
Research Brief:

San Francisco's Aging Workforce

July 2004

Executive Summary

This report summarizes the impact of workforce aging on the availability of skilled workers in various occupations in San Francisco. It aims to provide local policy-makers and employers with an appreciation of the impact that aging will have on the ability of the city (and specific organizations) to meet its (and their) future workforce needs. The report also provides recommendations for navigating this difficult, yet inevitable, demographic shift.

Summary of Findings

- Older San Franciscans will be the fastest growing age group over the next twenty years and approximately 13% of San Francisco's workforce was 55 or older at the time of the last census – and will reach retirement age by 2010.
- The aging of the workforce will be particularly acute in education and health care:
 - School administrators, elementary, middle school, secondary school, and special education teachers tend to be older than average, and the small number of young teaching assistants will be problematic if not addressed.
 - Advanced health care occupations such as medical service managers, registered nurses, clinical lab techs, and LVNs also have older workforces, but the many young medical assistants and health support techs should provide relief if workers can advance from these more entry-level occupations.
- Workers in information technology and hospitality are relatively young – even in highly skilled occupations – and the abundance of young workers in entry-level jobs should more than fill any openings arising from retirement.
- The office administration, building trades, and social service sectors could experience worker shortages from the near-term retirement of some of their more advanced workers if younger workers in these fields are not recruited and trained to advance.

Workforce Development Policy Responses

1. Young worker attraction, particularly to education and health careers
2. Career advancement encouragement
3. Continued support for immigrant integration

Responses for Individual Employers

1. Characterize the age distribution of your organization's workforce
2. Expand education and internal promotion opportunities for young workers
3. Create an engaging workplace in order to improve recruitment and retention
4. Implement flexible work arrangements to enable older employees to work longer
5. Redefine pension plans to provide incentives for older employees to remain on the job

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13% of San Francisco's Workforce in Nearing Retirement Age

It is no secret that the nation's workforce will age substantially over the next two decades as the baby boom generation born between 1946 and 1964 reaches retirement age. In fact, the fastest growing age groups in the Bay Area over the next twenty years will those 55 and older. The Bay Area is not unique: according to the Public Policy Institute of California,¹ this trend reflects the baby boom, migration, and mortality changes affecting all of California and the US.

The effects of this demographic inevitability will be far-reaching. Fewer workers and more retirees will place severe pressure on Social Security finances. The aging population will have greater medical demands, straining states' Medicare budgets and exacerbating an existing shortage of qualified nurses. This report narrowly focuses on one of these specific impacts: the aging of San Francisco's workforce is sure to have a bearing on the availability of trained workers in specific occupations for years to come.

