

The Economic Impact of Age Discrimination

How discriminating against older workers could cost the U.S. economy \$850 billion



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Executive summary and key insights

As people are living longer and in many cases healthier lives, the U.S. workforce is growing more age diverse

There are 117.4 million people age 50-plus in the U.S., many of whom now plan to work well past the age of 65.¹ This growing pool of workers represents a significant asset for businesses—and for the economy—as they possess valuable skills and experience. But age discrimination,² manifest in workplace behaviors, attitudes, policies and procedures, is prevalent, limiting potential gains.

This AARP study³ explores the foregone economic growth that could be generated if employers address age discrimination through better hiring practices and workplace retention initiatives.

In 2018, the 50-plus population contributed 40% of U.S. Gross Domestic Product (GDP)—an outsized impact for a group that comprises just 35% of the population—and supported 88.6 million jobs and \$5.7 trillion in wages and salaries, according to AARP's Longevity Economy[®] outlook.⁴

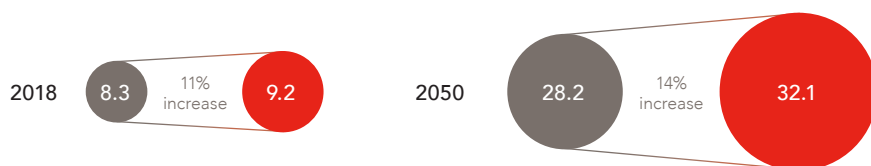
The economy missed out on an additional \$850 billion to U.S. GDP in 2018—a figure the size of Pennsylvania's economy—because of age discrimination. This gap could rise to \$3.9 trillion in 2050.

All industries are impacted. Reducing involuntary retirement, underemployment, and unemployment duration among the 50-plus population could have driven an average increase of 4.1% in GDP in 2018. In 2050, an uplift of 6.0% could be generated. The technology and automotive manufacturing sectors have the most to lose in the future.

Figure 1

The U.S. could miss out on a 14% increase in the 50-plus population's economic contribution in 2050 because of age discrimination⁵

Current contribution of the 50-plus population to U.S. GDP versus **potential contribution** under a no-age discrimination scenario (\$ trillion).



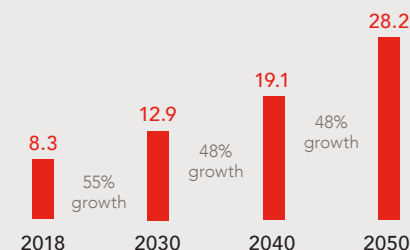
Sources: The Economist Intelligence Unit; REMI; The Longevity Economy[®] outlook.

The Longevity Economy[®] Outlook

Figure 2

The economic contribution of the 50-plus population will triple by 2050

Contribution of the 50-plus population to U.S. GDP, 2018-50 (\$ trillion)



Notes: Nominal GDP.
Sources: The Economist Intelligence Unit, Bureau of Economic Analysis, REMI.

The Longevity Economy[®] outlook measures the 50-plus population's overall contribution to GDP, employment, wages and salaries, and taxes through 2050, and analyzes its unique effect within different industries.

The economic contribution of people age 50-plus was worth \$8.3 trillion in 2018, and it is forecast to more than triple to \$28.2 trillion by 2050.⁶

The Economic Impact of Age Discrimination looks beyond this contribution to understand how workplace and hiring discrimination limits the 50-plus cohort from generating additional value and from realizing their full economic potential.

1. Data from Regional Economic Models, Inc. (REMI).
2. This study defines age discrimination as actions that treat an applicant or employee age 50-plus less favorably. We consider effects including involuntary retirement, underemployment, and unemployment as well as hiring discrimination. While U.S. law protects against age discrimination beginning at age 40, this study focuses on age discrimination experienced by the 50-plus population to align with The Longevity Economy[®] outlook.
3. Research and analysis was conducted by The Economist Intelligence Unit (EIU).
4. The Longevity Economy[®] outlook (2019). <https://longevityeconomy.aarp.org/>.
5. The Longevity Economy[®] outlook takes into account the 50-plus population's spending, its labor supply, and its tax contributions to estimate this cohort's current economic impact. The age discrimination scenario estimates the potential economic impact of increased labor supply, productivity, and wages of the 50-plus population if age discrimination were addressed, challenging some of the dynamics of the current economy.
6. The Longevity Economy[®] outlook (2019). <https://longevityeconomy.aarp.org/>.

Introduction

The labor force of people age 50-plus has grown four times faster than the average

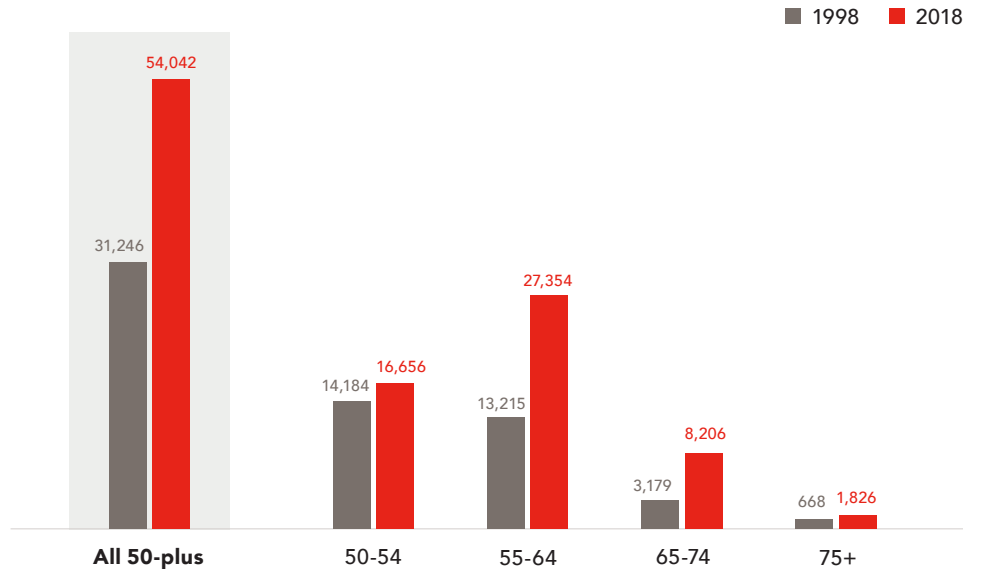
The number of workers age 50-plus has increased by 80% over the past 20 years, more than four times faster than overall workforce growth.⁷ The trend is even more dramatic for workers age 65-plus, whose numbers have nearly tripled over the same period (See figure 3).⁸

As people are living longer, healthier lives, the desire and need to stay in the workforce are rising. According to the Federal Reserve, the average retirement age in the U.S. was 59.9 years in 2017.⁹ However, this study shows that people are increasingly interested in working longer. Among those age 65-plus who are currently employed, over 40% intend to work for at least five more years (see figure 4).¹⁰

Figure 3

The 50-plus labor force has grown by 80% since 1998

Labor force by age group (thousands)

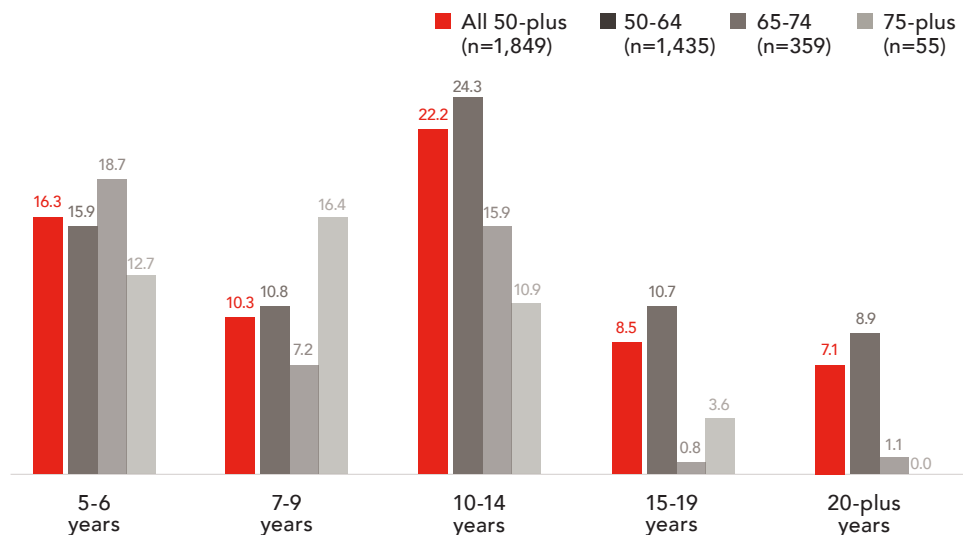


Sources: Bureau of Labor Statistics; The Economist Intelligence Unit.

