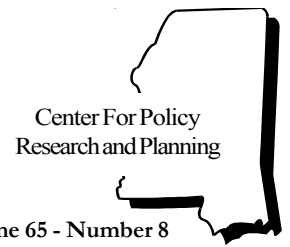


MISSISSIPPI'S BUSINESS



August 2007

Monitoring the State's Economy

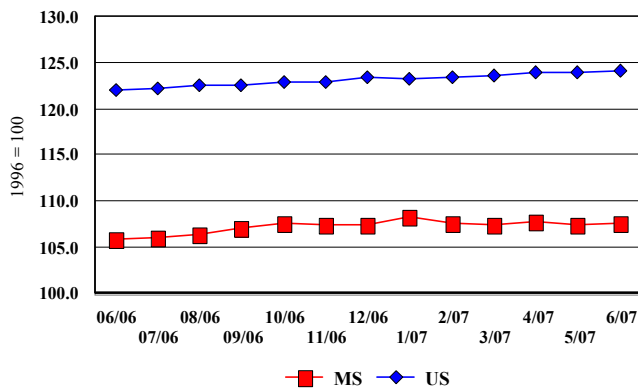
Volume 65 - Number 8

ECONOMY AT A GLANCE

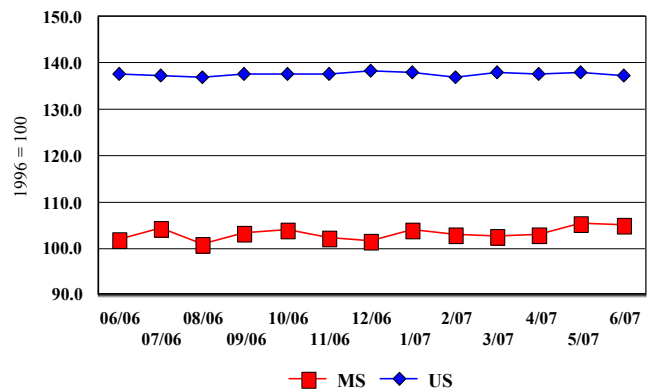
The Mississippi Index of Coincident Economic Indicators rose slightly in June relative to May. The increase was supported by improvement in both nonagricultural employment and income tax withholdings. The Mississippi Index of Leading Economic Indicators followed the sharp increase in May with a slight decline in June. The decline was supported by three of the five components.

The national indices showed a similar pattern as the State. The coincident index rose while the leading index fell. The indices do not reflect the effects of the recent turmoil in the subprime mortgage market and the related volatility in the stock market. The Fed has moved to calm fears on Wall Street and have signaled that further steps are possible. Despite the action, the economy will continue to be affected by the troubles in the mortgage industry through the rest of the year and into 2008. A recession remains an unlikely scenario, but lower than potential growth is likely.

Index of Coincident Indicators



Index of Leading Indicators



MISSISSIPPI'S BUSINESS
 Mississippi Institutions of Higher Learning
 University Research Center
 Department of Forecast and Analysis

3825 Ridgewood Road
 Jackson, Mississippi 39211-6453
 Telephone (601) 432-6742
 Fax (601) 432-6994

Darrin M. Webb
 dwebb@ihl.state.ms.us

Now available via e-mail
 Send requests to above address

In This Issue

Economy at a Glance 1
Confidence Mixed in The Second Quarter 8
Mississippi's Aging Baby Boomers: Challenges and Opportunities 14

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The last twelve issues of Mississippi Business are available on our web site. On this web site you will also find copies of some of our other publications, including *Population Projections*, *Mississippi Economic Review and Outlook*, and *The Handbook of Selected Data*. You will also find links to other useful data sources.

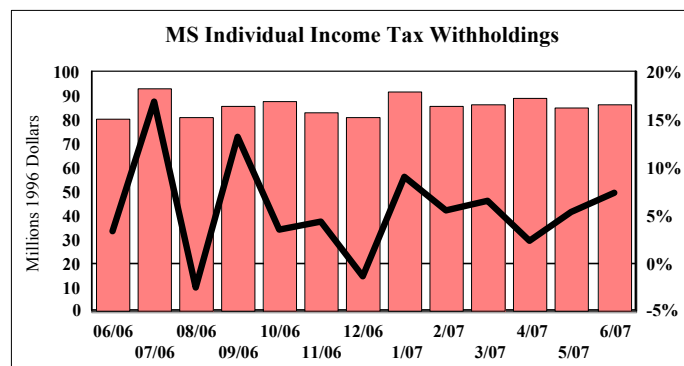
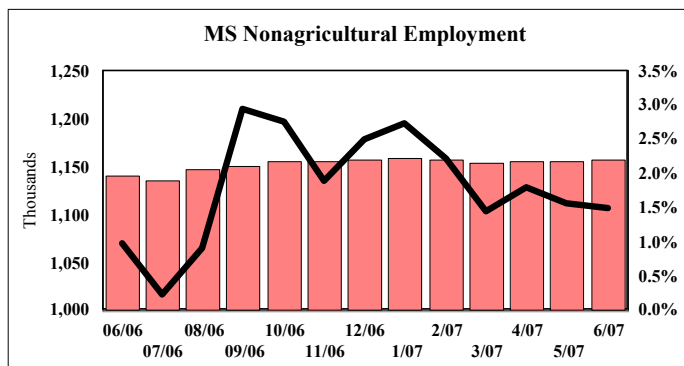
Coincident Indicators

The June Mississippi Index of Coincident Indicators was 107.7 or 0.2 percent above the revised May level. The increase is small and is a rebound from the small decline in May. The index is at an historically high level, and is moving only slightly from month to month. Both components contributed to the June increase.

Nonagricultural employment rose 0.1 percent or just under 1,000 jobs in June relative to May. The largest monthly gains came in government (state and local), construction, and professional business services. For the six month ending in June, nonagricultural employment was up an annualized 1.1 percent from the six months ending in December 2006. Construction employment was the fastest growing sector during this time period, growing 5.8 percent. Strong growth also occurred in education and health services (3.4 percent) leisure and hospitality (2.7 percent) and government (2.3 percent). There was a 3.4 percent decline in manufacturing employment during this period.

Mississippi individual income tax withholdings rose 1.6 in June relative to May. The series was up 7.3 percent relative to the year ago level. For the six months ending in June withholdings were up an annualized 4.9 percent from the six months ending in December 2006.

Mississippi Index of Coincident Indicator Components



NOTE:

The bar graphs above represent the seasonally adjusted monthly series and correspond to the left-hand axis. The line graphs represents the growth rate over the prior year's value and correspond to the right-hand axis.

SOURCES:

Mississippi Employment Security Commission.
Mississippi State Tax Commission.

