JOINT ECONOMIC COMMITTEE DEMOCRATS
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The Number of Older Workers Is Growing Quickly as They Continue to Face Economic Challenges

INTRODUCTION

Older workers, generally defined as those aged 55 and above, make vital contributions to the U.S. economy. Older Americans contribute an estimated 40% of the national economic output despite making up just 35% the population. Over the past two decades, the share of workers 55 and older has almost doubled, increasing from 13% in 2000 to 23% in 2021. The Bureau of Labor Statistics projects this growth will continue and, by 2031, fully one quarter of the labor force will be 55 years or older.

However, the coronavirus pandemic disrupted older workers' ability to stay in the labor market. From the start of the pandemic, older workers exited the labor force in large numbers because of virus mitigation efforts and the disproportionate risks that older workers faced in the workplace. While some older workers were able to make use of telework and economic stimulus payments to stay connected to the workforce and delay retirement, this was not the reality for all older workers. In fact, the pandemic recession was unlike more recent economic recessions in that it disproportionately impacted older workers compared to their mid-career counterparts.

Not all older workers were equally affected by the pandemic—age, race and education shape the experiences of older workers in the labor market. Job losses for workers 65 and older, older workers of color and older workers with less education were particularly pronounced during the pandemic recession. As a result, poverty rates for those 65 and older increased in 2021.

The experience of older workers during the coronavirus pandemic is emblematic of the long-standing challenges they have faced:

- Age discrimination creates unlawful barriers for older workers in their employment.
- Retirement insecurity is eroding the agency of older workers to freely decide whether to continue working or retire.
- The returns from additional years of experience, and general worker bargaining power, have weakened over the years.
- Older workers have seen their jobs grow more physically demanding and dangerous.

Overcoming these challenges will require a broad basket of policy solutions. This starts by obtaining a better understanding of the specific needs of older workers with a Bureau for Older Workers. Policies aimed at protecting older workers from discrimination and improving access to retirement savings plans would also strengthen the economic security of older workers and improve the economic participation of all workers in the economy.

THE EXPERIENCE OF OLDER WORKERS IN THE LABOR MARKET AND BEYOND

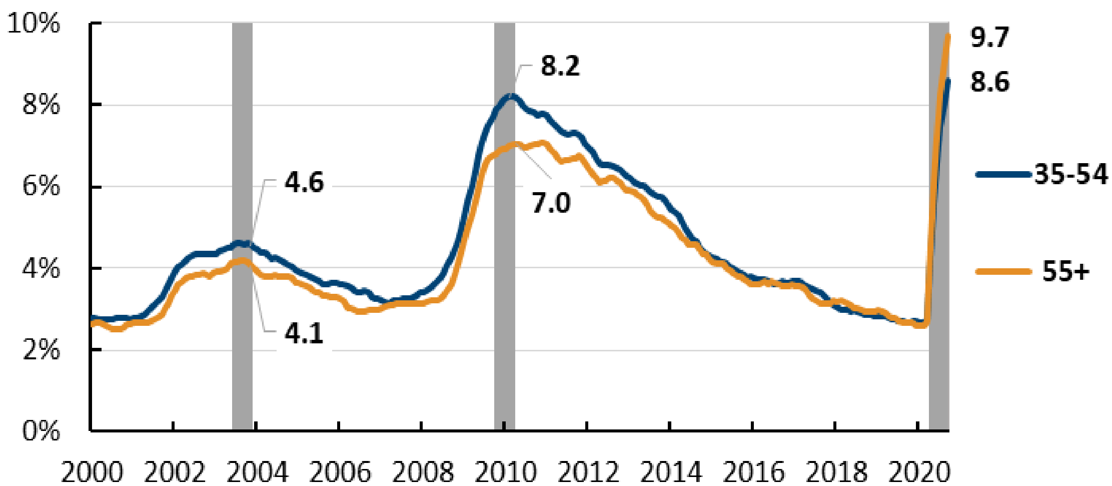
The pandemic hit older workers hard, disproportionately impacting already disadvantaged groups and increasing poverty

In recent recessions, employers were more likely to lay off mid-career workers (ages 35-54) and keep older workers because of their experience and seniority. However, the pandemic recession was unlike other recent recessions, as job losses were particularly pronounced in non-essential sectors and consumer spending shifted from services to goods. These factors, along with the fact that this economic shock resulted from a public health challenge that placed older workers at greater risk than their younger peers, left many older workers especially disadvantaged in the labor market.

