

EMPLOYER PERCEPTIONS OF OLDER WORKERS: 2019 SURVEY RESULTS

BY ALICIA H. MUNNELL AND GAL WETTSTEIN*

Introduction

Today, men on average retire at 64 and women at 63, and they can expect to spend about 20 years in retirement. But if Americans continue to retire as early as they do today, many will not have adequate income once they stop working. That is, many older people need to work longer to ensure a secure retirement.

American workers appear to have gotten the message. Over the past three decades, the share of people who say they plan to work past age 65 has increased from 18 percent to 45 percent.¹ The problem is that nearly two in five workers end up retiring earlier than planned.² To the extent that these premature retirements reflect employer resistance to older workers, the prescription to work longer will be hard to achieve. The question, therefore, is the extent to which employers are willing to hire and retain older workers.

To shed some light on the question, this *brief*, based on a recent paper, reports on a survey of employers conducted in 2019, before the COVID-19 pandemic. The survey captures employers' perceptions of the productivity, costs, and net value of their older workers relative to their younger workers.³ Since this new survey replicates a similar 2006 effort, it also allows a comparison of employer perceptions over a period when technology has evolved and the older workforce has grown.

The discussion proceeds as follows. The first section summarizes what we know about older workers – their basic characteristics, productivity, costs, and employer discrimination against them. The second section describes the 2019 survey and reports the results. The third section compares the 2019 results with those for 2006. The final section concludes that, overall, employers say they find older workers as attractive as younger ones despite their higher perceived costs, and the 2019 results show a notable improvement in employer perceptions of older support staff and production workers – as opposed to professional workers – since 2006. Given the pandemic, though, these results might turn out to be a high-water mark in employer attitudes towards older workers.

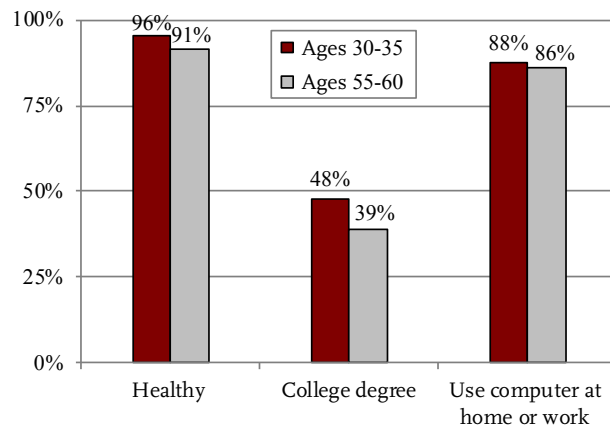
Background

Although relatively little is known directly about employer demand for older workers, relevant information is available on a number of fronts, including the changing characteristics of older versus younger workers, their productivity, their costs, and their ability to get interviews and jobs.

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Today, older workers look a lot like younger workers. This pattern is consistent across health, education, and computer use (see Figure 1). Over time, 55-year-old men and women have gained many years of healthy life expectancy, which means employers no longer need to view them as workers on the verge of retirement. On the cognition front, while older work-

FIGURE 1. PERCENTAGE OF WORKERS WHO ARE HEALTHY, COLLEGE-EDUCATED, AND COMPUTER SAVVY BY AGE, 2018



Note: Computer use data are from 2012.

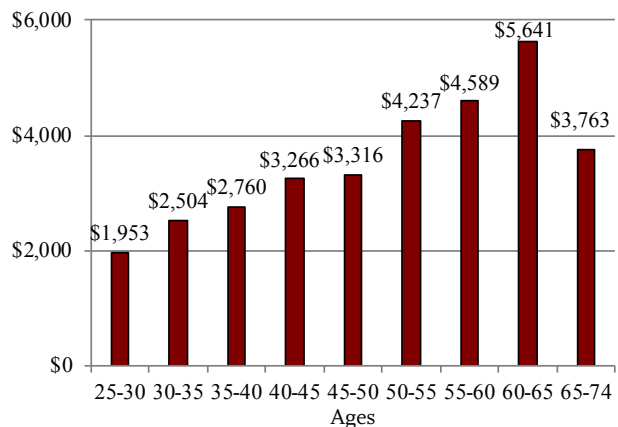
Sources: Authors' calculations from U.S. Census Bureau, *Current Population Survey* (2012, 2018).