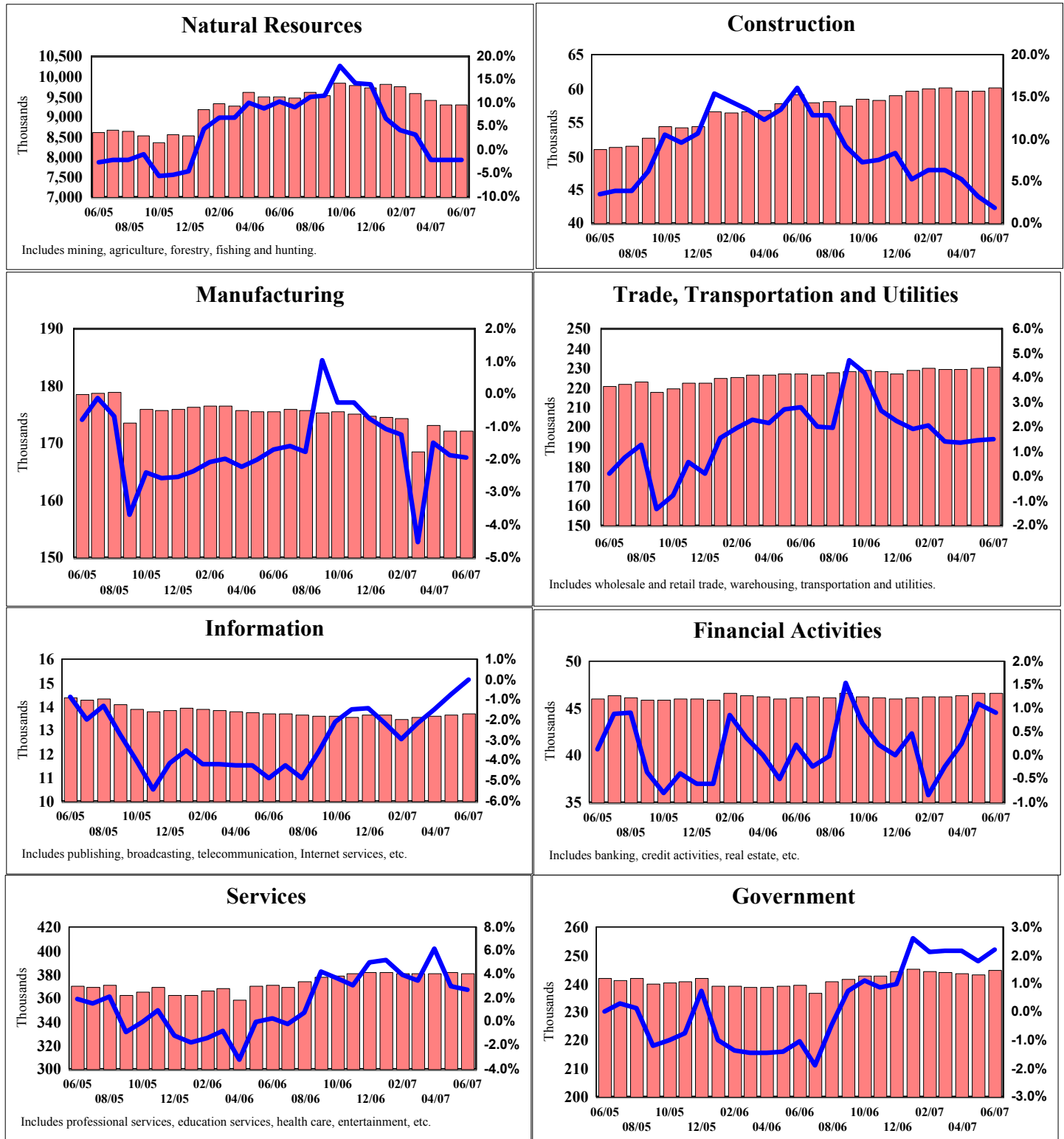
Mississippi Employment By Sector
Seasonally Adjusted

	June	May	June	Change from Last Month		Change from Last Year	
	2007	2007	2006	# of Emp.	%	# of Emp.	%
Non farm Employment	1,156,867	1,155,868	1,139,905	999	0.1%	16,962	1.5%
Natural Resources	9,288	9,286	9,483	2	0.0%	(195)	-2.1%
Construction	60,201	59,657	59,154	544	0.9%	1,047	1.8%
Manufacturing	172,142	172,176	175,551	(34)	-0.0%	(3,409)	-1.9%
Trade, Transportation and Utilities	230,323	230,131	226,916	192	0.1%	3,407	1.5%
Retail	144,118	144,044	143,036	74	0.1%	1,082	0.8%
Information	13,696	13,665	13,695	31	0.2%	1	0.0%
Financial Activities	46,619	46,599	46,200	20	0.0%	419	0.9%
Services	380,956	381,298	370,719	(342)	-0.1%	10,237	2.8%
Professional and Business Services	96,285	95,681	94,388	604	0.6%	1,897	2.0%
Education and Health Services	125,795	126,617	122,285	(822)	-0.6%	3,510	2.9%
Leisure and Hospitality	121,914	121,923	117,089	(9)	-0.0%	4,825	4.1%
Other Services	36,962	37,077	36,957	(115)	-0.3%	5	0.0%
Total Government	244,852	243,374	239,534	1,478	0.6%	5,318	2.2%
Federal	25,792	26,051	26,070	(259)	-1.0%	(278)	-1.1%
State	59,388	58,715	58,170	673	1.1%	1,218	2.1%
Local	160,010	158,206	155,540	1,804	1.1%	4,470	2.9%

Data may not add due to rounding.

Source: Mississippi Department of Employment Security

Mississippi Employment Trends



NOTE:

The bar graphs above represent the seasonally adjusted monthly series and correspond to the left-hand axis. The line graphs represent the growth over the prior year's value and correspond to the right-hand axis.

SOURCE:

Mississippi Employment Security Commission.

Leading Indicators

The Mississippi Index of Leading Economic Indicators declined a modest 0.3 percent in June over May. The June index was 105.2. The small monthly decline followed a sharp increase in May. The decline was supported by three of the five components.

The value of residential building permits fell 10.8 percent in June relative to May. The series has declined in each of the most recent five months and has declined in seven of the last eight months. The June decrease was the strongest decline during the past eight months. The June value of Mississippi's residential building permits was about 60 percent of the all time high which occurred in May 2006. The national housing market has been experiencing a slowdown since the beginning of 2006. The picture will likely remain grim for the rest of 2007. The problems in the subprime market has worsened in recent week and mortgage leaders are aggressively tightening lending standards.

The U.S. Index of Consumer Expectations fell 3.7 percent in June relative to May. The June level of 74.7 was the lowest since July 2006. A key factor in lowering expectations was the volatility in the stock market. The slowdown in the housing market has also contributed to the declining expectations. Another factor has been near record highs in financial obligations for consumers with near record lows in savings, resulting in deteriorating credit quality.

The Institute for Supply Management (ISM) Index of U.S. Manufacturing Activity fell 3.9 percent in July relative to June. (The July ISM Index is used in the June Mississippi Leading Index). Despite the decline, the index of 53.8 shows an expanding manufacturing industry. The goods producing industry is doing well in both the Midwest and the South. The rebuilding of inventories is credited with much of the growth.

In Mississippi average manufacturing workweek length rose to a strong 41.3 hours. This is the longest workweek since June 2006. If sustained it will be an encouraging sign for the state's manufacturing industry.

Initial unemployment claims fell 17.9 percent in June relative to May, bringing the series to the lowest level since December 2006. The series has declined for three consecutive months. The June unemployment rate was 6.0 percent, the lowest level since April 2004.

