

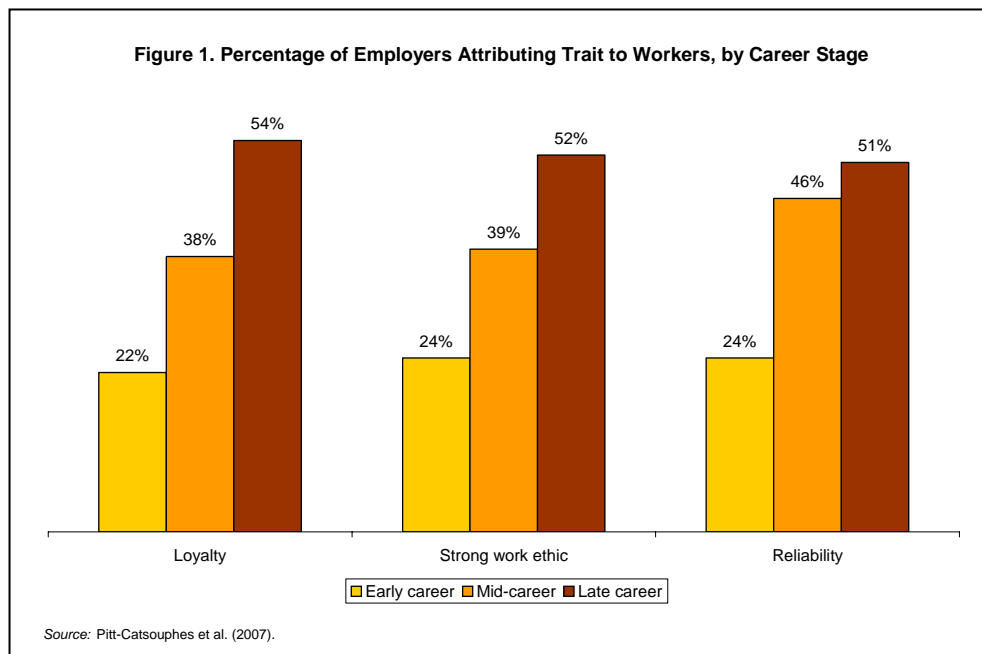


ARE EMPLOYERS WILLING TO HIRE AND RETAIN OLDER WORKERS?

Current Demand for Older Workers

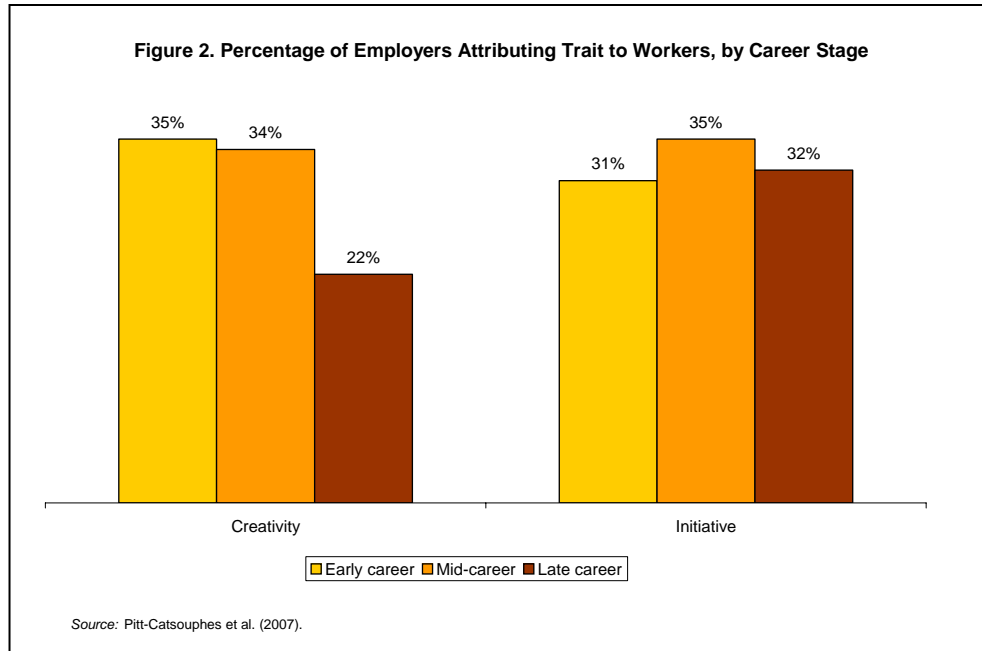
Employer attitudes toward older workers are mixed.