Figure 1: Percentage Change in Population 2000 to 2020
 5-County Bay Area*

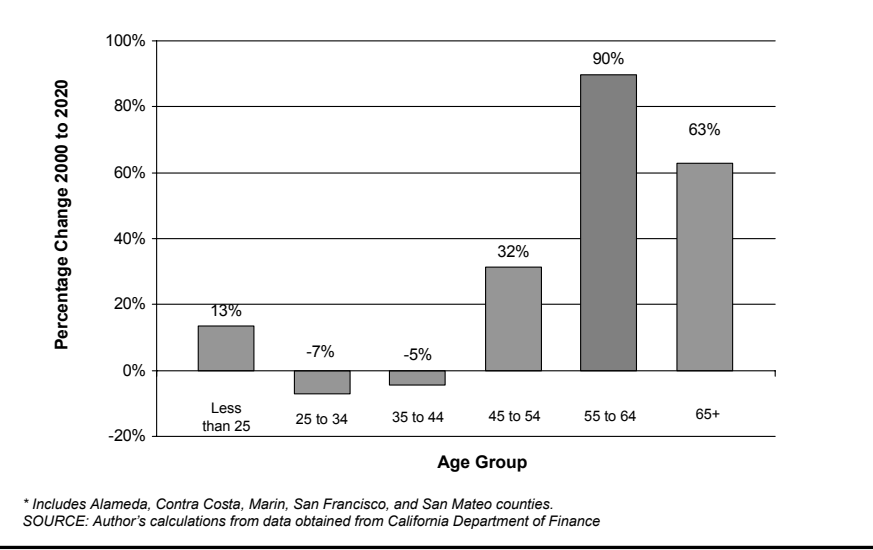
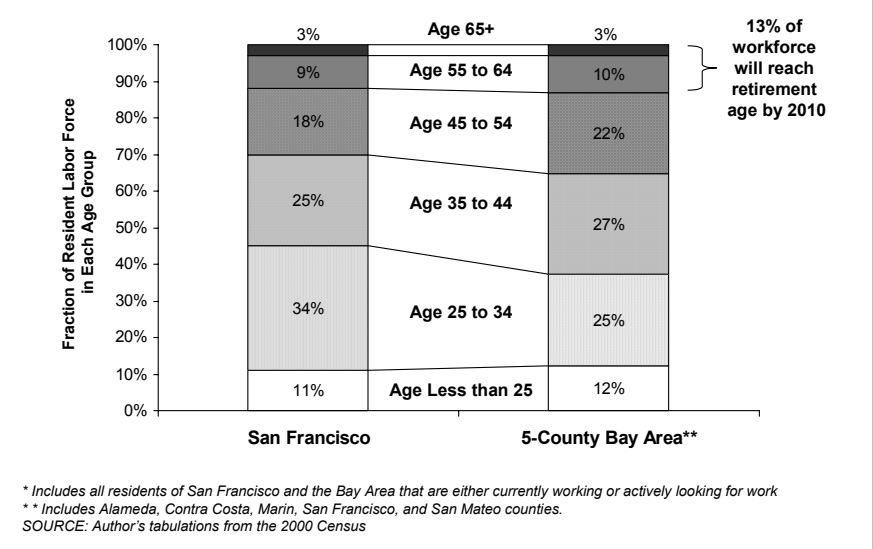


Figure 2: Age Distribution of Resident Labor Force*
 2000



As shown in Figure 2, 12% of San Francisco's current resident labor force will reach retirement age (65 years old) by 2010. Though the City of San Francisco tends to have more young workers and fewer middle-aged ones, the number of short-term retirees is

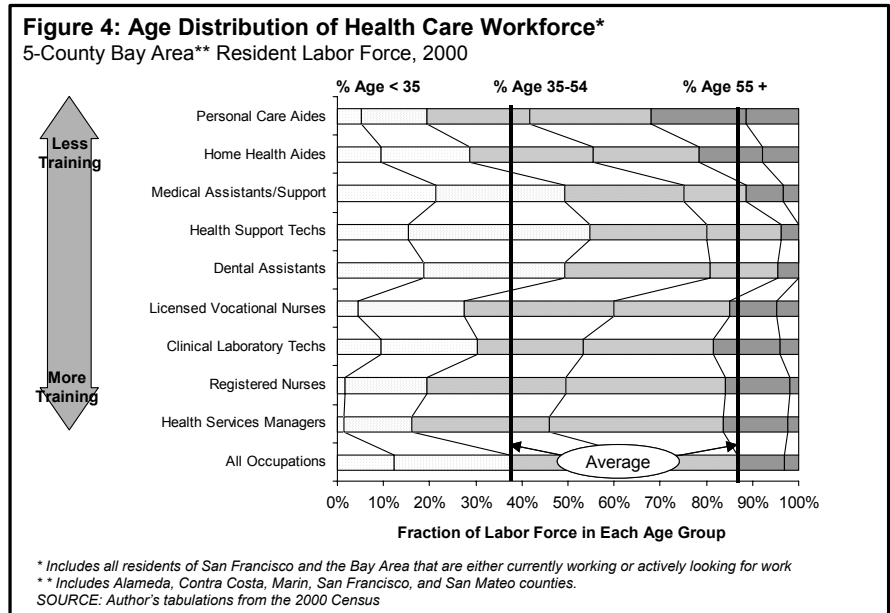
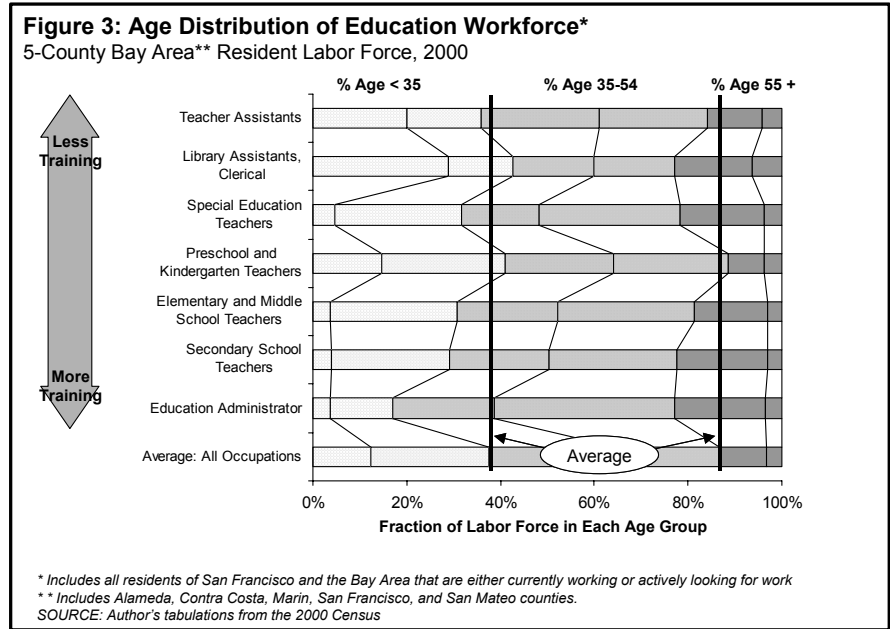
¹ Tafoya, Sonya M. and Hans P. Johnson (2000). "Greying in the Golden State: Demographic and Economic Trends of Older Californians," *California Counts: Population Trends and Profiles*. Volume 2, Number 2. Public Policy Institute of California. San Francisco, CA. November 2000.