U.S. Economy

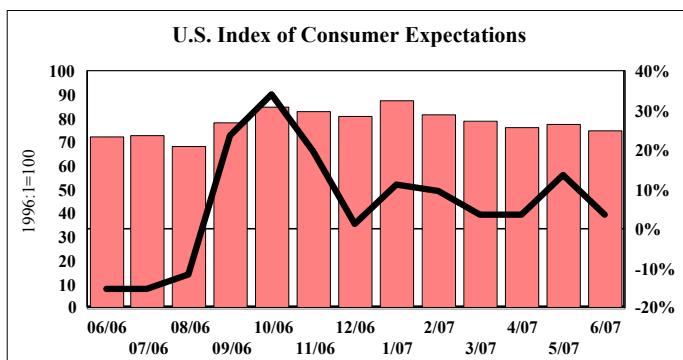
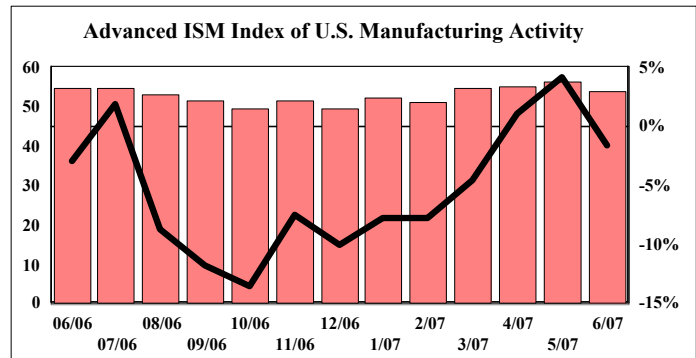
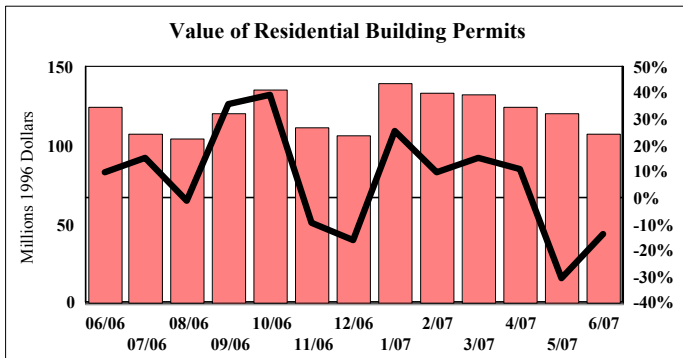
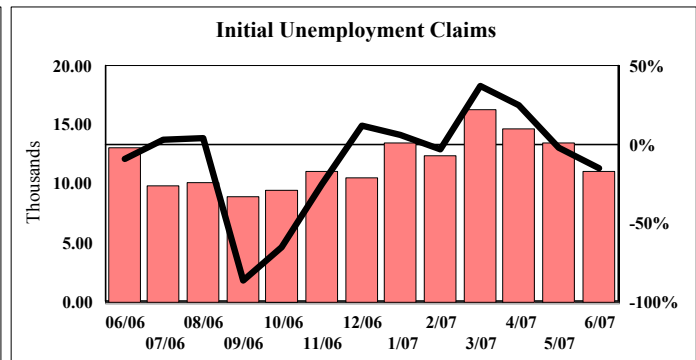
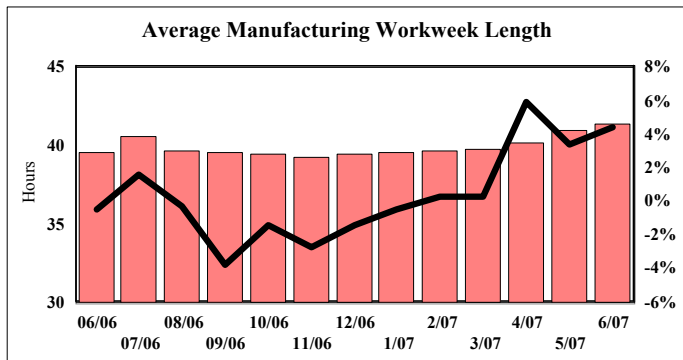
The U.S. Index of Coincident Indicators increased 0.2 percent in June relative to May. Between December and June the index rose 0.6 percent or an annual rate of 1.3 percent. The U.S. Index of Leading Indicators declined 0.3 percent in June relative to May. The leading index has declined in four of the last six months. The decline in housing permits is the largest drag on the index. Between December and June the leading index has declined 0.7 percent or a 1.3 percent annual rate. The Conference board expects continued yet slow growth in the near term.

The Fed cut the discount rate on Friday August 17th in response to the financial market turmoil. Their actions indicates a fear that the market troubles will spread to the general economy. The Fed's move is designed to make it easier for cash strapped banks to borrow from the Fed. So far, the results have been mixed in regard to fears on Wall Street. The initial response was positive, but there has been a continued run toward treasury bills since. Some analyst are arguing that the full effect of the Fed's actions has not yet been seen.

The subprime mortgage problems are far reaching and will continue to influence both the financial markets and the economy at large. During a period of rising home values and low mortgage rates, lenders relaxed borrowing standards and made risky loans they would not have made historically. The lenders were enabled by Wallstreet which turned the loans into securities and rating agencies which gave top rates to these securities. The problem became circular in that the high ratings guaranteed a secondary market for mortgage companies to continue making risky loans.

Practices such as piggyback loans, where the consumer borrows the down-payment, and interest only loans, which allowed borrowers a window of low

Mississippi Index of Leading Indicator Components



NOTE:

The bar graphs above represent the seasonally adjusted monthly series and correspond to the left-hand axis. The line graph represents the growth rate over the prior year's value and corresponds to the right-hand axis.

SOURCES:

- Bureau of Labor Statistics.
- Bureau of the Census.
- The Conference Board.
- The Institute for Supply Management.

monthly payments in which no principle was paid, allowed many consumers to buy a home they could not really afford. Consumers reasoned that rising home values would pump equity into their homes while low rates would enable them to refinance. But home values did not appreciate and interest rates began to climb. In addition, many consumers in the subprime market were not even making the first house payment.

As delinquency rates increased, the riskiness of the subprime mortgage market became apparent to the rating agencies, who responded by reducing the ratings on the securities. Lending agencies began to tighten their lending practices. Consumers which had hoped to refinance in order to bail themselves out of rising mortgage payments, found no one willing to

lend them money. In many markets home values have declined, leaving consumers owing more than the market value of their homes.

As a result of the troubles in the mortgage industry, investors are becoming more cautious in assessing the risk in all markets, not just in mortgages. Experts have said that we have gone through a period where risk was not considered. In a sense, the mortgage meltdown has served a valued role of injecting reality into the minds of market players. The complete fallout from the mortgage problems remains to be seen. But the troubles are unlikely to lead to a contraction in the economy. The global economy is relatively strong and will weather the storm. However, growth will be less than it otherwise would have been.

