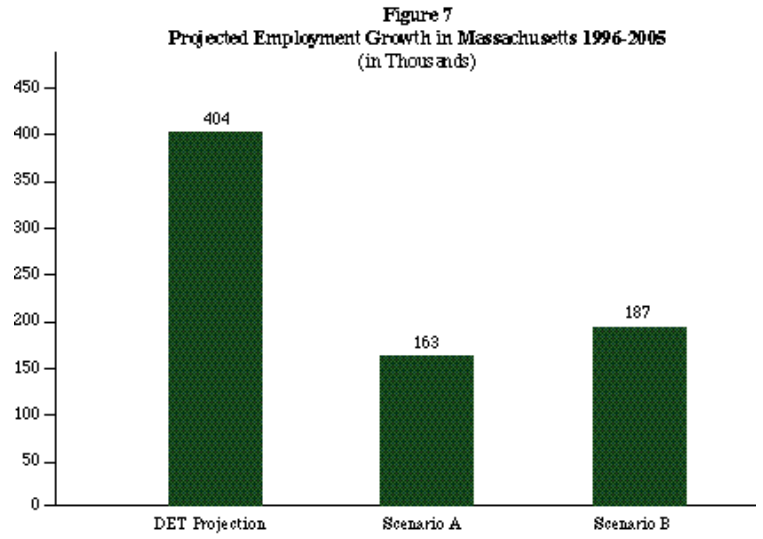
For example, older males with low levels of education have seen substantial declines in real





earnings since 1979 and their rate of labor-force participation has also fallen (Research Report # 5, 1997). Older women without high school diplomas, unlike better-educated older women, have experienced a set of economic problems similar to those of older men. Growing numbers of older persons with little education or other disadvantages are receiving Social Security Disability and Supplemental Security Income payments and other forms of income assistance.

Older workers who are left behind represent the highest priority for employment and training assistance. While their numbers are significant, their problems are manageable within a Massachusetts economy that is currently generating a gross state product of over $220 billion (1997). Should employment growth slow, however, these trends will worsen as the Massachusetts population continues to age.



Scenario A assumes that 1995 labor force participation rates of residents by age group will remain unchanged to 2006

Scenario B adjusts the 1995 participation rates of residents by age group for projected national changes in the participation rates of persons from 1995 to 2006.

Economic Growth and Emerging Labor Scarcities

Fortunately, Massachusetts has experienced high job growth in recent years. Its labor markets are among the tightest in the country and the growth potential of the Massachusetts economy remains high. The most recent projections by the Massachusetts Division of Employment and Training (DET) show that the economy has the potential for a further 12% growth in jobs between 1996 and 2006 (Massachusetts DET, 1999). Because Massachusetts is so close to full employment, however, achieving this growth depends on the labor supply growing at a corresponding rate.

Unfortunately, the Commonwealth's labor supply is unlikely to keep pace with potential economic growth. The Commission's most optimistic labor supply projection is for a 6% increase in supply over the decade, and alternative projections show that supply could grow by as little as 4%. This slow growth in the workforce means that the labor supply will grow at only one third to one half the rate needed to realize the Commonwealth's full growth potential (see Figure 7; Table 2; and also Research Brief #15, 1999).

Even these relatively low rates of growth may not be possible, because they depend critically on utilizing older workers more effectively than has been the case in recent years. For example, the Commission's projection of a 6% growth in labor supply assumes a rising rate of labor-force attachment among most groups of older workers, especially women (see Table 3; also Research Report #4, 1997).[2] While the labor force participation rates of older females in Massachusetts have been steadily increasing, those of older males have fallen. Labor-force participation rates for older male workers in Massachusetts, once among the highest in the country, have dropped by almost 11 percentage points since 1970 (see Table 4; Figure 8) and Massachusetts now ranks only about 25th in the nation in terms of the participation rates of older men (see Table 5). This represents a loss to the Massachusetts economy of about 72,000 older male workers (see Table 6).

TABLE 2

Projected Growth in the Massachusetts Civilian Labor Force Under Three Alternative Scenarios, 1995-2005
(in 1000's)

Scenario	(A) 1995 Civilian Labor Force	(B) 2005 Civilian Labor Force	(C) Projected Change	(D) Percent Change
A	3,175	3,311	136	4.3%
B	3,175	3,363	188	5.9%
C	3,175	3,349	174	5.5%

Note:

Scenario A assumes the 1995 labor force participation rates of residents by age group will remain unchanged through 2005.

Scenario B adjusts the 1995 participation rates of residents by age group for projected national changes in the participation rates of persons from 1995 to 2005.

Scenario C adjusts the 1995 participation rates of residents by detailed age group by the projected national changes in the participation rates between 1996 and 2005.

TABLE 3

Projected Growth in the Massachusetts Older Worker Labor Force and the Total Labor Force (16+) Under Three Alternative Scenarios, 1995-2005
(in 1000's)

Scenario	(A) Projected Growth of Older Work Force	(B) Projected Growth of Labor Force	(C) Growth of Older Workers As a % of Total Labor Force Growth
A	263,539	135,738	194%
B	309,190	187,378	165%
C	299,283	173,741	172%

Note:

Scenario A assumes the 1995 labor force participation rates of residents by age group will remain unchanged through 2005.

Scenario B adjusts the 1995 participation rates of residents by age group for projected national changes in the participation rates of persons from 1995 to 2005.

Scenario C adjusts the 1995 participation rates of residents by detailed age group by the projected national changes in the participation rates between 1996 and 2005.

[2] Under Scenario B (see Table 2), modest declines in labor-force participation rates (typically less than one percentage point) are projected for males ages 45-64.

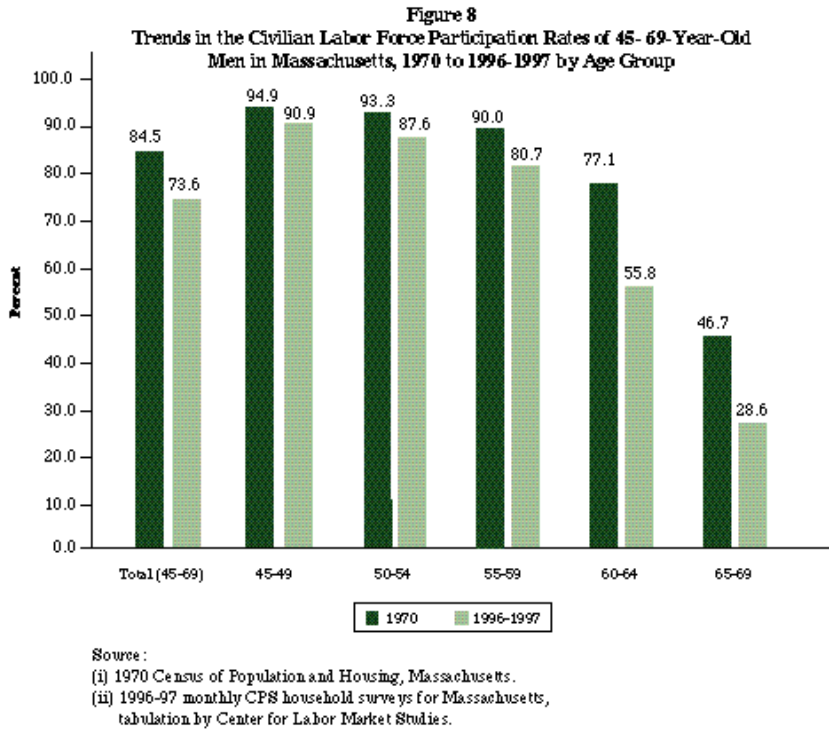


TABLE 4

Trends in the Civilian Labor Force Participation Rates of 45- 69-Year-Old Men in Massachusetts, 1970 to 1997, by Age G roup

(Numbers in Percent)

Age Group	(A) 1970	(B) 1996-1997	(C) Absolute Change
45-49	94.9	90.9	-4.0
50-54	93.3	87.6	-5.7
55-59	90.0	80.7	-9.3
60-64	71.1	55.8	-15.3
65-69	46.7	28.6	-18.1
45-69, All	84.5	73.6	-10.9

Sources:

(i) 1970 Census of Population and Housing, Massachusetts.

(ii) 1996-97 monthly CPS household surveys for Massachusetts, tabulation by Center for Labor Market Studies.

These substantial declines in labor force participation rates, however, actually understate the shrinkage in the labor supply of older males because they do not reflect the decline in hours worked and the doubling of the fraction of older males who are employed in part-time employment since 1970 (see Tables 7 and 8). If the share of the older population in full-time jobs in 1970 had not fallen, the Commonwealth would have had more than 120,000 additional older males holding full-time jobs in 1996-97, almost 30% more males than were actually employed full-time in that period (see Table 9 and Figure 9).

The interpretation of these changes in labor supply is somewhat controversial. Some national studies emphasize the easing of work disincentives of mandatory retirement and Social Security and private pension plans -- as well as the growing flexibility of the labor market that permits older workers to shift to part-time employment in "bridge jobs" prior to retirement -- as having helped to reverse the decline in older-worker labor-force participation rates (Quinn, forthcoming; Economic Report of the President, 1999). It is argued that with the end of mandatory retirement and the reduction of the work disincen-

tives in Social Security and pension plans, the U.S. labor market is poised to absorb a ready and able pool of older workers, providing employers create sufficient numbers of part-time and otherwise flexible bridge jobs.

Other studies, however, point to declining real wages among displaced and less-educated older workers and question the economic value of bridge jobs in meeting economic needs of older workers (Doeringer, 1990, Chs. 4 & 5 and Doeringer et al., 1991, Ch. 4). Bridge jobs typically involve a change of occupation or industry and often a switch to self-employment or a job in a small firm (Doeringer, 1990, Ch. 3). One study of older workers (55-64) in the mid-1980s found that one in four involuntary job changers experienced a 40% loss in weekly wages upon re-employment and 45% experienced a loss of 25% or more (Doeringer et al., 1991, Chapter 4).

While flexible employment, even at low wages, can be a boon to older workers with comfortable retirement prospects who can afford phased retirement, it can also represent employment of last resort for those older workers with limited labor market options. The extent to which the declines in labor supply in Massachusetts represent preferences for more leisure and more flexible hours of work or are a response to deteriorating employment opportunities cannot be determined from the data.

TABLE 5

Comparisons of the 1996 Civilian Labor Force Participation Rates of Older Men 45-69 in Massachusetts with Those of the Averages for the Five Highest States, by Age G roup

Age Group	(A) Massachusetts (in%)	(B) Massachusetts Rank Among 50 States	(C) Average Five Highest States (in%)	(D) Difference Between Massachusetts and Five Highest States
45-54	89.5	26th	94.9	-5.4
55-64	68.2	25th	79.4	-11.2
65-69	28.2	25th	41.1	-12.9

TABLE 6

Comparisons of the Actual Number of Older Males in the Civilian Labor Force (CLF) in Massachusetts in 1996-97 with the Number that Would Have Been in the Labor Force if 1970 Labor Force Participation Rates Had Been Maintained, by Age G roup

Age Group	(A) Actual CLF	(B) Hypothetical CLF	(C) Addition to Labor Force (B-A)
45-49	195,685	204,484	8,799
50-54	151,280	161,124	9,844
55-59	93,574	104,358	10,784
60-64	61,435	85,432	23,997
65-69	31,690	51,747	20,057
45-69, Total	533,664	607,145	73,481

Sources:

(i) 1970 Census of Population and Housing, Massachusetts.

(ii) 1996-97 monthly CPS household surveys, Massachusetts, tabulation by Center for Labor Market Studies.

In either case, however, the contraction in the labor supply of older workers through the mid-1990s has contributed to the Commonwealth's current labor shortages. Should rates of retirement and hours of work among older males start to fall again,

TABLE 7

Comparisons of Percent of Older Emplo yed[1] Males Working Part-Time in Massachusetts, 1970 and 1996-97, by Age G roup

Age Group	(A) 1970	(B) 1996-97	(C) Percentage Change 1970 to 1996-97
45-49	5.2	11.3	+6.1
50-54	5.6	12.3	+6.7
55-59	6.2	15.2	+9.0
60-64	9.3	23.4	+14.1
65-69	29.5	47.2	+17.7
45-69, Total	7.9	16.5	+8.6

Note:

[1]Findings pertain to those employed persons at work during the reference week of the survey.

Sources:

(i) 1970 Census of Population and Housing, Massachusetts.

(ii) 1996-97 monthly CPS household surveys, Massachusetts, tabulation by Center for Labor Market Studies.

TABLE 8

Comparisons of 1970 and 1996 Full-Time Employment [1] to Population Ratios for 45- 69-Year-Old Males in Massachusetts, by Age G roup

Age Group	(A) 1970	(B) 1996-97	(C) Absolute Change 1970 to 1996-97
45-49	85.8	75.0	-10.8
50-54	83.6	71.0	-12.6
55-59	79.5	57.9	-21.6
60-64	67.0	37.7	-29.3
65-69	29.2	12.7	-16.5
45-69, Total	73.2	56.1	-17.1

Note:

[1]Full-time employed include only those at work during the reference week of the survey.

Sources:

(i) 1970 Census of Population and Housing, Massachusetts.

