



**NORTH CAROLINA CENTER FOR  
PUBLIC POLICY RESEARCH INC.**

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**NEWS RELEASE**

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**RISING AGING POPULATION WILL COMPLICATE NC'S FUTURE STATE BUDGET ISSUES**

A new study by the N.C. Center for Public Policy Research finds that North Carolina's older population is expected to double by 2030, rising from 1.1 million to 2.2 million. By 2030, one of every five Americans will be 65 or older. The Center says these demographic changes will force North Carolina to deal with four public policy issues: differences in financial well-being among the elderly, the different needs of urban and rural seniors, work force shortages in health professions, and state budget implications.

"The Baby Boomers are the second largest generation in American history, and they are going to start turning 65 in 2011," says Mebane Rash, the editor of the Center's journal, *North Carolina Insight*. "In 2011, the state will still be recovering from the Great Recession – just when it needs to respond to this demographic shift. Right now, we are not ready."

**North Carolina's Elderly Population To Double by 2030**

In 1900, the United States was an agricultural nation in which half of all Americans were younger than age 22. In 1900, North Carolina had one of the nation's youngest populations with half younger than 18. Only 3.5 percent of all Tar Heels were 65 and older. Even in 1960, North Carolina was still an extremely young state with just 7 percent of all residents 65 or older. But by 2000, 12 percent of all North Carolinians were 65 or older. And by 2030, the number of elderly will double and rise to 18 percent of the population.

The Center's study finds that North Carolina's future older population will differ demographically from the current population in four ways. First, there will be 2.5 times more Tar Heels aged 85 and older. Second, the ratio of older men to older women is expected to rise from 67 men per 100 women to 77 men per 100 women. Third, non-whites are expected to form a larger share of the older population – 21 percent in 2030 compared to 19 percent in 2006. Fourth, for many of North Carolina's elderly, Social Security will be their only source of income.

The Center said two factors are driving these changes. One is the aging of the 2.4 million Baby Boomers who have lived in North Carolina since 2000. The other factor is North Carolina's increasing appeal as a migration destination, particularly for older people from other parts of the country. North Carolina's attractiveness stems from its temperate climate, beautiful beaches and mountains, relatively low taxes, and comparatively modest living costs.

### **The Changing Nature of Retirement**

“Retirement” was largely unknown a century ago. In 1900, the few people who reached age 65 faced limited prospects. Most had few financial resources, so older individuals typically lived with relatives or infrequently in institutions. The social expectation was for the elderly to stop working, stop exercising, and prepare for the end of life. Overall, older adults now are more secure financially and able to live independently. Turning 65 is now a common event marking the start of retirement, a creative and enjoyable period of life that is seen as the reward for a lifetime of work. Retirement now constitutes almost a quarter of a lifetime for those that live to be 84 or older.

Longer life expectancies are a big part of this shift in expectations. In the past, the typical 65-year-old would live for just seven more years to about age 72. Currently, health advances and other factors have allowed more people to reach age 65, and those who do are apt to live even longer – 19 years more on average.

### **The Impact of Changing Demographics on State Policy**

The Center says these demographic changes will force North Carolina to deal with four public policy issues: differences in financial well-being among the elderly, the different needs of urban and rural seniors, work force shortages in health professions, and state budget implications.

In terms of *financial well-being*, the Baby Boom generation should reach older age having earned more money, having built more wealth, and anticipating higher retirement incomes than previous generations. However, this overall prosperity clouds important differences in the distribution of income and wealth, which likely will be much more unequal than in the past.

Conventional wisdom holds that retired Americans derive their incomes from a three-legged stool of Social Security, pension benefits, and personal assets. But for many – especially older women – Social Security is the only leg. The typical older household receives 38 percent of its annual income from Social Security, but this average masks variations in income and age. Older households in the bottom 40 percent in income, for example, derive more than 80 percent of their income from Social Security. Even middle-income households draw two-thirds of their income from that program. The oldest old aged 85 and above rely heavily upon Social Security – some exclusively.

There also are important *rural/urban differences* in North Carolina’s older population. In 2006, the state’s 85 rural counties were home to 57 percent of the older population – some 611,720 residents. Rural counties have more older residents in sheer numbers and as a proportion of county population. In 2030, 53 percent of older North Carolinians will live in rural counties. Of the 20 counties expected to have the highest proportions of elderly, 10 are in the West (Alleghany, Ashe, Cherokee, Clay, Graham, Madison, Mitchell, Polk, Transylvania, and Yancey), and seven are in the East (Bertie, Carteret, Chowan, Northampton, Pamlico, Perquimans, and Washington). A study by Jim Mitchell of East Carolina University found that older rural adults in Eastern North Carolina have “higher rates of disability, lower incomes, less education, and lower reading ability than their counterparts in small and larger towns.”