SELECTED MISSISSIPPI ECONOMIC INDICATORS

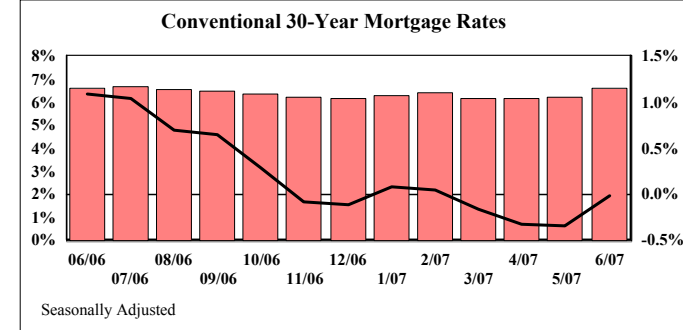
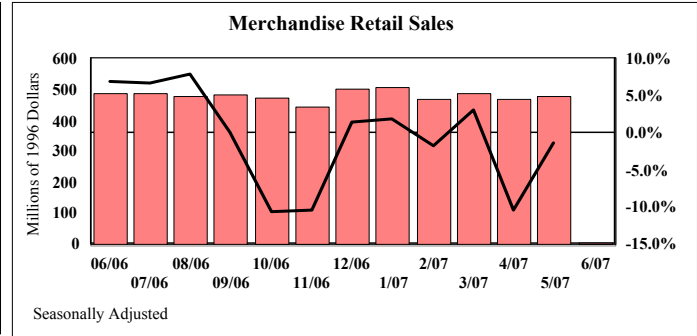
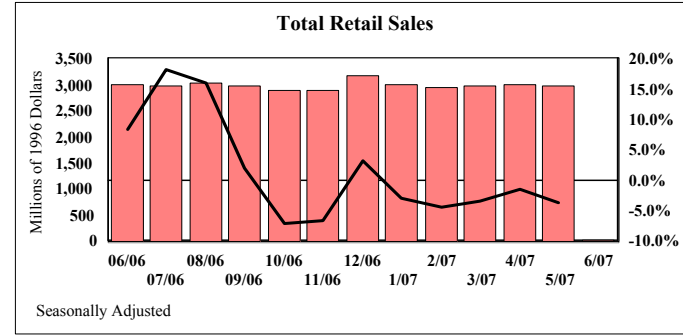
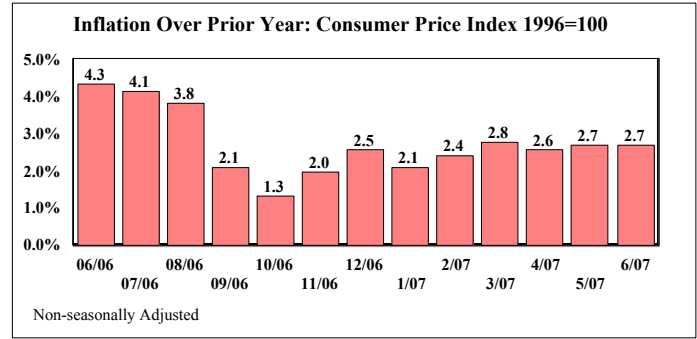
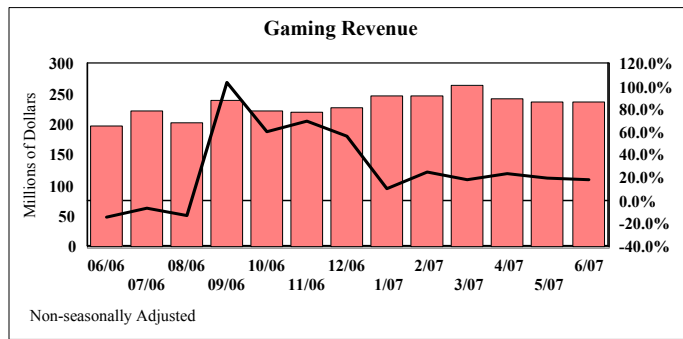
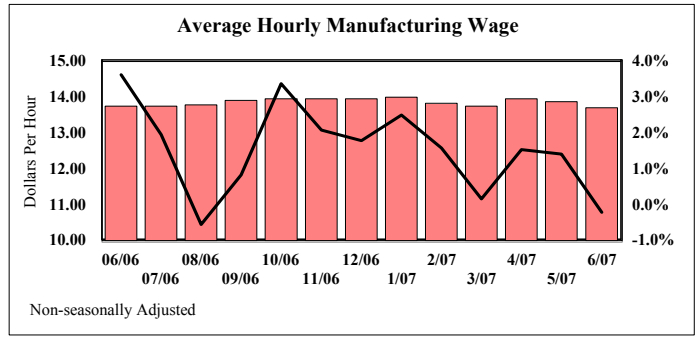
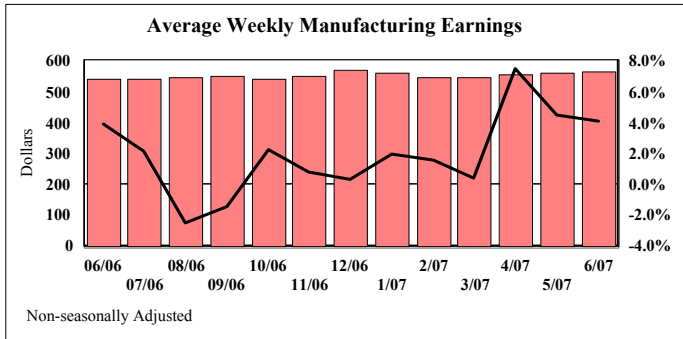
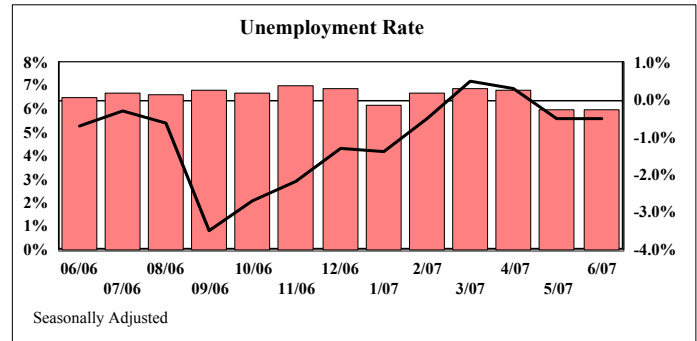
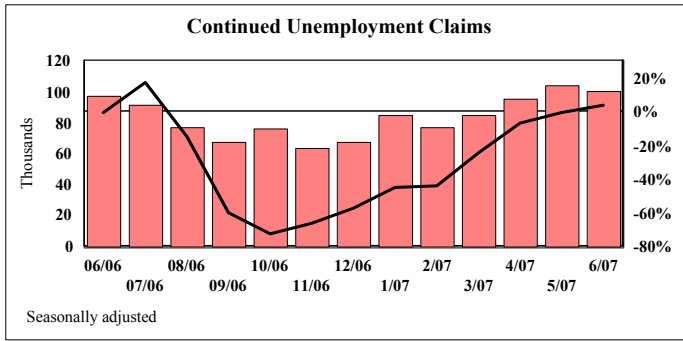
	June 2007	May 2007	June 2006	Percent Change From Last Month Last Year	
Coincident Indicator Index	107.7	107.5	105.8	0.2%	1.8%
Nonagricultural Employment (thousands)	1,156.9	1,155.9	1,139.9	0.1%	1.5%
Individual Income Tax Withholdings (millions of 1996 \$)	86.0	84.6	80.1	1.6%	7.3%
Leading Indicator Index	105.2	105.5	101.9	-0.3%	3.2%
Initial Unemployment Claims	11,085	13,497	13,088	-17.9%	-15.3%
Value of Residential Building Permits (millions of 1996 \$)	107.5	120.5	124.4	-10.8%	-13.6%
Average Manufacturing Workweek Length (hours)	41.3	40.9	39.6	0.9%	4.4%
Advanced ISM Index of U.S. Manufacturing Activity Index is advanced one month. Thus the May index is reported for April.	53.8	56.0	54.7	-3.9%	-1.6%
U.S. Index of Consumer Expectations	74.7	77.6	72.0	-3.7%	3.8%
Miscellaneous					
Consumer Price Index U.S. (1996=100)	132.8	132.6	129.4	0.2%	2.7%
Unemployment Rate (percentage)					
Non-seasonally adjusted	6.9%	6.0%	7.4%	0.9%	-0.5%
Seasonally adjusted	6.0%	6.0%	6.5%	0.0%	-0.5%
Continued Unemployment Claims	100,403	104,244	97,037	-3.7%	3.5%
Average Manufacturing Wage (Non-seasonally adjusted)					
Current Dollars per Hour	13.70	13.87	13.73	-1.2%	-0.2%
1996 Dollars per Hour	10.31	10.46	10.61	-1.4%	-2.8%
Average Weekly Manufacturing Earnings (Non-seasonally adjusted)					
Current Dollars	561.70	560.35	539.59	0.2%	4.1%
1996 Dollars	422.85	422.66	417.13	0.0%	1.4%
U.S. Mortgage Rates (30-year conventional)	6.6%	6.2%	6.6%	0.4%	-0.0%
Gaming Revenues (Non-seasonally adjusted)					
Coast counties (millions of current \$)	107.8	103.3	64.8	4.4%	66.3%
River counties (millions of current \$)	128.4	133.9	134.3	-4.1%	-4.4%
Total	236.2	237.1	199.1	-0.4%	18.7%

Note: The data are seasonally adjusted unless otherwise noted.