Figure 4

Over 40% of workers age 65-plus intend to continue working into their 70s

Percentage of employed people that intend to keep working for various numbers of years, by age group



Source: The Economist Intelligence Unit.

Q: How many more years do you plan to work before retiring?

Sample: Employed people age 50-plus.

7. Bureau of Labor Statistics, "Civilian labor force, by age, sex, race, and ethnicity". (2019). <https://www.bls.gov/emp/tables/civilian-labor-force-summary.htm>.

8. AARP, "An Aging Labor Force and the Challenges of 65+ Jobseekers", (2018). <https://www.aarp.org/content/dam/aarp/ppi/2018/09/an-aging-labor-force-and-the-challenges-of-sixty-five-plus-jobseekers.pdf>.

9. Federal Reserve, "2017 Survey of Household Economics and Decisionmaking". https://www.federalreserve.gov/consumerscommunities/shed_data.htm.

10. 2019 survey of 5,000 adults age 50-plus conducted by the EIU on behalf of AARP. See "Appendix 1: Notes on the methodology" for additional details about the survey methodology.

Eighty percent of employers support employees working longer, but nearly two-thirds of older Americans have experienced or seen age discrimination in the workplace

Many employers recognize that their employees are keen to continue working: in a 2017 survey of 1,802 corporate employers on their attitudes towards retirement, 72% agreed that many of their employees intended to work past the age of 65.¹¹ And four in five of all respondents stated that their companies were supportive of this decision.¹²

However, few employers are taking steps to create workplace environments that are responsive to the needs of workers of all ages—including those age 50-plus. This research shows that almost two-thirds of those who retired because of age discrimination would have remained in the workforce longer if there had been the opportunity to work part time. But a study by the Transamerica Center for Retirement Studies shows that just 39% of employers accommodate flexible work schedules and arrangements.¹³

While employers can take steps to show they value workers of all ages through benefits like flexible work options, age discrimination is a much larger problem in almost all facets of the workplace. These include:

- Less favorable treatment of older people in hiring processes and in employment,^{14, 15} which can lead to involuntary retirement and inability to change jobs;
- Underemployment (the under-utilization of workers including involuntary part-time workers, those working in jobs or for wages beneath their qualification-level, those who have experienced unexpected job loss because of their age, and those who have given up looking for a job as a result of discouragement¹⁶); and
- Longer periods of unemployment.^{17, 18}

Despite the 1967 Age Discrimination in Employment Act (ADEA), which forbids discrimination against those age 40-plus in any aspect of employment,¹⁹ nearly two-thirds of Americans age 45-plus have either seen or experienced age discrimination in the workplace.²⁰

Few employers are taking steps to create workplace environments that are responsive to the needs of workers of all ages—including those age 50-plus

11. Transamerica Center for Retirement Studies, "All About Retirement: An Employer Survey" (2017). https://www.transamericacenter.org/docs/default-source/employer-research/tcrs2017_sr_employer_research.pdf.

12. Ibid.

13. Ibid.

14. US Equal Employment Opportunity Commission, "Age Discrimination". <https://www.eeoc.gov/laws/types/age.cfm>.

15. The US Equal Employment Opportunity Commission (EEOC) defines "age discrimination" as "treating an applicant or employee less favorably because of his or her age." While the Age Discrimination in Employment Act forbids age discrimination against workers age 40 and over, this study looks at age discrimination in the workplace against workers age 50 and over to align with AARP's Longevity Economy[®] outlook, which measures the impact of the 50-plus population on the US economy.

16. Bureau of Labor Statistics, "Table A-15. Alternative Measures of Labor Underutilization" (2019). <https://www.bls.gov/news.release/empsit.t15.htm>.

17. Bureau of Labor Statistics, "Table A-36. Unemployed persons by age, sex, race, Hispanic or Latino ethnicity, marital status, and duration of unemployment." (2019). <https://www.bls.gov/web/empsit/cpseesa36.htm>.

18. Tim Slack and Leif Jensen, "Employment Hardship Among Older Workers: Does Residential and Gender Inequality Extend Into Older Age?" (2008). <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4243493/>.

19. US Equal Employment Opportunity Commission. <https://www.eeoc.gov/laws/types/age.cfm>.

20. AARP, "The Value of Experience Study" (2018). <https://www.aarp.org/research/topics/economics/info-2018/multicultural-work-jobs/?CMP=RDRCT-PRI-OTHER-WORKJOBS-052118.html>.



Age discrimination cost the U.S. economy a potential \$850 billion in GDP in 2018

With the number of Americans age 65-plus set to overtake the under-18 population for the first time in the next 15 years,²¹ the costs of failing to support the 50-plus demographic in the workforce at their full capacity are potentially enormous. According to the Transamerica Center for Retirement Studies, the vast majority of business owners (85%) cited at least one positive perception of their 50-plus workers—mainly around their knowledge, experience, and reliability—compared with 59% who had at least one negative perception (mainly related to the higher perceived costs of older employees).²²

Defining our scenario

As Baby Boomers continue to remain active in the workforce past age 65, the labor force participation of the 50-plus demographic has grown four times faster than the average.²³ If those age 50-plus—who accounted for 33% of the labor force in 2018 and will account for 36% in 2050²⁴—are unable to achieve their economic potential, the U.S. economy could miss out on a substantial boost.

Our scenario explores the lost GDP to the economy as a result of age discrimination in the workplace and in hiring processes. We model the potential increase in labor supply, productivity, and wages and

salaries of the 50-plus workforce if involuntary retirement, underemployment and unemployment were addressed.²⁵

We consider the following opportunities:

- Advancement and promotion
- Hiring
- Job stability and flexibility
- Training and skills development²⁶

The scenario models prospective forfeitures in GDP, jobs, and wages and salaries through 2050 as a result of age discrimination, and analyzes potential impacts within and across industries.

21. The United States Census Bureau, March 2018. <https://www.census.gov/newsroom/press-releases/2018/cb18-41-population-projections.html>.

22. Transamerica Center for Retirement Studies, "All About Retirement: An Employer Survey" (2017). https://www.transamericacenter.org/docs/default-source/employer-research/tcrs2017_sr_employer_research.pdf.

23. Bureau of Labor Statistics, "Civilian labor force, by age, sex, race, and ethnicity". (2019). <https://www.bls.gov/emp/tables/civilian-labor-force-summary.htm>.

24. Regional Economic Models, Inc. (REMI).

25. See page 11 for definitions of involuntary retirement, underemployment and unemployment.

26. See page 12, "Measuring the economic impact of addressing age discrimination" for details.

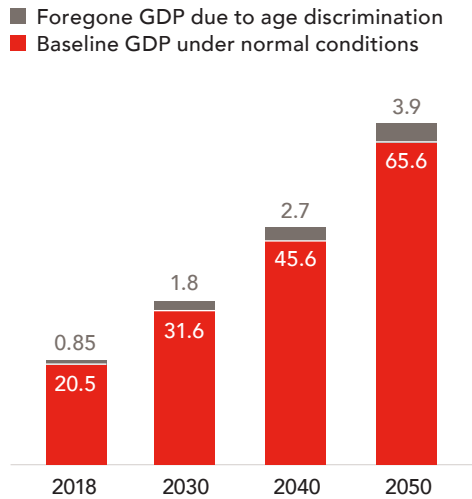
This study explores the economic costs of age discrimination in the workplace. The findings show that the U.S. missed out on a potential \$850 billion in GDP in 2018 (an uplift of more than 4%) because those age 50-plus who wished to remain in or re-enter the labor force, switch jobs or be promoted within their existing company were not given that opportunity. In 2050, this gap could rise to \$3.9 trillion (a potential uplift of 6% above the status quo; see figure 5).

The brunt of this loss would be borne by large, higher-productivity sectors, including finance, trade, and professional services, which rely on the contributions of a highly-engaged labor force. These three sectors lost out on over \$80 billion each in GDP in 2018 (see figure 6), and could experience average losses of close to \$600 billion each in 2050.

