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Why American Older Workers Have Lost Bargaining Power

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Abstract: (131 words)

The bargaining power of workers cannot be measured directly, but it can be inferred from working conditions and institutional factors. This study documents the stagnation in older workers' wages and the seven reasons older workers have lost bargaining power. Five factors relate to monopsony exposure from eroding retirement income security, union loss, more insecure employment relationships, persistent age discrimination, and geographical immobility. Two additional factors -- older workers' ineligibility for the Earned Income Tax Credit (EITC); and older workers' relative propensity to work for smaller firms – also weaken bargaining power. Significant loss of bargaining power of workers over age 55 who are projected to fill 6.4 million of the 11.4 million net new jobs created between 2016 and 2026 could suppress wages and working conditions for all workers.

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Additional results and copies of the computer programs used to generate the results presented in the paper are available at economicpolicyresearch.org/bargaining_power_older_worker

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1. INTRODUCTION

Labor market outcomes stem from an interplay between market competition, institutions, wage contours, social norms, and customs. Persistent noncompetitive conditions in older workers' labor markets suppresses bargaining power and can help explain older workers' compensation trends. Seven factors reduce older workers' bargaining power: one, eroding retirement security resulting in the lack of dignified off-ramps to retirement; two, insecure employment relationships which means early and unexpected layoffs, undesirable alternative work schedules, and diminished internal labor markets. Three, loss of union representation, Four, persistent age discrimination. Five, the relative geographical immobility of older workers reduces leverage with current employers. Six, since older workers work beside Earned-Income-Tax -Credit (EITC) eligible workers they receive EITC-induced lower wages but not the EITC supplements. Seven, large firms pay more than small firms but older workers are more likely to work for smaller firms.

Compensating wage differentials, sectoral decline, and cohort over-crowding – all factors not related to institutional and policy efforts to reduce bargaining power could be lowering older workers' relative wages. First, older workers jobs could be providing more non-pecuniary benefits and more employee benefits like pension and health care. Second, older workers could be working in sectors that are in relative decline. Third, the large cohort size of the Boomers' could be continuing to suppress this generation' wage levels. We argue these factors likely have a smaller impact on older workers' compensation and job quality than the seven institutional and policy factors.

Our inventory of bargaining-power factors affecting older workers helps explain persistent U.S. wage stagnation. Our insight hinges on scale – aging boomers will continue to exert an outsized impact on labor markets. Of the 11.4 million net new jobs that will be created by 2026, 6.4 million are projected to be filled by workers over 55. In 2017, 35 million older workers constituted 24 percent of the labor force, up from 12 percent in 1990. By 2026, 40 million older workers will make up 25 percent of the labor force (Lacey, Toossi, Dubina, & Gensler, 2017), with much higher shares projected in some growing occupations. Seventeen million older workers have been newly employed since 2000 and the net increase in jobs was 17 million. Bargaining power cannot be measured directly but must be inferred by labor market conditions and outcomes, such as wages and other forms of compensation. This study recognizes the practical reality that the sheer size of the older worker cohort and their eroding bargaining power will likely spill over to all markets.

Understanding the dynamics of an imperfect labor market is crucial, since the degree of competitiveness can drastically change the effects of institutions such as the minimum wage, unions (Card & Krueger, 1994) or anti-discrimination rules or labor standards enforcement.

1.1. Compensation Trends for American Workers

Since 2000, wage repression has been more severe for college-educated older men than for college-educated prime-age men. A quantile regression analysis shows that from 1990 to 2017 real median hourly wages for full-time male workers over 55 with a high school degree dropped 7.0 percent while wages for the same age group with a bachelor's degree decreased by 8.1 percent. In comparison, the median hourly wage for prime-age male workers (35-54) with a

bachelor's degree increased 8.5 percent while prime-age men with a high school degree faced a 15.1 percent decrease in their wages.

By contrast, women of all ages did not face declining wages from 1990 to 2017. Wage trends for men and women differed partially because of changes in female labor force participation rates and the shrinking gender wage gap. Older and prime-age women with high school degrees experienced very similar wage trends while older women with bachelor's degrees have always had lower wages compared to their prime-age counterparts.

Figure 1 documents the trend for real median hourly wages for different age groups and educational levels from 1990 to 2017. The regression results are summarized in Table 1.