ers may not lead in mastering new material quickly, they have accumulated substantial knowledge and have devised efficient ways to do their work.⁴ In terms of education levels, increases among younger cohorts slowed dramatically after the mid-1970s, considerably narrowing their advantage over older workers. In terms of technology, the share of workers using computers for each group is nearly identical.

Second, empirical studies show that most older workers, contrary to negative stereotypes, are engaged and productive. For example, a study of a Mercedes-Benz truck assembly plant in Germany found that the average productivity of workers increased steadily from age 25 to age 60 and that older workers offset any age disadvantages with experience and an ability to work well in a team. As a result, they made fewer severe errors on the assembly line.⁵ In addition, considerable evidence suggests that firm productivity is enhanced by using mixed-age teams.⁶ More important than the individual studies, a series of meta-analyses produce a generally positive picture of the productivity of older workers.⁷

On the other hand, older workers cost more than their younger counterparts. The wages of full-time male and female workers ages 55-60 are about 25 percent more than those ages 30-35 across the educational spectrum.⁸ In terms of retirement, despite the shift from defined benefit plans, where costs rise sharply with age and service, employer matching contributions to 401(k) plans are also slightly higher for higher-paid older workers. And health insurance, the biggest non-wage benefit, generally costs more for older workers (see Figure 2). On the other hand, older workers are less likely than younger workers to leave abruptly.⁹ However, even with lower turnover, older workers generally cost more, and the challenge for employers is to gauge whether they are worth the additional expense.

FIGURE 2. AVERAGE PRIVATE HEALTH INSURANCE REIMBURSEMENTS OF WORKERS, BY AGE, 2015-2017



Note: Amounts are three-year averages and in 2018 dollars.

Sources: Authors' calculations from U.S. Department of Health and Human Services, *Medical Expenditure Panel Survey* (2015-2017) and Burtless (2017).

In that regard, researchers have documented a narrowing of employment options for older workers, found evidence that employers may frequently ease them out, and identified clear discrimination using résumé audits.¹⁰ In the most recent and largest résumé experiment, researchers sent over 40,000 applications for young (ages 29-31), middle-aged (ages 49-51), and senior (ages 64-66) workers to over 13,000 job positions.¹¹ To make the job applications of older people more realistic, they focused on "bridge jobs" that seniors often take, such as administrative assistant and retail sales for women, and retail sales,

security, and janitor for men. Across all occupations and genders, the senior applicants got fewer callbacks than the young applicants. The evidence is more mixed for middle-aged applicants. The magnitude of the discrimination against women was much larger than against men.

The findings from résumé studies confirm that many employers prefer to interview younger rather than older job applicants. For workers already on their payrolls, it is more difficult to determine whether they prefer to retain and promote younger workers as opposed to equally or more qualified older workers. It is also hard to identify employers' motives for favoring younger job applicants. Do they worry about older workers' productivity or their costs? Surveys of employers are one way to address these questions.