Unless otherwise noted all data refer to Mississippi.

NA = Not available

Miscellaneous Economic Indicators



NOTE:
The bar graphs above represent the monthly series and correspond to the left-hand axis. The line graphs represents the growth rate over the prior year's value and correspond to the right-hand axis.

SOURCES:
Mississippi Employment Security Commission.
Mississippi State Tax Commission.
Mississippi Gaming Commission.
Federal Home Mortgage Corporation.
Bureau of Labor Statistics.

CONFIDENCE MIXED IN THE SECOND QUARTER

By Christian Pruett

According to recent surveys conducted by the Center for Policy Research and Planning, executive confidence held steady in the second quarter of 2007 while consumer confidence declined compared to the first quarter. Executives were not as optimistic about current conditions across the state and within their respective industries. However, looking ahead six months, executives were hopeful that conditions would improve across the state and within their respective industries. Consumers were less confident in their current financial conditions and future business conditions while remaining upbeat about their future financial conditions.

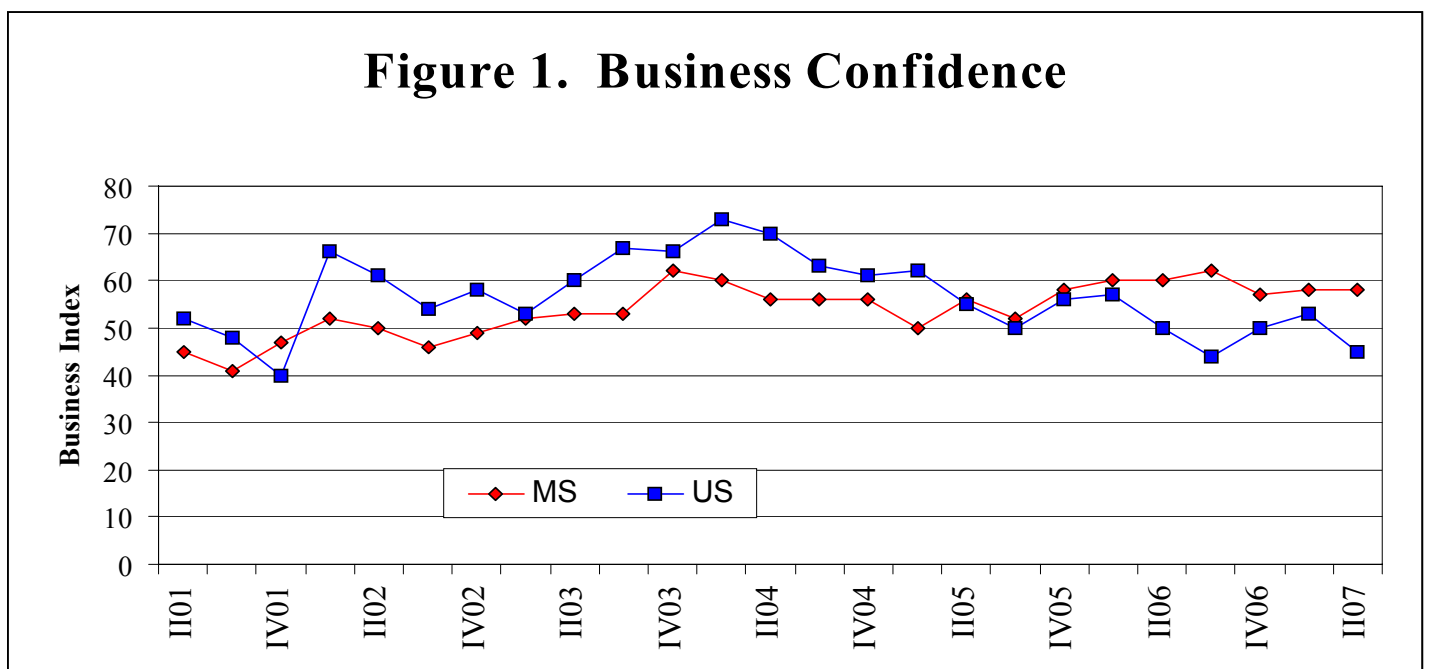
Business Confidence

Business confidence remained unchanged at a level of 58 in the second quarter of 2007 (See Appendix A). The business confidence index reflects the attitudes of Mississippi executives towards current and future business conditions. An index level above 50 indicates more positive responses than negative responses. In Mississippi, the index level has been at or above 50 since the first quarter of 2003. On the national level, confidence fell to a level of 45, a

decrease of 15.1 percent from the fourth quarter index of 53. According to Lynn Franco, Director of the Conference Board's Consumer Research Center, "Several quarters of sluggish economic growth have taken a toll on CEOs' confidence, erasing two quarters of improvement. Looking ahead, CEOs do not expect a significant turnaround in conditions and profit expectations."

The business confidence survey centers around four questions concerning current and future conditions within Mississippi and within each industry. In Mississippi, many executives were more pessimistic about current conditions across the state and within their respective industries. Looking ahead over the next six months, executives were more optimistic that conditions would improve. Approximately 37.3 percent of executives felt that business conditions in the state improved compared to six months ago, down from 41.6 percent in the first quarter. Within their respective industries, 30.2 percent indicated that conditions improved over the past six months, a decrease from 32.7 percent in the first quarter. When looking at future business conditions, 54.6 percent felt

Figure 1. Business Confidence



that conditions would improve over the next six months for the state as a whole, compared to 45.5 percent in the previous quarter. Within their respective industries, 41.9 percent expected improved conditions, up slightly from 41.6 percent in the previous quarter.

Confidence increased or remained the same in five industrial sectors (health care, retail, construction, finance, insurance and real estate, and agriculture), while declining in four sectors (manufacturing, services, transportation and public utilities, and wholesale). While changes in confidence shifted among the industrial sectors, confidence remained above 50 in all industrial sectors with the exception of manufacturing.

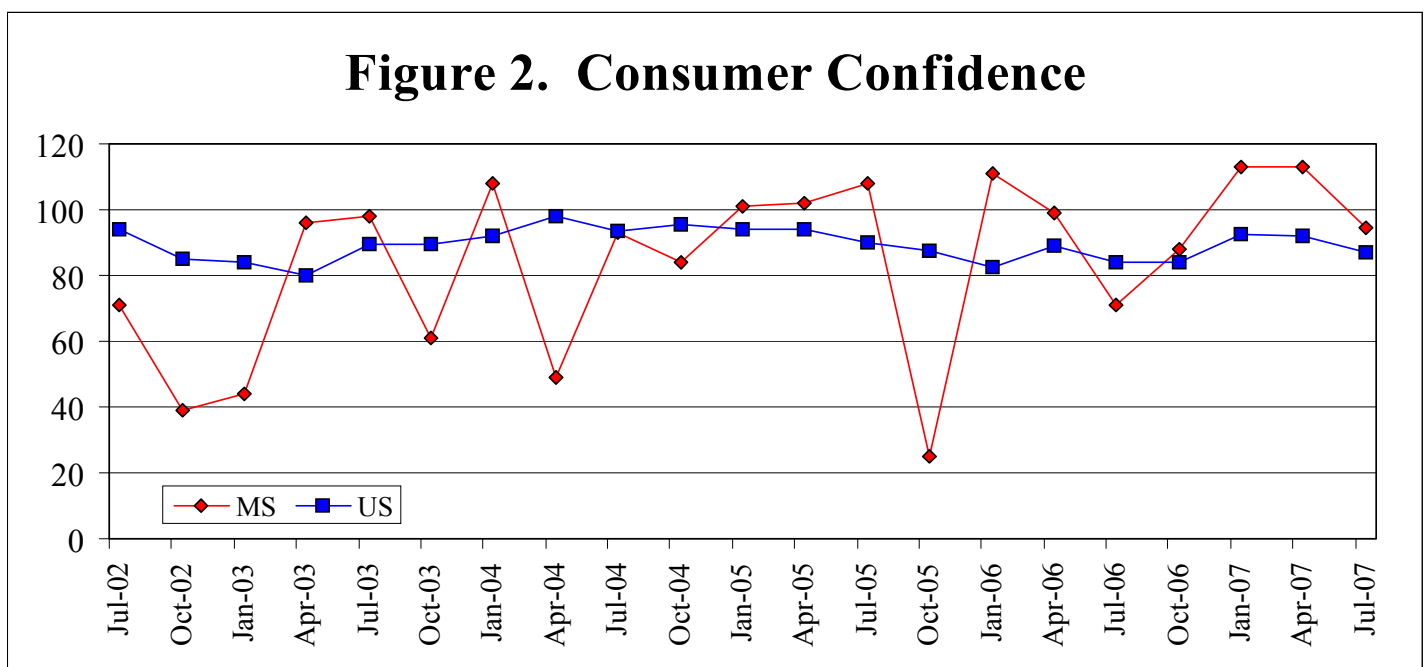
Executives were asked to comment on changes in various employee attributes over the past five years. Specifically, executives were asked, "Over the course of the past five years, how have the following employee attributes changed within your organization?" Executives were asked to mark either improved, no change, or worse for education levels, skills levels, professionalism, work ethic, attitude, absenteeism, tardiness, sickness/health problems, and drug problems. For the most part, no change was the leading response for each of these attributes with percentages