Figure 5

Age discrimination could cost the U.S. economy \$3.9 trillion in 2050

Potential impact on GDP each year under the scenario (\$ trillion)



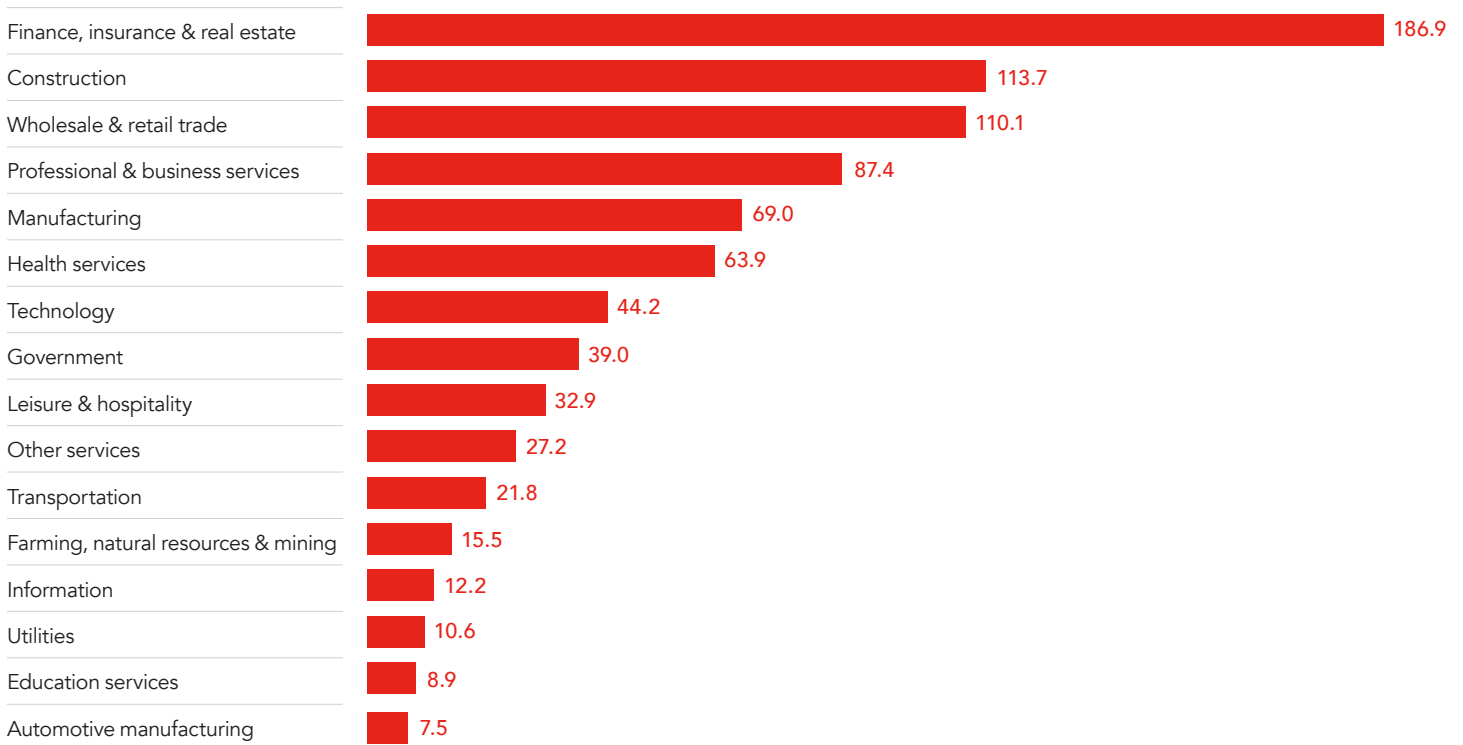
Sources: The Economist Intelligence Unit, REMI.

The findings show that the U.S. missed out on a potential \$850 billion in GDP in 2018.

Figure 6

Age discrimination cost the U.S. economy \$850 billion across all industries in 2018

Potential cost of age discrimination on GDP in 2018, by industry (\$ billion)



Note: Industries facing the biggest costs from age discrimination are typically large industries, employing more workers overall including more older workers.

Sources: The Economist Intelligence Unit, REMI.

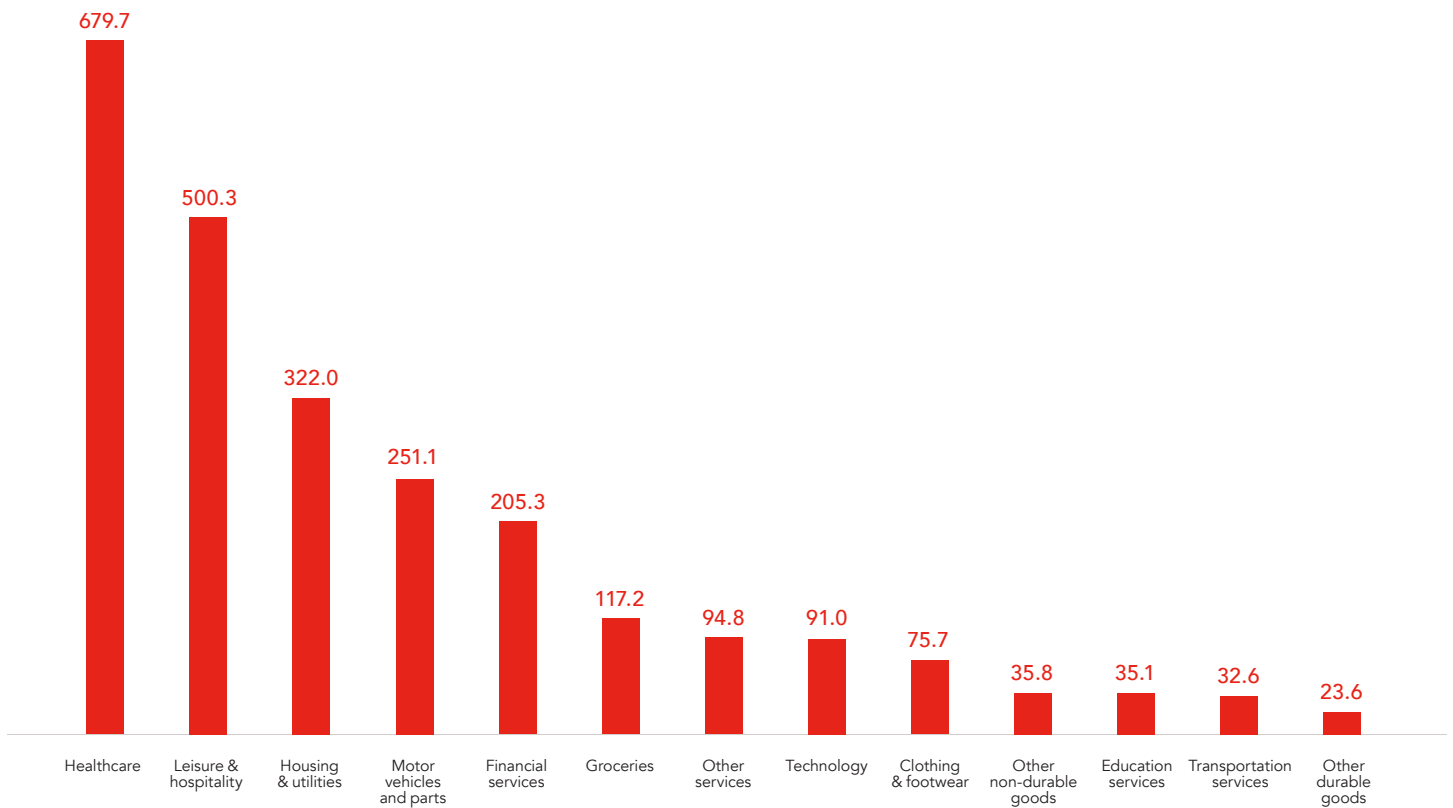
See Appendix 3 for a full breakdown of each industry.

Age discrimination also affects consumer spending through foregone increases in jobs and wages. For example, spending on healthcare and leisure & hospitality could miss out on a \$680 billion and a \$500 billion stimulus in 2050, respectively. And spending on financial services could miss out on \$205 billion in 2050 (equivalent to an 8.6% boost, highest among all spending categories), with spending on technology products and services missing out on over \$90 billion (equivalent to a 7.9% rise) (see figure 7).

Figure 7

Spending on healthcare and leisure & hospitality will miss out on large boosts as a result of age discrimination

Potential cost of age discrimination on spending, 2050 (\$ billion)



Sources: The Economist Intelligence Unit; REMI.