(ii) 1996-97 monthly CPS household surveys, Massachusetts, tabulation by Center for Labor Market Studies.

or even stabilize at their current level, the labor-supply deficit in Massachusetts will be even larger than the Commission is currently predicting (Research Brief #10, 1998).

Such a substantial shortfall in labor supply could choke off growth either by creating scarcities of critical skills or by raising the costs of doing business in Massachusetts as employers compete for scarce labor. The likely result is that at least some of the job growth that could occur in Massachusetts will be siphoned off to other regions (such as the Southern and Rocky Mountain states) or to countries where labor is more abundant and often less costly. The long-term consequences of such a decline in the competitive position of the Commonwealth are likely to be felt across a broad spectrum of the Massachusetts economy.

Options for Closing the Labor Supply Gap

If the Commonwealth intends to solve the problems of growing skill scarcities, it has few alternatives to utilizing its aging workforce more effectively. Its pool of younger workers, especially those with college degrees, is nearly fully employed. Attract-ing more young workers will require strong compensation incentives to offset the net out-migration that Massachusetts has been experiencing during the 1990s (Sum et al., 1998). For example, Massachusetts already pays somewhat higher wages for college graduates than its competitor states, but the rising cost of housing has substantially diminished this wage advantage. Similarly, Massachusetts already ranks among the top 12 states in terms of participation of females in the labor force. While some employers may be willing to pay even higher wages to secure additional labor supplies, and more workers may choose to swap longer commuting times for lower housing costs in neighboring states, expanding the supply of young workers (ages 25-39) or

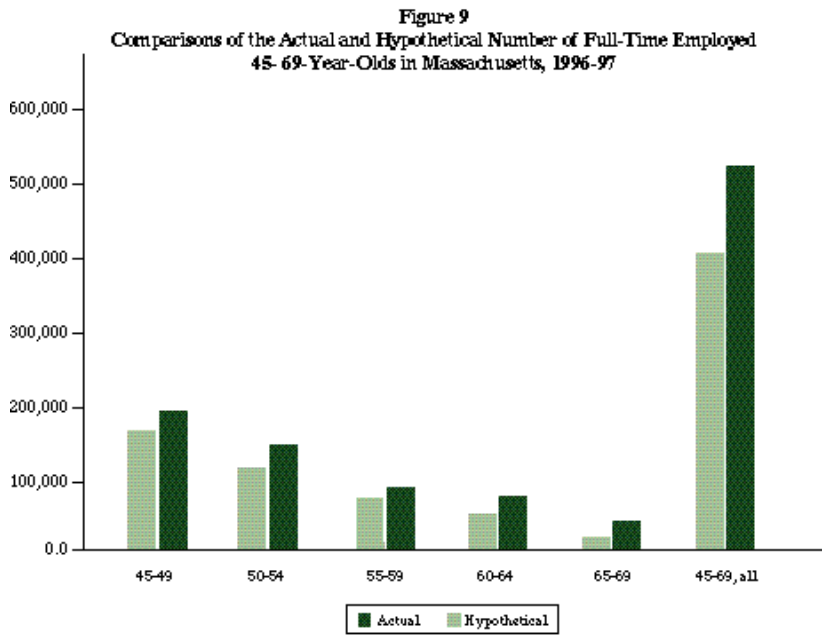


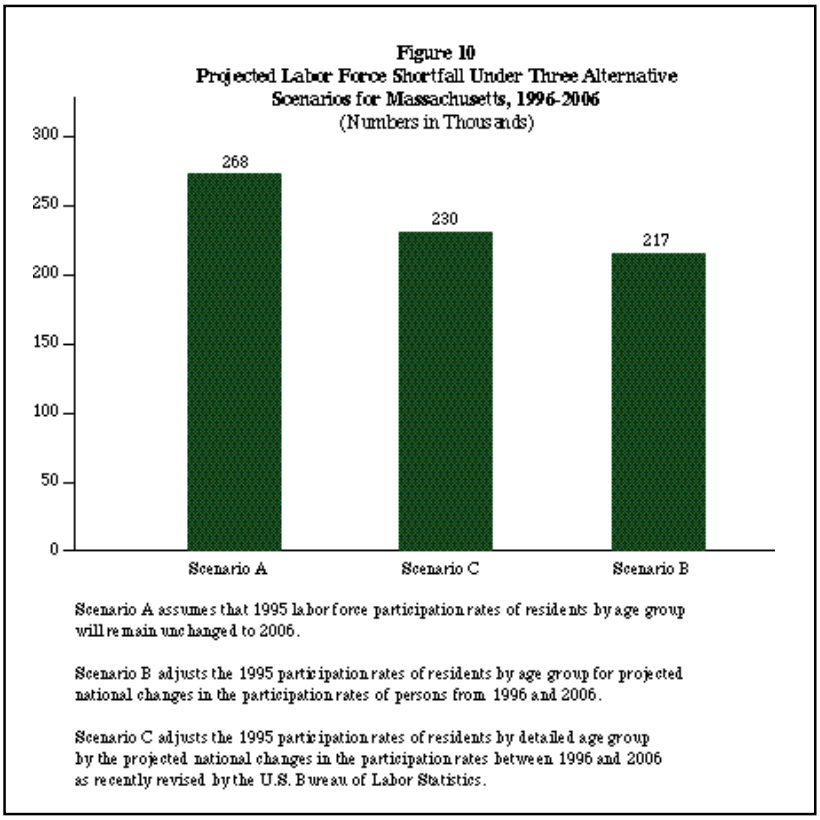
Figure 9
Comparisons of the Actual and Hypothetical Number of Full-Time Employed 45- 69-Year-Olds in Massachusetts, 1996-97

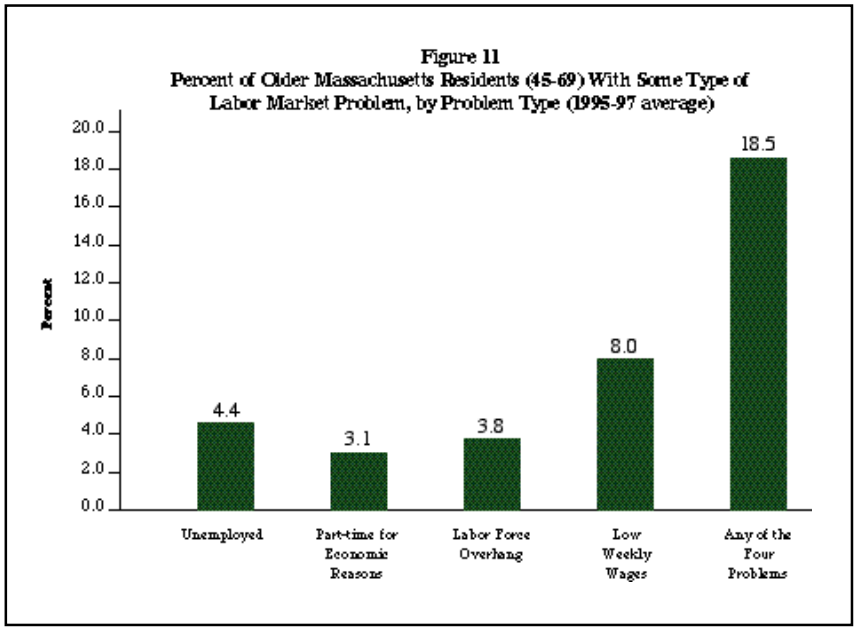
Note:
Hypothetical numbers are estimates based on applying 1970 full-time employment rates for each age group to the estimated size of the civilian non-institutional population during 1996-1997.

TABLE 9

Comparisons of Actual Number of Full-Time Emplo yed 45- 69-Year-Old Males in Massachusetts During 1996-97 with the Number that Would Have Existed if 1970 Full-Time E/P Ratios Had P revailed, by Age G roup

Age Group	(A) Actual Full-Time Employed	(B) Hypothetical Full-Time Employed	(C) Hypothetical Less Actual
45-49	161,528	184,876	+23,348
50-54	122,575	144,372	+21,797
55-59	67,139	92,182	+25,043
60-64	41,530	73,766	+32,236
65-69	14,092	32,355	+18,263
45-69, Total	406,864	527,551	+120,687





female workers is likely to be quite difficult and would raise the costs of doing business in Massachusetts.

A second possibility is for Massachusetts to increase its reliance on foreign immigrants. Massachusetts is fifth highest in the nation in terms of the contribution of immigrants to labor-force growth (Center for Labor Market Studies, 1999), and almost all of the net growth in labor supply in the Commonwealth over the last decade has come from outside the country (Sum et. al., 1998). While the state's employers have been successful thus far in lobbying for larger quotas on technical and professional personnel from abroad, these higher quotas have been quickly filled and further increases cannot be counted upon to close the labor-supply gap facing the Commonwealth.

Absent a greater inflow of foreign immigrants or a dramatic turnaround in the outflow of younger workers, the Commonwealth will have to develop more fully the workforce that is already resident in Massachusetts. The only labor-force group of sufficient size to make this strategy work is the growing pool of workers ages 45 and over.

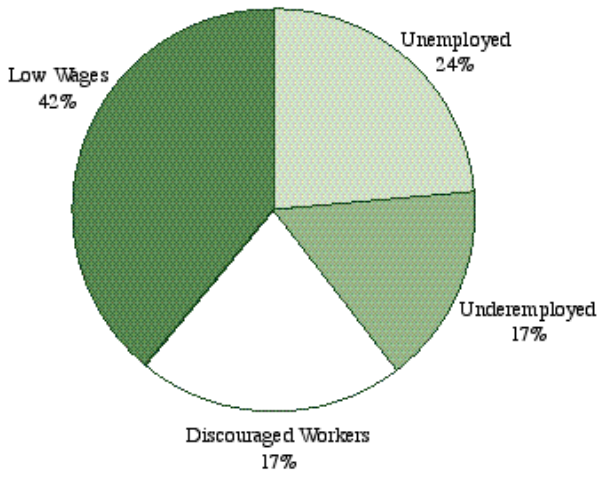
At least 217,000 more workers will be required to meet the

Commonwealth's full-employment growth target by 2006, and as many as 268,000 could be required if labor- force participation rates do not increase over their 1995 levels (Figure 10).[3] Closing this labor-supply gap will require a substantial increase of six to seven percentage points in the projected labor force participation rates of each major age subgroup of the older population (ages 45-69). A much higher fraction of older persons in the Commonwealth will have to remain at work than has been the case in recent years, better jobs will have to be found for those who are unemployed and underemployed, and some of those currently outside the labor force will need to return to work.

A starting point for filling the supply gap are older persons who are currently unemployed or underutilized. This labor pool, by itself, is large enough to meet a substantial fraction of the Commonwealth's emerging labor-supply needs. For example, the Commission has identified four specific reserves of older workers, totaling about 190,000 persons, or about 6% of the workforce (see Figure 11). This group includes approximately 47,000 older workers who are unemployed and 33,000 "hidden unemployed" who want jobs, but have become discouraged from looking for work (see Figure 12). The roughly 118,000 remaining are "underemployed," consisting of 34,000 part-time older workers who want full-time work and over 84,000 older workers who are in full-time, but marginal, employment that pays relatively low wages (less than the poverty line wage of $300 per week).

Securing jobs for all unemployed and discouraged older workers would effectively add almost 80,000 workers to the state's employment. If all four labor reserves could be utilized, the Commonwealth would make substantial progress towards closing the labor supply gap projected for 2006. Further substantial supply gains could be secured by increasing the incentives for older workers to remain in, and return to, the labor market by substantially raising their skills and earnings' potential. Accomplishing these goals, however, will require a major investment in skills needed to employ the unemployed and inactive labor-force reserves and to upgrade more generally the job opportunities available to older workers.

Figure 12
Distribution of Disadvantaged Older Workers by Type of Labor Market Problem, 1995-97 Averages



[3]The 217,000 number reflects the difference between the projected growth in state employment (12%) and the most optimistic projected growth (5.9%) in the labor force (Table 2), which leaves a 6.1% gap (in the approximate 3.2 million labor force).

Labor Market Mismatches

Tapping the potential of older workers to close the Common-wealth's labor supply gap is not only a matter of increasing the number of older workers in the labor force. It should be emphasized that all of the Commission's labor-supply projections assume that workers displaced from declining industries will easily shift to growing sectors. Since a disproportionate share of this sectoral adjustment will involve older workers (who are over-represented in declining industries), deficiencies in the education and skills needed for employment in high-growth sectors may be a barrier to their re-employment. Without substantial investments in upgrading their skills, older workers may be underutilized or even discouraged from remaining in the labor force and these labor-market mismatches will hinder growth.

Shortfalls in Education

One set of mismatches involves education. Employment projections for 2006 prepared by the Division of Employment and Training show that job growth will be concentrated among high-end industries that require the highest skilled labor and, to some extent, among those industries at the lower end of the labor market (Massachusetts DET, 1999). High-end growth industries include computer software and related services, biotechnology, selected financial services, medical offices, and private education services. These sectors will continue to have a high proportion of professional, managerial, and technical jobs that typically require at least a college education. While low-end growth industries, such as eating and drinking establishments, personal services, retailing, and home health care, can more easily accommodate workers with less education, recent occupational projections suggest that almost half of all new jobs in the Commonwealth will require a bachelor's degree or higher (Massachusetts DET, 1999).