The 2019 Survey

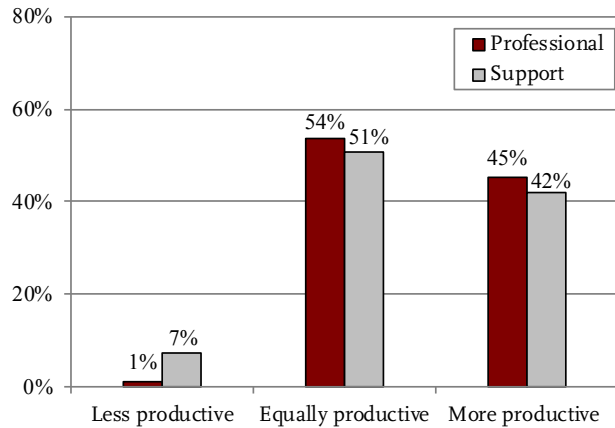
The new survey was conducted by telephone by Matthew Greenwald and Associates in the fall of 2019. Private sector employers were asked to evaluate the relative productivity and costs of older workers and whether, on balance, older employees or job candidates were more or less attractive than their younger counterparts. The survey consisted of 25 questions, 15 on the characteristics of the employer and 10 on their views of younger workers (under age 55) versus older workers (ages 55 and older). Employers were asked separately about two groups: 1) professionals; and 2) support staff and production workers. The process produced 400 responses, which were weighted using information on the state of each employer's main location, firm size, and industry.¹²

The results of the survey indicate that employers view older workers as "equally" or "more" productive than younger workers, but they also see them as expensive. It appears, however, that the higher costs and solid productivity assessments balance out, so that most employers view older workers as "equally" or "more" attractive than younger workers.

Productivity

The good news is that very few employers said workers ages 55 and over are "less productive" (see Figure 3).¹³ Slightly more than half see no clear difference in productivity between older and younger workers, both for professional and support workers. Of the responses indicating a preference for some age group, the vast majority suggest a preference for older workers.

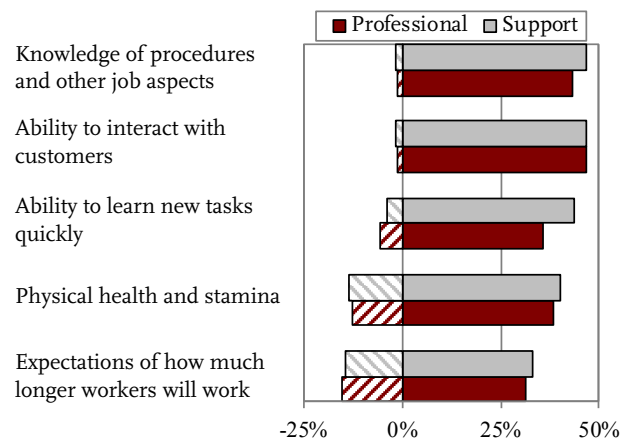
FIGURE 3. EMPLOYER EVALUATIONS OF THE RELATIVE PRODUCTIVITY OF OLDER WORKERS, 2019



Source: Munnell and Wettstein (2020).

The survey also asked employers about the impact of various characteristics that could affect older workers' productivity. Specifically, employers were asked "Thinking only of 'older' employees, would you say that the following factor has a positive or negative impact on the productivity of employees ages 55 or older?" The characteristics most frequently cited as advantageous, for both professional and support workers, are "knowledge of procedures and other aspects of the job," and "the ability to interact with customers," precisely the strengths of older employees cited in the psychological literature (see Figure 4).¹⁴ The major

FIGURE 4. PERCENTAGE OF EMPLOYERS CITING IMPACT OF VARIOUS FACTORS ON OLDER WORKER PRODUCTIVITY, 2019



Note: Solid (striped) bars show the share of employers citing a factor as positive (negative).

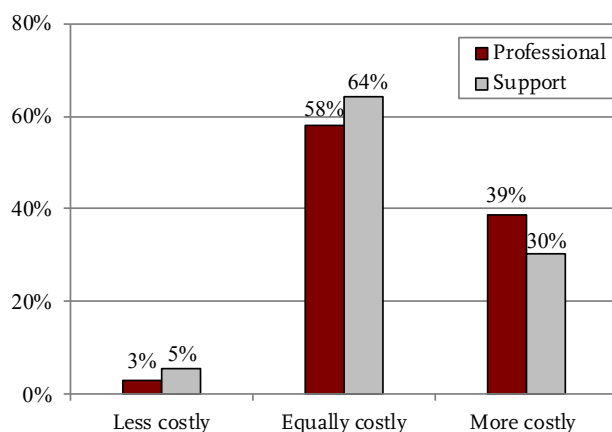
Source: Munnell and Wettstein (2020).

concerns about older workers relate to their “physical health and stamina” and “expectations of how much longer they will be working.”