See Appendix 4 for a full breakdown of each spending category.

Note: Education services include spending on education across all members living in the same household (spendings are recorded at the household level).

The dynamics of age discrimination

From early retirement to accepting jobs for lower pay, to longer periods of unemployment and fewer opportunities to re-enter the workforce, age discrimination makes it difficult for 50-plus employees to thrive in the workplace. These challenges deprive workplaces of the benefits provided by the productivity of older workers and by their longer tenure and lower turnover—in 2014, the median tenure of workers age 55 to 64 in their current jobs was 10.4 years, more than three times that of workers age 25 to 34 years.^{27, 28}

Three-quarters of those 50-plus believe that their age is a disadvantage when looking for a job.²⁹ A recent study by the Federal Reserve Bank of San Francisco shows that older job applicants across the board get fewer call-backs than their younger counterparts with comparable resumes, which can result in extended periods of unemployment among the 50-plus.³⁰ This is especially true for women, as experiences of age discrimination in the workplace often intersect with gender and race/ethnicity discrimination.

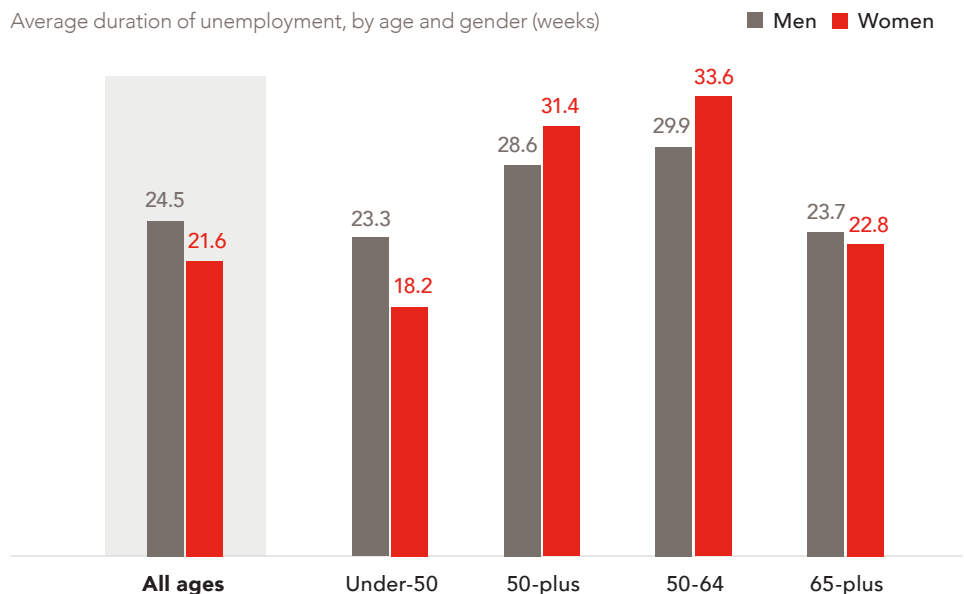
Women age 50-plus bear the double burden of age and gender discrimination

Age discrimination manifests in longer spells of unemployment for women. Older women struggle to re-enter the workforce after a period of unemployment. While women under-50 experience the shortest periods of unemployment (18.2 weeks on average), their 50-plus counterparts spend an average of 31.4 weeks unemployed—compared with 23.3 weeks for men under-50 and 28.6 weeks for men over-50 (see figure 8).

Figure 8

Those age 50-64, especially women, experience longer unemployment than other groups

Average duration of unemployment, by age and gender (weeks)



Source: The Bureau of Labor Statistics' Current Population Survey (October 2019).

27. Mailman School of Public Health, Columbia University, "The Advantages of Older Workers". <https://www.mailman.columbia.edu/research/age-smart-employer/advantages-older-workers>.
 28. AARP, "A Business Case for Workers Age 50-plus: A Look at the Value of Experience" (2015). https://www.aarp.org/content/dam/aarp/research/surveys_statistics/general/2015/business-case-workers-age-50plus.doi.10.26419%252Fres.00100.001.pdf.
 29. NORC, "Most Older Americans Face Age Discrimination in the Workplace, New Survey Finds" (2019). <https://workinglongerstudy.org/most-older-americans-face-age-discrimination-in-the-workplace-new-survey-finds/>.
 30. FRBSF, "Age Discrimination and Hiring of Older Workers" (2017). <https://www.frbsf.org/economic-research/publications/economic-letter/2017/february/age-discrimination-and-hiring-older-workers/>.

The advantages of age diversity in the workplace

A diverse workforce has business benefits. A Boston Consulting Group study of 1,700 employees in eight countries across the globe (Austria, Brazil, China, France, Germany, India, Switzerland, and the U.S.) found that innovation revenue was 19 percentage points higher in companies with more diversity—including age, gender, ethnicity, and education diversity—on management teams.³¹

In addition to increasing productivity and generating higher profit margins, the stability and pipeline of talent provided by multigenerational workforces also support business outcomes.^{32, 33}

The value of age diversity, however, stems beyond just business benefits. Most employees enjoy working in age-diverse environments: seven in ten workers age 18-plus enjoy working with other generations, according to

a 2018 survey of 1,000 employees.³⁴ Younger employees value the opportunity to learn new skills from their older colleagues, while older workers enjoy the “wider perspective” that younger employees bring to the workforce.³⁵ And beyond personal fulfillment for employees, consumers benefit when diverse workforces develop products and services that are reflective of the needs, desires, and challenges of all age groups.³⁶

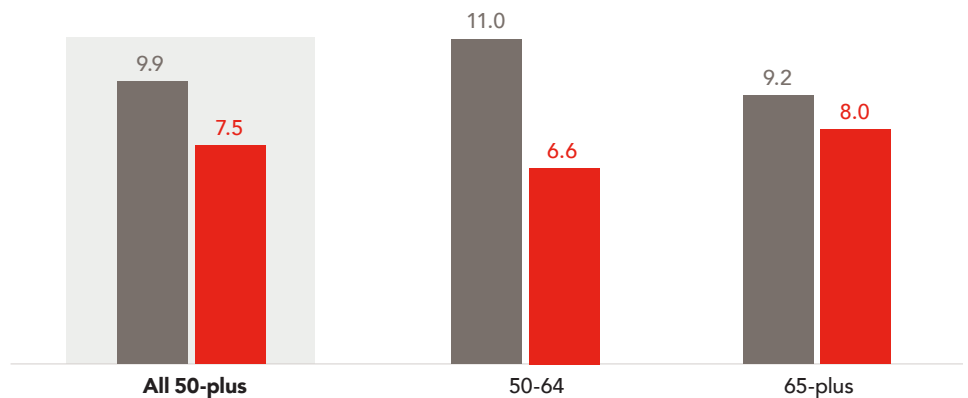
Men age 50-64 feel forced into retirement because of age discrimination

Men, however—especially those age 50-64—are more likely to feel that they are being pushed into retirement as a result of their age.³⁷ Almost 10% of retired men age 50-plus reported that they had retired because of age discrimination compared with 7.5% of retired women (see figure 9).

Figure 9

Men who retire between ages 50 and 64 are most likely to feel that they are being forced into retirement because of their age

Percentage of retirements as a result of age discrimination in the past 5 years ■ Men ■ Women



Source: The Economist Intelligence Unit.

Q: Which if any of the following are reasons you chose to retire when you did? [Age discrimination in the workplace].

Sample: 50-plus who have retired in the past 5 years, Male (all 50-plus): n=524, Female (all 50-plus): n=505,

Male (50-64): n=210, Female (50-64): n=181, Male (65-plus): n=314, Female (65-plus): n=324.

31. BCG, “How Diverse Leadership Teams Boost Innovation”, (2018). <https://www.bcg.com/publications/2018/how-diverse-leadership-teams-boost-innovation.aspx>.

32. AARP and Aon Hewitt, “A Business Case for Workers Age 50-plus: A Look at the Value of Experience”, (2015).

https://www.aarp.org/content/dam/aarp/research/surveys_statistics/general/2015/business-case-workers-age-50plus.doi.10.2.6419%252Fres.00100.001.pdf.

33. Willis Towers Watson, “Employee Value Proposition and Total Rewards: Modernize or Risk Irrelevance”, (2016).

https://www.willistowerswatson.com/assets/gfs2017/Employee_Value_Proposition_and_Total_Rewards_Modernize_or_Risk_Irrelevance.pdf.