Young adults are the traditional source of new hires for growth industries in Massachusetts. While there will be modest growth by 2006 in the number of young adults 20-24 years old, this increase will be more than offset by steep declines in the number of more experienced young adults 25-39 years old who are members of the "baby bust" generation. The latter group, which has been the preferred source of new hires in industries requiring both high levels of education and some work experience, will shrink by more than 200,000 between 1995 and the year 2005 (Research Report #4, 1997). Even if entry-level jobs only grow at the average rate for the economy as a whole, there will be a major shortfall of traditional entry-level workers, so that Massachusetts' employers will have to turn to older workers or other sources of labor such as immigrants or young high school dropouts.

Today's cohort of older workers ages 55 to 64 in Massachusetts is better educated than

its predecessors, and will be replaced by an even more educated cohort as today's 45-to 54-year-olds age over the next decade. However, fewer of these older workers are as well educated as the young adults who have been available to growth companies in the 1990s. For example, only 30% of workers 55 to 65 have at least a bachelor's degree, far below the 40% for workers 25 to 34 (Research Report #2, 1997). Among underutilized older workers, one quarter of the unemployed and almost one third of the underemployed, lack a high school diploma or its equivalent.

Skill Mismatches

Occupational employment projections by the Division of Employment and Training suggest that professional and technical occupations will experience the highest growth rates in Massachusetts (Massachusetts DET, 1999). Several sectors with high proportions of jobs in these occupations, such as systems engineer, software developer, biotech specialist, and allied health and various technical specialists, are currently facing labor-supply shortages. Other professional occupations, such as teaching, will face major labor needs for replacing retirees, as well as meeting the growth in demand. There are no obvious new sources of supply sufficient to meet all of the labor needs of these industries so that substantial education and training of the current workforce will be required. In particular, many of the older workers who will be available to fill these jobs have skills and experience acquired in manufacturing occupations and other industries that are expected to be shedding labor. Such out-of-date skills are already a significant barrier to the employment of older workers (Wagner & Bonham, 1998) and skill mismatches can only become more severe.

Implications for Employers

Labor scarcities and skill mismatches of the magnitude projected for Massachusetts will impose major adjustment costs on employers in terms of higher wages needed to recruit scarce workers and additional training expenses. Employers are aware that labor markets have been getting tighter in Massachusetts, but few appreciate how much more difficult these adjustments are likely to be in the future.

Because there will not be enough of the relatively well-educated workers in their twenties and thirties that many employers have relied upon for decades to fill entry-level job vacancies, employers will have to learn how to hire and train older workers for entry jobs. This greater reliance on older workers is coming at a time when employers are investing less in older employees, compared to those who are younger, and cutbacks are being made in federal training funds for older workers.

The extent of this impending shift towards the hiring of older workers can be illustrated by three projections prepared for the Commission. One scenario estimates the number of "failed" labor-market matches that are likely to occur if employers in Massachusetts do not increase their current share of older workers as the labor force continues to age through the year

2005 (Research Brief #8, 1998). Under these circumstances, nearly 200,000 older workers will fail to make job matches in the year 2005 – a number equivalent to about 15% of the workforce 45 and older.

A second scenario assumes that employers will meet their labor needs by expanding their employment of older workers. If each industry bears an equal share of employment adjustments by increasing its older workforce by the same percentage, seven sectors in the economy will end up with over 60% of the new hires of older workers (Research Brief # 8, 1998). Health services will experience the largest increase in the number of older workers employed (47,000) followed by government (37,500), business services (36,000), and engineering and management services (21,300). Other industries facing large increases are finance and insurance, real estate, wholesale trade, and private education. Workers 45 and older will constitute close to half or more of all employees in apparel, rubber and plastics, industrial and electrical equipment, public utilities, local transportation, and government, whereas today they account for less than 40% of most of these industries' employees. To effect these changes would also require older workers to make job changes across industries far more frequently than is currently the case.

The most likely scenario lies between these two cases, but the burden of adjustment for employers will be even more lopsided. At one extreme will be large employers in relatively high-wage growth industries who will be able to compete successfully for the shrinking pool of well-educated young adults. These employers will only have to make relatively minor adjustments in their recruitment and hiring policies. At the other extreme will be small employers and those in low-wage industries, such as nursing homes, eating and drinking establishments, home health care services, and parts of business services. Because they are less able to compete for recent graduates, employers in these sectors will have to shoulder the greatest share of the burden of adjustment to overall labor-market mismatches.

Adjustments at the Workplace

Under any scenario that allows the Commonwealth to achieve its growth potential, the majority of employers will have to substitute at least some older workers for their traditional entry workers. Hiring and selection practices will have to be adapted to a workforce that has more experience, but less up-to-date education. Training and promotion practices will need to be attuned to differences in how recent school graduates and experienced workers learn new job skills. Wage and fringe benefit structures will need to accommodate differences in the compensation preferences of younger and older workers, and more flexible working hours will be needed for older workers who have different family or caregiver responsibilities than younger workers.

These changes may not come easily. A frequent theme encountered in focus groups of older workers convened by the

[4]The purposes and nature of these focus groups is discussed in more detail later in the report (Research Report #4, 1999).

Commission was that employers are reluctant to hire older workers, in part because they feel that older workers are not interested in training and are often "afraid" of computers.[4] Yet, these same older workers clearly recognized the importance of training in computer and other up-to-date skills, and had a strong commitment to getting training.

National surveys of employers are remarkably consistent with the findings from the focus groups. Managers often regard older workers as excellent assets to the firm -- more hardworking, reliable, and motivated than their younger counterparts (Sterns & McDaniel, 1994) – and they give older workers very high marks for their use of good judgement, quality control, attendance, and low turnover (AARP, 1995). However, they are also concerned that older workers are less willing to adapt to changing workforce practices and technologies.

One study noted that older workers are viewed as somewhat fearful of new technologies and somewhat difficult to attract to the growing number of positions involving computer use (Belous, 1990), even though the use of computers by workers over 50 has doubled since the mid 1980s (Friedberg, 1999). Other studies have found that many employers believe older workers have difficulty learning new skills and are poor candidates for job training (Costello, 1997). A generally optimistic study (AARP, 1995) also found that the majority of managers believe that older workers are less flexible, innovative, and adaptable to workplace change than younger workers.

Unfortunately, these negative employer perceptions are reflected in workplace training practices. Older workers are in fact less likely than their younger counterparts to be trained by their employers. In a nationwide survey of almost 1,500 establishments, 70% of all employees had received some formal training during the previous year, while less than 51% of workers 55 and over had received such training (Frazis, Gittleman, Horrigan, & Joyce, 1998).

Beyond The Mismatch Problem

Labor-market mismatches and how employers deal with adjustments in the workplace are only two of the issues raised by the aging of the Commonwealth's workforce. There is a substantial minority of older workers in Massachusetts who are not sharing in the current prosperity. This group will continue to be left behind unless stronger measures are taken to bring them into the mainstream economy.

Older Workers Who Are Left Behind

The unemployment rates of older men and women without any post-secondary schooling are well above those of their better-educated peers and their rates of labor-force participation have declined since 1990 (see Table 10 and Research Brief #21,

TABLE 10

Unemployment Rates of 45- 69-Year-Old Persons in Massachusetts, by Educational Attainment, 1996

(Annual Averages in Percent)

Educational Attainment	Rate
All	3.6
Less than High School	7.0
High School Graduate/GED	3.9
Some College; Associate's Degree	2.9
Bachelor's Degree or Higher	2.7

Source: 1996 monthly CPS survey, public use files, tabulations by Center for Labor Market Studies

1999). Older male workers with less than 12 years of schooling experienced a near 30% decline in their real annual earnings during the same time period. Older women who have not graduated from high school earned less in real terms in the mid-1990s than they did in 1979 (Research Report #13, 1998). Many older workers who are left behind suffer from multiple disadvantages such as low education, poor fluency in English, spotty work experience, disability, and discrimination. In addition, limited pre-retirement earnings of older workers reduces their pension income, and places them at risk of long-term poverty during their retirement years. Inadequate pension income and poverty are particularly a problem of elderly single women.

While a large part of these earnings' problems reflects general trends affecting all poorly educated workers in the economy, the particularly severe hardship of permanent job loss has also been a contributing factor. Estimates for New England, for example, show that approximately 1 in 4 older workers were permanently displaced from their jobs between 1988 and 1997 (Research Brief #9, 1998).

Older dislocated workers tend to experience greater difficulties in obtaining re-employment than their younger counterparts. In the mid-1990s, only about two thirds of dislocated workers 45 and older in New England were able to regain employment, compared to over 80% of those under 45. This number falls to less than 50% for dislocated workers 55 and older and for those in this group lacking a high school diploma. Many of the long-term unemployed older workers become discouraged and stop looking for work, thereby shrinking the size of the region's labor force (Research Brief #1, 1999).

When older dislocated workers do become re-employed, they often incur substantial earnings losses. For example, those older dislocated workers 45 and over who had obtained re-employment in New England in the mid-1990s were only able to replace an average of 72% of their former weekly earnings, due to a combination of fewer hours of work and reduced real hourly earnings (Research Brief #9, 1998).[5] Dislocated workers who are unable to regain employment in their career occupations incur the greatest earnings' losses.

The failure of some older workers to benefit from the booming economy has widened inequality and increased rates of poverty and income inadequacy among older persons in Massachusetts (Research Report #11, 1998). Using an income stan-

[5]For an earlier review of the post-displacement labor-market experiences of older workers in the United States during the 1980s, see Sum & Fogg, 1991.

dard of 125% of the federal government's official poverty line (equivalent to $13,500 for a two-person family and $20,500 for a four-person family in Massachusetts in 1997), the Commission estimates that approximately 11% of the state's residents 45-69 years old have inadequate income (Research Report # 6, 1998).[6] However, this fraction rises to nearly 30% for older residents with fewer than 12 years of formal education.

As is true nationally, a rising share of these older disadvantaged persons in Massachusetts have come to rely on some form of public assistance income to support themselves and their families, including Social Security Disability and Supplemental Security Income payments, Emergency Aid to the Elderly and Dependent Children, and food stamps. Because there are few substantive links between these income support programs and the Commonwealth's employment and training system, as is also the case nationally, many of these older workers tend to be permanently lost to the workforce (Research Report #5, 1997).

The Commission's estimates of available labor reserves provide a rough measure of how many older workers in the Commonwealth were being left behind by economic growth over the 1995-97 period.[7] Among the almost 200,000 older workers whom the Commission estimated to be unemployed, underemployed, or part of the hidden unemployed (see Table

TABLE 11

The Distribution of the Older Universe of Need by Type of Labor-Market Problem, 1995-97 Averages

Age/Family Income Group	(A) Unemployed	(B) Underemployed	(C) Discouraged Workers	(D) Low Weekly Wages	(E) All
56-69 Year Old					
Less Than 1.25 times Poverty	1,572	3,246	3,965	3,226	12,005
Less Than 2.00 times Poverty	3,636	3,526	5,669	8,546	21,377
All Income Groups	15,947	11,493	17,838	31,883	74,763
45-54 Year Old					
Less Than 1.25 times Poverty	6,506	3,236	5,486	11,822	23,227
Less Than 2.00 times Poverty	9,678	6,792	7,918	25,138	43,881
All Income Groups	30,923	22,363	15,686	52,364	114,889

(Note: The totals in column E do not include double counting, thus they are smaller than the sum of the numbers in Columns A-D. An income twice the poverty level for a family of four is roughly equivalent to half the median income in the Commonwealth in the late 1990s)

Source: Research Report #9, 1998

[6]The Commission is aware of the serious limitations in applying the federal poverty standard as a measure of basic income needs in a state like Massachusetts where housing costs are unusually high, or to older persons who often have basic needs that are not adequately reflected in the poverty standard (Fogg, Sum, & Mangum, 1999). A more suitable benchmark for Massachusetts is a standard that is tied to Massachusetts incomes. One example of such a standard is to use one half of the median family income in the Commonwealth, which corresponds to about twice the federal poverty income standard.

[7]Improved labor-market conditions in 1998 and early 1999 have likely reduced the size of these older labor reserves.

11, Column E), one in five were in the poorest families in the Commonwealth (those with incomes below 125% of the poverty line), and one in three earned less than 200% of the poverty income line ($32,000 for a family of four, which is roughly equivalent to one half the median family income in the Commonwealth).

The Voices of Those Left Behind

Statistical evidence can document the magnitude and incidence of the labor-market problems encountered by older workers. However, statistics are a sterile indicator of the day-to-day experiences of these older workers who are in need of more training and better jobs. The Commission has learned firsthand about these employment problems through five focus group meetings with older men and women in Massachusetts (Research Report #14, 1999).[8] These focus groups underscored the wide range of backgrounds of older persons in need of employment and training assistance. Participants ranged from low-skilled blue collar workers to professionals and from persons who had recently lost their jobs to those who were seeking work for the first time.

Most participants were convinced that age discrimination played a key role in their difficulties acquiring new jobs. They described situations of being told: "You are overqualified," "The job has already been filled" (despite clear evidence that it was still open), or that the company was not looking for senior people. Participants also had strong impressions that companies believed that hiring more older workers would raise their health and disability insurance costs without considering that there might be offsetting advantages in other performance areas, such as good attendance rates. There was a further sense that human resources staff responsible for hiring were often young and unfamiliar or uncomfortable with older workers.