roughly the same as for the broader 5-county San Francisco Bay Area.² At the latest census, 13% of current workers in Alameda, Contra Costa, Marin, San Mateo, and San Francisco counties were at least 55 years old and will reach retirement age by 2010. Replacing this retiring talent pool will not be easy, but one necessary step is to identify the occupations most likely to be impacted by these trends. That is the task undertaken by this report. Readers should couple the information contained herein with evidence on the future demand for specific occupations to form a comprehensive picture of the likely impacts of the aging workforce.

Education and Health Care

Much attention has been paid nationally to the aging of workers in the Education and Health fields and census evidence suggests that this is an important issue for the San Francisco Bay Area as well.

Figure 3 displays the age distribution of various occupations in San Francisco's Education sector.³ With few exceptions, workers in almost all education-related occupations tend to be older than average. More than twenty percent of



² Since the City of San Francisco draws nearly half its daily workforce from these surrounding communities, the remainder of this report utilizes this broader 5-county view of San Francisco's workforce.

³ Each horizontal bar in Figures 3 through 9 provides a visual depiction of the age distribution in the 5-county Bay Area for a specific occupation. The lightest (leftmost) color represents the fraction of workers in the given occupation that are less than 35 years old, the medium-colored section represents the fraction between 35 and 54 years old, and the darkest (rightmost) is the fraction of workers 55 years or older. The bottom bar on each graph is the average age distribution for all occupations in the 5-county area and the dark vertical lines indicate the average split between the three age categories for all occupations. "Younger" occupations are shifted to the right of these vertical lines, whereas "older" occupations are shifted to the left. The occupations are also roughly arranged from least skilled (top) to most skilled (bottom) within each

education administrators and elementary and secondary school teachers will reach retirement age by 2010 and many more will shortly thereafter.

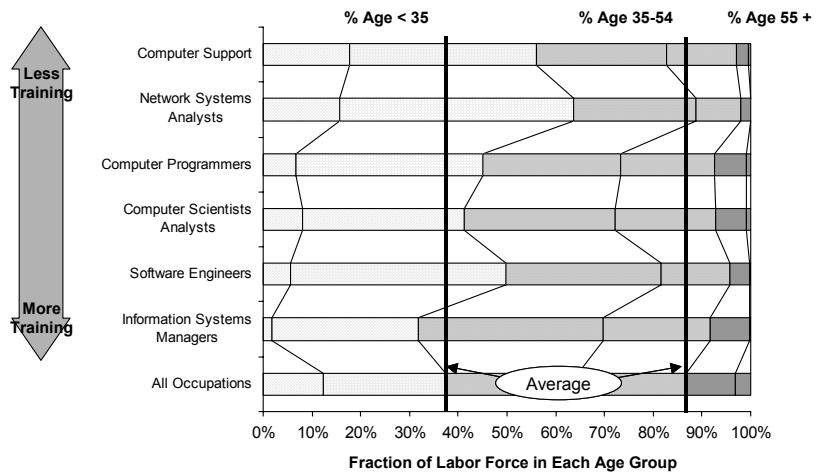
Most worrisome, entry-level educators such as teaching assistants and library assistants are not much younger than average. Without an adequate supply of young educators in the pipeline, school districts will have difficulty filling the openings arising from baby boom retirees. Advancing current teaching assistants to full-time teachers is necessary but not enough – recruiting new young educators is also critical.

