

Impact of the ageing workforce



THE AGEING WORKFORCE: RETAINING, AND CHALLENGING WORKERS 1

Prior to the passage of the Social Security Act in 1935 work did not typically end with a planned retirement. Average retirement (meaning the age at which 1/2 of workers from an initial age cohort remain in the workplace) was age 70 or more for men. After World War II there was a need to open the workplace to growing numbers of unemployed younger workers, particularly veterans. Also retirement leisure was becoming a symbol of success. Social security and private pension policies were designed to encourage earlier departures from work. In 1961, for example, Congress lowered the age men were eligible for unreduced Social Security benefits from 65 to 62. Average retirement dropped from age 70 in 1950 to age 65 in 1970 with age 62 becoming the norm by 1985 [Quinn, 2002; Cahill et al., 2005].

Despite this long trend toward earlier retirement since the 1940s, the 78 million baby boomers born between 1946 and 1964 comprise such a large group that there are more workers in their fifties and sixties on the job than ever before. As they leave the workforce, whether at age 55, 62, 65 or later, there will also be more retirees than ever before. To complete the picture, as these baby boomers age at work and then leave for retirement, they are followed by a substantially smaller younger generation, the baby bust of 1965–1976. The enormous economic and labor market consequences of this demographic transformation are becoming clear. In the State of Washington, for example, 29% of employed workers were 45 or older in 1995. This had grown to 39% by 2005 [Kaglic, 2005]. This growth is not being matched by younger workers. By 2015 there will be 115, 000 more 60- to 64-year olds and 30, 000 fewer 40- to 44-year olds in the Washington State labor force <https://assignbuster.com/impact-of-the-ageing-workforce/>

(those who are either employed or seeking employment) than there were in 2005 [Bailey, 2006]. As these older workers move into retirement the direct impact will be a tighter labor market and a shortage of various skills. According to the International Brotherhood of Electrical Workers by 2010 as many as 60% of today's experienced utility workers will retire. Similarly, the average age of hospital caregivers today is about 45, with 70% of the hospital workforce eligible to retire over the next 20–25 years [Briley and Hutson, 2002]. The indirect, but equally profound, impact of the demographic changes will be economic. The integrity of our federal social security system has depended upon the labor and income of large numbers of young workers supporting the retirement needs of smaller numbers of disabled and retired workers and their dependents. In 2005 for every person 65 and older there were five people aged 20– 64 (i. e., an old age dependency ratio of 20%). The Social Security Administration estimates that by 2080 this ratio will more than double, to more than 40%, with only 2. 5 younger people for every older one. Not only will the number of retirees grow, but their life expectancy and associated duration of retirement is increasing as well. While private pension systems are theoretically fully funded at the time the commitment is made to provide the future benefit, in fact this is often not fully realized. Underfunded pension programs in both the private and public sectors are now common, the federal assurance program for these pensions is not robust, and these pensions may also be jeopardized by these changing demographics. Although the impact of the growing dependent older population will be somewhat mitigated by lower fertility rates which reduce the numbers of the very young who are also dependent on the working age population [Burtless, 2005], this will not offset

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the profound economic consequences of the demographic trends. As these trends progress—more older workers moving toward retirement with fewer younger replacements—substantial pressure on our social security and pension funds will accompany the anticipated shortages of labor and skills. Public and private employment policies will almost certainly evolve to encourage workers to stay on the job longer. Other factors creating incentives to stay at work longer include the need for private health insurance until at least the age of 65 in the face of relentlessly rising health care costs and the increasing uncertainty about pension benefits that comes with the trend from defined benefit private pension plans shift toward defined contribution programs. Some of the expected policy changes are already evident, including the 1978 and 1986 amendments to the Age Discrimination in Employment Act of 1967 [ADEA, 1967] which have largely eliminated mandatory retirement ages, the gradual increase in the age for full social security benefits from 65 to 67, and a relaxation of the social security retirement earnings test so that workers can stay on the job longer without a loss of benefits. The Pension Protection Act of 2006 has made it easier for senior employees to phase their retirement plans by starting to draw pension income without penalty while they continue to work full or part time past age 62 [PPA, 2006].