34. AARP, “Mentorship and the Value of a Multigenerational Workforce”, (2019). <https://www.aarp.org/research/topics/economics/info-2019/multigenerational-work-mentorship.html>.

35. Ibid.

36. SHRM Foundation, “Leveraging the Value of an Age Diverse Workforce”.

<https://www.shrm.org/foundation/ourwork/initiatives/the-aging-workforce/Documents/Age-Diverse%20Workforce%20Executive%20Briefing.pdf>.

37. Survey conducted by The Economist Intelligence Unit on behalf of AARP.

Those most likely to be affected by age discrimination are those least able to afford it

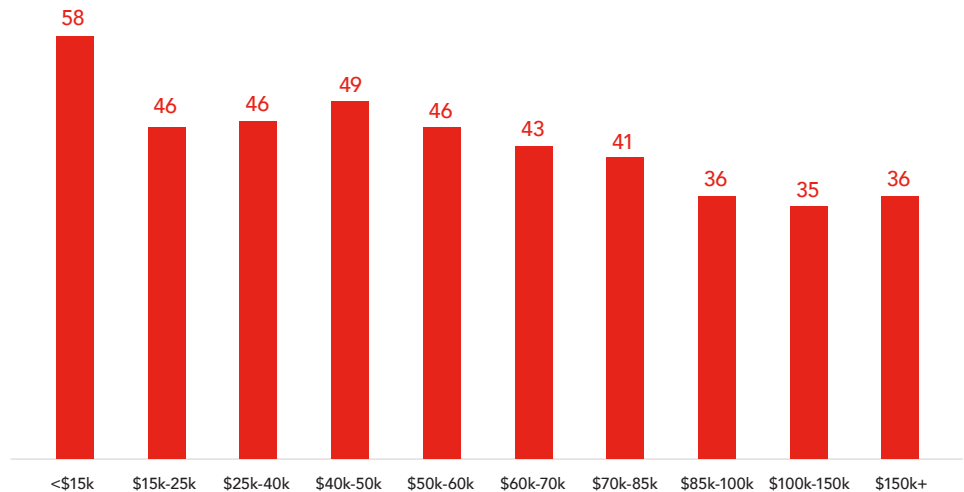
Lower-income workers in both full- and part-time employment feel most unable to switch jobs as a result of age discrimination (see figure 10). Half of those with household incomes under \$50,000 reported that they felt unable to change jobs because of their age compared with 36% of those with household incomes over \$85,000.

This is also true for those who have not received a higher education degree.^{38, 39} Of respondents with an advanced degree, 38.5% have felt unable to change jobs because of their age, while almost half of those with only a high school degree (47%) have felt this.

Figure 10

Lower-income workers are more likely to feel trapped in their present role as a result of age discrimination

Percentage of respondents who have felt unable to change jobs as a result of age discrimination, by income level



Source: The Economist Intelligence Unit.

Q: I have felt unable to change jobs or re-enter the workforce because of age discrimination.

Sample: Respondents who agree; sample sizes by income group range from n=177 to n=810.

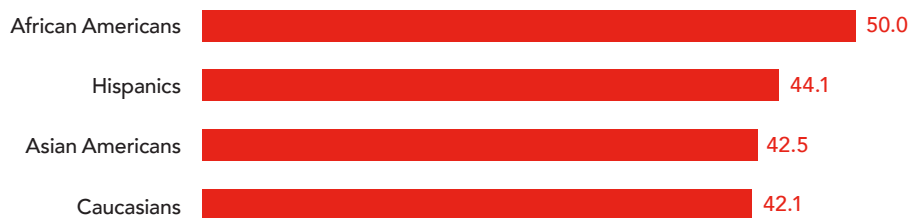
Minorities feel less able to re-enter the workforce because of age discrimination

Half of African Americans feel unable to re-enter the workforce because of their age. This is compared to 44% of Hispanics, 43% of Asian Americans and 42% of Caucasians (see figure 11). African Americans also experience more age discrimination leading to retirement—9.2% of respondents felt pressured into early retirement because of their age compared with 6.7% of respondents of other races.

Figure 11

Minorities are more likely to feel trapped in their present role as a result of age discrimination

Percentage of respondents who have felt unable to change jobs as a result of age discrimination, by ethnicity



Source: The Economist Intelligence Unit.

Q: I have felt unable to change jobs or re-enter the workforce because of age discrimination.

Sample: Respondents who agree. African Americans: n=456, Asian Americans: n=254, Hispanics: n=485, Caucasians: n=3,395.

38. AARP, "The Value of Experience: AARP Multicultural Work & Jobs Study" (2018).

https://www.aarp.org/content/dam/aarp/research/surveys_statistics/econ/2018/value-of-experience-chartbook.doi.10.26419-2Fres.00177.003.pdf

39. Bureau of Labor Statistics, "Monthly Labor Review: What's behind occupational separations?" (2019). <https://www.bls.gov/opub/mlr/2019/article/occupational-separations.htm>.

Measuring the economic cost of age discrimination

Despite pervasive age discrimination, the 50-plus cohort contributed 40% of U.S. GDP in 2018—an outsized impact for a group that comprises just 35% of the population—and supported 88.6 million jobs and \$5.7 trillion in wages and salaries.⁴⁰

In this scenario, we model the potential uplift to the economy if discrimination against people age 50-plus was proactively addressed through changes in employee hiring and workplace policies and behaviors. Our model considers three effects of age discrimination⁴¹ (see figure 12):

- **Involuntary retirement:** We look at incidence of involuntary retirement and the decision to retire because of a hostile work environment or lack of opportunity for advancement as a result of age discrimination to see what would

happen if these workers remained in the workforce until they retired by choice.

- **Underemployment:** We explore the incidence of involuntary part-time labor, the inability to change jobs—including the resulting loss of wage growth opportunities—and the loss of earnings from involuntary job loss among the 50-plus that result from age discrimination, to understand what might occur if the 50-plus remained in jobs where they are employed to their full desired capacity and compensated accordingly.

- **Unemployment:** We look at the differential in the duration of unemployment between under-50 and 50-plus workers to understand what would happen if older workers had the same access to hiring opportunities as their younger counterparts.

The 50-plus cohort contributed 40% of U.S. GDP in 2018—an outsized impact for a group that comprises just 35% of the population—and supported 88.6 million jobs and \$5.7 trillion in wages and salaries.⁴⁰

Figure 12

Our model considers three overarching effects of age discrimination

Measuring the cost of age discrimination



40. The Longevity Economy® outlook. (2019). <https://longevityeconomy.aarp.org/>.

41. Our scenario does not model all the potential impacts of age discrimination in the workplace. Impacts that are not fully considered include lack of access to training and upskilling.

We found that age discrimination cost the U.S. \$850 billion in GDP in 2018, a figure larger than Switzerland's entire economy. And in the long-term, age discrimination could cost the U.S. more than \$3.9 trillion in 2050, an amount equivalent to the size of the current German economy.

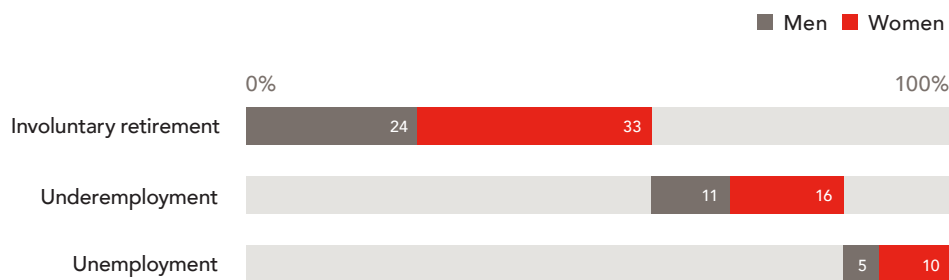
Additionally, age discrimination could have cost the U.S. 8.6 million jobs—a foregone increase of 4.3% in total jobs—for the entire U.S. working population in 2018, and \$545 billion in foregone wages and salaries (4.4% of the total).

Our analysis finds that over half (57%) of the \$850 billion lost because of age discrimination is attributable to involuntary retirement, and one-third of the total is a result of women who are forced into involuntary retirement (see figure 13). Overall, a disproportionate share of age discrimination's total cost falls on women—regardless of whether the effects manifest through involuntary retirement, underemployment or unemployment.

Figure 13

Involuntary retirement costs the economy the most

Percentage share of the total economic cost attributed to each effect, by gender



Note: Data may not add to totals because of rounding up.
Sources: The Economist Intelligence Unit; REMI.

