

The Contributions of Older Residents & Retirees to the Illinois Economy

Introduction

The number of older residents and retirees in the state of Illinois is growing quickly. Fueled partly by the demographics of the post-World War II Baby Boom generation (i.e., those born between 1946 and 1964) and partly by the benefits of better health care, more and more people are living longer. And, as people mature, their improved health allows them to continue making contributions at an age when their parents and grandparents often were no longer able to do so. Today, approximately 12 percent of the Illinois population is over the age of 65. That amounts to more than 1.5 million people. This percentage was 9.8 in 1970 and is projected to be 16.6 percent by 2025. Baby Boomers have redefined much of everyday life in the U.S. They are now starting to redefine the roles played by the elderly as they age into what has traditionally represented retirement.

This brief report summarizes available data that describe how older residents and retirees are making contributions to the quality of life in Illinois. The report focuses on three kinds of contributions.

Working for Pay: Older Workers in the Economy

The first contribution comes from residents who continue to work for wages and salaries beyond the age of 65. From 1960 to 1985, the percentage of American workers who chose to retire before the traditional age of 65 increased steadily. Since 1985, however, that long-standing trend has been reversing. Today, about 43 percent of men and 31 percent of women in the workforce continue to work past their 65th birthday. About 18.7 percent of all people over the age of 65 reported income from paid work during 2006. A full 33.7 percent of those

between the ages of 65 and 69 reported earned income, as did 17.1 percent of those between 70 and 79 years of age.

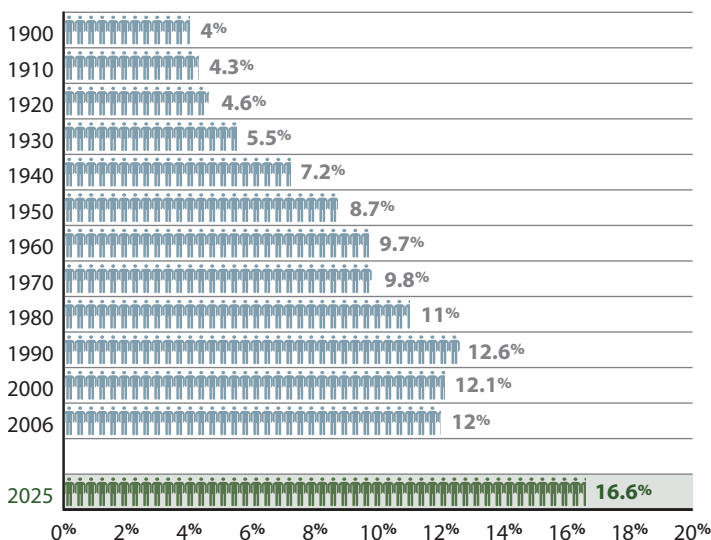
Popular images abound regarding the nature of work done by older workers. These range from the Wal-Mart greeter and the McDonald's order clerk to the long-serving public school teacher and the elderly attorney who slows down gradually while serving as a mentor to the young law associates.

Behind these images, however, is a more complex reality. Older workers contribute to almost every sector of the economy. Some continue working by choice. Others work out of necessity. In 2006, more than 18.7 million people over the age of 65 worked for earnings in the U.S. Half earned less than \$19,000 per year and half earned more than that amount. The top 20 percent of older workers earned more than \$30,100.

The distribution of older workers by economic sector in Illinois is shown in Table 1 based on a special analysis conducted in 2004 using data from 2002¹. Table 2 shows the sectors of the economy where older workers are most prevalent. Earnings among older workers also vary widely, although earnings decline as workers age into their 70s and 80s. In total, older workers in Illinois earned about \$4.7 billion in 2002 (\$5.45 billion in 2007 dollars).

¹ Nick Carroll and Cynthia Taeuber, "A Profile of Older Workers in Illinois," U.S. Census Bureau, June 2004.