INSERT FIGURE 1 and TABLE 1 HERE

Additionally, coverage rates in health insurance and retirement plans have fallen from 1990 to 2017. For full-time non-self-employed workers over 55, health insurance coverage has fallen from 90.4 percent to 87.4 percent and retirement plan coverage has decreased from 55.5 percent to 43.9 percent (Figures 2: Employer Sponsored Health Insurance Coverage is Declining for Older Workers, Figure 3: Retirement Plan Coverage is decreasing for Older Workers)

INSERT FIGURE 2 and 3 HERE

2. NON-COMPETITIVE MARKET FORCES EXPLAIN STAGNATING OLDER WORKERS' COMPENSATION

Compensation is not determined necessarily by the value of the marginal product of workers, but rather falls “in a range of indeterminacy” because wages are a form of administered or bargained prices (Kaufman & Hotchkiss, 2006). From a competitive (or Marshallian) market perspective neither labor nor capital has market power, since both are wage and price takers, and

thus an "equality of bargaining power" exists (Kaufman and Hotchkiss, 2007). But labor market imperfections create an area of "indeterminacy" in compensation, so that demand and supply set upper and lower limits on the compensation range, thus opening the door to wage determination through bargaining.

One reason for the indeterminacy is monopsony. Wage setting power combined with "frictions and asymmetric information leads to monopsony exploitation" (Hicks, 1963). In monopsony, firms are not bound by market forces to pay workers their marginal product of labor, which implies that, even in a world where all firms and individuals are identical, a decrease in the rate at which workers receive job offers will both lower the average wage and increase inequality. Therefore, monopsony conditions are expected if workers face: discrimination, non-monetary reasons to stay in a region, costs to separating from a job and transferring to another one, lack of information about labor policies, and information about employers' competitors.

Firms aim to pay less for the same productivity and are thus motivated to manipulate personnel policies and the employment environment to become monopsonists. If firms don't become monopsonists, they miss out on potential profits. Since only a monopsonist has the ability to offer selected workers who get an attractive job offer from a competitor a counter offer generous enough to induce the worker to stay. In a competitive labor market the firm has no choice but to let the worker leave, because they were paying the maximum wage possible.. In other words, monopsony power shifts revenue from wages to profits, which weakens the link between labor productivity and labor compensation. When firms no longer compete aggressively for hiring workers, monopsony power opens up the possibility that wages can differ among workers with similar skills (Manning, 2003). In sum, factors, including eroding retirement income and rising

debt among older households which lowers their reservation wages declining union power, which reduces the ability to garner rents; less secure jobs which makes older workers more replaceable, age discrimination which lowers older workers' perceived value, weakens their bargaining power by increasing employers' monopsony power.

Though the classic example of monopsony is nurses' wage repression because the local hospital is the only buyer of nursing labor, employers don't have to be sole employer for monopsonistic behavior to arise. If there are a few powerful firms, collusion often drives down wages. Non-compete clauses create monopsony power (Cici, Hendriock, and Kempf 2018; Krueger and Ashenfelter 2018; Starr, Prescott, and Bishara 2015) since their employees bind themselves to not search for jobs with competitors. These agreements are not, of course, particular to older workers, but the dynamic relates to how older workers' are affected by being stuck. If older workers are inhibited, for many reasons, to get outside offers, their employer has monopsony power.

2.1. ERODING RETIREMENT INCOME SECURITY

Diminishing retirement income security lowers a worker's reservation wage and increases their monopsony exposure. Eroding non-labor income makes monopsony labor markets even more effective in lowering wages. In noncompetitive markets the expected wage is a weighted average of the productivity of the workers and their reservation wage (the reservation wage is high when non-labor income is high and low when there is no source of sustenance other than paid work (Manning, 2003). When the unemployment rate is high or pension income is low, the reservation wage dominates the expected wage. The two forces together would explain a

precipitous drop in wages. This is particularly true of older middle and lower-income households with falling non-labor assets (Butrica, Smith, & Iams, 2012).