- Employers value older workers' loyalty, work ethic, reliability, and experience (figure 1 and Munnell, Sass, and Soto 2006)
 - They view older white-collar workers as more productive than younger white-collar workers.

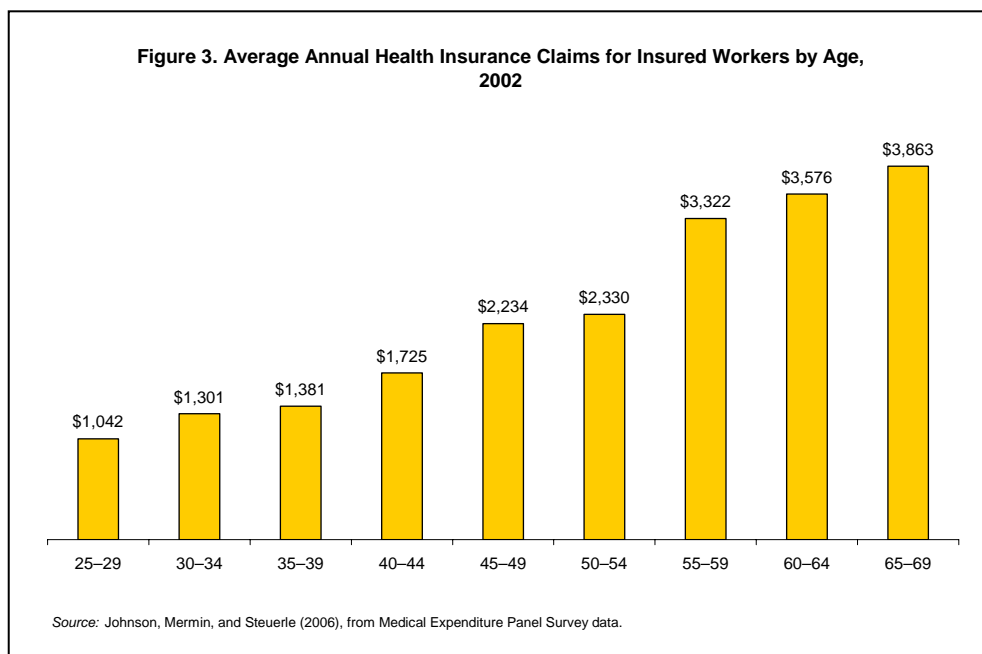


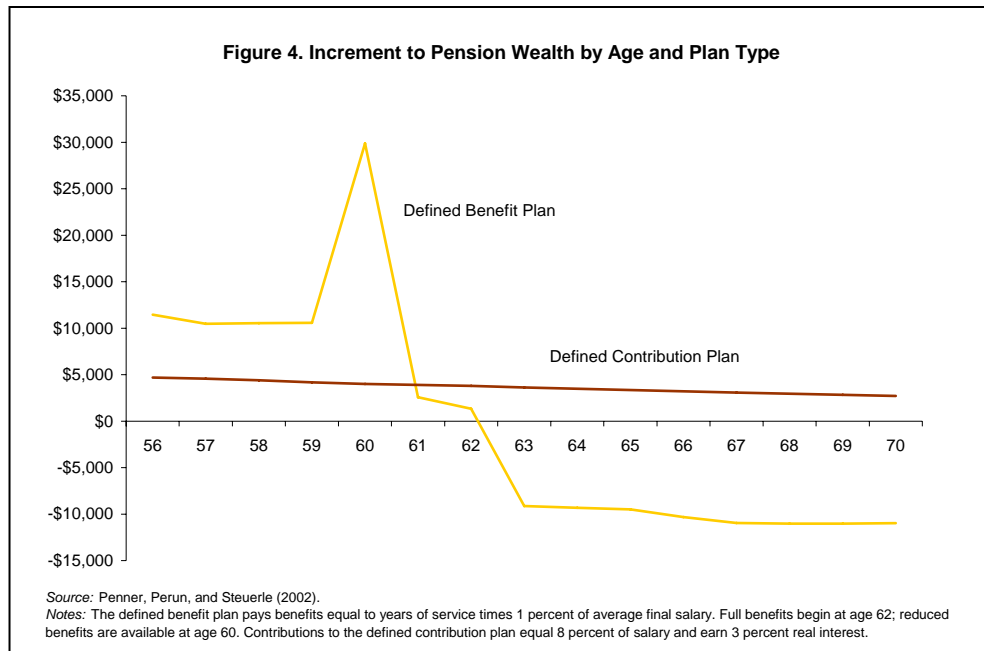
- Yet, employers express concern that older workers may be less creative, less willing to take initiative, less willing to learn new things, and less able to perform physically demanding jobs (figure 2 and Munnell et al. 2006).
- Employers are also concerned that older workers are more expensive.