A slightly different picture emerges for the Health Care sector, as shown in Figure 4. Like education, many highly skilled and experienced health care workers – such as health service managers, registered nurses, clinical laboratory technicians, and licensed vocational nurses – are older than average and many are nearing retirement. Unlike in education, however, entry-level health occupations appear to have many young workers. Medical assistants, health support technicians, and dental assistants tend to be quite a bit younger than average. Promoting the advancement of entry-level health care workers to more highly-skilled jobs should be one major response of San Francisco’s workforce policy to the aging of its health care workforce.

Information Technology and Hospitality: Young and Staying Young

In contrast to Education and Health Care, San Francisco’s Information Technology and Hospitality sectors are young throughout the occupational pipeline. Only the most senior positions – IT department managers and hotel managers – have age structures that are not younger than average. A strong pipeline of younger workers should mitigate any direct effects of workforce aging on these two sectors.

Figure 5: Age Distribution of IT Workforce*
 5-County Bay Area** Resident Labor Force, 2000



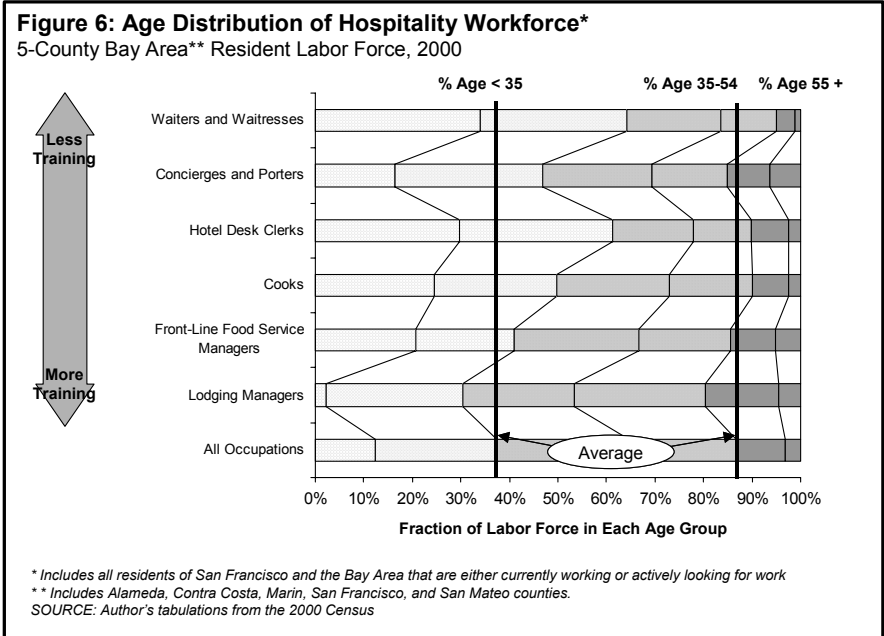
* Includes all residents of San Francisco and the Bay Area that are either currently working or actively looking for work
 ** Includes Alameda, Contra Costa, Marin, San Francisco, and San Mateo counties.
 SOURCE: Author's tabulations from the 2000 Census

Information Technology is San Francisco’s newest major employment sector. Its emergence over the past decade – especially during the boom of the late 1990’s – attracted younger, more technology-savvy workers than other sectors. Young workers were drawn to the industry’s rejection of traditional office formality, and by the high price paid for their newly minted computer skills. Many recent high school and college graduates over the past ten years found work in computer support, network administration, programming, and software engineering. As a result of this youth influx, these occupations will likely remain much younger than average. In fact, only 8% of IT

broad sector, and thus represent potential steps in a career ladder within a sector. By looking across all these occupations, a sector can assess the adequacy of its workforce “pipeline.”

