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Job Demands and Older Workers¹

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The aging of the population has raised concern about the Nation's ability to not only support future retirees, but also the Nation's ability to supply an adequate pool of labor. If current employment patterns persist, there will be fewer workers in the future available to produce goods and services, threatening standards of living for Americans of all ages. As long as job demands do not force too many older workers into retirement, increasing employment among older workers could provide some relief to these demographic pressures.

Once the oldest baby-boomers reach age 65 in 2011, the population will begin to age rapidly. The Census Bureau predicts that between 2000 and 2040 the number of persons over age 65 will double to 77 million while the number of prime working age adults (between ages 25 and 54) will increase by only 12 percent. As a result the number of prime working age adults per elderly American will fall over the next 40 years from 3.5 to 1.8. The number of dependent children will also grow relatively rapidly over the next 40 years, adding to the pressure on working age adults. In 2040, if current trends continue, the number of Americans under 18 and over 65 will exceed the number of prime working age adults by 21 percent. By comparison, in 2000, prime age working adults outnumbered dependent children and elderly adults by 14 percent.

The growing imbalance between working age adults and older persons is reducing the number of workers who can finance retirement benefits for older Americans. Both Social Security and Medicare are funded primarily on a pay-as-you-go basis, with payroll taxes on current workers financing benefits received by

retirees. According to the latest official projections, outlays will exceed revenues for Medicare in 2011 and for Social Security in 2018. More fundamentally, the aging of the population reduces the number of workers available to produce the goods and services that is needed by the economy. Without dramatic increases in worker productivity or changes in demographic patterns, such as increased immigration rates, the looming worker shortage will reduce per capita output and lower living standards.

Higher employment rates among older adults could relieve some of these pressures by increasing the labor force and reducing demands on retirement benefits. The average retirement age has been declining over most of this past 100 years. This decline is despite improvements in working conditions, health and life expectancy that could allow persons to work until an older age. To help reverse this trend, Congress has increased the age at which retirees qualify for full Social Security benefits, which could encourage some older workers to remain in the labor force longer. Interestingly, when Social Security was first established, one of its primary objectives was to encourage older persons to retire to allow for the opening of job slots for younger workers. Today, increasing the eligibility age is trying to encourage older workers to remain in work longer.

While the decision to retire is often based on a life-style decision, many times, job demands strongly influence retirement decisions. Workers in blue collar jobs tend to retire before workers in white collar jobs and workers in physically demanding jobs are less likely to remain in the labor force after the initial receipt

of Social Security benefits. In essence, those workers in blue collar occupations tend to physically wear out faster than white collar workers thus severely limiting their options to remain in the workforce beyond traditional retirement age.

The decline of manufacturing as a primary source of employment and the growing computerization of the workplace has greatly reduced physical demands. This latter trend may potentially enable older workers to remain in the labor force for longer periods of time. Indeed, the trend away from goods-producing economy to a service-producing economy is well underway and is likely to accelerate in the near future. Today, fewer jobs appear to require physical strength now than in the past. Between 1950 and 1969, the share of workers whose jobs required them to lift more than 50 pounds occasionally and 25 pounds frequently dropped from 20 percent to less than eight percent.

Unfortunately, job-related stress appears to be shifting from physical demands to psychological demands. There is growing evidence that jobs are now more time-consuming and stressful than they use to be. These non-physical demands may push some older workers into retirement, even when their jobs do not require physical strength or stamina.

In a study using the Health and Retirement Study survey conducted by the University of Michigan, Richard Johnson of the Urban Institute found evidence that the level of non-physical job demands faced by older workers has increased significantly over the past decade. Jobs held by older workers increasingly require intense concentration, skills in dealing with other people, and good eyesight and thus are becoming more difficult and stressful. Although older workers are now better educated than they were only a few years ago, these cognitive job demands may lead some to retire early.

Today, many of the workers in physically demanding jobs—who are disproportionately people of color and low educated adults—suffer from health problems that complicate their ability to stay in the labor force longer. More than one in four reported being troubled by pain often, one in five has serious medical

conditions, and one in seven has arthritis severe enough to limit everyday activities. Consequently, many of these workers will be unable to remain at work through their late 60s. Johnson argues that the movement by policy makers to move the retirement age further back may be negatively impacting minorities and less educated persons.

The decision when to retire is a difficult one for most Americans. For many in physically demanding jobs they may be forced into early retirement. For those in high stress white collar jobs early retirement may also be a serious option. Early retirement hinges for many on the performance of their retirement funds. The surge of the stock market in the late 1990s showed a significant increase in the number of early retirements. The “correction” of the stock market caused many older workers to delay their retirements. America is faced, however, with a serious labor shortage in about ten years. How we respond to that shortage will determine the future sustainability of economic growth and development.

¹ This essay draws on the work of Richard Johnson (2004) “Trends in Job Demands among Older Workers: 1992-2002” *Monthly Labor Review* July: 48-56.

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