Chart 1: Percent of Residents Over Age 65 Illinois 1900-2007



Source: U.S. Census Bureau

Table 1: Older Workers in Illinois By Economic Sector, 2002

Sector	Number of Workers 65+	Percent of Sector
Agriculture	2,208	4.41%
Mining	277	2.92%
Construction	6,153	2.33%
Manufacturing	22,589	2.68%
Transport, Comm, & Utilities	7,521	2.38%
Wholesale Trade	11,171	3.36%
Retail Trade	39,726	4.0%
Finance, Insurance, Real Estate	11,165	2.75%
Services	66,984	3.87%
Total All Sectors	167,794	3.39%

Source: U.S. Census Bureau and Illinois Department of Employment Services

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The Value of Volunteering

The second contribution of older residents and retirees comes in the form of unpaid work, or volunteering. Volunteering can be divided into at least two categories. The first category includes time devoted to assisting the work of a specific organization, such as coaching a youth sports team or donating time to the food drive sponsored by the local church. The second is less formal, but nonetheless important. Sometimes referred to as “little kindnesses,” this category of volunteer time has been overlooked in the past, partly because it is so difficult to measure. It includes all of the routine acts of generosity that occur

in the course of a day, such as helping a neighbor get to a medical appointment, go shopping, or any one of a hundred such tasks. Millions of older residents rely on the reciprocal generosity of elderly friends, relatives, and/or neighbors to perform such so-called “little kindnesses.” These acts of volunteerism perform vital services that often enable an elderly person to stay in their own home, maximize their independence, remain engaged in their community, and generally maintain a high quality of life.

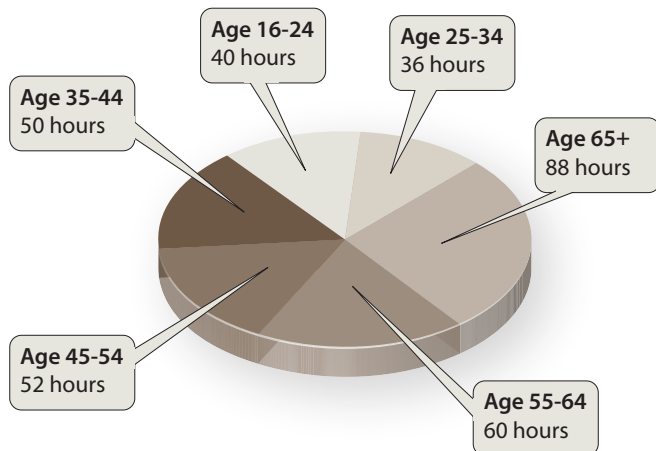
Americans have always been generous in the amount of time they

Table 2: Selected Sectors With A High Proportion of Older Workers Illinois, 2002

Sector	Number of Workers 65+	Average Monthly Earnings 65+	Percent of Workers 65+
Business Services	18,171	\$1,517	10.8%
Local/Suburban Transit	2,603	\$1,185	10.3%
Health Services	15,278	\$2,616	9.1%
Eating and Drinking Places	12,603	\$1,099	7.5%
Apparel from Fabrics	690	\$2,029	6.3%
Real Estate	3,556	\$2,222	5.8%
Membership Organizations	3,407	\$1,582	5.3%
Educational Services	4,408	\$2,886	4.5%
Wholesale Trade - Durables	6,763	\$3,195	4%
Social Services	6,111	\$1,215	3.6%
General Merchandise Stores	5,933	\$1,117	3.5%
Food Stores	5,642	\$1,253	4%
Engineering, Accounting & Research	5,116	\$3,851	2.9%

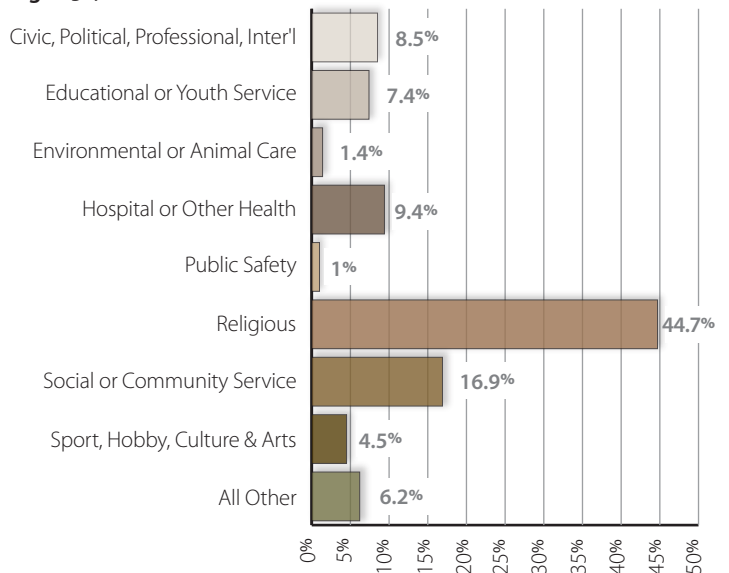
Source: U.S. Census Bureau and Illinois Department of Employment Services