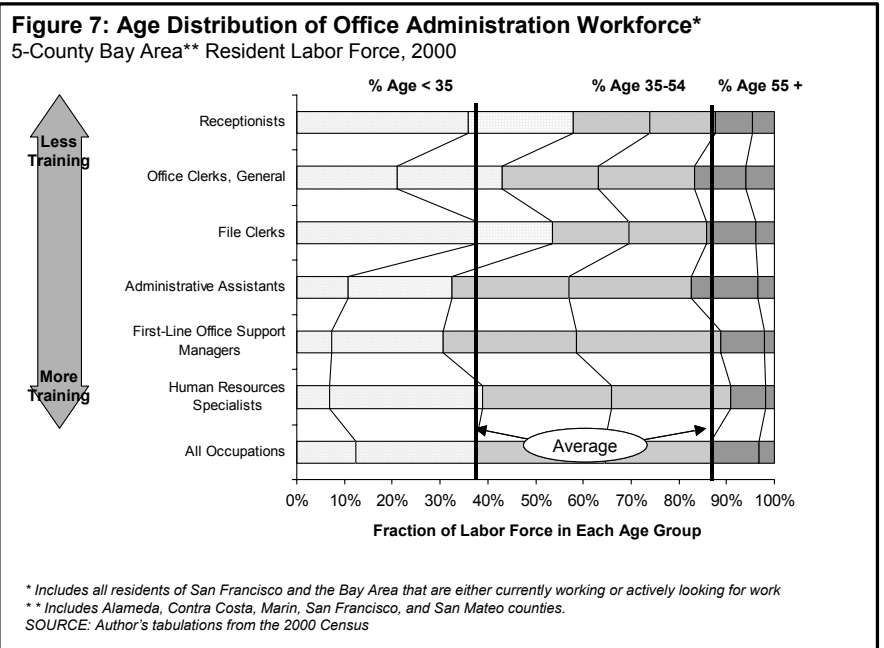
managers are approaching retirement age; most are between the ages of 35 and 54. Consequently, the IT sector will remain relatively immune from the direct effects of workforce aging, at least for the foreseeable future.

The culture and work environment of the Hospitality industry also tends to attract younger workers. Only hotel managers are older than average – about 20% will reach retirement age by 2010. Food service managers, desk clerks, and concierges are all younger than average, providing ample talent for future hospitality management positions if employer-provided training provides workers with the skills needed to advance.



Office Administration: Many Young Workers Seeking Advancement

San Francisco's general office administration sector should also be able to weather the impending retirement boom if entry-level workers' advancement is made a priority. Office managers and administrative assistants tend to be slightly older than average but the steady flow of young workers into receptionist, office clerk, and file clerk positions should replenish retirees if these young workers can be retained, trained, and advanced to more highly skilled positions.



Building Trades: Robust Pipeline, but Closer Look Needed

Most of the building trades have the same approximate age distribution as the Bay Area average, indicating a fairly retirement-robust workforce. Future needs for building

inspectors and construction managers, for instance, could probably be met from existing tradesmen ranks. Unfortunately, this analysis masks differences across experience levels for a given occupation. That is, journey-level carpenters are treated the same as apprentice carpenters. To fully understand the age profiles of jobs with significant within- rather than across-occupation advancement (such as most trades), a closer look is needed. Trades must ensure a balanced age distribution between journey and apprentice-level workers, which this present analysis does not shed light on.

Figure 8: Age Distribution of Building Trades Workforce*
 5-County Bay Area** Resident Labor Force, 2000

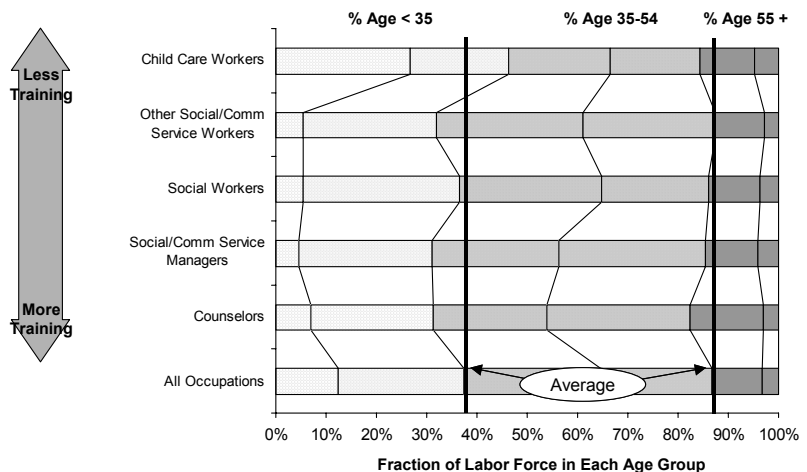


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 SOURCE: Author's tabulations from the 2000 Census