From April to September 2020, for the first time in half a century, the unemployment rate for older workers exceeded that of mid-career workers (see figure below). During this period, the unemployment rate for older workers was 1.1 percentage points higher than that of mid-career workers. By comparison, during the peak of the Great Recession, from October 2009 to May 2010, the unemployment rate of older workers was 1.2 percentage points *lower* than mid-career workers.

Older Workers Were Hit Harder by the Pandemic Recession Than Mid-Career Workers

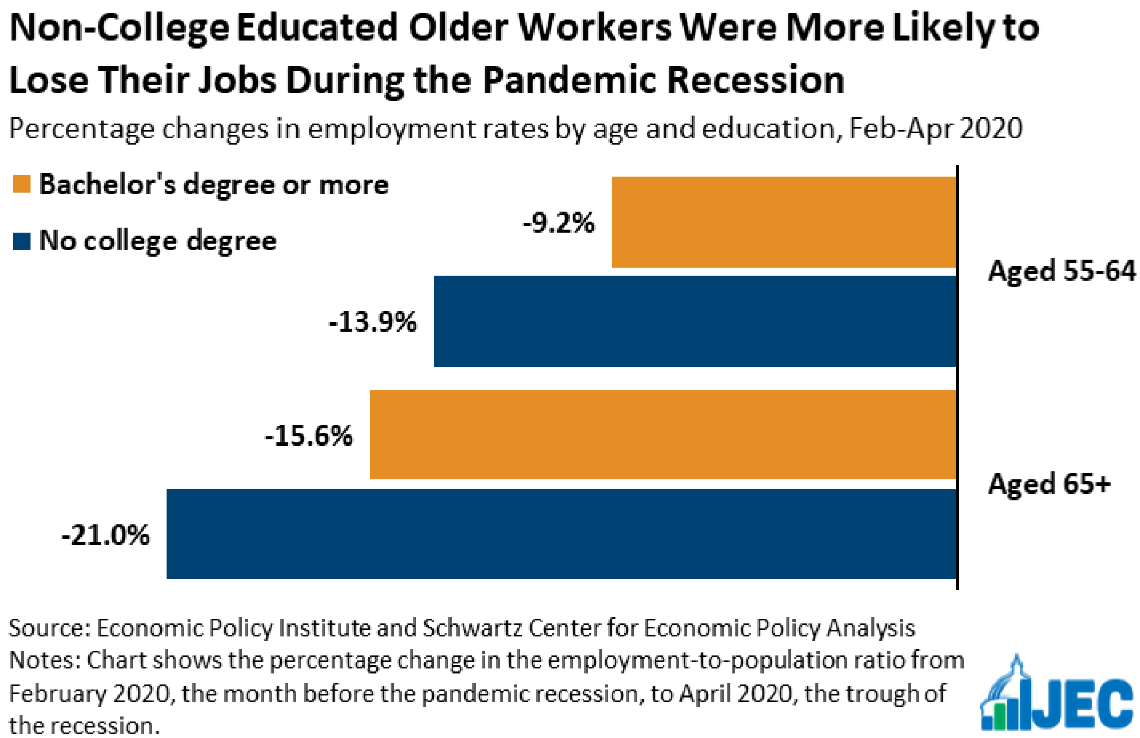
Six-month moving average unemployment rate, by age, Jan 2000 to Sept 2020



Source: Bureau of Labor Statistics

Notes: Data are seasonally adjusted. Grey shading signifies 6 month period where unemployment peaked after a recession.