Chart 2: Median Annual Hours of Volunteer Activity By Age, September 2003



Source: U.S. Census Bureau

Chart 3: Percent of Volunteer Time By Type of Organization Adults Age 65+, 2006



Source: U.S. Department of Labor

are willing to donate in both categories of volunteerism. Beginning in 2002, the U.S. Census Bureau began collecting statistics to track the amount of time Americans devote to the first category. Chart 2 shows that the most generous segment of the population in regard to the median number of volunteer hours donated to specific organizations in the course of a year are those over the age of 65.

In addition, older residents and retirees tend to be more initiating than their younger counterparts in offering help to specific organizations. For example, when people were asked to explain how they began volunteering their time, the most frequent response given by all age groups under 65 was that someone asked them. They volunteered because they were asked by someone in the organization, a friend, a relative, a co-worker, or their supervisor. For individuals over the age of 65, however, the most common response was that they began volunteering by approaching the organization themselves and offering their help.

Placing a value on volunteer time is difficult to do. In the first category, more than 8.5 million individuals over the age of 65 volunteered their time to at least one specific organization during 2006. The amount of time they donated varied, but the median amount of time (i.e., half gave more and half gave less) was 88 hours over the course of a year. Any effort to place a monetary value on this time would yield a number in the tens of billions of dollars. Added to this would be the monetary value of the time devoted to routine “small kindnesses,” but in many cases, the larger value comes from the cost-savings realized by society by keeping people independent and connected to others. These “little kindnesses” defy any attempt to assign a monetary value.

Income and Spending Patterns Among Older Residents

The third contribution comes from spending. Older residents receive income and spend their income to meet their own consumer needs, just like any other segment of the population. But social policies in the U.S. also expend funds on behalf of older residents that do not show up as income. Medical expenditures are the largest category of such funds, since the bulk of medical expenses for older residents are covered by Medicare. Both of these spending effects need to be assessed.

Older residents have many sources of income other than working for wages and salaries. And like their younger counterparts, they spend money to consume goods and services. This spending generates a considerable amount of economic and community development throughout the state. Although specific data regarding the income of older residents is difficult to compile, Table 4 provides current data on all sources of income for older people in the U.S. Using these national averages, older residents in Illinois have a total income of approximately \$41.351 billion in 2006. Their ability to spend this income creates direct effects on the state’s economy, and also generates indirect effects as their spending patterns ripple through the state’s industry structure. A conservative estimate of the total benefits to the Illinois economy from their spending is \$54.42 billion, or about 9.2 percent of the state’s Gross Domestic Product (GDP). This, in turn, supports approximately 560,000 jobs across the state’s economy.

Added to this amount is the spending on medical care that is triggered by the health needs of older residents. In 2006, for example, approximately \$9.3 billion was paid by Medicare for the health care needs of older residents in Illinois. This represents approximately 19.2% of all revenue received by medical providers, and supports approximately 108,000 jobs in the health services sector.

Table 3: Earnings of Individuals over age 65 by income and educational attainment

	Less than 9	Some High School	High School	Some College	Assoc. Degree	Bachelor Degree	Masters Degree	Profess. Degree	Doctoral Degree	Total
No Earnings	3,867	3,788	11,151	4,005	1,532	3,032	1,311	334	265	29,285
\$0-14,900	204	291	1,059	491	172	323	223	30	43	2,836
\$15-19,999	71	61	210	78	26	63	36	3	14	562
\$20-29,999	84	80	401	143	65	123	46	20	13	975
\$30-39,999	28	44	223	118	50	68	34	6	17	588
\$40-49,999	19	20	108	81	42	75	36	15	8	404
\$50,59,999	2	23	130	53	14	67	31	17	15	352
\$60-69,999	3	2	83	36	14	71	50	4	10	273
\$70-99,999	5	6	60	34	23	78	41	36	27	310
\$100,000+	3	5	47	42	17	99	78	81	72	444
Total	4,286	4,320	13,472	5,081	1,955	3,999	1,886	546	484	36,029