 - Older workers are paid more. In some cases, age–wage rate relationships reflect historical seniority arrangements instead of relationship of age and experience to productivity.

This fact sheet was prepared December 2007 by Gordon B.T. Mermin with financial support from the Alfred P. Sloan Foundation. The views expressed are those of the author and do not necessarily reflect those of the Urban Institute, its board, or its sponsors.

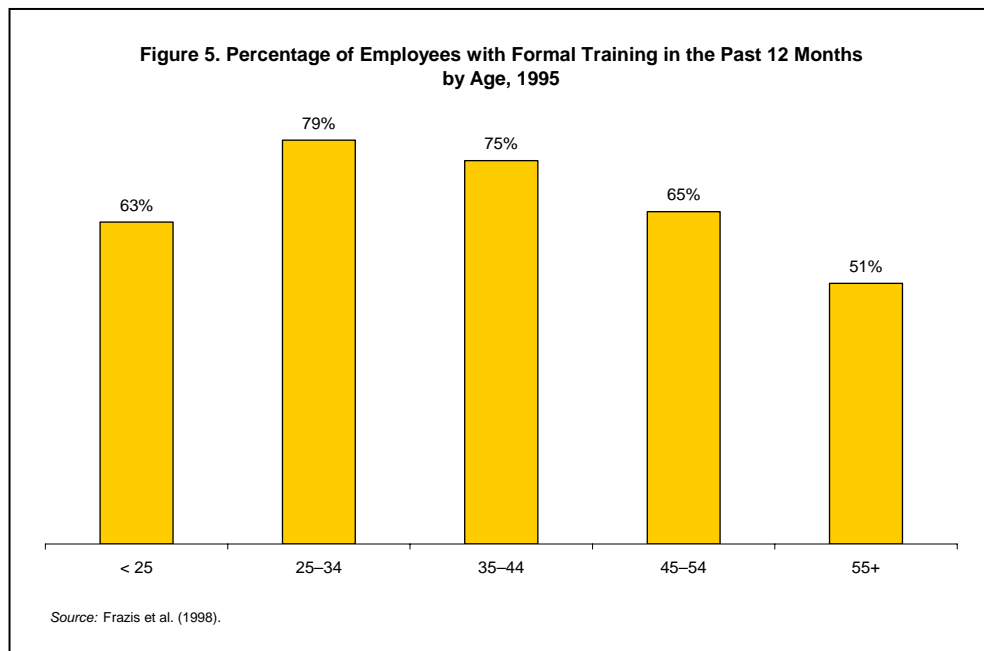


- Health insurance costs to employers increase with age (figure 3).
- Traditional defined benefit pension plans have very high accrual rates just before retirement age (figure 4).
- Most employers report that older workers' high productivity offsets their higher costs (Munnell et al. 2006).