Low rates of retirement plan coverage and low balances mean that a majority of older households (55 percent) will rely on Social Security for almost all of their income in retirement. (Ghilarducci and Knauss 2015). The shift to relying more on earnings than assets translates directly to less reliable retirement options and decreased bargaining power. A drop in non-labor income for older workers can be observed in falling pension coverage. In 1980, 46 percent of workers over age 55 reported being covered by a retirement plans from their workplace. By 2013 that rate fell to just 41 percent. Moreover, during this time many firms switched from providing defined benefit plans to defined contribution plans. Workers born during 1946-1950 could expect an average of \$6,375 annually in 2018 dollars from defined pension benefits; for people born between 1961-1965 this number was \$3,750 annually. Although income from defined contribution plans increased for the latter group, expected overall retirement income from sources other than Social Security is still \$1,000 lower for late Boomers (Butrica, Iams, Smith, & Toder, 2009). Middle-class older workers have also become increasingly dependent on their earnings as their pension and asset wealth relative to their income has fallen. Over time, income from assets becomes considerably more important for low- and high-income retirees, but less important for middle-income retirees.

Moreover, increases in the Social Security full retirement age (FRA) cut benefits by 13% directly. Workers can claim Social Security benefits at any age after 62, with reduced benefits for those claiming before (ranging from 5.0-6.7 percent per year) and increased benefits for those claiming after the full retirement age (8.0 percent). Thus, an increase in the full retirement age acts as a cut in benefits for all workers. The full retirement age is currently in the process of being

raised from 65 to 67, cutting Social Security benefits as much as 13 percent for early retirees and 16 percent for late retirees.

The combined effects of declining pension coverage, inadequate pension savings in the defined contribution system (the average balance of retirement savings for those in the bottom 50 percent of the income distribution near retirement is less than \$30,000) and Social Security benefit cuts could lead to large-scale downward mobility of middle class near-retirement households. Whereas 21.5 million people in near-retirement households are earning more than 200 percent of the federal poverty level, 8.5 million (40 percent) are projected to fall below this threshold if they retire at age 62. If all workers delayed retirement to 65, the number of downwardly mobile is still 5 million (19 percent) (Ghilarducci, Webb, & Papadopoulos, 2017).

Debt, which is equivalent to a cut in net non-labor income, is growing among older American households. The share of Americans 65 and older with debt increased from 29.9 percent in 1998 to 43.4 percent in 2010, with the debt levels increasing on average by 55 percent (Karamcheva, 2013).

2.2. UNION POWER

A closely related contributor to the rise of older workers' monopsony exposure is the loss of union coverage. Economists' emphasis on the effects of unions on workers bargaining power goes back at least to Adam Smith, who noted asymmetries between combinations of employers versus workers, and John Stuart Mill, who claimed 'that the effect of organizing labor is that it changes a static bargaining process to a dynamic game where the employer deals not with the individual laborer in a single period but with the union in multiple periods (Mill quoted in King & Yanochik, 2011).A union compensation premium exists (Erickson & Mitchell, 2007) because

unions transfer monopsony rents from employers to workers without suffering employment losses.

If monopsony conditions develop in older workers' labor markets, and the institutions that would correct or mitigate the persistent monopsony conditions, primarily unions, are concurrently weakened, labor compensation would be expected to fall. According to Bahn (2018), "the decades-long decline in private-sector union membership, presents economists and policymakers alike with the strong possibility that more and more employers will be able to exercise monopsony power over the wages of their workers". Figure 4 shows how union membership rates have declined over the past decade for workers over 55 compared to prime-age workers. Since 2004 older workers have suffered a sharper decline in their union membership (from 16.7 percent in 2004 to 12.6 percent in 2017) compared to prime-age workers.

A union that engages repeatedly with the firm helps workers update their beliefs regarding the true nature of the demand for their labor, and gives workers information about the wage that the demand for their labor would justify. Additionally, unions increase workers' bargaining power both directly, by ensuring workers' voice is heard, and indirectly, by bargaining for decent retirement plans that give workers an alternative to work at older ages.

Figure 4: Older Workers have lost more union membership compared to prime-age workers.

INSERT FIGURE 4 HERE

2.3. ALTERNATIVE EMPLOYMENT RELATIONS AND LOSS OF INTERNAL LABOR MARKETS

Older workers are the fastest growing group in alternative employment arrangements, which include independent contracting, on-call workers, temporary agency workers, employees

of contract firms, and gig workers. In 2017, 15.1 percent of worker ages 55 to 75 reported working in an alternative work arrangement. Katz & Krueger (2019), using a modified version of the BLS Contingent Work Survey, find a larger share for older workers, 23.9 percent of whom faced alternative work arrangements in 2015. Both Bureau of Labor Statistics (2017) and Katz and Krueger (2019) find that workers over 55 are the largest and fastest growing age group in alternative work arrangements.