Participants recognized their need for new or upgraded skills – ranging from acquiring a GED, to writing a resume and preparing for an interview, to learning how to use modern office equipment – and they expressed a willingness to invest time and effort to acquire appropriate training. Many stressed that minimal exposure to basic computer skills would not be enough to provide them with the confidence or competence required by most jobs. They felt that there should be opportunities for extensive hands-on experience, both using computers on site (many did not have home computers), and within the context of unpaid internships (preferably while they were still eligible for unemployment benefits).

Many participants also expressed their lack of personal confidence, especially around issues of searching for a new job. Older women, especially, described the need for counselor-led support groups as well as more traditional training and employment services, to strengthen their self-esteem and to provide a source of networking.

[8]Eighty-one individuals, varying in age from 45 to 77 years and representing a range of educational levels and employment experiences, participated in these five focus groups. In each group, a series of questions was asked about the participants' recent employment and job-search experiences as well as the training assistance they were receiving from state and local employment programs. Responses reflected the experiences of older persons in both urban and rural areas of the state, including Boston, Lawrence, New Bedford, Springfield, and Greenfield.

Those Who Are

Those Who Are Left Behind

John is a 58-year-old married, college graduate. *He was retired early from a highly paid managerial position at a large computer company. His pension package is not adequate to cover his family's expenses. John would like a comparable job, but has been unsuccessful in finding anything other than short-term consulting assignments, even though he is willing to accept a lower salary. John is suffering from depression and could use some counseling. He would also like to attend higher-level computer courses to expand his employment credentials.*

Mary is a 54-year-old divorcee with a BS degree *(earned eight years ago, after her children left home) and almost no savings or personal assets. While previously employed as a sales manager, she worked the past seven years as a hospital lab technician (earning $20,000/year) until the hospital downsized. She looked for work in the medical field while collecting unemployment benefits, but found that she needs additional courses to compete for jobs that require certification in her field. Mary was not informed about the option of receiving extended unemployment benefits while in training until after the eligibility deadline had passed and she is ineligible for the JTPA Older Workers program.*

Susan is 56 years old and recently widowed. *She has a BA degree and secretarial experience, but has not worked since starting her family 30 years ago. She needs to work because she has little savings and no pension. She is also caring for her elderly mother in her home. Susan has minimal computer skills and feels she needs subsidized courses in basic computer use, job search skills, and assertiveness training. She may need assistance in caring for her mother while she is in class and later if she is successful in finding employment.*

Richard is 66 years old and married. *He has a high school diploma and retired a few years ago as a non-skilled worker. He wants a part-time job to supplement Social Security and to provide a sense of purpose in life. Richard lacks current labor-market skills. He would like job counseling and job search assistance to find a meaningful part-time job and is willing to attend training sessions or courses, as appropriate.*

Michael is a 49-year-old single, high school graduate. *He was recently laid off from a skilled job in a sheet metal shop when the company closed. Michael worked there 25 years and had become a unit foreman, earning $33,000 a year. He received no pension and has been unable to find another job for which he has the appropriate level of technical experience. (Many manufacturing companies required specialized computer-assisted processes for which he needs training.) He would like assistance finding a skilled job similar to ones he has had (at a minimum of $12 per hour) and opportunities for specialized technical training.*

Danielle is a single 50-year-old high school dropout with mild learning disabilities. *She has two teenaged children still at home and is also raising her oldest daughter's child. However, she is no longer eligible for welfare benefits having reached the two-year time limit, and although she would like to return to work, she does not feel she has the skills to find a job that will support her family. She needs to learn computer skills to help her find higher paying clerical work, but would need support for her family while obtaining training and finding a suitable job.*

The Adequacy of Employment and Training Resources

Massachusetts offers a diverse array of employment and training programs for addressing labor-market mismatches and the employment and training needs of older workers. These programs are funded under many different statutory authorizations, and eligibility for some programs is income-tested.

Most of the short-term training programs have been operated under the federal Job Training Partnership Act (JTPA), which is to be replaced by the new Workforce Investment Act (WIA) as of July 1, 2000. Among the more important of the JTPA programs are:

- Title IIA programs, providing an array of employment and training services to economically disadvantaged adults 22 and older.
- Title III programs, offering employment-related services to workers who are displaced from their jobs.
- Section 204(d) older worker programs, which provide various types of employment-related services to disadvantaged older workers 55 and older.

There are also subsidized part-time employment opportunities for low-income individuals 55 and older through the Senior Community Service Employment Program (SCSEP) funded under Title V of the Older Americans Act. However, with the exception of Title III programs for dislocated workers, eligibility for all of these programs is primarily limited to workers with incomes at or below 125% of the Massachusetts poverty level, roughly $13,500 for a family of two (1997) and $20,500 for a family of four.

In addition to these relatively short-term employability assistance programs, there are several statewide education and skill-training programs for which older workers are eligible without an income test. For example, adult basic education programs provide English literacy training and high school equivalency programs and the Community College system offers both basic and advanced-skills training. The unemployment insurance system provides for up 30 weeks of regular unemployment benefits and up to 18 weeks of "Section 30" (General Laws of Massachusetts, ch. 151A:30) extended benefits for unemployed persons participating in approved training programs.

Although the needs of participants in these programs overlap considerably, there is no single entity responsible for coordinating and monitoring all of these programs. Nor is there any way to get an overall picture of how effectively the older worker population is being served.

Federal and state guidelines govern the JTPA planning and delivery system, with

implementation being decentralized to regional employment boards located in 16 Service Delivery Areas across the state. The state's Executive Office of Elder Affairs monitors the SCSEP programs, the Division of Employment and Training is responsible for the Workforce Training Fund's employer-based programs for incumbent workers, and there are separate coordination and monitoring systems for occupational education provided through community colleges and for training programs under the auspices of the Massachusetts Rehabilitation Commission.

Various coordinating and monitoring responsibilities for programs are also held by the MassJobs Council (MJC), the Corporation for Business, Work, and Learning, the Department of Labor and Workforce Development, and the Division of Employment and Training. Despite recent efforts to improve coordination among these agencies, the key workforce development programs in the Commonwealth continue to operate with considerable independence from one another and there is too little meaningful cooperation among the states' key policy-making organizations, such as the Department of Labor and Workforce Development, the Division of Employment and Training, the Department of Education, the Board of Higher Education, the Massachusetts Jobs Council, and the Community College system.

Under-funded Programs

Massachusetts received about $34.6 million in training funds for adults under Titles IIA and III of the JTPA in FY 1998. Because JTPA funding allocations are based on factors such as poverty and unemployment, prosperity in Massa-chusetts has resulted in fewer training resources. Another $8.4 million (FY 1998) was provided for veterans training programs and trade adjustment assistance and there was $16.4 million of federal funding (FY 1998) for employment service activities under the Wagner–Peyser Act. Massachusetts also received a federal block grant for welfare to work assistance of $20.6 million (FY 1998) to which $2 million in state funds was added, about $2 million for subsidized work experience administered by the Senior Community Service Employment Program, and over $45 million (FY 1998) for various vocational rehabilitation activities.

The Community College system, by comparison, received a state allocation of over $181 million (FY 98) and its budget has been growing by about 8% a year since 1993. Adult Basic Education funding, almost three fourths of which comes from Massachusetts, has more than tripled since FY 1997 and now stands at almost $37 million (FY 1999). Other major programs receiving state funding in FY 1998 included prisoner education, One-Stop Career Centers, and the Corporation for Business, Work, and Learning, for a total of $11.3 million. However, the information on the number of older persons served and the types of educational services they are receiving is very limited.

Despite what may appear to be substantial sums budgeted for workforce development, the resource base is relatively thin when compared to the needs of the Common-wealth's workforce. For example, the number of older persons participating recently in employment and training programs in Massachusetts ranged from 408 in JTPA Older Worker programs and 417 in JTPA Title IIA programs to a high of nearly 4,700 in JTPA Title III dislocated worker programs (Table 12). The total number of older persons participating in these three JTPA programs during program year 1996 was 5,492. These numbers, however, represent only a tiny fraction of workers who meet various JTPA eligibility criteria, let alone the larger universe of need identified by the Commission.

Only one in 500 older workers eligible for Title IIA programs typically receives any employment and training assistance (Research Report #12, 1998). Even if the almost 1,400 participants (1997) in programs specially dedicated to helping older workers (the JTPA Older Worker Program and those in the Senior Community Service Employment Programs) are included in these totals, Massachusetts is only serving approximately 1 in 100 of the total number of older persons who are eligible for assistance under such programs, even before the recent cuts in federal funding (Research Report #12, 1998).

While these numbers largely reflect the overall underfunding of education and training programs, older workers do not always receive their proportionate share of these limited resources. For example, older workers in Massachusetts comprised only 11% of the total number of participants in JTPA Title IIA programs during PY 96, well below their estimated 41% share of the JTPA Title IIA eligible population during the same year (Research Report #12, 1998). Similarly, even though the percentage of participants 45 and older in Adult Basic Education programs rose from 16% in the early 1990s to 21% in the 1996-97 and 1998-99 fiscal years, this is still considerably below their share compared to the general population. The one program where older workers have been slightly over-represented is in the JTPA Title III programs for dislocated workers; they accounted for 43% of the total number of participants in PY 1996.

TABLE 12

Number of Older Persons (45+) Participating in Selected Employment and Training Programs in Massachusetts During Program Year 1996

Program	(A) Number of Older Participants	(B) Total Participants	(C) Older as Percent of Total
JTJPA Title IIA	417	3,855	10.8
JTPA Title III	4,667	10,730	43.5
JTPA Older Workers	408	408	100.0
SCSEP	1,389*	1,389	100.0

*Note: Data refer to number of slots rather than participants.

Sources: PY 1996 SPIR Information System, public use file, calculated by the Center for Labor Market Studies.

Program Outcomes

With the exception of JTPA programs, there is no systematic evaluation of post-program outcomes, and even most JTPA outcome data are short-term. It is, therefore, impossible to determine how effective these limited resources have been in providing either permanent remediation of employment problems or the long-term improvement of earnings.

What the limited data for JTPA programs show is that the outcomes for older participants in Massachusetts compare very favorably with those of older workers nationally. For example, approximately 70% (compared to 62% nationally) of all older persons terminating from Massachusetts JTPA Title IIA programs in PY 96 were able to obtain employment upon leaving the program (Table 13). The employment rate for older Title III participants was also higher in Massachusetts than nationally (72% vs. 68%). Likewise, wage "outcomes" (wages received by employed terminees from these programs) for older Title IIA and Title III terminees in Massachusetts have consistently outperformed those nationally (Table 13).

Another key outcome for JTPA Title III programs is the replacement wage – the percent of their previous hourly wage that program graduates receive upon reemployment. Over the past few years, the median wage replacement rate for Massachusetts older workers has ranged from 84% (Program Year 1993) to 90% (Program Year 1996) and is 6 percentage points or more above the national average for Title III programs (Research Brief #20, 1999).

However, even with these relatively high replacement wages, older workers typically experience substantial earnings' losses when they are re-employed. Older workers in New England who are dislocated (separate data for Massachusetts are unavailable) work fewer hours in addition to receiving lower hourly pay when they are re-employed so that their weekly earnings decline on average by 30% (Research Brief #9, 1998).

TABLE 13

Selected Employment and Wage Outcomes for Older Persons (45-69) Terminating from JTP A Title IIA, Title III and Section 204 (d) P rograms During PY 1996

	Employment Rate		Median Hourly Wage		Mean Hourly Wage	
Program	U.S.	Massachusetts	U.S.	Massachusetts	U.S.	Massachusetts
JTJPA Title IIA	62.3	70.3	$7.00	$8.25	$7.73	$8.75
JTPA III	67.9	71.7	$9.37	$11.20	$11.47	$15.36
Section 204 (d)	62.5	69.7	$6.00	$8.00	$6.87	$8.75

Sources: PY 1996 SPIR Information System, public use file, calculated by the Center for Labor Market Studies.

Participant Assessments

The Commission's focus groups provide further insights into how program participants view JTPA programs. The majority of focus group members had recent experience with JTPA-funded training, and they described a number of ways that this training could better meet the needs of older job seekers.

Many would have liked more opportunities for comprehensive evaluation of their individual skills, training needs, and career goals, which would then be linked with referral to appropriate training programs or courses. They stressed the importance of computer training, but felt that it should be targeted to specific career areas such as word processing, working with spreadsheets, graphic design, and manufacturing-related computer capacities rather than to computer literacy. In addition, many expressed a need for additional time to absorb new information and acquire new skills and thought that current training programs were too short in duration.

Moreover, they wanted greater access to courses addressing their individual career needs. Dislocated executives or computer engineers may need high-level technical courses to prepare them for a new job, while dislocated assembly-line workers may need to learn new technical skills since many manufacturing jobs are now computerized. Other individuals, such as medical technicians, need to upgrade their skills for re-certification.

Focus-group participants also wanted better information about extended unemployment benefits available to those in training programs, along with application deadlines, and they felt that more information should be provided about available training programs, especially those offered outside JTPA sites. They further thought that JTPA programs should be more widely available to older workers, not just for those who had low incomes, and were comfortable with the concept of a sliding fee scale for training and placement services based on income. The clear message from discussion group participants was that training opportunities should be more comprehensive, directly transferable to jobs, and more individualized.