These changes are probably not enough. Business Week magazine, for example, predicts that social security's normal retirement age will incrementally rise to 70 [Coy and Brady, 2005]. This, however, is not certain since along with predictable political opposition many actuaries assume that raising the retirement age would result in an increasing number of older

people applying for Social Security disability benefits, thus offsetting the possible savings from the raised retirement age. The impact of these developments is already apparent. While the labor force participation rate among 65-year-old men dropped from 70% in 1940 to only 32% in 1985 [National Research Council, 2004] this trend shows signs of reversing as the incentives for early retirement are beginning to soften. From 1985 to 2004 the labor force participation rate of 25- to 54-year olds stayed essentially stable (fluctuating between 82% and 84%) while the rate among 55- to 64-year olds increased consistently from 54% to 62% [Toossi, 2005]. This trend is likely to continue, as signaled by a May, 2005 Gallup survey showing that the percent of people planning to put off retirement until after age 62 had risen from 35% in 1998 to 55% in 2004. The US Bureau of Labor Statistics projects that the percent of older workers staying on the job will continue to rise at least through 2014, even without major changes in social policy such as further increases in full social security retirement age. The impacts of age on cognitive function are more complicated. Some mental processes such as those requiring spatial abilities, problem solving, and processing of complex stimuli are especially age sensitive. Cross sectional data sets suggest declines in these domains beginning as early as 20–30 years old, while the onset is a bit later for longitudinal studies. Performing multiple simultaneous tasks or holding multiple items in working memory are examples of these age dependent processes. Psychologists distinguish these “fluid” functions which involve processing input at the time of performance from other “crystallized” cognitive functions which are the cumulative results of earlier processing and are better preserved with age. The “crystallized” knowledge of word meaning or the ability to retrieve familiar information, for example,

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is relatively age stable. In addition to these crystallized semantic skills, memory for procedural skills such as typing, which relies on early learning, is also relatively well maintained with age [National Research Council, 2004]. The ability to work successfully with increasing age is thus the integrated result of many factors. For example, older typists have been shown to have slower tapping rates and reaction times, but are able to compensate for declining motor speed by using experience to scan characters further in advance than younger, less experienced typists [Salthouse, 1984; Bosman, 1993, 1994]. Similarly, despite significant age-related declines in the cognitive ability to recall short musical melodies, at every age those with musical experience and skills tend to maintain their advantage in musical memory over those with less experience and skill [Meinz and Salthouse, 1998; Meinz, 2000]. Based on a comprehensive review Salthouse [2006] has concluded that while many types of cognitive and physical performance are improved at all ages with training and practice, this does not appear to change the rate at which capability declines with age. In other words training, practice and experience can enhance performance at older ages and can often result in older workers outperforming younger ones, despite the fact that age-related declines continue at the same rate as they do in workers with less experience and practice. Lai, amme and Menckel [1995] have summarized these relationships in a study of work injuries by noting that skills and experience can compensate for age-related physical and cognitive declines only when the job demands remain lower than overall work capacity and that this compensation is not feasible when work organization and working methods are rigid. Several recommendations have been made for the implementation of practical programs consistent with the <https://assignbuster.com/impact-of-the-ageing-workforce/>

evidence summarized above. Four strategic dimensions have been suggested, including interventions that focus on the work environment, the way work and retirement are arranged and organized, the health and fitness of the individual worker, and the social context of work [Moyers and Coleman, 2004; National Research Council, 2004]. We are beginning to experience profound work place changes related to the demographic changes of an aging population. Those who do encourage older employees to remain at work but fail to take steps to support their productive capacities and minimize their vulnerabilities may experience adverse impacts on quality, productivity, workers' compensation and other insurance costs. On the other hand employers who promote and support the work ability of employees as they age may gain in safety, productivity, competitiveness, and sustainable business practices. There are several possible reasons why employers have been slow to anticipate and meet the needs of an aging workforce. First, some of the actions that that have been suggested— such as phased retirement programs—might require complex changes in pension law, benefits agreements and personnel policies. Second, many employers still harbor false beliefs that older workers are less reliable, less productive, less safe and more expensive than younger ones [Wegman, 1999]. Third, some employers are insufficiently informed about laws governing workplace bias and equal opportunity and are fearful that measures perceived to favor older workers might open them to charges of discrimination. Two recent U. S. Supreme Court decisions should mitigate these fears, but knowledge of them is not widespread [General Dynamics, 2004; Smith, 2005]. In combination these decisions make it clear that while age sometimes does affect an individual's capacity to do certain types of work, employers may attend to

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the special needs of older workers without providing equivalent assistance to relatively younger workers. Thus, it is permissible to treat older workers preferentially in comparison to younger workers, but it is not permissible to deny them advantages or privileges extended to younger workers. It is important to note, however, that programs and policies which most effectively meet the needs of an aging workforce are not just programs for older workers but are those starting when workers are young in order to prevent or slow the effects of aging at work. Fourth, while there is strong evidence to support the implementation of some of the interventions discussed in this paper (e. g., ergonomic measures to prevent musculoskeletal disorders and clinical preventive services to reduce disability from cancer and cardiovascular disease), the evidentiary is limited and unknown to most employers. Research is needed to determine the effectiveness of the various program designs together with a substantial effort to disseminate results and recommendations to employers and employee organizations

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