Workers in alternative work (excluding independent contractors) arrive to those jobs with much lower bargaining power. Whereas 6 percent of all older workers report losing their previous job involuntarily, older workers in on-call, temp agency, contract firm or gig work were nearly three times more likely, at 17 percent, to report involuntary job loss. The median older worker reported wealth holdings of 171% their earnings, while older workers in alternative work arrangements reported wealth that was just 77% percent of their earnings, indicating much lower ability to retire and therefore a lower reservation wage. In addition, alternative work removes workers from a firm's job ladder, and produces little or no opportunity for promotion within a firm.

Some researchers may presume that older workers actively choose alternative work schedules. However, many workers in alternative work arrangements would rather be in traditional forms of employment. The plurality of workers in temporary agency and on call jobs in 2017 – 46 and 40 percent, respectively – said they would prefer to be in a traditional arrangement, with an additional 12 percent and 10 percent saying, “it depends” (Bureau of Labor Statistics, 2017). However, workers in alternative work arrangements believed they had just a 21 percent chance of finding an equivalent job if they lost their current one, compared to 35 percent for other workers (Ghilarducci, Webb, & Papadopoulos, 2018). In 2017 the median earnings for full-time workers

in a traditional arrangement was \$32,500, while non-independent contractors in alternative work reported earnings of just \$14,000 (Ghilarducci, Webb, & Papadopoulos 2017).

Figure 5: Earnings are lower for older workers (55+) in alternative work schedules and the share of older workers in alternative work schedule is increasing.

INSERT FIGURE 5 HERE

The last three decades have seen a persistent decline in the average duration of employment relationships within the United States, with experienced men, who were previously most likely to be in long-term employment, most affected (Farber, 2008; Hollister, 2011). Those changes in tenure have manifested as a particularly marked decrease in the proportion of workers who have been with their employer for more than 10 years and a strong increase in the proportion who have moved jobs within the last year (Farber, 2008).

Specifically, as shown in Figure 6, male older workers seem to have lost the advantage of internal labor markets because their job tenure has fallen by more than one third. In 1987, the median older prime-age man (45-54) had been with his current employer for 12.7 years. By 2018, median older prime-age male job tenure fell 36% to 8.1 years. For older workers age 55-64, men's job tenure fell 16% during the same time period (16.8 years to 14.1 years), a drop that likely reflects older male workers leaving the labor market. The sample of workers who are older is special; they are the workers who stayed in the market and are likely to have longer tenure.

Figure 6: Median numbers of years that older male employees are with the same employers has declined by more than one third.

INSERT FIGURE 6 HERE

Recent research supports the argument that declines in tenure reflect the reduced power of workers to secure close employment relationships. Declines in tenure have been concentrated in large organizations, and many of those declines are explained by controlling for the changing levels of industry unionization. There is little evidence that foreign competition or technological change affected mobility (Bidwell, 2013).

Additionally, when older workers lose their jobs, it takes them longer than their younger counterparts to become reemployed, and when they do find work they generally experience sharp wage declines. Unemployed adults age 55 to 64 averaged 29 weeks looking for work in 2009, compared with 23 weeks for those age 25 to 34 (Bureau of Labor Statistics 2010c). In March 2010, the John J. Heldrich Center for Workforce Development resurveyed a nationally representative sample of Americans who reported being unemployed in an August 2009 survey. Only 14 percent of those age 55 and older were employed in March 2010, compared with 37 percent of those younger than 55 (Van Horn, Corre, & Heidkamp, 2014). Twenty-one percent of the older workers were still unemployed and had stopped looking for work, primarily because they had become discouraged by their poor job prospects. Earlier studies find that only 61 percent of displaced men and 55 percent of displaced women in their fifties are employed two years after a job loss (Chan & Huff Stevens, 2002), and that only about half of displaced workers in their early sixties become reemployed (Munnell, Sass, Soto, & Zhivan, 2008).

Displaced workers are more likely to job-hop, to suffer further involuntary job losses, and to experience subsequent unemployment than those who were still working for their age-50 employer at age 56 (Sass & Webb, 2010). Individuals who separate from their age-50 employer for whatever reason are at risk of missing out on their peak savings years and of failing to prepare adequately for retirement, further reducing their bargaining power.