The Promise of New Programs

Two new legislative initiatives incorporate important new directions for policy that have enormous implications for older workers. The Commonwealth's Workforce Training Fund provides substantial resources for training incumbent workers and assisting employers with training. It has no age or income eligibility restrictions and the statute expressly provides that low skill, low-income workers and employers with inadequate capacities for training will receive priority.[9] The appropriation for these programs in the last half of fiscal year 1999 (January–June) was $9 million, with $18 million appropriated for the following two years and $9 million for fiscal year 2002.

The Workforce Training Fund is a potentially important program for helping employers alleviate labor scarcities and mismatches in the Commonwealth, particularly by retraining and upgrading older

workers. Over 62% of the state's underutilized workers 45 and older are currently employed and, therefore, eligible for employment and training services through the Fund's programs (see Table 11). About one fourth of currently employed workers 45 and older are also a likely target for the Fund's services because of their probability of being laid off in the next decade and experiencing the earnings' losses that inevitably accompany the displacement of older workers.

The second major policy change is the federal Workforce Investment Act (WIA), which replaces JTPA with a new system that consolidates funding for training programs for disadvantaged adults. WIA also establishes a "One-Stop" local service-delivery system for assessing the needs of workers and providing information on job and training opportunities, strengthens program planning and coordination responsibilities, and increases performance accountability. Training will largely be provided through a voucher system of "Individual Training Accounts." Separate funding streams for youth, adults, and dislocated workers will be retained under WIA, but special programs for disadvantaged workers 55 and older, such as the JTPA Section 204(d) program, have been eliminated.

There are no income-eligibility requirements for core assessment and placement services provided to adults through the One-Stop service delivery system. Economically disadvantaged workers and those unable to obtain employment have priority for more intensive assessment and training assistance, but these services may also be provided to higher-income workers who face serious barriers to employment.[10] In addition, payments for transportation and temporary stipends are permitted to support participation in training.

Unfortunately, Massachusetts' share of national funding under JTPA has been falling as the state's unemployment rate has dropped. The Commonwealth's funding under WIA is expected to remain at the same level as under the last year of JTPA, and there is the possibility of a further decline in federal support if the Massachusetts economy remains strong. In either event, the pattern of under-funding of federal workforce development programs in Massachusetts will continue.

[9]The Commission notes with concern that neither the current regulations governing the Workforce Training Fund nor the information contained in Request For Proposal documents incorporate the express statutory priority given to serving the low-wage, low-skilled workers.

[10]For a review of the key provisions of the WIA legislation, see Fogg et al., 1999.

A New Agenda for Workforce Development Policy

The economic imperatives for investing more in the human resources of the Commonwealth's older workers are substantiated in this report. Some of this new investment will come from employers who are facing greater scarcities of entry labor. Some will be made by workers who want the skills needed to take advantage of new and better-paying job opportunities. However, state government will also have to provide more leadership and stronger financial support for workforce development, and more aggressive outreach to encourage participation in workforce development programs, than it has in the past if the Commonwealth's growth is to be sustained.

The importance of increasing the state's role in workforce development is underscored by the extent of the adjustments that must be accomplished. Many of the older workers upon whom the Commonwealth will depend to meet its labor scarcities are either economically disadvantaged or have been displaced from jobs in declining industries. Most of these workers lack the resources to pay for new skills and more education. Second, employers typically under-invest in the people filling entry jobs because new employees may change jobs after they are trained. Even when employers are willing to provide training, they may not be able to do so. This is often the case for the smallest private sector companies, non-profit organizations, and state and local governments that lack adequate workforce development capabilities.

Meeting the human resources needs of this decade will not require the creation of expensive new training institutions. Massachusetts is already richly endowed with a wide array of education and training organizations that can contribute to building the skills and improving the incomes of older workers. What is mainly needed is a better system for mobilizing existing resources and sufficient additional funding to address the growing problems of labor scarcities and skill mismatches.

Too often in the past, existing programs have not had the resources or the incentives to respond effectively to the challenges of workforce development. JTPA programs have often favored quick, low-cost solutions to employability problems, post-secondary occupational education has not been required to demonstrate its contribution to long-term labor-market success, and subsidized work programs have been used to supplement incomes, rather than as a stepping stone to higher-wage unsubsidized employment. The predictable result is that skill upgrading is less robust than it should be, and workers often end up being placed in the kinds of jobs that perpetuate inadequate earnings (Fogg, Mangum, & Sum, 1999).

The Commission's recommendations for addressing both the economic needs of older workers and the growing scarcities of labor in Massachusetts provide an overall blueprint for change. Their focus is on what the goals of public policy should be, how government can redirect existing programs and make them more effective, and what resources are needed in this decade to meet the Commonwealth's most urgent workforce development needs. First priority in achieving these goals must be to assist those with the least resources and the most serious employment disadvantages.

The key elements of this blueprint are: (1) concentrating all elements of the workforce development system on achieving high-quality job placements and the long-term economic upgrading of the workforce, (2) harmonizing eligibility criteria and training curricula among publicly funded programs so that participants can move easily from one level of training to another throughout their working lives, (3) establishing an evaluation process that can contribute feedback for improving programs, as well as monitoring long-term program performance, (4) targeting workforce development resources on reducing skill scarcities so that workforce development supports economic growth, and (5) ensuring that older workers receive their proportionate share of employment and training resources, with first priority given to those with the most serious barriers to employment.

Some of the recommendations highlight specific steps that must be taken to enhance human resources investments in older workers. But most of the recommendations apply more generally to improving the overall operation of the Commonwealth's workforce development system.

Assessment and Placement

Employment and training services must be driven by a thorough assessment of needs on both the demand and supply sides of the labor market if they are to address the twin problems of labor-market disadvantage and labor scarcities. Demand assessment should identify current and projected job openings by occupation and skill level and pinpoint persistent skill scarcities of the kind that are likely to create growth bottlenecks. Supply assessment must be universally available, customized to the needs of individual participants, and sufficiently intensive to determine what specific human resources investments are required to prepare workers for jobs requiring scarce skills.

These types of demand and supply assessments should lead to high-quality job placements and substantial upgrading for older workers with employment disadvantages. In practical terms, this means that the performance target for all publicly supported training, job-development, and job-placement programs should be to place participants in jobs that pay at least 85% of previous earnings, or in which pay is equal to at least 50% of the median family income in the Commonwealth, whichever is greater. These placement standards are more demanding than those set by the WIA, but they are less than those currently being achieved by JTPA Title III programs in Massachusetts. Such

earnings goals are essential for realizing the high-quality workforce development system envisioned by the Commission.[11] For pre-vocational programs, such as those providing basic literacy or GED preparation, rigorous competency-based standards should be substituted for performance criteria based on earnings improvement.

Achieving these performance goals will require a broadening of the availability of intensive assessment and placement services. The One-Stop career centers under the WIA are to be the mechanism for providing publicly supported assessment and placement activities. One-Stop centers, however, are only obliged to provide "universal access" to relatively low cost types of labor-market information and job-search assistance. More intensive services are limited to workers who meet restrictive income tests. This limitation means that some workers in need of more intensive assessment and placement services, such as older workers switching jobs or making substantial career changes, will be ineligible for more intensive assessment and placement services, and the higher costs of these services may also limit the extent to which they are available for the most severely disadvantaged.

Because these limitations will hamper efforts to reduce labor-market mismatches, the Commission recommends that the clearinghouses for job and training program information that are to be located in One-Stop Centers be more comprehensive than that required by the WIA. For example, information on program performance should be collected for all public and private programs offering employment, training, and counseling services in the local area. This should include program size and funding levels, the number and demographic characteristics of participants, and summaries of the results of participant and employer satisfaction surveys, as well as traditional indicators of program performance such as job-placement rates and placement wages. These expanded information services should be advertised through community organizations that have frequent contact with older persons, and the information should be available in an electronic form that is easily accessible by individuals and local community organizations.

Finally, the guidelines for identifying skill scarcities and mismatches need to be made more precise. The WIA proposes that workforce investments be guided by criteria such as "job vacancies" or "in-demand" jobs. These concepts, by themselves, are too vague to define the job quality, wage standards, and skill scarcity criteria that should be central to all workforce-development and job-placement efforts in the Commonwealth.

Recommendations on Assessment and Placement

- Use quantifiable criteria, such as whether wages and working conditions meet prevailing labor-market standards, how much training is required, and the permanence of employment prospects to determine which jobs should be the targets for training and placement efforts.

[11]Ambitious earnings' goals often invite programs to first serve those who are easiest to employ at the expense of those with the most severe employment handicaps. The Commission's recommendations on program evaluation are intended to prevent such "creaming" in the selection of program participants.

- Adopt job-development and job-placement standards for all publicly supported occupational education, skill training, on-the-job training programs, and approved training programs for persons receiving extended unemployment benefits based upon the goal that participants be employed in jobs that pay at least 85% of their previous earnings, or in which pay is equal to at least 50% of the median family income in the Commonwealth, whichever is greater.
- Adopt rigorous standards of accomplishment and competency for pre-vocational programs, such as basic literacy and GED preparation.
- Offer intensive assessment to all Workforce Investment Act participants, unemployment insurance recipients, and other job seekers who are "at risk" because they are unlikely to be able to obtain employment that pays at least 85% of the earnings of their previous jobs, or that results in an annual full-time income equal to at least 50% of the median family income in the Commonwealth, whichever is greater.
- Ensure that all unemployment insurance recipients receive intensive employability assessment and that those who are "at risk" of not being able to earn 85% of the wages on their prior jobs or 50% of the Massachusetts median income, whichever is greater, are clearly informed of opportunities for extended benefits under the provisions of Sec. 30 of the unemployment insurance system. Sufficient time must be provided to apply for such benefits and assistance must be available for completing the application process.
- Require One-Stop Centers to conduct annual surveys to identify all education, training, and employability support service opportunities in their service areas.
- Require One-Stop Centers to provide information on program size, costs, participant characteristics, and program performance to applicants.
- Use the One-Stop Centers to determine whether older workers have special support- service needs, such as community-based work and family counseling, and to identify the availability of such programs in the community.
- Create a technical assistance capacity in One-Stop Centers for identifying "best practice" experience among employment assistance programs for older workers and for disseminating this information to local providers of employment and training services.
- Require that One-Stop Centers establish web-sites with comprehensive program data that are updated annually and job openings data that are updated at least weekly.

Building a System of Lifelong Training and Education "Ladders"

The Commission's vision is that the current patchwork of occupational education and training programs be replaced by a "seamless" human resources development system that will give participants continuous access to learning and skill-upgrading

opportunities. Continuous or "lifelong" learning has traditionally been viewed as a mechanism for updating skills in an economy with a rapidly changing job structure (Marshall & Tucker, 1993). The Commission is expanding this concept to include reducing the labor-market scarcities and mismatches that restrain employment growth and providing stronger earnings' incentives for keeping older workers in the labor market.

All publicly funded occupational education and training programs must become part of an integrated system of workforce development "ladders." This system should allow workers to start on an entry "rung" commensurate with their needs and abilities and then build their skills and improve their earnings by moving from one training rung to the next. Because older workers have such different needs and work experience, it is particularly important that participants be able to combine programs in different ways over time.

There are three principal components of this ladder system: (1) adult basic education, (2) short-term skill training, and (3) advanced skill training and occupational education. Adult basic education programs have been increasing in recent years, but there are still over 200,000 older persons (45-69) in Massachusetts who currently lack a diploma or GED certificate.[12] More needs to be done to upgrade the literacy and math skills of this disadvantaged group, and better linkages need to be built between adult basic education and other education and training programs.

Short-term skill training has been provided mainly by JTPA programs. However, only a small fraction of eligible older workers are served by JTPA. This problem is likely to grow worse when special funding for older worker training is eliminated under the WIA. Older workers have received their fair share of services under Title III programs for dislocated workers. However, disadvantaged older workers are substantially underrepresented in Title IIA programs for adults and those that do participate are less likely to receive as intensive assessment or as much training as younger workers. The new Workforce Training Fund provides additional opportunities for serving older workers who have jobs, and there is a statutory requirement for serving low-wage, low-skill workers.

Community colleges and other post-secondary occupational education and training schools constitute the highest rung of the workforce development system. These schools are particularly important because they are the main providers of longer-term programs in intermediate and advanced skills for adults through both non-degree and associate degree programs. Some community colleges also operate One-Stop Centers and offer adult basic education programs.

The occupational education programs of community colleges in Massachusetts have not been systematically evaluated, but both national and Massachusetts studies show that each year of attendance at a community college can improve earnings by about 7% to 8% (Kane & Rouse, 1995;

[12]This estimate is based on the findings of the February and March 1998 CPS household surveys for Massachusetts.

Sum et al., 1998). The Commission heard testimony that community colleges are moving in the direction of serving more older adults, and are also developing creative ways of linking basic education and literacy training with vocational skills. This trend towards meeting the long-term education and skill needs of older workers in Massachusetts needs to be reinforced, and efforts to address the critical staffing problems of employers need to be further enhanced in the context of reforming the Commonwealth's human resources investment system.