Not all older workers were impacted alike: The pandemic recession particularly affected workers 65 and older, older workers of color and older workers with less education. For example, the employment rate of workers aged 65 and older dropped 18.6% between February and April 2020, while mid-career workers and older workers aged 55 to 64 both saw an 11.8% decline. Older workers without a college degree also experienced more job losses than their college-educated counterparts (see figure below). Generally, older workers who were Black, female or lacked a college degree experienced higher rates of job loss between April and September 2020. During this time period, Black older workers were on average about 26% more likely than their white counterparts to lose their jobs from month to month.



The job instability and economic insecurity that older workers faced during the pandemic and its immediate aftermath pushed many of them into poverty. Although overall and child poverty rates reached record lows in 2021, as a result of federal investments, the share of Americans 65 and older who fell below the poverty line increased during this time.

Age discrimination continues to create barriers to employment for older workers and is expected to cost the U.S. economy nearly $4 trillion by 2050

Biases and misconceptions about the capacities and expenses associated with older workers leads to discrimination, making it more difficult for older workers to find jobs and retain employment. Federal age discrimination law applies to workers 40 and older, which encompasses over half of the U.S. workforce. In effect, the majority of American workers are at risk of experiencing this form of discrimination. Despite federal prohibitions against age discrimination, 78% of surveyed workers report either directly experiencing or observing age discrimination in their workplace in 2020—a large increase from 61% in 2018.

Age discrimination can occur in any aspect of employment. For example, during the hiring process, older workers can face challenges getting interviews and job offers if their age is made known. One study found that applicants protected under federal age discrimination law are about 40% less likely to receive a job offer than their younger counterparts when their age is known. Overall, 76% of workers report seeing age discrimination as a hurdle to finding employment. This can force older workers to either leave the job market entirely or hinder their ability to earn an income, causing economic instability. Within the workplace, age discrimination can includes lack of promotion, diminished compensation, harassment or termination of employment. A 2018 survey found that because of their age, 12% of respondents reported not receiving a promotion and 7% reported being terminated, laid off or forced out of their jobs.

Age discrimination can also create broader negative effects throughout the economy. In 2018, age discrimination of all types is estimated to have cost the U.S. $850 billion through reduced labor supply, decreased productivity and lost wages. By 2050, this cost is estimated to skyrocket to $3.9 trillion without further intervention.

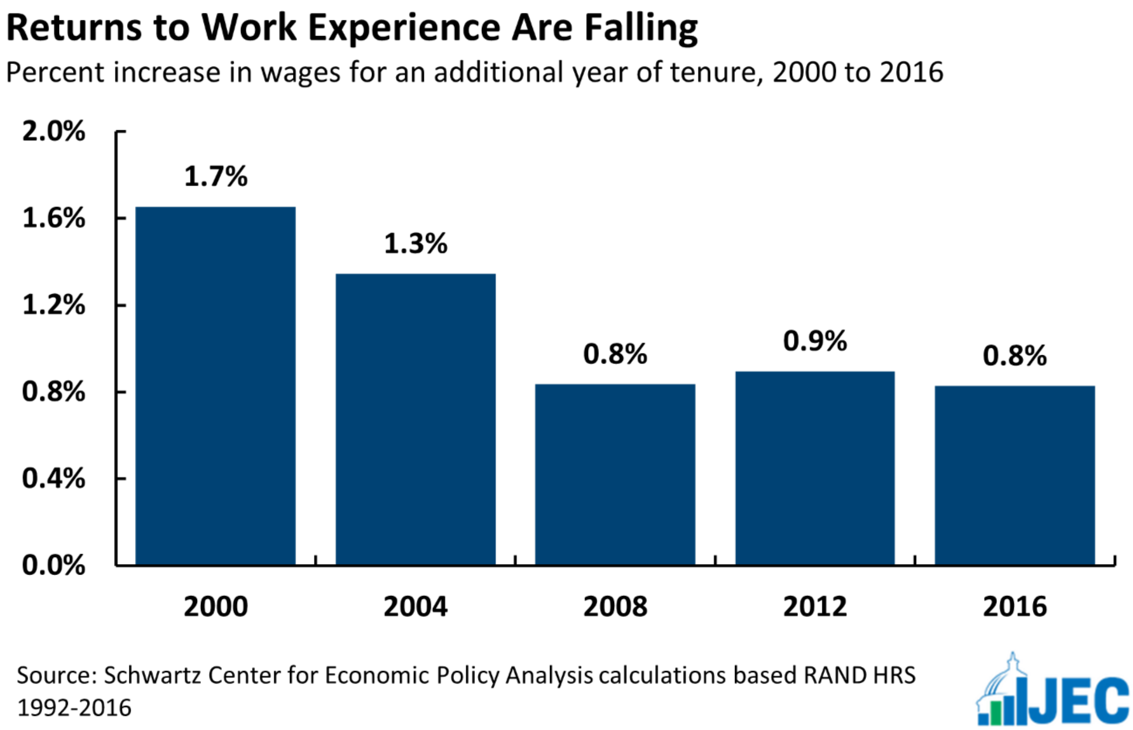
Retirement insecurity erodes the ability of workers to freely decide when to retire