Costs of Older Workers

While employers tend to see older workers as “equally” or “more” productive than younger workers, they also see them as more expensive. Roughly one third said older workers are more expensive, while only about 5 percent said they cost less. The pattern was much the same for professional and for support workers (see Figure 5).

FIGURE 5. EMPLOYER EVALUATIONS OF THE RELATIVE COST OF OLDER WORKERS, 2019



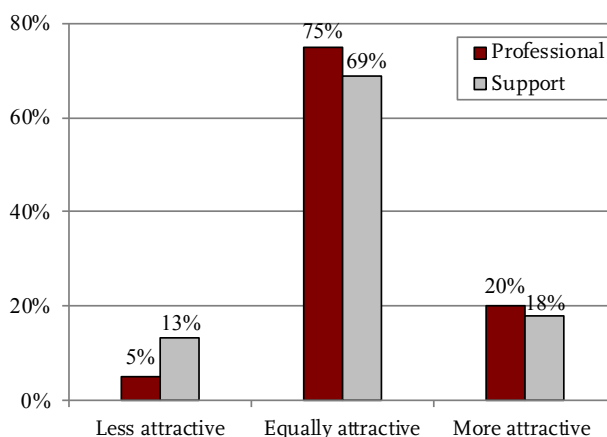
Source: Munnell and Wettstein (2020).

Overall Attractiveness of Older Workers

The final question in the survey asked employers whether an “employee or prospect age 55 or older is generally more, the same, or less attractive compared with a younger person capable of the same job.”

The response suggests that the greater productivity of older workers justifies their higher costs. Over two thirds of the employers surveyed view older and younger employees as equally attractive (see Figure 6). This assessment is true for both professional and support workers, although the picture is slightly better for professionals.

FIGURE 6. EMPLOYER EVALUATIONS OF THE RELATIVE ATTRACTIVENESS OF OLDER WORKERS, 2019



Source: Munnell and Wettstein (2020).

Comparing 2019 to 2006

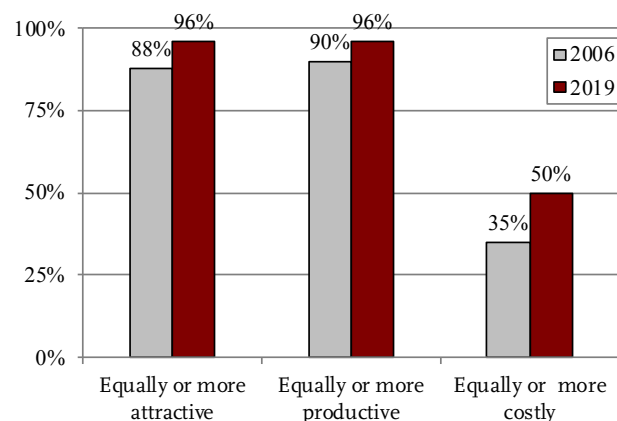
The goal of the 2019 survey was to replicate the original 2006 survey as closely as possible – including using the same survey firm, asking the same questions, and making only small adjustments to the sampling frame to gather more information.¹⁵