How we did it

To estimate the potential cost of age discrimination to the U.S. economy, we calculated how age discrimination impacts the labor force participation of those age 50-plus. The resulting uplift to the 50-plus labor force participation—and the related increases in labor productivity and wages that would result if age discrimination were addressed—were input into a dynamic forecasting model from Regional Economic Models, Inc., (REMI) to determine the economic impact of a scenario where those age 50-plus

have the same workplace opportunities as their younger counterparts.

Our scenario assumes that the entire 50-plus population that is currently unable to fully participate in the economy as a result of age discrimination is now employed to full desired potential, based on the assumptions described in *Appendix 1: Note on the methodology*. It represents the potential economic impact that is not being generated because of age discrimination in the U.S. labor market

(as defined in the methodological assumptions). We assume that demand-side factors will not inhibit the economy from accommodating the jobs created by the increase in labor supply of older workers.

The scenario sees the U.S. average labor force participation rate of 50-plus workers rise from its current level of 52.8% to 55.1% for men and 41.1% to 44.7% for women.

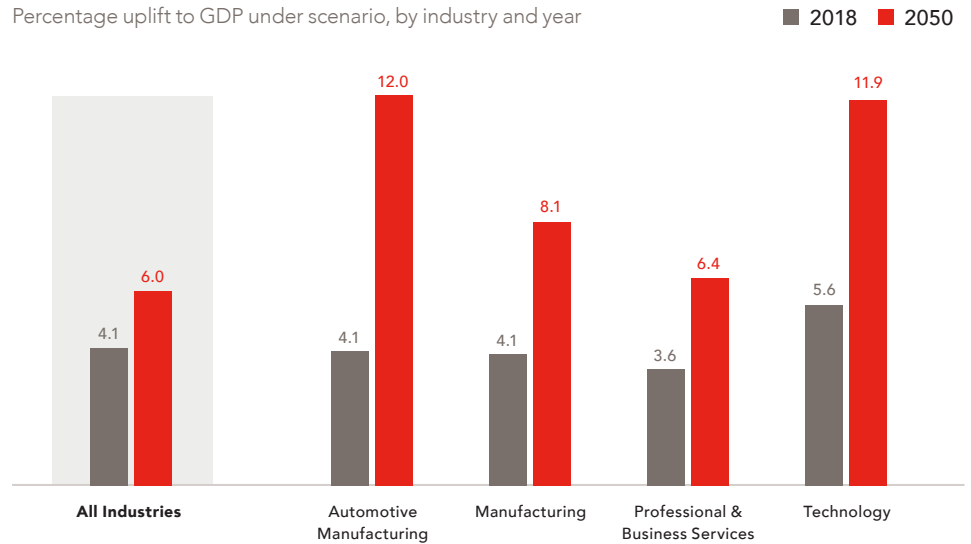
Failure to address age discrimination is a missed opportunity across industries

In 2018, all industries forfeited an average boost of over 4% to GDP because of age discrimination. Looking forward, the technology and automotive manufacturing sectors have the most to lose: increasing the labor force participation of those age 50-plus would generate an impact of about 12% above their baseline GDPs in 2050 (see figure 14). The large growth potential in these sectors may stem from their efficient use of additional labor productivity, but it is important to keep in mind that future developments such as autonomous vehicles, ride-sharing, and automation can make long-term predictions uncertain.

Figure 14

The technology and automotive manufacturing sectors will miss out most if age discrimination is not addressed

Percentage uplift to GDP under scenario, by industry and year



Sources: The Economist Intelligence Unit; REMI.



Overcoming age discrimination: How to capture the benefits of age inclusion

While current demographic shifts occurring in the U.S. make addressing age discrimination a priority, the economic impact of failing to do so renders it an absolute necessity. The U.S. economy forewent a 4% increase in GDP in 2018 because of age discrimination, and could miss out on a 6% boost in 2050. Delivering that impact, however, will require tackling workplace practices that push older workers out the door before they are ready to retire, shifting perceptions that prevent older workers from changing jobs or that pass them over for promotions, and overcoming biases in the hiring process that keep older workers from re-entering the workplace.

What needs to happen to capture this potential?

- **Recognizing bias.** An AARP study found that almost 40% of employed older workers thought it was unlikely that they would be able to find another job—nearly half of these people considered age discrimination to be a major prohibiting factor. Furthermore, 61% of adults over the age of 45 said they had seen or experienced age discrimination in the workplace.⁴² Reducing age discrimination necessitates not only recognizing bias against older workers in hiring practices and in the workplace, but also taking active measures to prevent it.
- **Busting myths.** While negative stereotypes of older workers include the notion that they cost too much, a 2015 study by Aon Hewitt and AARP found that shifts in reward and benefit programs that resulted from adding older talent to the workforce led

to minimal increases in hard dollar total labor costs.⁴³ This same study found that employees age 55-plus are likely to be more engaged than their younger counterparts, which yields lower turnover and drives economic gains.^{44,45} Overturning these misconceptions about older workers is critical to ensuring equal workplace opportunities for employees of all ages.

- **Fostering inclusion.** Age diversity and inclusion are about more than just compliance with organizational goals. An inclusive workplace is one that takes active steps to enable employees to realize their full and unique potential.⁴⁶ Our research found that introducing company-sponsored programs focused on age diversity and inclusion would have encouraged 60% of those age 50-plus who retired because of age discrimination to remain in the workforce longer.⁴⁷
- **Increasing flexibility.** Our research also found that increasing flexible work options—including phased retirement and part-time working—would have encouraged over 75% of those age 50-plus who retired because of age discrimination to remain in the workforce longer.⁴⁸ Providing flexible work options that cater to the needs of workers of all ages creates environments that encourage people to remain in the workforce.
- **Creating opportunities for skills development.** Older workers know life-long learning is important: 80% of the 50-plus cohort agree that technology

training is critical to keeping older workers in the workforce longer.⁴⁹ But existing training programs are often not inclusive of all age groups. Our research showed that 55% of those age 50-plus who retired because of age discrimination said they would have remained in the workforce longer if they had access to training on new technologies or tools, training programs tailored to employees at various career stages, or opportunities to train for another position with their employer.⁵⁰

- **Investing in a multigenerational workforce.** Multigenerational workforces are more productive: employees of different ages value the opportunity to learn from one another. A survey of adults age 18 and over who are full- and part-time employees highlights this. The vast majority (77%) of the 1,000 respondents stated that having older colleagues creates an opportunity to learn new skills.⁵¹ Age discrimination can limit workplace productivity and minimize opportunities to share knowledge and skills. From technology training to career experience, there is clear value in multigenerational work environments.

There is a compelling business case for increasing age inclusion in the workforce: people are living longer, they are eager to continue working, and they bring a wealth of expertise that vastly benefits employers. And the economy benefits when people age 50-plus have access to incomes, which creates a population with the resources to continue consuming and generating impact.

42. AARP, "The Value of Experience Study" (2018). <https://www.aarp.org/research/topics/economics/info-2018/multicultural-work-jobs/?CMP=RDRCT-PRI-OTHER-WORKJOBS-052118.html>.

43. AARP, "A Business Case for Workers Age 50-plus" (2015). https://www.aarp.org/content/dam/aarp/research/surveys_statistics/general/2015/business-case-workers-age-50plus.doi.10.26419%252Fres.00100.001.pdf.

44. Ibid.

45. Jim Harter, "Employee Engagement on the Rise in the U.S.", (2018). <https://news.gallup.com/poll/241649/employee-engagement-rise.aspx>.

46. Dan Grafstein, "The No. 1 Strategy for True Inclusion in the Workplace." (2019). <https://www.gallup.com/workplace/247106/no-strategy-true-inclusion-workplace.aspx>.

47. 2019 survey of 5,000 adults age 50-plus conducted by The Economist Intelligence Unit on behalf of AARP.

48-50. Ibid.

51. AARP, "Older Workers Valued for Their Experience, Research Shows" (2019). <https://www.aarp.org/work/working-at-50-plus/info-2019/multigenerational-workforce-survey.html>.