In recent years, retirement security in the United States has grown more tenuous for many Americans. The American retirement system has traditionally been supported by the "three-legged stool" of Social Security, pensions and individual savings. An older worker with retirement income security via pensions and individual savings has more freedom to choose whether to leave their job for a better one or to retire after a lifetime of work. But as employers have shifted the burden of securing retirement savings onto workers by moving from defined benefit pensions to defined contribution, like 401(k) plans, many older workers will not have the resources necessary to secure a comfortable retirement, therefore placing pressure on them to stay in the labor market.

Nearly half of workers in the United States lack access to a retirement plan at work, fully eliminating one leg of the three-legged stool that previously ensured economic security after a lifetime of work. The Schwartz Center for Economic Policy Analysis and The Economic Policy Institute estimate that 43% of U.S. workers aged 55-64 do not participate in a retirement plan at work, and this number increases to 63% for workers ages 65 and up. Access and participation rates are particularly low for Black and Hispanic workers who have participation rates of 50% and 30% respectively.

Many older workers face lower relative wages and diminished bargaining power

Wage growth for today's older generation has been slower than that of previous generations. One reason for this is that returns to experience, or how much a worker earns for each additional year worked, have been falling for decades. For example, for an older worker in 2000 an additional year of tenure was associated with a nearly 1.7% premium in earnings. By 2016, the increase in wages for an additional year of tenure was halved at 0.8% (see figure below).