Overall Results

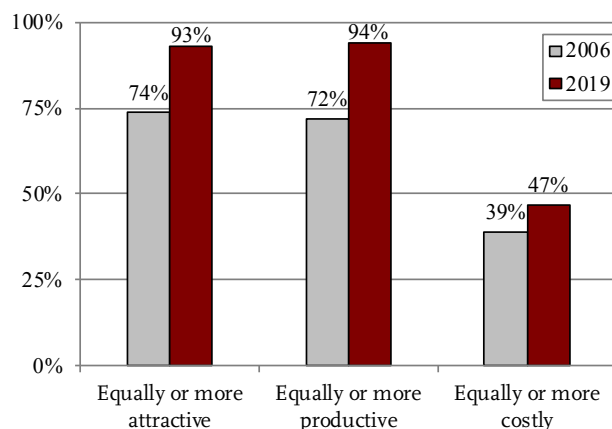
The most straightforward way of comparing the results is simply to look at how employers classify older workers in terms of productivity, costs, and attractiveness. Two strong patterns emerge. The first is that the percentage of employers characterizing older workers as *equal* to younger workers in terms of attractiveness and productivity increased substantially between 2006 and 2019, suggesting that today’s employers are more reluctant to state a preference based on age. The second pattern is the improved assessment of older workers. Employers in the 2019 survey were more likely to respond that older workers were equally or more attractive and productive, despite viewing them as more costly (see Figures 7a and 7b on the next page). The improved assessment of both productivity and overall attractiveness was particularly notable for support workers.

FIGURE 7. PERCENTAGE OF EMPLOYERS RATING OLDER WORKERS AS EQUALLY OR MORE ATTRACTIVE, PRODUCTIVE, AND COSTLY THAN YOUNGER WORKERS, 2006 AND 2019

A. PROFESSIONAL



B. SUPPORT



Source: Munnell and Wettstein (2020).

Impact of Employer Characteristics

Looking at how the characteristics of the survey respondents and their firms correlate with views of older workers helps explain the changing views of older workers. First, familiarity with older workers is beneficial for perceptions of them, although the specifics have changed over the two surveys. In particular, respondents ages 55 and over tended to have more positive views of older workers in 2006, particularly in the case of professional workers (the

respondents themselves are professional workers, of course). However, the 2019 results show that the importance of this factor has declined for professional workers, while becoming statistically significant for support workers. In contrast, familiarity – measured by the share of a firm’s workers who are older – was not associated with views of older workers in 2006, but has become strongly predictive of positive views of older workers in 2019.

Second, in terms of firm size, small firms in 2006 had the least positive views of older workers descriptively (albeit not statistically significantly). By 2019 this relationship had shifted, so that small firms rated older workers as relatively more attractive, particularly support workers. At the same time, the rating of older workers by the largest firms (relative to mid-size firms) improved from mildly more likely to be positive to much more likely to be positive, particularly for support workers.

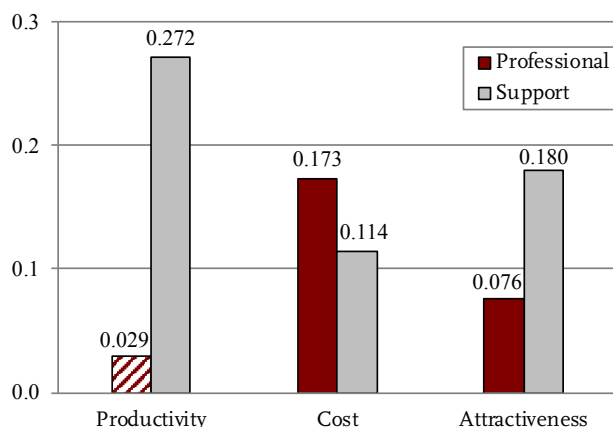
Finally, with respect to defined benefit pensions, the firms offering such plans have changed from viewing older professional workers negatively in 2006 to positively in 2019 (with no particular association for support workers in either year). This relatively negative view in 2006 was driven by the high costs associated with such pensions for older workers; however, by 2019 it is likely that only firms that strongly value their older workers retain this form of retirement benefit, which has largely been replaced by defined contribution plans.