The counties with the youngest populations will fall into two categories: large urban counties like Mecklenburg and Wake and counties with military bases like Cumberland and Onslow. With the oldest populations clustered in the economically distressed west and northeast, seniors in these counties are more apt to be single, poor, and ill. Yet those places often lack needed services. For example, transportation for the elderly who are spread out in rural counties is already a major problem.

The Center says there are two important *work force challenges*: the retirement of the Baby Boomers and the impact on work force shortages in critical fields such as health care. With 86 percent of older adults leaving

the work force, the impending retirement of the Baby Boom generation may deprive North Carolina of enough workers needed to compete economically. The North Carolina Commission on Workforce Development warned in a 2007 report that the “retirement of one-quarter of the state’s workforce ... has the potential to leave a gaping hole in the supply of workers over the next two decades.” This could worsen work force shortages that are already severe in some fields such as nursing.

*State budget issues* will include the escalating cost of medical care. Not only have medical costs consistently outstripped the rate of inflation in recent decades, but older adults also are bearing more of the costs. This is due in part to the reduction of employer-sponsored health care coverage for retirees. While most older adults receive health insurance through federal Medicare or Medicaid programs, these programs are struggling to keep pace with the increasing cost of medical treatment, especially end-of-life care. Left unaddressed, medical costs likely will surge with the growth in the older population.

Because North Carolina pays 27 percent of the cost of Medicaid, the state budget will be directly affected if Medicaid continues to function as the main source of long-term care coverage. Medicaid paid for 50.5 percent of all long-term care costs for the elderly in State Fiscal Year 2006-07, up from 44.8 just the year before. Thus, without changes in the way health care is paid for, North Carolina will continue to face state budget challenges as it tries to help older citizens afford health care.

Mebane Rash, editor of the Center’s journal, says, “The state needs to be prepared to meet the demand for services in both urban and rural communities across the state. The needs will be different in different communities, and our elderly are part of the solution. The state needs to be prepared to re-engage elders in the work force and to follow their good examples in their high rates of voting, charitable contributions, and volunteering.”

Bill Friday, former President of the UNC System, says, “Thoughtful North Carolinians need to consider the talent pool of the elders that are living in our state. They are people of great ability. Some are people with international experience. They all have something to contribute. The question is how to best utilize this great accumulation of talent.”

### **About the N.C. Center for Public Policy Research**

The Center’s report on the rising aging population in North Carolina is part of a larger study of key issues facing the state’s aging population to be published in the Center’s journal, *North Carolina Insight*. Last month, the Center released research on fraud committed against the elderly. The larger study also will include reports on the crisis in the number of caretakers for the elderly, the contributions of the aging to society, the impact of the growing aging population on the state budget, and the need for an aging policy plan for the future. Reports will be released as they are completed.

The N.C. Center for Public Policy Research is an independent, nonpartisan, nonprofit research organization created in 1977 to evaluate state government programs and to study public policy issues facing North Carolina. The Center is supported in part by a grant from the Z. Smith Reynolds Foundation in Winston-Salem, with additional support from nine other private foundations, 137 corporate contributors, and almost 500 individual and organizational members. This research on the rising aging population in North Carolina is funded by grants from the Kate B. Reynolds Charitable Trust of Winston-Salem, The Hillsdale Fund of Greensboro, and Mission Health System of Asheville.

The Center publishes a journal called *North Carolina Insight*, a citizens’ guide to the legislature, and in-depth research reports such as a study of governance of the state’s public universities. The Center recently has conducted studies of the history of mental health reform in North Carolina, key issues facing community colleges in North Carolina, how to prevent high school dropouts, and ways to reduce domestic violence.

Upcoming studies will examine other key issues facing the state's aging population and policies on financial aid for students in colleges and universities.

The Center's 47-page study of the rising aging population in North Carolina is part of a larger study to be published in the Center's journal, *North Carolina Insight*. It is available to download electronically for \$10. If you become a Center member, at \$36, you will receive all other articles in the Center's study of aging as they are completed, future issues of *Insight*, and the Center's quarterly newsletters for a year. To order or join the Center, call Tammy Bromley at (919) 832-2839, or send an email to [tbromley@nccppr.org](mailto:tbromley@nccppr.org).

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