ranging from 40.7 percent to 62.8 percent. In terms of education levels, 31.4 percent of executives felt that levels had improved, while 38.4 percent indicated an improvement in skill levels. The main areas of concern according to executives were attitude, absenteeism, tardiness, sickness/health problems and drug problems, with each showing at least 26.0 percent of respondents saying conditions have become worse.

Consumer Confidence

Consumer confidence fell to a level of 94 in the second quarter of 2007, a decline of 16.8 percent from the first quarter. Consumers were not as enthusiastic about their current financial conditions and future business conditions across the state. However, consumers were more upbeat about their future financial conditions. The increased gas prices have taken their toll on consumer confidence in Mississippi.

When looking at their current financial situations, 21.3 percent of respondents stated that they were better off financially compared to six months ago, down from 26.6 percent in the first quarter. When looking one year into the future, 36.9 percent of respondents expected to be better off financially, an increase from 31.6 percent in the previous quarter. When asked about future business conditions within



the coming year, 26.8 percent indicated that conditions would improve compared to 28.2 percent in the first quarter. Overall, 65.2 percent felt that the state would experience a mixture of good and bad times over the next five years. Approximately 56.1 percent of consumers felt that now was a good time to purchase major household items (such as refrigerators, stoves, and other durable goods).

Nationally, consumer confidence declined to a level of 87 in the second quarter. When analyzing confidence on a monthly basis, the index increased in

April, but fell by 3.0 percent in June, the last month of the quarter. According to Richard Curtin, Director of the University of Michigan's Surveys of Consumers, "High gas prices have squeezed household budgets, forcing consumers to cut back on other spending, it increase their debt, or to reduce their savings." Consumers are making adjustments to the reality of a long-term outlook of high gas prices. The labor market and slowing housing market were also listed as areas of concern.

METHODOLOGY FOR BUSINESS CONFIDENCE SURVEY

The Mississippi Business Confidence Survey (BCS) closely follows the methodology used by the Conference Board in their Measure of U.S. Business Confidence. The BCS surveys the attitudes of Mississippi business executives in an attempt to gain their opinion concerning economic conditions, such as, profits, sales, production, and employment. A list of 1000 companies were sent surveys. A total of 86(8.6%) were returned (Appendix A). An index was generated from the responses. This index is computed each quarter and compared to previous quarters to determine whether business executives' outlook for the economy has increased or decreased.

The index is derived by assigning values for each response and calculating an average. An index value of more than 50 signifies a higher number of positive answers (substantially or moderately better) than negative (moderately or significantly worse) and vice versa. If this index rises over time, then business executives' confidence in economic conditions is assumed to be improving. Coming directly from the source of economic activity, the business community, the opinions expressed in the BCS can be a strong indicator of Mississippi's future economic performance. Information gained from this survey helps improve future forecasts of state revenues, production, and other valuable indicators of the state's economy.

METHODOLOGY FOR CONSUMER CONFIDENCY SURVEY

The methodology for conducting the Mississippi CCS was closely modeled after the U.S. consumer confidence survey managed by the University of Michigan. The CCS was generated by conducting a random sample of households with telephones. From these responses, an index of economic expectations and satisfaction was computed. This index can be used to determine if the overall attitudes of consumers, based on personal finances and business conditions, are rising or falling. The survey was divided into five geographical subgroups approximately coinciding with the U.S. congressional districts, allowing for a regional assessment of economic expectations and satisfaction. The regional index values for the last five quarters, along with the number of respondents can be obtained by contacting the Center for Policy Research and Planning.

The five questions with the results for the State can be found in Appendix 2. The questions generally ask about: 1) past and future family financial conditions relative to now; 2) expectations of business conditions for the future; and 3) whether now is a good time to make a major purchase. The percentages of positive answers from the five questions are summed. (A positive answer is "better" on questions one and two, "good times" on questions three and four, and "yes" on question five.) The percentages of negative answers from the five questions are summed. (A negative answer is "worse" on questions one and two, "bad times" on question three, "widespread unemployment" on question four, and "no" on question five.) The May 1994 survey results are the base. The sum of negative answers are subtracted from the sum of positive answers. The net sum each quarter is divided by the base and multiplied by 100, forming an index. If the overall index rises, consumers' confidence in their personal finances and business conditions is assumed to have risen over the observation period, and the opposite if it falls.

Table 1. Response to Question Concerning Employee Attributes: "Over the course of the past five years, how have the following employee attributes changed within your organization?"

<u>Issue</u>	<u>Improved</u>	<u>No Change</u>	<u>Worse</u>
Education Level	31.4%	61.6%	7.0%
Skill Level	38.4%	50.0%	11.6%
Professionalism	29.1%	57.0%	14.0%
Work Ethic	30.2%	40.7%	29.1%
Attitude	26.7%	46.5%	26.7%
Absenteeism	17.4%	54.7%	27.9%
Tardiness	10.5%	60.5%	29.1%
Sickness/Health Problems	10.5%	60.5%	29.1%
Drug Problems	10.5%	62.8%	26.7%

Appendix A - Business Confidence Statistics

Business Confidence Index by Industry

	<u>Second Quarter 2007</u>		<u>First Quarter 2007</u>		<u>Second Quarter 2006</u>	
	<u>Number Reporting</u>	<u>Confidence Index</u>	<u>Number Reporting</u>	<u>Confidence Index</u>	<u>Number Reporting</u>	<u>Confidence Index</u>
U.S.		45		53		50
STATE	86	58	101	58	145	60
Manufacturing	2	46	7	57	3	69
Services	27	56	26	62	35	64
Health Care	8	54	9	51	17	56
Retail	23	58	15	53	36	58
Transportation & Public Utilities	3	78	4	81	6	56
Wholesale	2	50	3	56	5	65
Construction	6	63	14	51	8	61
Finance, Insurance, Real Estate	7	64	15	63	21	64
Agriculture	5	63	7	61	11	53
Other	3	39	1	58	3	64

Note: The second quarter covers the three month period ending in June.

Source: The Conference Board, Quarterly Report, Second Quarter 2007.
Center for Policy Research and Planning, July 2007.