Appendix 1:

Notes on the methodology

This scenario measures how removing the effects of age discrimination in the workplace and hiring process would affect the following dynamics in the labor market:

1. Involuntary retirement by people age 50-plus
2. Underemployment of people age 50-plus
 - a. Involuntary part-time work
 - b. Missed opportunities for wage growth in full-time work
 - c. Earnings losses as a result of involuntary separation
2. Unemployment of people 50-plus
 - a. Duration of unemployment
 - b. Marginal attachment to the labor force

The potential impact attainable across each type of age discrimination was modeled separately:

1. The prevalence of involuntary retirement due to age discrimination (across different age and gender cohorts) was estimated using data on age discrimination-related retirements from the 2019 Economist Intelligence Unit survey and data on employer-influenced unexpected retirements from a 2018 Urban Institute study (based on data from the University of Michigan's Health and Retirement Study). Data from the EIU survey were also used to model the average length of time that affected persons who said they would have remained in the workforce if interventions that reduce age discrimination had been in place.

2. The prevalence of 50-plus individuals involuntarily in part-time jobs due to age discrimination was estimated using data from the Bureau of Labor Statistics (BLS) and the Economic Policy Institute's "Still Falling Short on Hours and Pay" report on part-time underemployment. These sources were also used to generate estimates of the average wage and labor supply increases that each age and gender cohort would see if employed in a full-time capacity.

3. The prevalence of missed opportunities for wage growth for 50-plus full-time workers as a result of age discrimination (for example, through lack of promotion or being unable to switch to higher-paid jobs) was estimated using data

from the 2019 EIU survey, 2018 AARP research on age discrimination, and the 2017 Federal Reserve Household Retirement Study. The potential uplift to wages for each age and gender cohort was developed using data from the Automatic Data Processing, Inc., (ADP) Workforce Vitality Report on differences in wage growth between those able to switch jobs and those who remain in their current position.

4. The prevalence of lost earnings following involuntary job separation among full-time workers due to age discrimination was estimated using data from a 2018 Urban Institute study (based on data from the University of Michigan's Health and Retirement Study) and the 2017 Federal Reserve Household Retirement Study. The potential uplift to earnings was developed using data from a 2011 Urban Institute study on age differences in job loss.

5. The prevalence of longer periods of unemployment due to age discrimination was estimated using data from the BLS Current Population Survey. The EIU examined the effect of equalizing unemployment duration between those age 50-plus and people under-50, by gender.

6. The prevalence of "marginally attached" individuals (those who have dropped out of the labor force but are willing to re-enter), whose decision has been influenced by age discrimination, was estimated using data from the BLS and the Organization for Economic Cooperation and Development (OECD).

The EIU adjusted labor force participation rates, wages, and productivity in the REMI model based on an aggregation of these six different effects of age discrimination. Our adjustments were specific to each age and gender cohort. The model then simulates how these factors interact to impact production and spending across industries, both today and in future years. The resulting model outputs include impacts on GDP, jobs, wages, and consumer spending as a whole and by industry.

The EIU notes that the approach models labor supply and productivity to establish a GDP aspiration from addressing age discrimination against older workers. The model does not take into account any other demand-side factors that may affect the ability of the economy to absorb additional workers. For example, the model does not make assumptions about potential crowding out of younger workers from increased supply of older workers, given the lack of consensus in empirical evidence.⁵²

Details on the survey methodology

On behalf of AARP, the EIU conducted a national U.S. survey of 5,000 adults age 50-plus to better understand their perspectives on how they contribute to the economy and society, with a particular focus on employment and caregiving. The survey was fielded via mixed method (phone/CATI and online) in July to August 2019. Geographically, the survey provided coverage of all 50 states and DC, as well as the Census micro-regions and the broader national regions. Demographically, the survey reached a balanced sample by age of those age 50-64 and 65-plus (49% and 51% respectively), by gender (50:50), by ethnicity (minimum 10% African American, 10% Hispanic and 5% Asian American) with household income split above and below the national average of \$60,000 (50:50).

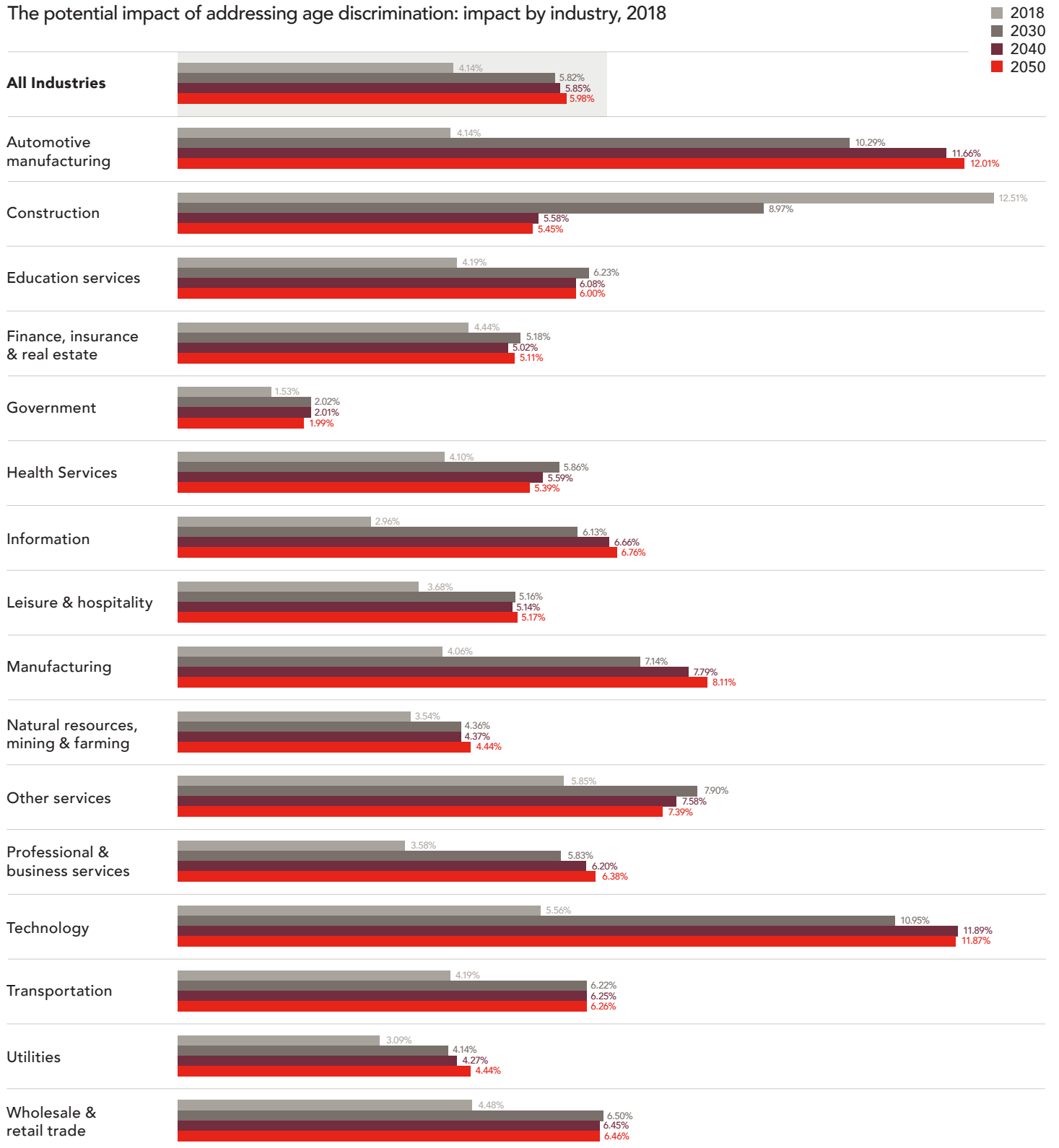
This report focuses on the age discrimination questions for the entire sample, as well as differences by employment status, age, gender, and income. This is one in a series of reports being released in 2019 and 2020 using the data from this survey.