2.4. AGE DISCRIMINATION

The fourth contributor to the rise of older workers' monopsony exposure is the persistence of age discrimination, defined as when employers pay different levels of compensation for the same ability or output, based on factors unrelated to the person's productivity such as age. Although discrimination based on age, ethnicity, race, religion, national origin, or sex are illegal under federal law, if older workers are prejudged as being less able to work or learn, or if they are seen as being less loyal, then they will have fewer job offers that pay near their productivity. The widespread prejudice towards older workers among U.S. employers reduces their bargaining power. Audit studies – in which employers are confronted with two resumes of candidates with equal qualifications, but one resume indicates the candidate is older – show that the older workers are less likely to be called for an interview (Neumark, Burn, & Button, 2018). In another study, a majority of employers surveyed by Transamerica Center for Retirement Studies answered that 64 was too old to be considered for employment? (this was the median age given by employers, though most refused to give an age – wisely, since it's against the law to consider age in hiring and promotion and pay). On the other hand, the median age that workers gave was too old to work was 75 (Collinson, 2018). This gap suggests that older people look for work in markets where employers aren't offering many jobs – a situation which favors the current employer.

Workforce rationalization can also disproportionately impact older workers. Gosselin (2018) estimated that in the downsizing of 2010 for five years IBM eliminated more than 20,000 American employees ages 40 and over, about 60 percent of its estimated total U.S. job cuts during those years. Reviewing internal company documents, legal filings, and public records,

Goesslin concluded that IBM “flouted or outflanked U.S. laws and regulations intended to protect later-career workers from age discrimination.”

Most recently, in 2019 researchers at Willis Towers Watson, Stanford, and the University of North Carolina (Clark, Nyce, Ritter, & Shoven, 2019) surveyed employers, in order to evaluate how firms, assess the risk to their organizations of an aging workforce. While about 40 percent of employers said they thought older workers were a positive asset to their firms, 20 percent thought that their organization views the aging workforce as a liability that may increase costs or reduce productivity more than a talent loss risk.

2.5. LABOR MARKET MOBILITY

The fifth contributor to the rise of older workers monopsony exposure is relative immobility. Joan Robinson, the economist that pioneered the study of monopsony markets, could have predicted that home ownership and community embeddedness would put workers in a weaker bargaining position. Replacing “ignorance” with “homeownership and community ties” Robinson quote explains older workers’ weaker bargaining power, she wrote “there may be workers attached to the firm by preference or custom and to attract others it may be necessary to pay a higher wage. Or ignorance may prevent workers from moving from one firm to another in response to differences in the wages offered by the different firms” (Robinson, 1969).

Employers have an upper hand when workers face mobility barriers. If employers can create conditions that would cause workers to be less likely to move for a better job then the employers could profit from monopsony conditions and wages would fall below the value of the marginal product of labor. Recent research has identified long-run declines in worker mobility. Because workers are getting older, they are less likely to leave a job, less likely to move to a new

job, and less likely to physically move from their place of residence for a job (Kaplan & Schulhofer-Wohl, 2015; Molloy, Smith, Trezzi, & Wozniak, 2016). Long-run declines in job creation, job destruction, and the entry and exit of establishments from the marketplace (Davis & Haltiwanger, 2014) cause workers to have fewer choices indicating a U.S. labor market with considerably lower levels of fluidity. Declining dynamism directly reduces wages by limiting the frequency of outside offers and wage-enhancing job transitions (Decker, Haltiwanger, Jarmin, & Miranda, 2017).

Geographic (interstate) migration, an important aspect of labor market dynamism, has fallen dramatically since at least the early 1980s (Molloy et al., 2016). Migration is one major way that many workers find labor market opportunity and achieve higher wages. In 2017, about half of interstate moves were for labor market reasons (Shambaugh, Nunn, & Liu, 2018). Moreover, residential moves that correspond with interstate employer-to-employer transitions have declined by nearly half between 2000 and 2010 (Hyatt, McEntarfer, Ueda, & Zhang, 2016).

Older workers face especially high barriers to mobility since the indirect cost of moving grows significantly when a worker has a family and roots in a community. Older workers are also more likely to be stranded in stagnant regions with falling home values and earning low wages. According to our calculations using the monthly data from the Current Population Survey (2006-2017) older workers are only 17% as likely to move for a job compared to younger workers. Lack of mobility can also have negative impacts in terms of effective reallocation of labor to its highest productivity uses. Furthermore, empirical evidence indicates that older workers are unable to reduce their work effort below full-time without leaving the job they held in their prime working years, forcing them into retirement. From 2008 to 2014, at least 52% of

retirees over 55 left their last job involuntarily, the result of job loss or deterioration in health (Schwartz Center for Economic Policy Analysis, 2018).