Employers are less likely to train older workers (figure 5) because there is less time for employers to recoup costs.



Some employers continue to discriminate based on age.

- Some older adults report in surveys that employers treat older workers less fairly than younger workers and that older workers are more likely to be laid off (Reynolds, Ridley, and Van Horn 2005).
- In one study, employers were less likely to call back older job applicants for interviews than otherwise identical younger ones (Lahey 2005).

Employers may be more hesitant to hire than retain older workers.

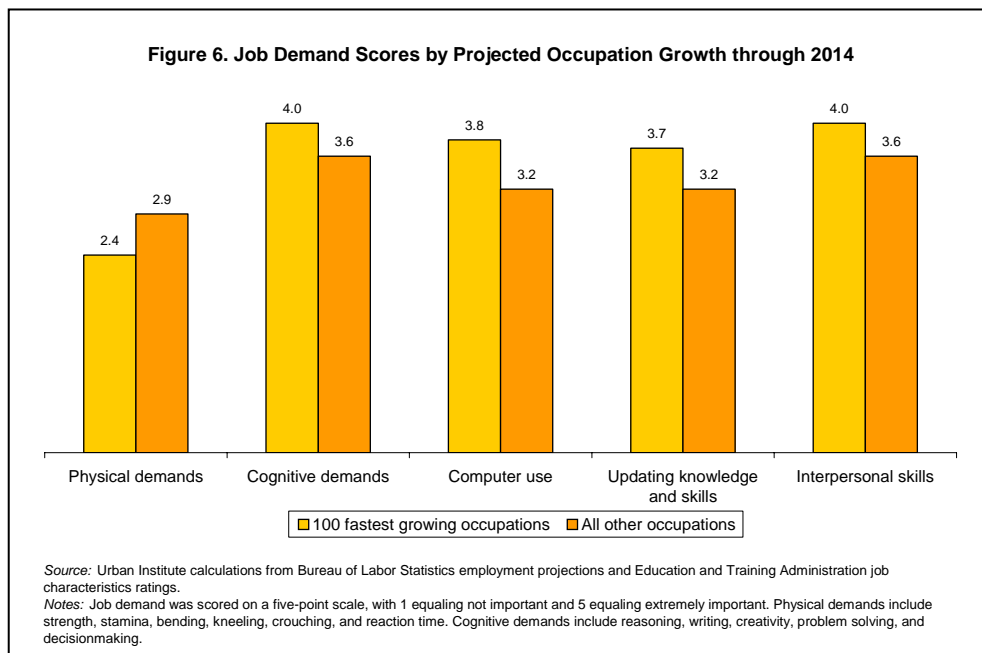
- There is less time to recoup recruiting, hiring, and training costs from older new hires.
- Older new hires rapidly accumulate defined benefit (DB) pension benefits.
- Older new hires may be more difficult to terminate because of the Age Discrimination in Employment Act.