52. See for example Alicia Munnell and April YanYuan Wu, Stanford Institute for Economic Policy Research, "Do Older Workers Squeeze Out Younger Workers?" (2013). https://siepr.stanford.edu/sites/default/files/publications/Do_older_workers_squeeze_out_younger_workers_2.pdf

Appendix 2: Charts and tables

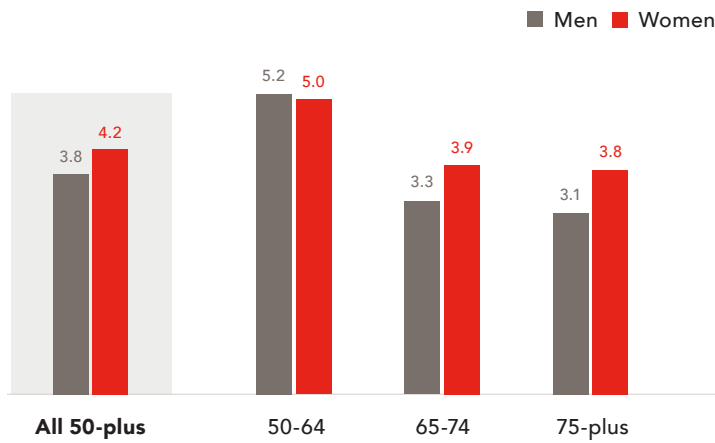
Figure 1

The potential impact of addressing age discrimination: impact by industry, 2018



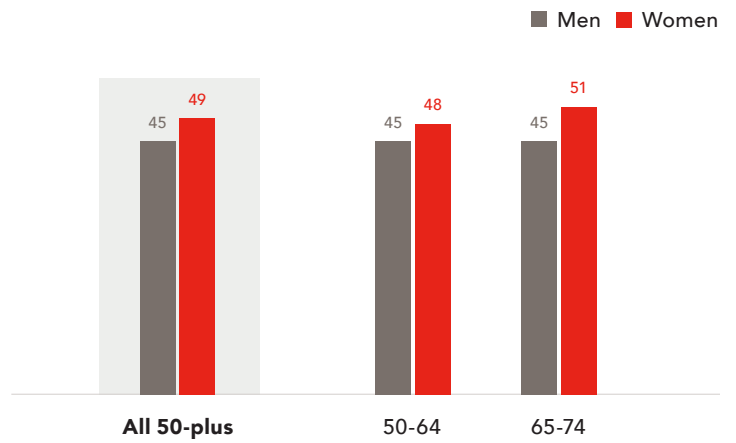
Sources: The Economist Intelligence Unit; REMI.

Figure 2 — Average extra years access to various alternative work arrangements and other workplace benefits would have kept people in the workforce, by age and gender



Source: The Economist Intelligence Unit.
 Sample: 50-plus people who have retired.
 Male (all 50-plus): n=1,193, Female (all 50-plus): n=1,088, Male (50-64): n=325,
 Female (50-64): n=267, Male (65-74): n=647, Female (65-74): n=631, Male (75-plus): n=221,
 Female (75-plus): n=190.

Figure 3 — Percentage of full-time workers who say they have felt unable to change jobs due to age discrimination, by age and gender



Source: The Economist Intelligence Unit.
 Sample: 50-plus working full-time (>35 hours per week).
 Male (all 50-plus): n=693, Female (all 50-plus): n=535, Male (50-64): n=598,
 Female (50-64): n=461, Male (65-74): n=87, Female (65-74): n=67.

Appendix 3: Industry breakdown

Farming, natural resources & mining	Forestry and Logging; Fishing, hunting and trapping Support activities for agriculture and forestry Oil and gas extraction Mining (except oil and gas) Support activities for mining Farm	Information	Publishing industries, except Internet Broadcasting, except Internet Motion picture and sound recording industries
Construction	Construction	Technology	Computer and electronic product manufacturing Telecommunications Data processing, hosting, and related services; Other information services
Manufacturing	Wood product manufacturing Nonmetallic mineral product manufacturing Primary metal manufacturing Fabricated metal product manufacturing Machinery manufacturing Electrical equipment, appliance, and component manufacturing Other transportation equipment manufacturing Furniture and related product manufacturing Miscellaneous manufacturing Food manufacturing Beverage and tobacco product manufacturing Textile mills; Textile product mills Apparel manufacturing; Leather and allied product manufacturing Paper manufacturing Printing and related support activities Petroleum and coal products manufacturing Chemical manufacturing Plastics and rubber products manufacturing	Finance, insurance & real estate	Monetary authorities - central bank; Credit intermediation and related activities Securities, commodity contracts, other investments; Funds, trusts, other financial vehicles Insurance carriers and related activities Real estate Rental and leasing services; Lessors of nonfinancial intangible assets
Automotive manufacturing	Motor vehicles, bodies and trailers, and parts manufacturing	Professional & business services	Professional, scientific, and technical services Management of companies and enterprises Administrative and support services Waste management and remediation services
Utilities	Utilities	Education services	Educational services; private
Transportation	Air transportation Rail transportation Water transportation Truck transportation Couriers and messengers Transit and ground passenger transportation Pipeline transportation Warehousing and storage	Health services	Ambulatory health care services Hospitals; private Nursing and residential care facilities Social assistance
Wholesale & retail trade	Wholesale trade Retail trade	Leisure & hospitality	Accommodation Food services and drinking places Amusement, gambling, and recreation industries Museums, historical sites, and similar institutions Performing arts, spectator sports, and related industries Scenic and sightseeing transportation; Support activities for transportation
		Other services	Private households Personal and laundry services Repair and maintenance Religious, grantmaking, civic, professional, and similar organizations
		Government	State and Local Government Federal Civilian Federal Military

Appendix 4: Spending category breakdown

Healthcare	<ul style="list-style-type: none"> • Health insurance <ul style="list-style-type: none"> – Net health insurance • Medical services <ul style="list-style-type: none"> – Dental services – Non-dental services <ul style="list-style-type: none"> - Physician services - Paramedical services - Hospitals • Nursing homes • Pharmaceutical and other medical products 	Housing and utilities (cont.)	<ul style="list-style-type: none"> • Furnishings and maintenance, <ul style="list-style-type: none"> – Furniture and furnishings – Household appliances – Glassware, tableware, and household utensils – Tools and equipment for house and garden – Household maintenance
Motor vehicles and parts	<ul style="list-style-type: none"> • New motor vehicles • Net purchases of used motor vehicles • Parts and maintenance <ul style="list-style-type: none"> – Motor vehicle parts and accessories – Motor vehicle maintenance and repair • Services and insurance <ul style="list-style-type: none"> – Other motor vehicle services – Net motor vehicle and other transportation insurance • Motor vehicle fuels, lubricants, and fluids 	Groceries	<ul style="list-style-type: none"> • Food and nonalcoholic beverages purchased for off-premises consumption • Alcoholic beverages purchased for off-premises consumption
Leisure and hospitality	<ul style="list-style-type: none"> • Restaurants <ul style="list-style-type: none"> – Purchased meals and beverages • Accommodations • Entertainment <ul style="list-style-type: none"> – Sporting equipment, supplies, guns, and ammunition – Sports and recreational vehicles – Video, audio, photographic, and information processing equipment and media – Musical instruments – Therapeutic appliances and equipment – Books, educational and recreational – Magazines, newspapers, and stationery – Membership clubs, sports centers, parks, theaters, and museums – Audio-video, photographic, and information processing equipment services – Recreational items – Other recreational services – Gambling • Foreign travel by U.S. residents • Expenditures in the United States by nonresidents 	Transportation services	<ul style="list-style-type: none"> • Ground transportation • Air transportation • Water transportation
Housing and utilities	<ul style="list-style-type: none"> • Rent/Mortgage <ul style="list-style-type: none"> – Rental of tenant-occupied nonfarm housing – Imputed rental of owner-occupied nonfarm housing – Rental value of farm dwellings – Group housing • Utilities <ul style="list-style-type: none"> – Fuel oil and other fuels – Water supply and sanitation – Electricity – Natural gas 	Clothing and footwear	<ul style="list-style-type: none"> • Men's and boys' clothing • Women's and girls' clothing • Children's and infants' clothing • Other clothing materials and footwear
		Technology	<ul style="list-style-type: none"> • Telephone and facsimile equipment • Telecommunication services • Internet access
		Financial services and insurance	<ul style="list-style-type: none"> • Financial services <ul style="list-style-type: none"> – Financial services furnished without payment – Financial service charges, fees, and commissions • Insurance <ul style="list-style-type: none"> – Life insurance – Net household insurance
		Other durable goods	<ul style="list-style-type: none"> • Jewelry and watches • Luggage and similar personal items
		Other non-durable goods	<ul style="list-style-type: none"> • Food furnished to employees (including military) • Household supplies • Personal care products • Tobacco • Food produced and consumed on farms • Net expenditures abroad by U.S. residents
		Education services	<ul style="list-style-type: none"> • Higher education • Nursery, elementary, and secondary schools • Commercial and vocational schools
		Other services	<ul style="list-style-type: none"> • Professional and other services • Personal care and clothing services • Social services and religious activities • Postal and delivery services



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