Recommendations on Occupational Education and Training

- Expand the five-year statewide comprehensive strategic planning process under the WIA to include all major occupational education and training programs. The goal should be to create a fully integrated workforce development system to coordinate programs operated under the WIA and the Wagner-Peyser Act, the Workforce Training Fund, adult basic education, occupational education provided by community colleges, training under the Transitional Assistance Program for welfare recipients, and training supported by the Social Security system.
- Develop uniform oversight procedures and incentives to ensure that all organizations receiving federal and state funding for skills training, occupational education, or work experience activities for older workers coordinate these programs with skills training and work experience provided through adult skills training programs under the WIA, the Workforce Training Fund, and other statutorily supported training programs.
- Require that the training and employment services offered by the different providers in this integrated system respond fully to the needs identified by the employability assessment process.
- Ensure that older workers receive the same opportunities for training as younger workers by training staff to facilitate the enrollment of older workers in workforce development programs, by monitoring the levels of service provided to older workers, and by conducting regular "client satisfaction" interviews with older program participants.
- Authorize changes in administrative rules and procedures to encourage persons eligible for extended unemployment to enroll in approved skills-training and occupational education programs and require that such programs be approved as allowable training activities even if the overall length of the program exceeds the current 18 months, if such additional training is necessary to secure re-employment at comparable wages.

Employers, Unions, and Workplace Training

On-the-job training and union apprenticeship programs are an important complement to classroom training and occupational education. The magnitude of employer-based training is substantial, and

it offers high economic payoffs to workers (Frazis, et al. 1998; Heckman, 1999; Lynch, 1994). Older workers, however, are underrepresented in employer-based training programs nationally (Frazis, et al. 1998) and they represent less than 3% of the some 5,000 apprentices registered with the Massachusetts Division of Apprenticeship training.

Emerging labor scarcities are likely to encourage more workplace training of older workers, but the possibility that trained workers may change jobs or retire before employers can realize the benefits of this training will continue to be a deterrent to workplace training. Public funding of on-the-job training and cooperative programs with other public training programs can strengthen employer incentives for workplace training.

Workplace training can also be enhanced through public funding of technical assistance to employers. Technical assistance should be targeted to those employers who are most at risk from labor scarcities and skill mismatches and who have the least capacity to provide training. One such group is the smallest private-sector firms. National data show that firms with 50 or fewer employees employ a disproportionately large share of the older workforce (Sum & Fogg, 1990) and are at greater risk of failure than larger firms (Brown, Hamilton, & Medoff, 1990). In Massachusetts, these small firms account for over one third of all jobs (DET, 1998) and a special tabulation of data from a U.S. Bureau of Labor Statistics survey shows that such firms are 28% less likely to offer formal training than are larger firms (Massachusetts Institute for a New Commonwealth, 2000). A second group of at-risk employers are in the social services and business/personal services sectors, where significant labor-market mismatches are likely (Research Brief #8, 1998).

The Commission strongly favors expanding incumbent worker programs, such as those provided under the Commonwealth's new Workforce Training Fund, as a means of providing greater employer training incentives and a stronger workplace training capacity in Massachusetts.[13] Workplace training programs are critical for reaching the large pool of older workers who are working, but underemployed, and in anticipating the skill needs of the roughly 25% of the older workforce that is at risk of permanent dislocation and lower earnings in the coming decade (see Table 11).

The Workforce Training Fund, however, is currently limited to private-sector employers who are covered by the unemployment insurance system. Older workers account for 43% of all public-sector employees in the state (1995), compared to fewer than 30% of private-sector employees. Legislation will be needed to provide counterpart programs for incumbent employees in the public sector.

Recommendations for Workplace Training

- Educate employers and unions about the severe labor-market mismatches and supply deficits emerging in the Massachusetts economy and encourage them to increase their human resources development efforts, particularly for older workers.
- Provide incentives and technical assistance to expand outreach programs and partnerships between the public workforce development system and employers and unions to better meet the employment and training needs of older workers.
- Target training and technical assistance resources under the state Workforce Training Fund to employers most in need of building their training capacity, such as those with 50 or fewer employees.
- Ensure that low-wage, low-skilled workers are recognized as a priority group for service in determining which programs are funded under the state Workforce Training Fund.
- Designate set-aside funding for training initiatives involving employers and/or labor organizations that cut across the JTPA and the WIA regional Service Delivery Areas.
- Request that employers provide an assessment of the training and development needs of their employees, as well as their firms, as part of the application for support under the state's Workforce Training Fund.
- Support the enactment of legislation to provide training and technical assistance in state and municipal government workplaces comparable to that available to private-sector workers under the Workforce Training Fund.

Supported Work Experience

The Senior Community Service Employment Program is one of the largest employment and training programs in the state that serves workers 55 and over. In recent years, it has provided over 1,300 subsidized work opportunities for persons 55 and older with incomes below 125% of the poverty line. While there has been nominal coordination between SCSEP programs and the JTPA system in the Commonwealth, coordination is limited because many of the job slots are controlled by national contractors without strong ties to JTPA programs in Massachusetts. Inadequate coordination has resulted in too infrequent pairing of work experience opportunities with training or other forms of assistance to help participants gain unsubsidized employment. Because of this lack of emphasis on the transition to unsubsidized employment, some SCSEP participants remain in supported work for long periods of time.

Recommendations for Supported Work Experience

- Use the work experience slots under SCSEP as an on-the-job training component for workforce development and integrate work experience with other skill training programs.

13 See also Appendix III containing the Commission's recommendations for improving the Workforce Training Fund.

- Encourage SCSEP work-experience programs to provide transitional employment experience in order to limit the period of time that individual participants remain in subsidized employment.

Strengthening State Leadership in Planning, Coordination, and Oversight

Coordination of fragmented and incompatible employment and training programs has been a goal of every major piece of federal employment and training legislation for over 25 years, yet it has never been achieved. While statute or administrative practice in Massachusetts has often required coordination among these programs, and formal coordinating mechanisms are often in place, meaningful coordination has been minimal. Improved coordination is promised once more under the new Workforce Investment Act, but may again prove to be an elusive goal unless decisive administrative steps are taken to make it work.

Even though the WIA consolidates some programs and strengthens the planning and technical assistance function at the state level, there continue to be funding and eligibility distinctions between training programs for disadvantaged workers and those earmarked for dislocated workers. Other important pieces of the employment and training system – the SCSEP program, transitional training assistance for welfare recipients, adult basic education, vocational rehabilitation, occupational education offered through community colleges, and incumbent worker training under the Workforce Training Fund –remain outside of the WIA planning umbrella. The resulting patchwork of programs – serving different clienteles, meeting different needs, located in different agencies, and funded under different legislative authorizations – makes it difficult to assemble the kind of coherent and ongoing packages of services that are an essential feature of the integrated workforce development system advocated by the Commission.

The Commission is well aware that one more mandate for coordination runs the risk of being ignored or, worse yet, buried in bureaucratic procedure. Nevertheless, the need for effective coordination is becoming even more urgent as the Commonwealth's workforce ages and its labor scarcities become more severe. The tradition of independent program territories with inconsistent priorities, incompatibilities in eligibility, and uneven standards of accountability is not working to the full advantage of the Massachusetts economy or its older workforce.

The new WIA, with its requirement for effective state-level planning, coordination, and monitoring, represents a good model for a comprehensive statewide workforce development system. The Commission recommends that this WIA planning mechanism be broadened to include responsibility for setting policies, coordinating program activities, and overseeing the performance of all publicly funded workforce development programs in the Commonwealth. The WIA planning mechanism will ensure that all programs operate with a common set of plan-

ning goals, assessment procedures, and performance standards. It would also harmonize training and occupational education curricula and reduce incompatibilities in program eligibility so that participants could more easily gain access to lifelong learning opportunities.

The Board should have sufficient staff resources to conduct regional and sectoral analyses to inform the state-level planning process of trends in the industry and occupational employment structure, skill mismatches, emerging training needs, and education and skill levels of the existing workforce. This staff should have the professional competence to analyze labor market research, interpret national and state program evaluations, and develop program and policy recommendations to guide the work of the Board in setting effective workforce development policy.

Recommendations on Planning, Coordination, and Oversight

- Establish an adequately staffed Workforce Investment Board to plan for, implement, and monitor the Commission's recommendations.
- Require this Board to develop uniform oversight procedures for coordinating and evaluating all publicly funded workforce training programs in the Commonwealth, including adult skills training for older workers, adult basic education, incumbent worker training, supported work experience, training for welfare recipients, and advanced skills training and occupational education provided through community colleges.
- Appoint to this Board one or more members who have an in-depth knowledge of older worker employment issues to identify special service needs of older workers and to identify special barriers to the successful upgrading of older workers.
- Designate a single, high-level executive in state government to be responsible for implementing Workforce Investment Board policies.
- Create a Massachusetts "21st Century Workforce Development Commission" to monitor how technological change, workforce demographics, and other structural changes are affecting the Massachusetts economy and its workforce development system. A standing advisory committee on older worker issues should be established within this Commission.

Coordination and Delivery of Services at the Regional Level

Counterpart comprehensive planning and coordination capabilities must also be established at the regional level within the state. Massachusetts has long operated under a system of Regional Employment Boards responsible for the planning and delivery of JTPA services in 16 Service Delivery Areas. This local planning structure will be continued under WIA through local Workforce Investment Boards.

The strengths of a decentralized system like this are its familiarity with local employment and training needs, its potential for

hands-on coordination of diverse local-service providers, and its ability to hold these local-service providers accountable for their performance. In practice, however, the resources needed to support local program planning, coordination, and monitoring activities have never been provided to the Regional Employment Boards.

WIA extends the logic of decentralization one step further by allowing individual participants to develop their own customized assistance plans by using training vouchers. Shifting responsibility for choosing training programs from regional employment boards to individual participants has the potential for improving the match between training needs and training services and could also make service providers more accountable to the "market" for training. However, it also means that participants must be well informed about the content and effectiveness of different program options. WIA assigns responsibility for these increased needs for information, coordination, and accountability to local One-Stop career centers.

The Commission endorses this concept of a One-Stop service delivery system at the local level and recommends that this system be extended to provide workers with information, monitoring, and coordination services covering all publicly funded workforce development programs at the local level. However, the Commission is concerned that there may not initially be enough Centers to meet the needs of an expanded workforce development system, that the effectiveness of the existing centers in Massachusetts has not yet been established, and that employers and workers most in need may not have adequate access to services. Until sufficient One-Stop Centers are established to serve the older worker population in need of employment and training services, and their efficacy has been demonstrated, other community-based organizations should be funded to provide such services.

Recommendations for the Coordination and Delivery of Services at the Local Level

- Establish local workforce investment boards that can undertake the same degree of comprehensive planning as recommended for the state-level Workforce Investment Board and provide these local boards with sufficient resources to accomplish this goal.
- Require these local boards to develop uniform planning and oversight procedures for coordinating all publicly funded workforce training programs within their planning areas.
- Appoint one or more members to these local boards who have in-depth knowledge of older worker employment issues to identify special service needs and barriers to the successful upgrading of older workers.
- Complete the planned network of One-Stop Centers throughout the state and determine whether or not additional centers will be required.

- Use community-based organizations and other placement organizations to supplement the One-Stop system until it is fully implemented and its effectiveness has been demonstrated, particularly with respect to serving low income communities.

Improving Program Performance Through Accountability and Learning

The Commission has found an unfortunate lack of information about what workforce development programs have accomplished, both in the Commonwealth and nationally, in terms of long-term improvement in the employment and earnings of older workers. Even less is known about the contributions that training has made to meeting employers' skill needs.

JTPA programs report relatively complete information on the immediate post-program experience of participants, but follow-up data are more spotty and are limited to a 13-week period after training. Most of the Commonwealth's other workforce development programs are not as systematically evaluated, and those that are evaluated often use inconsistent measures of performance, which makes comparisons difficult. The types of evaluations that might provide insights into the strengths and weaknesses of specific programs, such as in-depth process evaluations and impact reviews, are rarely conducted. On balance, there is no systematic means for translating the large body of program experience in Massachusetts into useful lessons for improving future programs.

One example of how the absence of evaluations can stand in the way of improving program quality is the initial development of the 8 "official" and 6 "unofficial" One-Stop Career Centers in Massachusetts. These centers were operated by very different types of organizations – community colleges, community-based organizations, state and local government agencies, and for-profit firms – and they served somewhat different clienteles. This diversity of organizations, participants, and local labor-market conditions provided a unique opportunity for assessing what works best and why. However, little uniform assessment information was collected, and there is no systematic way to use the early experience of the One-Stops to guide the design of the remaining centers mandated by the Workforce Investment Act.

The WIA calls for a number of new and more comprehensive data collection efforts, including at least 6 to 12 months of follow-up data on the employment and earnings' experiences of program participants. Wage records from the unemployment insurance system are to be the basis for these future follow-up efforts, which should lower follow-up costs and improve reliability. In addition, WIA requires more comprehensive measures of program performance, including participant and employer satisfaction ratings, to be developed for One-Stop centers.

The Commission believes these new performance indicators should be expanded to include sufficiently detailed information to identify the value-added contribution of specific types of program interventions. The key performance indicators should measure the wage and earnings

improvement of participants and the extent to which placements are meeting bona fide skill scarcities in the economy.