Appendix A, Cont'd.

1. How do you rate the Mississippi business conditions as a whole compared to six months ago?

	Second Quarter 2007		First Quarter 2007		Second Quarter 2006	
	No. of Answers	Percent of Total	No. of Answers	Percent of Total	No. of Answers	Percent of Total
Substantially better	4	4.7%	13	12.9%	21	14.5%
Moderately better	28	32.6%	29	28.7%	47	32.4%
Same	34	39.5%	40	39.6%	47	32.4%
Moderately worse	18	20.9%	15	14.9%	27	18.6%
Substantially worse	2	2.3%	4	4.0%	3	2.1%

2. How do you rate the Mississippi business conditions in just your industry, as compared to six months ago?

	Second Quarter 2007		First Quarter 2007		Second Quarter 2006	
	No. of Answers	Percent of Total	No. of Answers	Percent of Total	No. of Answers	Percent of Total
Substantially better	3	3.5%	9	8.9%	17	11.7%
Moderately better	23	26.7%	24	23.8%	39	26.9%
Same	33	38.4%	35	34.7%	40	27.6%
Moderately worse	20	23.3%	29	28.7%	40	27.6%
Substantially worse	7	8.1%	4	4.0%	9	6.2%

3. Looking ahead about six months as compared to now, do you think Mississippi business conditions for the Mississippi economy as a whole will be:

	Second Quarter 2007		First Quarter 2007		Second Quarter 2006	
	No. of Answers	Percent of Total	No. of Answers	Percent of Total	No. of Answers	Percent of Total
Substantially better	10	11.6%	9	8.9%	17	11.7%
Moderately better	37	43.0%	37	36.6%	60	41.4%
Same	27	31.4%	42	41.6%	50	34.5%
Moderately worse	11	12.8%	11	10.9%	17	11.7%
Substantially worse	1	1.2%	2	2.0%	1	0.7%

4. In just your own industry, do you think business in Mississippi over the next six months, compared to now, will be:

	Second Quarter 2007		First Quarter 2007		Second Quarter 2006	
	No. of Answers	Percent of Total	No. of Answers	Percent of Total	No. of Answers	Percent of Total
Substantially better	6	7.0%	8	7.9%	12	8.3%
Moderately better	30	34.9%	34	33.7%	52	35.9%
Same	34	39.5%	39	38.6%	59	40.7%
Moderately worse	11	12.8%	18	17.8%	17	11.7%
Substantially worse	5	5.8%	2	2.0%	5	3.4%

Appendix B - Consumer Confidence Statistics

1. Financially speaking, would you say that you and your family are better off, worse off, or about the same as you were a year ago?

	Second Quarter 2007		First Quarter 2007		Second Quarter 2006	
	No. of Answers	Percent of Total	No. of Answers	Percent of Total	No. of Answers	Percent of Total
Better	61	21.3%	80	26.6%	51	22.4%
Worse	58	20.2%	47	15.6%	51	22.4%
About Same	165	57.5%	170	56.5%	118	51.8%
Don't Know	3	1.0%	4	1.3%	8	3.5%

2. Looking ahead a year from now, do you think you and your family will be better off financially, worse off, or about the same as now?

	Second Quarter 2007		First Quarter 2007		Second Quarter 2006	
	No. of Answers	Percent of Total	No. of Answers	Percent of Total	No. of Answers	Percent of Total
Better	106	36.9%	95	31.6%	83	36.4%
Worse	24	8.4%	23	7.6%	32	14.0%
About Same	139	48.4%	153	50.8%	93	40.8%
Don't Know	18	6.3%	30	10.0%	20	8.8%

3. Looking at the business conditions in Mississippi, do you think over the next twelve months that we will have good time financially, bad times, or things will remain the same?

	Second Quarter 2007		First Quarter 2007		Second Quarter 2006	
	No. of Answers	Percent of Total	No. of Answers	Percent of Total	No. of Answers	Percent of Total
Better	77	26.8%	85	28.2%	51	22.4%
Worse	41	14.3%	50	16.6%	52	22.8%
About Same	149	51.9%	141	46.8%	102	44.7%
Don't Know	20	7.0%	25	8.3%	23	10.1%

4. Looking at Mississippi over a longer period of time, would you say that the State as a whole over the next five years will experience good times, widespread unemployment, or a mix of good and bad times?

	Second Quarter 2007		First Quarter 2007		Second Quarter 2006	
	No. of Answers	Percent of Total	No. of Answers	Percent of Total	No. of Answers	Percent of Total
Good Times	62	21.6%	76	25.2%	37	16.2%
Widespread Unemployment	13	4.5%	13	4.3%	17	7.5%
Good and Bad Times	187	65.2%	187	62.1%	154	67.5%
Don't Know	25	8.7%	25	8.3%	20	8.8%

5. Generally speaking, do you think now is a good time for people to buy major household items for their home, such as a refrigerator, stove, furniture, or a television?

	Second Quarter 2007		First Quarter 2007		Second Quarter 2006	
	No. of Answers	Percent of Total	No. of Answers	Percent of Total	No. of Answers	Percent of Total
Yes	161	56.1%	177	58.8%	126	55.3%
No	87	30.3%	73	24.3%	50	21.9%
Don't Know	39	13.6%	51	16.9%	52	22.8%

MISSISSIPPI'S AGING BABY BOOMERS: CHALLENGES AND OPPORTUNITIES

By Barbara J. Logue, Ph.D.

The huge baby boom generation – people born between 1946 and 1964 – has had dramatic effects on every aspect of American life. “When the baby boom began its schooling, the attention of the entire nation turned to education. When the baby boom entered its adolescence, the country became obsessed with the youth culture. When the baby boom entered its twenties, we became a country dominated by the needs and concerns of young adults – from sex to marriage, to finding jobs, to buying houses”¹

Today's mass media abound with “crisis” stories about the burdens that an aging baby boom generation will impose on the economy, such as the imminent collapse of the Medicare and Social Security programs under the onslaught of hordes of senile oldsters in wheelchairs.² But the truth is unknowable: just as the impact of younger baby boomers on schools, colleges, and entry-level jobs was unprecedented, so too their ultimate effects on public policy, health care systems, an aging work force, and the broader economy as they move into retirement.

The oldest baby boomers celebrated their 60th birthday in 2006. Members of this giant generation are now at or near their peak earning years. They will soon form the leading edge of the largest, healthiest, and best educated generation ever to retire in the United States. Experts agree that this will strain health care and retirement programs, as well as other societal institutions. To illustrate, “combined, Medicare, Medicaid, and Social Security will double their relative burden on working-aged Americans over the next 30 years.”³ More generally, the aging of the baby boomers will provide not just unprecedented challenges but also unprecedented opportunities for the boomers themselves and other segments of the population.

According to the most recent census, there were 729,735 baby boomers living in Mississippi in 2000, comprising about one-fourth of the state's population.

If current projections are borne out, there will be a dramatic effect on the size of the state's older population as the boomers move into the older ages. To illustrate, people over 55 comprised 20.7 percent of the state's total population in 2000, but are projected to comprise 31.2 percent by 2020.

As a group, Mississippi residents are relatively disadvantaged. Hence it is not surprising that, compared to their counterparts nationwide, baby boomers in Mississippi include proportionally more people who are poor, less educated, sick, and otherwise disadvantaged. This report focuses on three interrelated areas of concern in Mississippi as the baby boom generation ages: health issues; work and finances; and assistance programs.