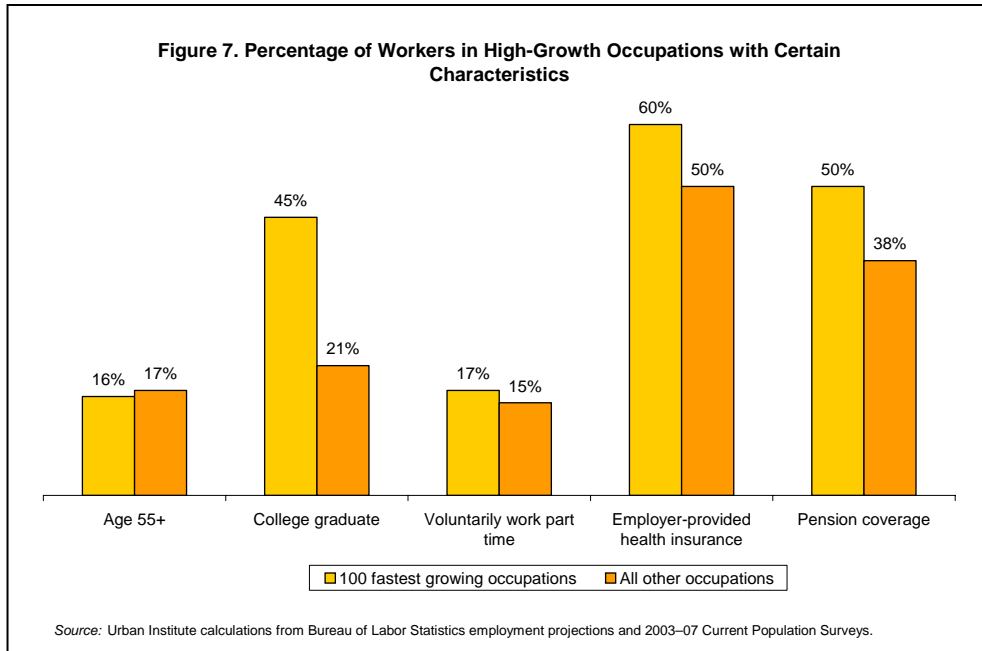
Future Demand for Older Workers

The aging population may result in tighter labor markets in the future.

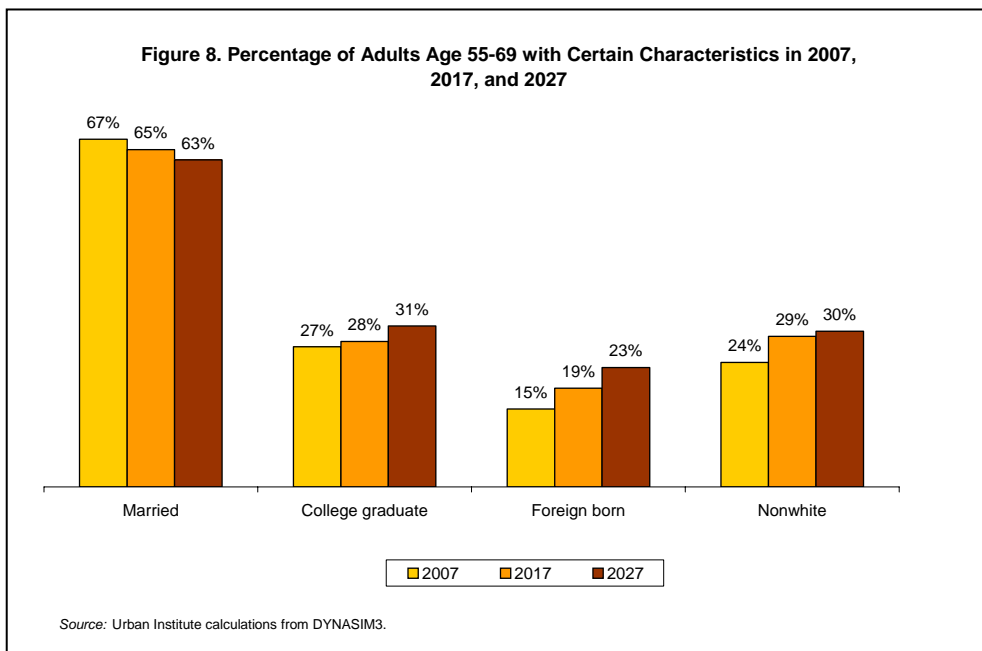
- Demographics imply slower labor force growth, which may raise the demand for older workers.
 - Will global labor markets meet demand?
 - Will more rapid technological change and substitution of capital for labor allow the economy to continue to grow with a relatively smaller labor force?
 - Alternatively, will slower growth in the capital stock from less saving lower the marginal productivity of labor and real wages, making work less attractive for older Americans?
- One study accounting for the impact on labor supply and private and public saving finds that population aging could reduce annual growth in real output per capita from 1.7 percent to 1.2 percent by 2020 (Rogers, Toder, and Jones 2000).