Government, Social and Community Service Occupations

Workforce aging is of particular concern to large public-sector employers. Researchers at the Rockefeller Institute of Government note that government workforces tend to be older than the private sector and that the age gap between public and private sectors has been widening.⁴ Locally, a recent report by the San Francisco Department of Human Resources notes that 60% of city managers will reach retirement age by 2013, doubling the

Figure 9: Age Distribution of Social & Community Service Workforce*
 5-County Bay Area** Resident Labor Force, 2000



* Includes all residents of San Francisco and the Bay Area that are either currently working or actively looking for work
 ** Includes Alameda, Contra Costa, Marin, San Francisco, and San Mateo counties.
 SOURCE: Author's tabulations from the 2000 Census

⁴ Abbey, Craig W. and Donald J. Boyd (2002). "The Aging Government Workforce," The Nelson A. Rockefeller Institute of Government. July 2002. Available at www.rockinst.org.

retirement rate of the past.⁵

The San Francisco Department of Human Services (DHS) provides a stark example: though social workers and social service managers in the Bay Area tend to be only slightly older than the average (see Figure 9) for all occupations, DHS' workforce is much older than average. According to DHS, more than 26% of its workforce is at least 55 years old (vs. 13% for all occupations) and only 12% are less than 35 years old (vs. 38% on average). Though the aging of the social service workforce is somewhat challenging for the city overall, the problem is particularly acute for the city's largest social service employer: local government.

Addressing the Aging of San Francisco's Workforce

Workforce Development Policy Responses

This report has highlighted several important workforce policy responses to the well-known demographic shifts that lie ahead:

1. **Attract** younger workers to careers in education and health care, and to San Francisco generally.
2. **Promote career advancement** training, particularly for educators, health care workers, and select hospitality, office, and social service workers. The continued apprentice-to-journeyman advancement of building trades workers should also be encouraged.
3. **Continue support for immigrant integration.** A recent report by the Public Policy Institute of California noted, "much of tomorrow's workforce are today's second generation children of immigrants."⁶ The city's success at integrating recent immigrants into the community will have a profound effect on the strength of tomorrow's workforce through this channel.

Responses for Individual Employers

Though local policy makers can ensure that an aggregate qualified pool of workers exists for important occupations, individual employers must also manage the age structure of their internal workforce and plan for dealing with changes in that structure. Perhaps because they were the first to face the effects of an aging workforce, public employers have been the most actively innovating ways to retain and extend the careers of older workers, according to a recent report by the U.S. General Accounting Office.⁷ Several strategies individual organizations have employed include:

1. **Characterize the age distribution of your organization's workforce.** The DHS example illustrates that internal, organization-specific succession planning issues can differ dramatically from aggregate, city-wide ones.
2. **Expand education and internal promotion opportunities** for young workers.
3. **Create an engaging workplace** in order to improve recruitment and retention.
4. **Implement flexible work arrangements** such as part-time, seasonal, or contract work, reduced job responsibilities, and job sharing to enable older employees to work longer.
5. **Redefine pension plans** – Deferred Retirement Options Plans (DROPs) are one example – to provide incentives for older employees to remain on the job past typical retirement age.

⁵ McGuinness, Michael, Robert Pritchard, and Herberth Campos (2003). "Who Will Do San Francisco's Work?: Managing Workforce Change," San Francisco Department of Human Resources. June 2003.

⁶ Johnson, Hans P. (2003). "California's Demographic Future." Public Policy Institute of California Occasional Papers. San Francisco, CA. December 2003.

⁷ U.S. General Accounting Office (2001). "Older Workers: Demographic Trends Pose Challenges for Employers and Workers." GAO Report GAO-02-85. November 2001.