

Essay

What Do We Know about Age Discrimination, and How Might We Reduce It?

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Population aging makes it imperative to try to increase employment of older Americans. And even without this imperative, many older Americans want to keep working past ages at which many have typically retired. However, if age discrimination creates substantial barriers to employment of older workers, then both the policy goal of increasing employment of people ages 50 and older and the individual desires of some to keep working can be frustrated. This clash between age discrimination and policies to encourage working longer can be particularly problematic. Policy makers may find that efforts to induce older Americans to work longer fail to deliver sufficient employment increases, but, rather than recognizing and confronting the barriers posed by age discrimination, they may instead enact even stronger or harsher incentives to delay retirement, which can have adverse consequences for some older workers. But is age discrimination a significant problem for older workers? And if so, what might we do about it?

Social scientists have been studying labor market discrimination for decades, although most of the work has focused on discrimination against blacks and women. This emphasis of past research is perhaps unsurprising, as the *prima facie* case for age discrimination is much weaker. Most notably, unlike the cases for blacks or women, older workers

generally have higher earnings than other workers. In contrast, older workers have longer unemployment durations than most other age groups, although these longer durations have many possible interpretations. Moreover, assessing discrimination based on age is difficult because age can directly affect labor market performance for reasons unrelated to discrimination, such as declining health, increases in work limitations, and changing incentives for workers with a few more years of work ahead of them, rather than a long career.

Despite these difficulties—and recognizing that the evidence will likely always be more ambiguous than that regarding blacks and women—there are a number of research findings that, put together, make a fairly compelling case that age discrimination creates employment barriers for older workers. First, there is substantial evidence of negative stereotypes regarding older workers, emerging from both hypothetical scenarios presented by researchers, and from field research tying attitudes toward older workers to actual adverse labor market outcomes for them.

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Second, survey evidence indicates that older workers sometimes report perceived age discrimination in the workplace. Although it is a bit tricky to interpret this self-reported age discrimination, the evidence shows that these same workers subsequently exhibit more separations, lower employment, slower wage growth, and reduced expectation of working past 62 or 65, which is consistent with age discrimination reducing labor market prospects for older workers.

Third, because of the nature of long-term employment relationships between workers and firms, economic models posit that some younger workers tend to get paid less than they are worth to their employers, while older workers at the same firms are paid more than they are worth. This can create incentives for employers to renege on long-term relationships with workers, trying to lay them off when they become relatively more expensive. There is evidence of these kinds of discriminatory layoffs when, for example, companies are sold and come under new management.

Finally, probably the most direct evidence comes from field experiments economists have conducted to see if employers discriminate against older workers in hiring decisions. In these studies, researchers send out artificial job applicants who are “designed” to appear equally productive to employers, yet differ by age. These studies almost always uniformly find evidence that employers avoid offering jobs or job interviews to older applicants rather than to younger applicants who are very similar in other respects.

To be sure, each of these different types of evidence has potential limitations, reflecting the inherent difficulties of trying to identify age discrimination when age can also affect labor market outcomes for nondiscriminatory reasons. But taken together, the most obvious and simplest explanation for the existence of all these different types of evidence is that older workers suffer from age discrimination in the labor market.

This evidence raises the question of what we can do to combat age discrimination. We already have significant federal legislation on the books. The Age Discrimination in Employment Act (ADEA) was originally enacted in 1967 and underwent a number of transformations via both legislative amendments and court rulings—sometimes strengthening and sometimes weakening its provisions. Earlier evidence on the enactment of the ADEA indicates that it boosted employment of older workers and reduced

the likelihood of employers renegeing on longer-term commitments to older workers.

But no antidiscrimination law should be expected to root out all discrimination, nor is it intended to. Rather, like speed limits, we might interpret these laws as intended to penalize the most egregious behavior and in so doing moderate the behavior of others. Nonetheless, some states have age discrimination laws that are stronger than the federal ADEA. Recent evidence suggests that some of the stronger provisions of these laws can contribute to the effectiveness of policies intended to encourage employment and delayed retirement among older workers. In particular, in research with Joanne Song, at SUNY-Buffalo, we studied the changes in Social Security implemented in 2003–08 lowering benefits at age 62 and increasing the Full Retirement Age. We found that the response of older workers—both working longer and claiming benefits later—was greater in states that had stronger age discrimination laws. This included larger damages available in age discrimination lawsuits and the extension of age discrimination protections to smaller firms.

Thus, the research record supports two conclusions. First, age discrimination likely plays a role in reducing employment opportunities for older workers. And second, a stronger federal law mimicking the laws in some states could potentially help reduce the clash between age discrimination and policy efforts to encourage and enable seniors to work longer.

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Essay 8, June 2015

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