Jobs in the future may be less physically demanding and more cognitively demanding and require more interpersonal skills (figures 6 and 7).



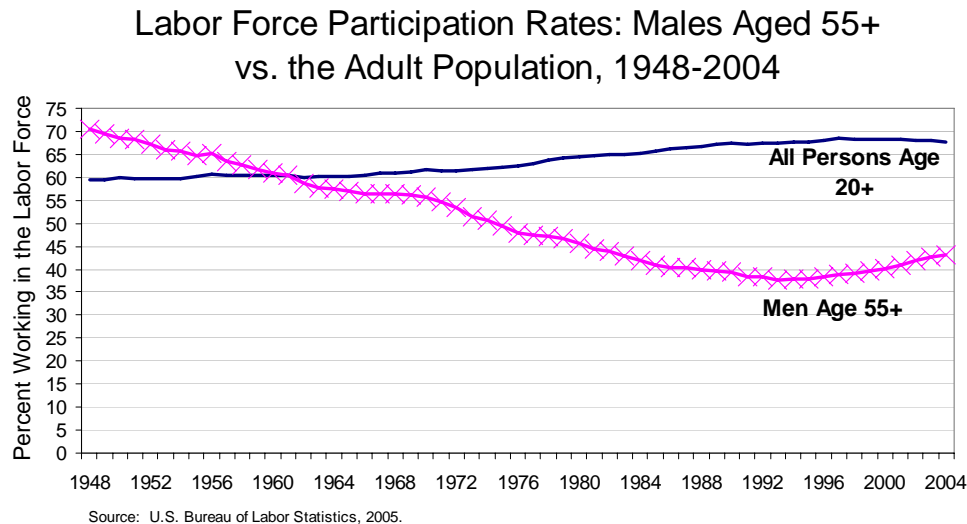


Older adults in the future may have more education and be less likely to be married, native born, or non-Hispanic white (figure 8).



As the growth in women's employment slows, older men's employment may rise to maintain the historical ratio of workers age 20 and older to the overall population (figure 9).

Figure 9: From Which Trend Line Should We Project?



References

- Frazis, Harley, Maury Gittleman, Michael Horrigan, and Mary Joyce. 1998. "Results from the 1995 Survey of Employer-Provided Training." *Monthly Labor Review* 121(6): 3–13.
- Johnson, Richard W., Gordon Mermin, and C. Eugene Steuerle. 2006. "Work Impediments at Older Ages." The Retirement Project Discussion Paper 06-02. Washington, DC: The Urban Institute.
- Lahey, Joanna. 2005. "Age, Women and Hiring: An Experimental Study." NBER Working Paper 11435. Cambridge, MA: National Bureau of Economic Research.
- Munnell, Alicia H., Steven A. Sass, and Mauricio Soto. 2006. "Employer Attitudes Towards Older Workers: Survey Results." Work Opportunities for Older Americans Series 3. Chestnut Hill, MA: Center for Retirement Research at Boston College.
- Penner, Rudolph G, Pamela Perun, and C. Eugene Steuerle. 2002. "Legal and Institutional Impediments to Partial Retirement and Part-Time Work by Older Workers." Washington, DC: The Urban Institute.
- Pitt-Catsoupes, Marcie, Michael A. Smyer, Christina Matz-Costa, and Katherine Kane. 2007. "National Study of Business Strategy and Workforce Development." Chestnut Hill, MA: Center on Aging and Work at Boston College.
- Reynolds, Scott, Neil Ridley, and Carl E. Van Horn. 2005. "A Work-Filled Retirement: Workers' Changing Views on Employment and Leisure." *Worktrends* 8.1. <http://www.heldrich.rutgers.edu/Resources/Publication/191/WT16.pdf>.
- Rogers, Diane Lim, Eric Toder, and Landon Jones. 2000. "Economic Consequences of an Aging Population." The Retirement Project Occasional Paper 6. Washington, DC: The Urban Institute.