Focal Area 4: Informing Long-Term Projections and Models

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Specific Area of Research: *Examine the effects of "population aging" on the demand for employees and related effects on labor force participation. There has been a dramatic shift in the age distribution of the population from under age 65 to over age 65 due to lower birth rates following the baby boom period. Will this shift lead to greater demand for workers at any given age? Or will GDP become increasingly less dependent on human work?*

Most of the research examining older workers in the labor force has been on the supply side as scholars examine factors that influence the work to retirement transition. In contrast, this study will examine how employers have reacted to population aging and delayed retirement. The demand for older workers hinges on their cost and productivity relative to workers in other age groups and relative to nonlabor inputs, including software and robots. These relationships will determine whether employers will develop policies that encourage workers to remain on the job or whether alternative policies are implemented to entice older workers to retire. Both supply and demand factors must be considered in developing forecasts of the employment rate of older workers.

Data compiled by the Bureau of Labor Statistics shows that the share of older workers varies considerably across industries and within industries. We propose to examine how labor demand for older workers has changed over the past two decades and speculate on how past trends might predict future demand for older workers. For instance, the percentage of older workers in legal services increased from 10 percent in 2000 to 30 percent in 2019, a much faster growth rate than for the economy overall. The growth in employment opportunities for older workers in other sectors (e.g., apparel manufacturing and real estate) is much slower. The proposed research will examine the within industry data on age structure. Employment of older workers in a firm or industry hinges on the rate at which they leave the unit, the rate of aging into the unit, and the rate at which they are hired into the unit. A key question is whether the increased employment of older workers in a sector is due to them staying longer in their career jobs or do we see more hiring of older workers in what are sometimes called bridge jobs? The first step of this project would be to use the Current Population Survey's annual supplement on employee tenure over the last 20 years to discover the basic age/employment patterns in the data. The next step would be to determine how the job tenure and hiring patterns relate to the use of technology. Labor demand theory allows for older workers to be either substitutes or complements to different types on nonlabor inputs. We will examine how the hiring and job duration patterns for workers in different age groups relates to the use of certain types of high-tech capital. Specifically, we would look at computing equipment, instrumentation and intellectual property products as measured by the Bureau of Economic Analysis. This analysis would enable us to address how expected changes in nonhuman work will impact the employment opportunities of older workers. The results of the project will provide new insights on the future of work by older Americans that will inform the Trustees and SSA staff as they consider modifications to the assumptions used in the long range projections of Social Security.