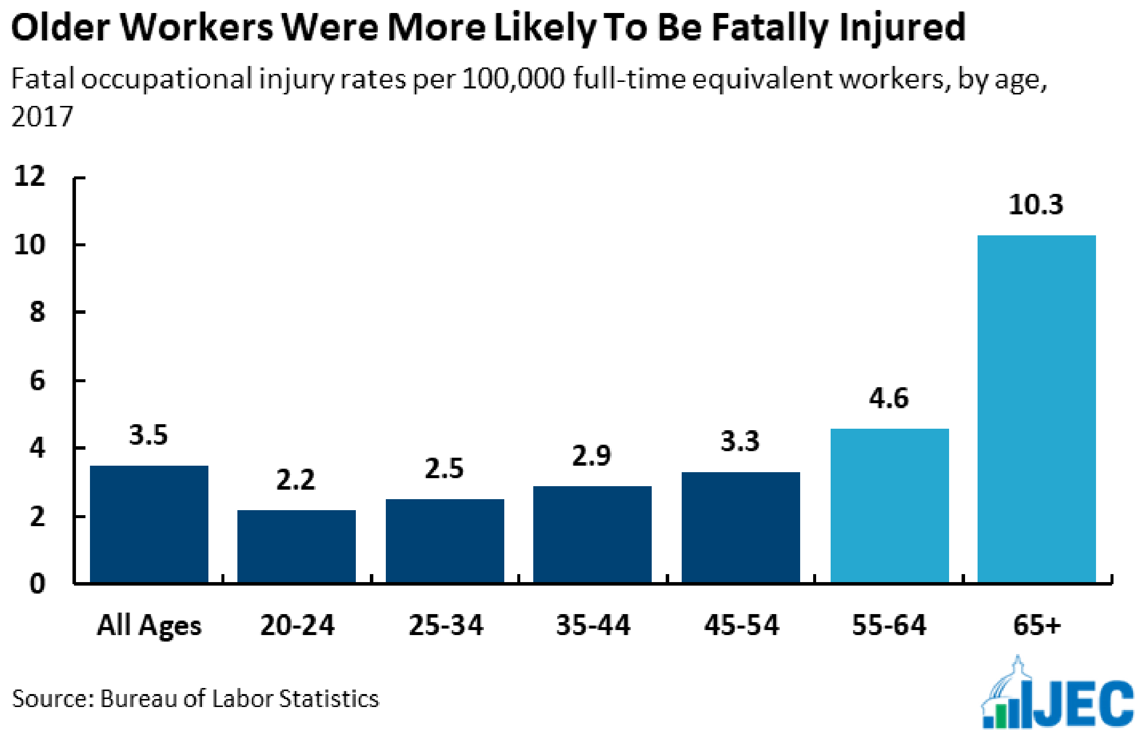


Another reason for slowing wage growth is the loss in bargaining power for older workers, which leaves them unable to negotiate better wages. This trend has multiple causes, including eroding retirement security and persistent age discrimination, but the impacts extend beyond suppressed wages. These challenges also mean that older workers are less able to leave jobs with poor working conditions, long hours or insufficient benefits. These disadvantages are likely to compound, as economically insecure older workers are more likely to fall into poverty in old age.

Many older workers face difficult working conditions that do not meet their needs

Many older workers have strenuous and dangerous jobs, and work has gotten more dangerous for older workers over the years. Although the Bureau of Labor Statistics finds that fatal occupational injuries declined overall by 17% from 1992 to 2017, fatal injuries for workers 55 and older *increased* by 56% during the same time period. According to the latest available data, older workers were the most likely age group to be fatally injured on the job and were more likely to be fatally injured than workers of all ages.

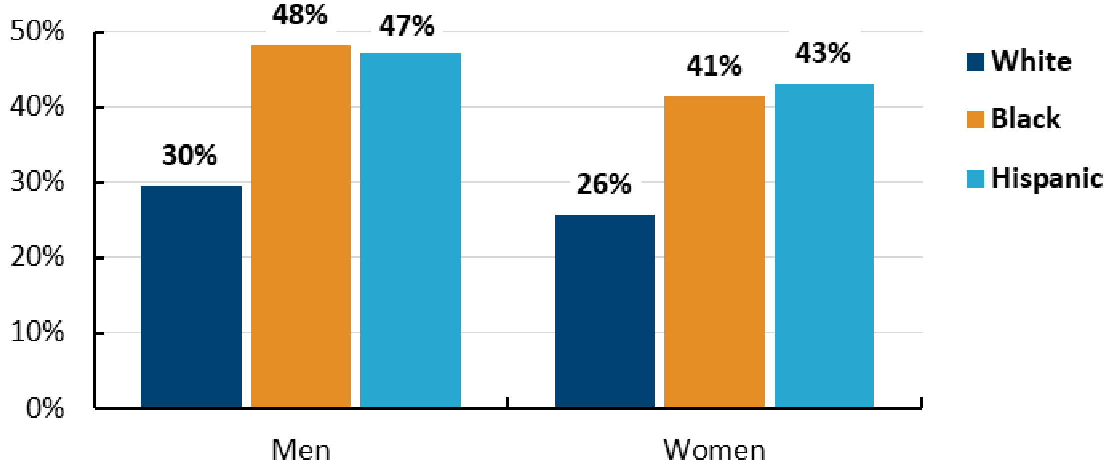
While the overall fatal injury rate for workers was 3.5 per 100,000 full-time equivalent workers in 2017, older workers faced much higher rates. Workers 65 and over had a fatal injury rate almost triple the rate for all workers before the pandemic (see figure below).



Older workers also are more likely to endure physically strenuous jobs which is distributed disproportionately among people of color and workers with less education. Nearly 32% of workers 55 to 64 reported working in jobs that require "lots of physical effort" most or all of the time in 2018. Black and Hispanic workers 55 to 64 were more likely to work in physically demanding jobs than white workers in this age group (see figure below). Workers 55 to 64 with less than a high school degree were more than twice as likely to have physically demanding jobs as college graduates in this age group.

