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What to do about our aging workforce—the employers' response

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People in the United States are living longer. According to the Centers for Disease Control and Prevention, the life expectancy at birth of the average person in America has increased from 76.8 years in 2000 to 78.7 years in 2018. This is just one reason people are working beyond what was once the typical retirement age of 65. Other reasons include insufficient savings, lack of a retirement plan, and the Social Security Administration's gradual rise of the full retirement age, from 65 to 67

According to Robert L. Clark and Beth M. Ritter in "How are employers responding to an aging workforce?" (National Bureau of Economic Research, Working Paper 26633, January 2020), "baby boomers"—those born just after World War II, from 1946 to 1964—have reached or surpassed the age of retirement or are approaching it. They point out that the percentage of people 55 and over has doubled in the last 20 years and that this trend is projected to continue. The aging of the population means two things: on one hand, more people are retiring, and on the other hand, many of these older workers are choosing to work longer. In their paper, Clark and Ritter contend that employers need to look at three major areas in which an older workforce may affect their organization. These areas are labor costs, productivity, and sustainability. In addition, the authors examine how some employers are addressing the concerns that arise from an aging workforce and the ways in which they can benefit from it.

In researching these labor matters on aging, the authors consulted labor economists and several human resource professionals at large organizations in both the private and public work sectors. To determine how employers are responding to an aging workforce, Clark and Ritter conducted an employer workshop and three surveys in which the human resources professionals participated.

From the workshop and the data gathered in the surveys, the authors confirmed that for employers, retaining a larger older workforce means higher labor costs—the first major area of concern. These labor costs include salaries, health insurance, paid time off, and other contributions. However, on the flip side, suddenly losing a large number of employees through retirement would also mean losing valuable experience and knowledge that would be difficult for employers to replace.

As for productivity, the second major area, it is a concern not only for some employers but also for the entire nation because many older workers are working beyond the traditional age of retirement. This fact prompts employers to question whether age affects productivity. According to recent studies, the authors found that the answer to this question is inconclusive. Some studies show that older workers are less productive, some show no difference between older and younger workers, and others show that older workers are more productive than their younger counterparts.

As for a company's sustainability, the third area of concern, employers have several points to weigh, such as organizational size, individual occupations, hiring methods, employment policies, and economic growth. Companies are implementing financial and educational programs to accommodate a "multigenerational" workforce. In addition, many companies are updating and changing their compensation and employment policies to meet the needs of older workers. The authors contend that most employers recognize that the workforce is aging and they are working toward modifying and improving older employees' working conditions.