Regression Results

The final way of comparing the two samples is using a regression framework to isolate the difference between the original survey and the current one for an otherwise similar employer/respondent. Figure 8 (on the next page) reports the results for the survey-year variable.¹⁶

As indicated above, the main differences across the two waves of the survey are primarily with respect to employers’ views of older support workers. Assessments of this group’s productivity rose substantially and more than offset their perceived cost, resulting in a large improvement in their overall attractiveness. For older professional workers, firms reported a perceived increase in cost and no significant increase in productivity, yet the overall attractiveness improved – albeit by substantially less than for support workers.

FIGURE 8. CHANGE IN PERCEPTIONS OF OLDER VERSUS YOUNGER WORKERS BY GROUP, 2006 TO 2019



Note: The bars show average changes between the two surveys controlling for firm and respondent characteristics, weighted to be representative of the population of U.S. firms. Source: Munnell and Wettstein (2020).

Conclusion

The key result of the 2019 survey is that older workers appear to have reasonably good prospects for extending their working careers, though such prospects could be adversely affected by the current pandemic. Although older workers are seen as more costly, they are also seen as more productive. The overwhelming majority of employers said older workers and prospects were “as attractive” or “more attractive” than younger employees or prospects. The big news that emerges from comparing the 2006 and 2019 results is the improvement in employer perceptions of older support workers.

It is always difficult to know how much weight to put on survey results. The key question is the extent to which employer attitudes, which the survey measures, impact actual personnel decisions. Other employer surveys have recorded similar positive evaluations of older workers’ productivity, yet numerous studies have documented discrimination against them not only in the hiring process but also in terms of retention.

One clear encouraging sign for the labor force prospects of older workers is the survey evidence that older decisionmakers are more likely to rate them as equally or more attractive than younger workers. An aging workforce should produce more older managers and, therefore, a more receptive environment for older workers.

Endnotes

- 1 Employee Benefit Research Institute (2019).
- 2 Authors' calculations from the *Health and Retirement Study*.
- 3 Munnell and Wettstein (2020).
- 4 See Warr (1994) and Skirbekk (2003).
- 5 Börsch-Supan and Weiss (2016).
- 6 See, for example, Zwick and Gobel (2013) and Wadhwa (2013).
- 7 Waldman and Avolio (1986) and Ng and Feldman (2008, 2012).
- 8 Munnell and Wettstein (2020). Some contend that the reason wages continue to be higher for older workers is that they are doing harder jobs – that is, jobs that require more intensive social, verbal, and math skills (Wiczer 2015), which is related to the possibility that older workers may be more productive than younger ones.
- 9 Calculations from the University of Michigan's *Panel Study on Income Dynamics* (2015-2017) show that 84 percent of workers ages 55-60 remain with their employer after two years compared to 73 percent of workers ages 30-35.
- 10 For evidence of narrowing job options, see Hutchens (1986, 1988, 1991, 1993) and more recently Rutledge, Sass, and Ramos-Mercado (2015). For evidence of easing out of jobs, see Johnson and Gosselin (2018).
- 11 Neumark et al. (2019).
- 12 The weights are necessary since: 1) the sample was stratified by employer size; and 2) it may potentially suffer from non-response rates that vary by state or industry. These weights make the analysis sample representative of the population of employers.
- 13 The question asked was “Overall, would you say that employees ages 55 or older in [professional / support and production] positions are more or less productive than younger workers doing similar jobs?”
- 14 While employers were not asked to compare older and younger workers on the basis of these characteristics, Warr (1994) and Skirbekk (2003) nevertheless identified the first two characteristics as advantages of older workers.
- 15 One difference between the two surveys is the data available for re-weighting. While state, industry, and firm size are available for 2019, only industry and firm size were available for the 2006 survey. Thus, while state information is used for weighting the reported 2019 results, only industry and firm size are employed for the comparison of the two surveys. The results differ a bit depending on the weights employed, but using the most information available for 2019 provides the best picture of the current views of employers and using the more limited weights provides the best basis for a comparison. Therefore, the following results are weighted by firm size and industry, but not state.
- 16 See Munnell and Wettstein (2020) for full regression results.

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