Older Workers of Color Are More Likely to Hold Physically Demanding Jobs

Share of workers 55-64 in physically demanding jobs by race, ethnicity and sex, 2018



Source: Economic Policy Institute and Schwartz Center for Economic Policy Anlysis
Notes: White refers to non-Hispanic white.

EMPOWERING OLDER WORKERS AND STRENGTHENING THEIR ECONOMIC SECURITY

To better serve older workers, federal policies can help by strengthening federal age discrimination regulations, creating new savings vehicles, protecting social security and establishing an Older Workers' Bureau.

Strengthening federal age discrimination protections and ensuring that companies are providing older workers with the tools needed to succeed are critical

The Age Discrimination in Employment Act (ADEA) forbids age discrimination against older workers in every aspect of the employment process. However, a 2009 Supreme Court Decision weakened the ADEA by requiring workers alleging age discrimination to show that age was the *deciding* factor leading to the employer's discriminatory or exclusionary decision. Among other proposals, the Protect Older Job Applicants Act and the Protecting Older Workers Against Discrimination Act would restore critical protections in the ADEA and make it easier for employees to prove when they are a victim of age discrimination in the workplace.

Employers can proactively reduce avenues for age discrimination by ensuring that all workers have the tools they need to succeed regardless of age. Importantly, workers protected under the ADEA overwhelmingly support increased training initiatives, with 94% of eligible older workers stating that they are willing to learn new skills if their employer asks them to. Policies like the Supporting Older Workers Act would improve the workforce development system for older workers via career counseling, training opportunities and funding for workforce development.

New savings vehicles and protecting Social Security will improve retirement equity

As defined benefit plans have disappeared in favor of defined-contribution plans, like 401(k)s and individual retirement accounts, policies aimed at increasing retirement savings have increasingly favored high-income workers with stable jobs. As a result, about half of all households today are at risk of not maintaining their living standards in retirement.

Retirement experts have proposed a range of policy solutions to address retirement insecurity. One proposal calls for a public retirement plan in the form of universal, individual accounts funded by employer and employee contributions. More recently, a new proposal calls for a retirement savings vehicle modeled after the federal Thrift Savings Plan, which is currently available only to federal workers and members of the military. Others have called for an expansion of Social Security benefits and for an increase in the Special Minimum Benefit up to 125% of the poverty line. Among other aspects, these reforms would improve benefits, protect beneficiaries from inflation and extend the solvency of the Social Security program. Economists find that these types of reforms are also likely to bolster economic growth and equity.

Older workers stand to gain from an Older Workers' Bureau

In order to address the specific and growing needs of older workers, many retirement experts have called for the creation of an Older Workers' Bureau within the U.S. Department of Labor. The Older Worker's Bureau Act would create a bureau to identify the challenges facing workers aged 55 and up and to guide future policy to ensure their welfare. This entity would be responsible for advancing the employment, economic success and well-being of older individuals through policy development, research and reporting and technical assistance. It would function much like the Women's Bureau at the U.S. Department of Labor, which was created by law in 1920. An Older Workers' Bureau could promote policies to advance quality employment opportunities for older workers and conduct outreach and education by raising awareness of the economic and societal benefits of quality work for older workers.

CONCLUSION

Older workers are an integral part of the social fabric of America, enhancing the country's social and cultural capital in a variety of ways. Older workers already make significant contributions to the U.S. economy, and as the share of older workers in the labor market continues to increase, the contributions these workers make will only grow. However, the disproportionate impact of the pandemic recession on older workers shined a new light on the structural challenges older workers have faced—and continue to face— in the labor market and the broader economy.

Strengthening the bargaining power of older workers in the labor market and improving their retirement readiness will expand the economic participation of all workers and strengthen the U.S. economy for generations to come. Policies that strengthen anti-discrimination regulations, improve avenues for retirement savings and create an Older Workers Bureau would help employers foster work environments that are supportive and safe for older workers. At the same time, these important steps would also enable older workers to continue contributing to the U.S. economy and to retire on their own terms with dignity.