It is also important to track performance over the long term to ensure that initial successes are sustained and that earnings' gains that take a longer time to achieve get reflected in the performance data. The wage record evaluations required under the WIA should be extended to include one-year and two-year follow-ups, especially for the more intensive and costly programs. Participant and employer satisfaction surveys should also be conducted at the same intervals. These quantitative performance indicators should be supplemented each year by in-depth process evaluations of a representative sample of programs in order to diagnose strengths and weaknesses of specific program interventions and delivery systems.

The Commission further recommends that these WIA evaluation procedures be required of all other major employment, training, and occupational education programs that receive federal or state funding. Such evaluation is a key input into the comprehensive program planning and coordination system that the Commission is recommending for workforce development in the Commonwealth.

Because sound evaluations require objective reporting of information, freedom from political influence and, most importantly, preservation of the confidentiality of information provided by participants and program administrators, the Commission recommends that the evaluation process be conducted by an independent research organization and that it be subject to established federal government procedures for ensuring the protection of human subjects.

Finally, research and demonstration has been an important element in improving the design of employment and training programs. The earliest federal training programs under the Area Redevelopment Act of 1961 and the Manpower Development and Training Act of 1962 supported active R & D programs, as did the Ford Foundation's "gray areas" program that provided the blueprints for many of today's workforce development programs. Provision for demonstration programs continues under the WIA. It is important that the Commonwealth tap WIA funds to develop and test innovative programs that are tailored to the needs of the Massachusetts economy and develop counterpart funding for demonstration programs for other types of publicly funded workforce development programs.

Recommendations for Improving Program Accountability and Performance

- Devise a common management information system incorporating detailed demographic and socioeconomic characteristics of participants, for all publicly funded employment and training programs for older workers in Massachusetts.
- Require that all programs document both the types and the intensity of services

received by program participants, including weeks and hours of program participation in each component, modeled after the management information system that has been required under JTPA.

- Develop performance indicators that measure success in improving the economic status of participants in terms of wages and earnings as well as employment. Correlate these performance indicators with the characteristics of participants and the intensity of services to estimate the degree of economic improvement relative to the severity of employment barriers.

- Develop counterpart indicators to measure the extent to which programs are addressing labor scarcities and skill mismatches through employer surveys and the analysis of the industrial and occupational characteristics of job placements.

- Adopt performance standards for certifying WIA training programs, for approving training programs for persons receiving extended unemployment insurance benefits, and for evaluating the performance of all other publicly supported training programs based upon the goal that clients be employed in jobs that pay at least 85% of previous earnings, or in which pay is equal to at least 50% of the median family income in the Commonwealth, whichever is greater.

- Provide incentives to programs to serve persons with the most serious obstacles to employment and employers with the most serious skill scarcities.

- Establish an independent evaluation program, incorporating federal standards for maintaining confidentiality of information on individuals, to conduct long-term assessments of how well workforce development programs are performing. This evaluation should be based on both the income improvements achieved for older workers and success in meeting critical skill scarcities. Follow-up should rely upon both unemployment insurance wage records and direct surveys of participants and employers. These follow-ups should be conducted at intervals of three months, six months, one year, and two years.

- Conduct regular process evaluations of a representative cross section of programs.

- Provide incentives for building linkages between programs, such as public-private partnerships and programs that combine basic education with vocational preparation.

- Create set-aside funding at the state level for research and demonstration programs to address labor-market mismatches through the training of older workers.

Resources and Priorities

For the first time in the post-war period, the Commonwealth is facing widespread labor scarcities that could seriously hobble economic growth over the next decade. Unutilized and under-employed older workers, many of whom are in need of new skills, represent the largest labor reserve available to the Commonwealth to close the labor supply gap.

Tapping this reserve, however, will require substantial additional investments in workforce development to correct skill mismatches and provide stronger incentives to older persons to remain in the workforce. Part of the resources for meeting the Commonwealth's workforce development needs can come from using existing federal and state workforce development funds more effectively. A second source is to tap into available funding that is underutilized.

For example, the trust fund that supports extended unemployment benefits for unemployed workers who attend training programs has been growing as the economy has prospered and state data show that such training programs have generally been effective (Leonard, 1989). However, only about 2% of those who are eligible for such benefits in Massachusetts participate in this program. Similarly, there are underutilized training funds available through the Supplemental Security Income (SSI) program and through transitional assistance programs for welfare recipients that could be used to supplement JTPA funds for skills training and occupational education for those eligible for such programs.

The reasons for these low rates of utilization are not known, but possible factors include a low demand for training by workers, inadequate information about the programs, or some administrative obstacle. Testimony before the Commission suggested that a combination of lack of information about programs and conflicting policy objectives may be the cause. For example, encouraging unemployed workers to take advantage of extended unemployment insurance benefits could conflict with the objective of keeping unemployment insurance payroll taxes from increasing. Whatever the reasons, the Commission recommends that these programs be more aggressively promoted and that any unnecessary administrative barriers to their utilization be eliminated.

Even after these steps are taken, however, additional funds will be needed to fill in program gaps, harmonize eligibility criteria, provide more intensive workforce development services for those in need, and overcome the labor supply deficit. For example, approximately 40,000 to 50,000 additional workers a year over the next five years will have to be made job-ready if the projected shortfall in labor supply is to be avoided. Many of these workers will have to be persons 45 or older. Under the optimistic assumption that only about half of these workers will require intensive employability and upgrading services, and that these services can be provided at an average cost of $5,000 per person, at least $100 million a year in new funding will be required to finance this effort. These estimates represent a more than doubling of the number of adults served by JTPA training programs in recent years and a four-fold increase in the level of financial support provided under JTPA.

These increases are not unrealistic, provided they are shared among all the different employment and training institutions in the Commonwealth. One of the largest contributors must be the community col-

lege system, which is already slated for budget increases to expand long-term education services. Other contributions to this effort will have to come from WIA, Massachusetts' new Workforce Training Fund, adult basic education programs, and transitional assistance programs for welfare recipients. The employer community and organized labor must also increase their workforce development efforts, particularly for older workers, and higher-income workers must be expected to partially pay for training services through income-tested payments and tuition loans. Should this needed expansion of the work force development system not be fully achieved, the Commission feels strongly that the highest priority for the system is to serve those low-income persons who are most in need and able to benefit from job training programs.

Recommendations on Resources and Priorities

- Provide sufficient supplemental state funding to meet the labor market scarcities and skill mismatches of the Massachusetts economy.
- Provide sufficient supplemental state funding to harmonize eligibility criteria among employment and training programs operated under different legislative authorizations.
- Develop a sliding scale of fees for employment and training services based on ability to pay, with those most in need receiving services without charge.
- Use state-level planning and coordination mechanisms to ensure that older workers receive their proportionate share of training resources.
- Give priority to serving those with the lowest incomes and most serious barriers to employment, if resources prove insufficient to close the Commonwealth's employment and training gap.

Ensuring a Level Playing Field

Better workforce development programs and stronger work incentives will go a long way toward addressing the Commonwealth's labor scarcities. However, ensuring that the potential contributions of older workers are fully realized and that older workers receive a fair share of the benefits from growth also requires equality of labor market opportunity. This has not always been the case.

Both the Commission's focus groups and national surveys report that employers are often concerned about the capacity of older workers to learn new skills and adapt to the changing requirements of jobs and that their older employees receive less training than their younger employees. Older workers also report encountering widespread prejudice in the job market, with older women experiencing the double jeopardy of age and gender stereotypes. This is consistent with age discrimination accounting for roughly one in five complaints filed nationally with the Equal Employment Opportunity Commission and 13% of

those filed with the Massachusetts Commission Against Discrimination (Bureau of National Affairs, 1999; Massachusetts Commission Against Discrimination, Annual Report, 1997).

Whether the cause is intentional age discrimination or uninformed stereotyping, employers' attitudes towards older workers must change if these barriers to employment and training are to come down. Employers are gradually recognizing that older workers are motivated to acquire new skills, and there is evidence that more and more older workers are using new technologies at work. However, there is still much room for improvement if the Massachusetts economy is to fully utilize its older workforce. Improving the Commonwealth's workforce development system will have little effect if employers fail to act affirmatively to remove any obstacles to the employment of older workers.

Promoting Work Incentives

A key goal of the Commission's recommendations is for the Commonwealth's workforce development system to improve the skills, productivity, and incomes of older workers. Employers will also benefit from the availability of a better-trained workforce, and the stronger work incentives from higher wages will contribute to the solvency of Medicare and Social Security by lengthening working lives.

Hand in hand with stronger work incentives is the need to address disincentives to working. Primary among these are the earnings' limitations and high marginal tax rates on the earned incomes of certain retirees under the Social Security system. Social Security benefits are currently not taxed for persons between 62 and 65 who earn less than $10,080 and for persons 65 to 70 who earn less than $17,000.[14] Social Security benefits for persons with income in excess of these earnings thresholds are reduced at a 50% rate (that is, a $1 reduction in benefits for every $2 of earned income) if they are between 62 and 65 and at a 33% rate for those 65 to 70.

These high marginal tax rates on earnings are both financial and psychological impediments to older people who wish to continue to work. Their disincentive effects fall most heavily on persons 62 to

[14]Social Security recipients over 70 are not subject to earnings' limitations.

65, the group who might otherwise be most likely to defer retirement.

The recent Work Incentives Improvement Act of 1999 represents one step towards improving work incentives by allowing persons receiving disability benefits under Social Security to return to work without losing their health insurance benefits. A second improvement is the small reduction in tax disincentives that is already scheduled to occur under Social Security. However, fully eliminating the earnings' limit would be a major step in reinforcing the work incentives of older workers, as would making Medicare coverage an option for older persons who remain employed. These policy changes will have to occur at the federal level, but the Commission urges all citizens of the Commonwealth to support these reforms by contacting their congressional delegates.

Making Massachusetts the "Workforce Development State"

Massachusetts already has a well-deserved reputation for being the "education" state. However, education alone cannot assure economic prosperity. It must be joined with a larger and more effective investment in workforce development than the Commonwealth has made in the past.

The Commission's recommendations provide action guidelines that each of the major stakeholders in the economy – employers, unions, governments, education and training organizations, and informed citizens – must take to ensure that this investment is made. The Commission hopes that the facts and ideas presented in this report will focus policy debate on how to reform and enrich the Commonwealth's workforce development system so that the Commonwealth's record of economic growth will continue unabated into the next decade.

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Appendix I

RESEARCH REPORTS AND BRIEFS

Research Reports prepared by the Center for Labor Market Studies, Northeastern University

1. Recent Trends in the Labor Force Behavior and Employment Status of Older Persons 45-69) in Massachusetts and New England, March 1997.
2. Recent and Projected Trends in the Older Worker Population of Massachusetts: A Demographic Assessment, September 1997.
3. Trends in the Labor Force Behavior of Older Workers in Massachusetts, September 1997.
4. The Labor Force Behavior of Massachusetts' Older Worker Population: An Assessment of Recent Trends and Future Projections, October 1997.
5. The Declining Labor Force Attachment of Older Males in Massachusetts and the U.S.: Implications for Poverty/Near Poverty Problems, the Income Transfer System, and Future Workforce Development Policy, December 1997.
6. The Income Inadequacy Problems of the Older Worker Population in Massachusetts: An Assessment of Recent Trends and Their Implications for Future Workforce Development Policy, December 1997.
7. The Older Worker and the Changing Industrial and Occupational Structure of Employment in Massachusetts, January 1998.
8. The Older Worker Population of Massachusetts and Its Labor Force Behavior and Labor Market Problems in the 1990s, March 1998.
9. Estimating the Potential Universe of Need for Employment and Training Services Among Older Persons in Massachusetts, July 1998.
10. The Labor Force Behavior of the Massachusetts Older Worker Population in the Current Labor Force Boom: Implications for Future Workforce Development Policy, August 1998.
11. The Real Incomes of Older Families in Massachusetts, 1979-1996: Trends in their Levels and Distributions, September 1998.
12. The Older Worker Population's Participation in JTPA Training and Employment Programs During FY97 in Massachusetts and the U.S.: A Comparative Analysis, September 1998.
13. Trends in Earnings Levels and Earnings Inequality Among Older Workers in the U.S. and Massachusetts, December 1998.

Research Report prepared by the Gerontology Institute, University of Massachusetts Boston

14. Older Workers' Perceptions of Training, Job Search, and Employment, January 1999.

Research Briefs prepared by the Center for Labor Market Studies, Northeastern University

1. Problems of Dislocation Among Older Workers (45+) in New England, March 1997.
2. The Unutilized and Underutilized Older Worker Population in New England and Massachusetts, March 1997.
3. Older Workers and the Growth of the New England and Massachusetts Labor Force, March 1998.

4. A Note on Labor Force Concepts and Data Sources, 1998.

5. A Note on Data Sources and Definitions, 1998.

6. A Summary of Recent and Projected Trends in the Older Worker Population of Massachusetts, March 1998.

7. Updates of Older Worker Universe of Need Estimates by Gender, September 1998.

8. Identification of Potential Mismatch Industries for the Report of the Blue Ribbon Commission, December 1998.

9. Dislocation Rates and the Re-employment Experiences of Dislocated Older Workers in New England, December 1998.

10. The Older Worker Labor Force in Massachusetts: Past, Current and Projected Trends, December 1998.

11. The Aging of the Massachusetts Work Force, Expanded Massachusetts Benchmarks Article, December 1998.

12. Replacement Wage Ratios for Re-employed Dislocated Workers in Massachusetts, PY 93 to PY 96, December 22, 1998.

13. Evaluating Future Employment and Training Programs for Older Workers: A Review of the Potential Uses of the UI Wage Records for Program Evaluation, December 1998.