Health Issues

Baby boomers of both sexes have enjoyed better health than their predecessors – better prenatal care, more preventive services (such as immunization against common childhood diseases), better nutrition, healthier work environments, and better health practices.⁴ Combined with continuing advances in medicine, the result may well be better health and less disability in old age, a slower aging process, and an enhanced ability to live independently.⁵ According to a recent federal study, these facts in turn are likely to mitigate demands on health care resources.⁶ Keeping demand manageable is especially important in areas which are already experiencing shortages of health care personnel. In Mississippi, survey data show that many practicing physicians, baby boomers among them, are considering early retirement or relocation, while not enough new doctors are coming in to replace them; shortages are particularly acute in rural areas.⁷

While proportionally more Mississippians suffer from disability and chronic disease than Americans generally, the prevalence of existing health problems here can be reduced and future ones prevented if

people decide to take more personal responsibility for their health, such as losing weight and getting more exercise. A recently published study in the *New England Journal of Medicine*, for example, found that “quitting smoking, lowering blood pressure and reducing other health risks have prevented as many heart disease deaths over the past 20 years as costly high-tech treatments.”⁸ More generally, “effective chronic disease management can save huge amounts of money,” while improving services for disabled people can aid them in living more independently.⁹

Work and Finances

By 2010, economists envision a “massive labor shortage” due to the retirement of large numbers of baby boomers and a concomitant shortage of younger workers to replace them.¹⁰ According to a recent study by economists at the Federal Reserve Bank, a smaller work force is likely to dampen economic growth; hence employers should be encouraged to attract older workers and retain those they already have.¹¹

Labor shortages already exist in such areas as science, aerospace engineering, and the tool-and-die industry, where unique skills and years of training and experience are needed; too few workers to replace retirees are also now evident in the federal government, public utilities, and some skilled trades, such as auto mechanics. Whereas a combination of immigrants, women workers, and technological changes may help to offset a shortage of unskilled labor, a “skills shortage” will be much more difficult to remedy – the difficulties multiplying as meaningful remedies are delayed.¹²

Although legislative initiatives have been proposed at both the national level and in individual states, aimed at encouraging the continued employment of older workers, much remains to be done. For example, although a majority of employers claim to realize that baby boomer retirements will cause labor shortages, only one in seven has a formal retention program in place.¹³

A major issue is the continued negative stereotyping

of older workers as more costly and less productive than younger ones. Yet a majority (56.0 percent) of those who hire older workers pronounced them more productive than younger workers, while an additional 39.0 percent found no difference.¹⁴

Most older workers choose to remain at work because they need the money, the health care benefits, or both.¹⁵ The rising costs of health care have made many aging Americans anxious about their coverage, while researchers repeatedly find that “baby boomers are in for a rude awakening if they don’t start saving more and spending less” as defined-benefit pension plans and employer-sponsored retiree health plans disappear.¹⁶

Better health and more education enhance the likelihood of remaining in the work force longer. In turn, continued employment facilitates workers’ ability to save for eventual retirement, maintain employer-provided health insurance longer, and postpone receipt of Social Security benefits in return for a larger check later. The burden on taxpayers is likewise reduced.

But longer work lives require deliberate action on the part of both employers and employees. Both groups must recognize that “there is no magic age at which someone can no longer work” and that a serious waste of human capital results if able older people cannot be productive and self-supporting due to outdated prejudices.¹⁷ Employers must be flexible enough to accommodate to the needs of older workers and actively work to recruit and retain them. Possible strategies include providing training and allowing such innovations as phased retirement, telecommuting, and “bridge jobs.”¹⁸ Potential employees “must be willing and able to learn new skills and adapt to changing work environments.”¹⁹ Government policies can provide incentives for boomers to stay on the job and assume more responsibility for their own retirement planning.²⁰ Given that baby boomers in Mississippi are both poorer and sicker than their national counterparts, the challenge here is greater than elsewhere.

Assistance Programs

Much has been said and written about the continuing viability of key federal programs like Social Security and Medicare as baby boomers move into old age. As crucial to elders' well-being as these programs are, the need for assistance will go well beyond them. A wide variety of social supports will be needed, especially for poor and minority elderly, who are likely to carry a lifetime of problems into old age, and for those living alone. Existing problems facing the elderly, such as age discrimination and elder abuse (mental and physical) will become more prevalent as the older population swells with the addition of large cohorts of baby boomers. Financial exploitation is "fast becoming the most prevalent type of crime committed against the elderly," with perpetrators including their relatives and caregivers as well as con artists and other white-collar criminals.²¹ Health care discrimination, wherein practitioners treat illnesses less aggressively in older patients than in younger ones, is not a new issue, nor is the inadequate staffing of nursing homes, neglect of gerontological training in the nation's medical schools, and exclusion of the elderly from most emergency planning.²²

Innovative approaches will be ever more necessary as more and more aged people suffer mobility problems. When they can no longer drive, but must still get to the doctor's office and the grocery store, assistance programs must step in, whether these be neighborhood driving pools, public transportation, or another form of aid.²³ If mildly disabled people are to remain in their own homes — a far cheaper alternative than institutionalization — retrofitting of homes to accommodate their changed abilities will be essential. Wider doors and hallways that allow wheelchair access and design features that facilitate kitchen chores (such as easy-grip handles on small appliances) are just two of the many design changes that can make it easier for older people to maintain their independence. Technological advances in automobiles, such as collision-warning systems and vision enhancements for better night driving, were initially aimed at older customers, but are marketable to people of all ages.²⁴

Conclusion

Nationwide, baby boomers now account for 42.0 percent of households.²⁵ According to a 2002 study reported in the *Wall Street Journal*, such households control half of all consumer spending.²⁶ The combination of this tremendous spending power and the greater longevity expected to characterize the boomer generation will affect every sector of the economy. To illustrate, of the 13 cars bought by the average American household over a lifetime, seven are purchased when the household head is over age 50.²⁷ Home design features that cater to the older population constitute "one of the most powerful trends in the housing industry," a trend that, according to the National Association of Home Builders, is only expected to increase as our population ages.²⁸ Healthy profits are anticipated for staffing companies that place health care professionals in hospital settings.²⁹ Recreational facilities are proving to be highly desirable features in communities designed for older residents, and jobs for travel agents and activity planners should flourish as older people remain active longer.³⁰ Manufacturers of furniture, housewares, and appliances have already discovered a growing market for products designed for homeowners with physical limitations.³¹ Clearly, as one expert on aging put it, "older people create silver markets, so that one person's cost, like health costs, is another person's income, asset or job."³²

Many current negative stereotypes about older people can be expected to change as the baby boomers age.³³ After all, they comprise the healthiest and best educated generation in American history. At the same time, however, there is no doubt that there will be substantial increases in the population needing services ranging from health care to housing, transportation, and recreation. Doubtless, too, there will be significant subgroups among elderly boomers who are poor, highly disabled, or socially isolated. More generally, by the time the oldest boomers reach age 65 in 2011, "it is estimated that there will be millions of vacant jobs outnumbering available workers."³⁴

But two trends herald some mitigation of these negatives. First, to the extent that baby boomers remain in

the work force (and employers work to facilitate this), they will be able to retain their health insurance, continue to accumulate financial resources through 401(k) plans and the like, and postpone receipt of Social Security to a later age, when their monthly benefit will be substantially higher.³⁵ At the same time, they will have fewer nonworking years to cover with accumulated savings and benefits. The nation will benefit as worker shortages are alleviated, economic growth is sustained, and boomers are producers as well as consumers.

Secondly, the percentage of people who retire early is already starting to decline, while the percentage remaining in the work force is increasing.³⁶ Survey data indicate that most baby boomers plan to keep working, at least part-time, past age 65.³⁷ Moreover, about four out of five Americans now over age 65 have no activity limitations, often need the money and health benefits, and want to continue to contribute to society.³⁸ With appropriate action, both these problems can be addressed simultaneously. In short, although the challenges are undeniably great, so too are the opportunities.

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