

Don't underestimate the (well-educated) older worker, economist says

By Kerry Pechter Fri, Oct 4, 2013

The old folks are alright. Older workers (60-74) evidently won't dilute the nation's productivity by staying in the labor force, says a Brookings Institution economist, because only the most productive older workers hang in there. In fact, well-educated older workers have never had it so good.

As the U.S. population ages, and as under-saved Americans postpone retirement, the average age of the domestic workforce is gently rising. That raises the question: Since older workers are assumed to be less productive than younger ones, can we generalize that an aging workforce be a less productive one?

It all depends, says economist Gary Burtless of the Brookings Institution, on whether or not the aging workers who delay retirement are well-educated. And it so happens—no surprise—that the more educated, more productive workers are the ones most likely to remain employed.

So we don't need to worry that a graying trend will be accompanied by a decline in productivity. (It all makes sense. Early boomers and pre-boomers (1940-46) know that they are demography's darlings: blessed to grow up just after the world emerged from chaos and destined to die just before chaos returns.)

"None of the indicators of male productivity suggest that older male workers are less productive than average workers who are between 25 and 59," writes Burtless in a paper published by the Center for Retirement Research at Boston College.

"The expectation that older workers will reduce average productivity may be fueled by the perception that the aged are less healthy, less educated, less up-to-date in their knowledge, and more fragile than the young. While all these images of the elderly are accurate to some degree, they do not necessarily describe the people who choose or who are permitted to remain in paid employment at older ages."

In a study published by the Center for Retirement Research at Boston College, Burtless reveals what he learned from the Census Bureau's monthly Current Population Survey (CPS) files. He found facts about older workers that are both familiar and not so familiar:

- The sheer size of the baby boom generation means that the number of Americans attaining age 60 each year is climbing steeply.
- Labor force participation rates among adults between 60 and 74 have increased.
- The share of all labor income earned by older workers has also soared in recent years because they have enjoyed faster wage gains than workers who are younger.
- A major reason is that older workers are now better educated compared with prime-age workers than in the past. In the past the gap in education between prime-age workers and older Americans was large. It is now much smaller.
- At older ages there are major differences between the participation rates of highly educated and less educated groups.
- In the early 1990s nearly 60% of 62-74 year-old men with doctoral and professional degrees were

still in labor force.

- Only 20% of male high school dropouts the same age remained in the workforce. The participation-rate gap was smaller for older women, but it was still sizeable.
- There was a steady improvement in older Americans' educational credentials over the past 25 years, both absolutely and in comparison to the qualifications of younger cohorts still in their prime working years. That improvement will be much slower between now and 2030.
- Older Americans who stay attached to the labor force after 62 are much more likely to have received schooling after high school.
- Compared with their prime-age counterparts, older workers now receive much better compensation than they used to. Workers younger than 50 have seen a modest decline in their relative annual earnings, but workers past 55 have enjoyed impressive relative earnings gains. Compared with the earnings of an average 35- to 54-year-old worker, the average worker between 65 and 69 has seen his or her earnings climb 30 percentage points.
- Workers between 70 and 74 experienced a 28-percentage-point gain in their relative earnings.

Older workers are taking home an increasingly large share of the national pie, Burtless found. The share of male earnings received by 60- to 74-year-olds increased from 7.3% in 2000 to 12.7% in 2010. Among women earners, the share increased from 5.8% of total female earnings in 2000 to 11.7% of earnings in 2010.

The magnitude of these gains is partly explained by the rising share of older workers in the labor force, partly by their increasing levels of work, and partly by improvements in their relative earnings if they do work, he wrote.

"Even if employment and earnings patterns of older workers do not change during the next two decades, the share of all labor income received by older workers will continue to rise through about 2025. At their peak in importance, 60- to 74-year-old men will account for about 16% of male earnings and 60- to 74-year-old women for about 14.5% of female earnings," the paper said.

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