14. Estimating the Number of Older Persons (45-69) in Massachusetts with Family Incomes Below Specific Income Thresholds, January 1999.

15. Projected Labor Shortages and Skill Mismatches in Massachusetts, 1995-2006, January 1999.

16. Trends in the Real Incomes of All Families and Older Families in Massachusetts, 1979 to the Mid 1990s, January 1999.

17. Income Inadequacy Problems Among the Older Worker Population in Massachusetts, December 1998.

18. Another Look at the Multiple Labor Market Problems of Older and Younger Workers in the State, January 1999.

19. Implications of the Findings on Rising Income Inequality for Future Economic and Workforce Development Policy in Massachusetts, January 1999.

20. Employment and Training Services to Older Workers Under the JTPA System in Massachusetts, January 1999.

21. Unemployment Problems of Older Workers in Massachusetts, January 1999.

Appendix II

Meetings and Hearings

February 14, 1997

Lt. Governor Argeo Paul Cellucci invites representatives from business, labor, and the academy to become members of the Blue Ribbon Commission on Older Workers

June 3, 1997

First meeting of the Blue Ribbon Commission on Older Workers at John F. Kennedy School of Government, Harvard University

July 30, 1997

Employer Roundtable Meeting at One Ashburton Place, Boston

September 23, 1997

Blue Ribbon Commission on Older Workers meeting at Division of Employment and Training

March 4, 1998

Blue Ribbon Commission on Older Workers meeting at Division of Employment and Training. Presentation on the Commonwealth's Workforce Development System; speakers included Jonathan Raymond, Deputy Director, Workforce Development, Department of Labor and Work Development; Erin Flynn, Assistant Director, Jewish Vocational Services; Robert Bickerton, Administrator, Adult and Community Learning Services, Department of Education; Janice Motta, Executive Director, Executive Office of Community Colleges; William Jackson, State Program Manager, Elder Service Corp, Executive Office of Elder Affairs; and Jim Ewen, Executive Director, Franklin County Home Care Corporation

April 17, 1998

Blue Ribbon Commission on Older Workers meeting at Division of Employment and Training

May 12, 1998

University of Massachusetts Boston Gerontology Institute Focus Group with older workers in Lawrence

May 20, 1998

Haverhill Older Worker Town Hall Meeting with members from the Blue Ribbon Commission on Older Workers

June 3, 1998

Blue Ribbon Commission on Older Workers meeting at Division of Employment and Training

June 23, 1998

University of Massachusetts Boston Gerontology Institute Focus Group with older workers in Greenfield

July 1, 1998

University of Massachusetts Boston Gerontology Institute Focus Group with older workers in Springfield

July 2, 1998

University of Massachusetts Boston Gerontology Institute Focus Group with older workers in Boston

July 29, 1998

Blue Ribbon Commission on Older Workers meeting at Division of Employment and Training

August 11, 1998

University of Massachusetts Gerontology Institute Focus Group with older workers in New Bedford

September 3, 1998

Blue Ribbon Commission on Older Workers meeting at Division of Employment and Training

October 15, 1998

Blue Ribbon Commission on Older Workers meeting at Division of Employment and Training. Discussion on Section 30 of the Unemployment Insurance Law, which provides for extended unemployment insurance benefits for persons in approved training programs, and the new Massachusetts Workforce Training Fund; Susan McKelliget, Chief of Staff Policy Director.

October 27, 1998

Blue Ribbon Commission on Older Workers meeting at Division of Employment and Training

November 10, 1998

Blue Ribbon Commission on Older Workers meeting at Division of Employment and Training

February 10, 1999

Blue Ribbon Commission on Older Workers meeting at Division of Employment and Training

July 29, 1999

Blue Ribbon Commission on Older Workers meeting at Division of Employment and Training

December 15, 1999

Blue Ribbon Commission on Older Workers meeting at Federal Reserve Bank, Boston

Appendix III

Blue Ribbon Commission Recommendations on the Workforce Training Fund

The following recommendations of the Blue Ribbon Commission for the regulations governing the Workforce Training Fund were transmitted to Edward J. Santella, Esq., the Assistant Chief Counsel for the Massachusetts Division of Employment and Training, on November 10, 1998.

Dear Mr. Santella:

The Blue Ribbon Commission on Older Workers was appointed in 1997. Its mandate is to conduct a review of the current status of older workers in the Commonwealth; to analyze employment, training, and other policies that affect such workers; and to make recommendations for improving these policies.

One of our major findings is that the future prosperity of the Massachusetts economy is highly dependent on the Commonwealth's ability to fully utilize workers 45 and older. This means that both our employers and our public training organizations must do a better job of training and developing the older labor force than they have in the past.

The current boom in the Massachusetts economy is threatened by a growing scarcity of labor. Our labor supply has grown only 1% since 1990, a rate that places the Commonwealth 47th in the nation and far behind the other industrial states with which we compete. At the same time, our workforce is aging rapidly. Thirty percent of the labor force is now over 45 and this fraction is projected to rise to 38% by the year 2010. The combination of job growth in newer industries that have above average concentrations of younger workers and the dramatic aging of the workforce will produce unprecedented labor market mismatches early in the next century, unless major new investments are made in workforce training and development.

Workers 45 and older represent the largest pool of underutilized workers in the Commonwealth. Commission estimates show that there are almost 190,000 workers over age 45 who are unemployed, underemployed, or who have prematurely withdrawn from the labor market. This group of workers constitutes an experienced labor reserve equivalent to over 6% of the Massachusetts labor force. If the skills of these older workers can be further developed, they could help substantially to offset the projected labor scarcities.

The new Workforce Training Fund can make a particularly important contribution to alleviating labor scarcities and mismatches in the Commonwealth over the next decade by ensuring that older workers are fully included in workforce development initiatives of employers, unions, and business associations. Almost 30% of underutilized workers 45 and older are currently employed and, therefore, eligible for employment and training services through the Fund's programs. About one

third of currently employed workers 45 and older are also a likely target for Fund services because they are at risk of layoff, and of the large earnings losses that inevitably accompany the displacement of older workers.

Despite the importance of training and upgrading the older labor force, this group has often not received an appropriate share of training resources. Recent government surveys have found that private sector training neglects the older worker. Among a national sample of employers, for example, only about half of workers 55 and older received private sector training, compared to an average of 70% for all employees. A similar pattern is found in pubic sector training in Massachusetts where only 3% of the older worker population in need of training is served under the Commonwealth's JTPA programs. A well-designed incumbent worker training program can simultaneously meet the training and development needs of older workers, provide employers with skilled and experienced labor, and alleviate the labor scarcities that are likely to constrain the future growth of the Massachusetts economy.

In order to help accomplish the central legislative goals of the new Workforce Training Fund – increasing the skills of low wage, low-skilled workers and creating or preserving jobs at wages sufficient to support a family – the Commission urges DET to incorporate the following recommendations into its program regulations:

Recommendation 1

Appoint one or more persons who have an in-depth knowledge of older worker employment issues to serve on the Workforce Training Fund Advisory Panel.

The training and retention of older workers must be a high priority if the Massachusetts economy is to continue to grow. The Commission has found that underemployed older workers are eager for training, but tapping their skills and experience often requires different approaches to human resources development from those that are suitable for younger workers. Having expertise in older workers employment and training issues represented on the Panel will provide an important voice for shaping training and technical assistance efforts for employers with aging workforces. This can best be accomplished by amending the definition of the Workforce Training Fund Advisory Panel in Section 14.03 of the draft regulations to include a member knowledgeable about older worker employment issues.

Recommendation 2

Priority should be given to the support of programs that include a strong representation of workers 45 and older.

In a growing economy with almost no remaining labor reserves, underutilized workers over 45 must be a key element of any public training strategy. Such workers, however, have traditionally been underrep-

resented in private sector training efforts and have also been under-served by public training programs in the Commonwealth. Moreover, incumbent older workers are concentrated in the kinds of mature industries where continued employment is often at risk. Giving precedence to training and technical assistance in workplaces that employ a high proportion of older workers will provide an incentive to targeting resources where the need is greatest and where substantial benefits for the Commonwealth can be obtained. This recommendation can be accomplished by adding to the criteria for approval of grant applications in Section 14.07 of the draft regulations specific reference to the representation of workers 45 and older.

Recommendation 3

Ensure that training and technical assistance resources are made available to small employers most in need of building their training capacity by focusing on establishments with 50 or fewer employees.

The Workforce Training Fund legislation recognizes that there is a special need to strengthen the human resources development capacity of small businesses. This need is greatest in establishments with 50 or fewer employees. These establishments account for over 1 in 3 jobs in the Commonwealth, they are at a greater risk of downsizing and business closings than larger establishments, and they also employ a disproportionate number of workers over 45. This recommendation can be accomplished by amending part (f) of the criteria for approval of grant applications in Section 14.07 of the draft regulations to state that employers with 50 or fewer employees are the small businesses that most lack a training capacity.

Recommendation 4

Require that program applications provide information on the education levels and earnings of the employees to be trained, and on the extent of wage upgrading or job retention that will be achieved by the program

Information on the education levels of employees will help to ensure that program resources are directed towards workplaces that employ persons where the need for and benefits from training are large. Information on the wages received by employees to be trained, wages for the job classifications for which training will be provided, and on the prospects for the retention of trained workers will provide important indicators of the potential payoff to program investments. This recommendation can be accomplished by adding to Section 14.06 of the draft regulations the explicit requirement that applications for training grants include information on the education levels and earnings of the employees to be trained, and on the extent of wage upgrading or job retention that will be achieved by the program.

Recommendation 5

Require that employers conduct an assessment of the training and development needs of their employees, as well as of the training needs of their firms, as part of the application for support under the Workforce Training Fund.

The training needs of employers are often more narrow than those of their employees and may not emphasize longer-term development needs of workers. The Workforce Training Fund can provide important incentives to employers for enhancing the skills, productivity, and flexibility of incumbent workers beyond the level needed to meet short-term business needs. Including employee needs assessments as part of the application process, and as part of on-going training efforts, can help to ensure high quality workforce development. This recommendation can be accomplished by (1) adding to Section 14.06 of the draft regulations the explicit requirement that the applications for training grants include assessments of employee training and development needs, as well as of the training needs of the employer and (2) by amending Section 14.07 of the draft regulations to include the extent of employee and employer need as demonstrated by the needs assessment as a criterion to be considered in approving applications for training grants.

Recommendation 6

Devise a MIS system incorporating detailed data on the age, race, gender, education levels, and earnings of trainees that will allow the Commonwealth to accurately monitor the economic progress of both individuals and employers served under incumbent worker training programs. Require that all programs supported by the Workplace Training Fund contain provision for an independent long-term evaluation of program performance.

The Commission has found that there is an unfortunate lack of information on what JTPA training programs for older workers in the Commonwealth have accomplished. This information gap ranges from inadequate data on current program performance to the absence of measures of the long-term consequences of training. Without such information, it is difficult to determine what types of programs work best or to derive insights from current program experience that could be used to improve future programs. It is important to ensure at the outset of new Workforce Training Fund programs that this problem is eliminated by providing in advance for adequate management information systems and long-term evaluations of program performance. This recommendation will mean adding to Section 14.06 of the draft regulations the explicit requirement that the applications for training grants include provisions for supplying DET with the information needed to support this MIS system in a timely manner and for cooperating with an independent long-term evaluation of the program. An additional regulation will also be required stating that detailed monitor-

ing and independent long term program evaluations are required to give effect to the statutory obligation under Section 2RR (d) that the Commissioner shall file an annual report on training grants with the Joint Committee on Commerce and Labor and the House and Senate Committees on Ways and Means.

Recommendation 7

Take affirmative steps to encourage public sector and not-for-profit employers to apply for support under the Workforce Training Fund.

Analyses prepared for the Commission show that many older workers are employed in the public and not-for-profit sectors and that labor market mismatches are likely to affect a significant fraction of employers in these sectors in the future. Public sector employers and many smaller not-for-profits often have limited training capacity to deal with these mismatches and have been neglected as employers under JTPA programs. As with small establishments, the Commission urges that technical assistance and training support be used to build the training and workforce development capacities of such employers. This recommendation will require the amendment of Section 14.05 (1) of the draft regulations to expressly include public sector and not-for-profit employers.

Recommendation 8

Take affirmative steps to ensure that community-based organizations, community colleges, and business associations are aware that they are eligible to provide training and technical assistance services under the Workforce Training Funds.

Such organizations often have special training competencies in designing programs for older workers and other groups with special employment needs that may not be available to employers, and unions through more traditional education and training institutions. It is important that DET provide information to these organizations to facilitate tapping such strengths. This recommendation will require the amendment of Sections 14.05 (2) and 14.08 (1) of the draft regulations to expressly include community-based organizations, community colleges, and business associations as providers of technical assistance.

Respectfully submitted for the Blue Ribbon Commission on Older Workers,

John T. Dunlop, Chair

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