Source: U.S. Census Bureau

Summary

This brief report provides data to describe the scale and scope of three ways in which older residents contribute to the Illinois economy. Older residents continue to serve as an important segment of the state's workforce. They provide tens of billions of dollars of value to the state through formal volunteer time as well as informal day-to-day assistance to their peers. And their spending as consumers, and as key customers of the state's health care service sector, makes them important engines of economic activity and job creation.

Text and Data Compiled by

NIU Center for Governmental Studies

Northern Illinois University
DeKalb, IL 60115

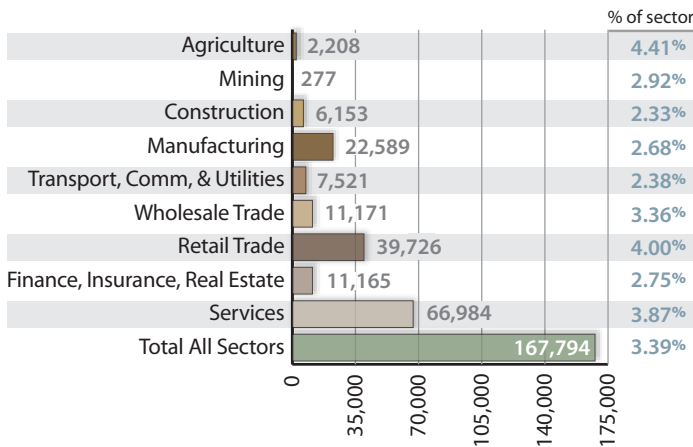
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Table 4: Types of Annual Income for Individuals Over 65, United States, 2006

Type of Income	Average Received	Median Received	Percent Receiving This Type
No source	\$0	\$0	3.4%
Earnings	\$33,545	\$19,000	18.7%
Social Security	\$11,872	\$11,670	86.4%
Public Pensions	\$20,017	\$14,400	11.4%
Private Pensions & Annuities	\$11,166	\$7,200	23.5%
Income from Assets	\$7,317	\$1,685	53.7%
Veteran's Benefits	\$11,079	\$7,630	2.7%
Public Assistance	\$4,861	\$4,368	3%
Other *	\$9,592	\$4,250	2.7%
Total	\$26,854	\$16,890	96.6%

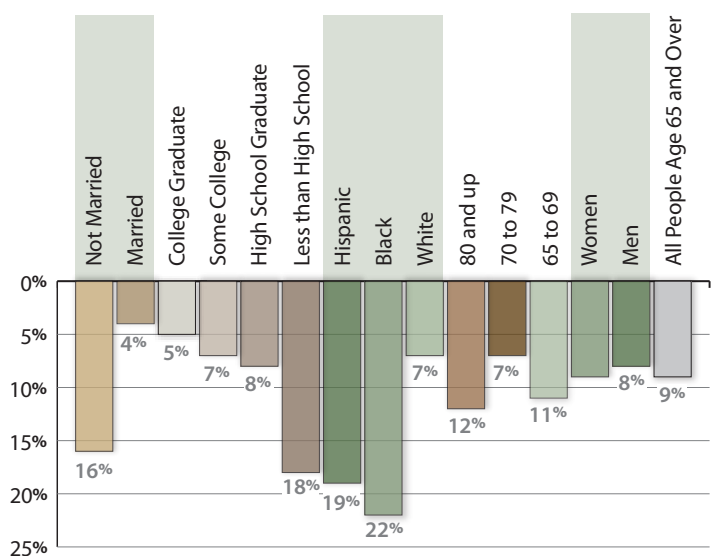
Source: Congressional Research Service. (*)Includes unemployment insurance, workers compensation and all other sources.

Chart 4: Main Volunteer Activity Adults Age 65+, 2006



Source: U.S. Census Bureau and Illinois Department of Employment Services

Chart 5: Percentage of People Age 65 and Older in Poverty, 2006



Source: Congressional Research Service