Those pushed into retirement early face barriers to returning to work. They are likely to be unemployed longer than younger people, and when they find a job they will earn on average 25% less than their previous salary.

Closely related to immobility and the high cost of moving for older workers may be the potential perverse effect of reverse mortgages, which are particularly designed to have workers age in place. An increasing number of older Americans are taking on reverse mortgages, from 0.2 percent of older households in 1997 to 2.1 percent in 2011. However, the few people who take reverse mortgages are mostly in their mid-seventies and beyond and not quite working age (Nakajima & Telyukova, 2014).

2.6. FIRM SIZE AND POLICY FACTORS

We present three examples of policy and institutional factors that particularly impede older workers' ability to improve compensation: older workers' ineligibility for EITC, which exposes them to wage repression in EITC sectors and the lack of opportunity to receive shares of economic rents because older workers are more likely to work for smaller firms.

EITC:

The first example of policy factor impeding older workers' ability to improve compensation is the peculiar structure of the Earned Income Tax Credit (EITC). The EITC has helped eligible workers – primarily single mothers – raise their living standards by supplementing low wages and encouraging higher labor force participation among low-income women but not among men (Nichols & Rothstein, 2015). Because EITC recipients compete in

the same labor markets as others who are ineligible for the credit, wage declines extend to many workers who do not receive offsetting EITC payments. Moreover, in the standard model, EITC-induced labor supply increases lead to lower wages, allowing employers to capture a portion of the intended transfer (Rothstein, 2008). These unintended transfers limit the EITC's capacity to redistribute income and weakens the bargaining power of the ineligible workers; its expansion will lead to the creation of more low wage jobs.

Table 2: Share of workers who receive EITC and older (ineligible) workers in 10 (projected) fastest growing occupations with most employment gain (2015)

INSERT TABLE 2 HERE

Firm Size:

Older workers are more likely to work for small (less than 1000 employees) firms, which share a smaller part of their economic rents and profits with their employees. Rent sharing refers to a situation in which rents – profits above the level that results from paying all factors their market rates – are shared by the firm, at least in some, with the employees of that firm (Martins, 2008). There has been a substantial increase in recent literature which argues that highly productive and profitable firms capture greater market share and exhibit less labor costs relative to sales than other firms in their industries. These characteristics persist in ‘superstar’ firms. Although there is not a 1:1 correlation between product market power and labor market power, they trend in the same direction. Increased market power can correlate with increased markups, and plays a serious role in the secular trend of labor share decline. Others have verified the power of labor market concentration associated with large firms; Azar (2017) shows that the average market is highly concentrated, and that going from the 25th percentile to the 75th

percentile in concentration is associated with a 17% decline in posted wages, suggesting that concentration increases labor market power.

Older workers are more likely to work for smaller firms and smaller firms produce less economic rents. An analysis of size of firm and average age of employees shows that 32 percent of workers in large firms are over 50 years old. In contrast, 35 percent of employees in small firms (fewer than 100 employees) are slightly older. There is a 3 percent negative likelihood of being over 50 and working for a large firm. This negative likelihood can contribute to further stagnating wages and lower bargaining power for older workers. Figure 7: Older workers are less likely to work for super-firms

INSERT FIGURE 7 HERE

3. COMPETITIVE FACTORS DO NOT EXPLAIN OLDER WORKERS WAGE TRENDS

Three factors that are consistent with competitive markets could also explain older workers' wage declines: Non-pecuniary aspects of older workers' jobs could be increasing, the jobs that older workers excel at could be declining in demand, or the size of the Boomer cohort could put downward pressure on wages.

3.1. NON-MONETARY BENEFITS, SCHEDULES, EASE OF WORK, ARE NOT IMPROVING

There is no evidence to suggest that older workers are trading better working conditions, such as more flexibility and less physical requirements, for compensation. It may be that the appearance of wage suppression disappears once non-pecuniary factors are taken into account.

We reject this compensating wage differences as a major factor suppressing wages. Working conditions faced by older workers' have not improved significantly to reasonably

conclude they compensate for stagnating or falling wages. Stooping and kneeling, intense concentration and keen eyesight are increasingly being demanded of older workers (Johnson, 2004). Since 1992 the share of workers ages 55 to 62 reporting physical demands at work decreased only slightly. In 1992, 40 percent of older workers reported their jobs required “lots of physical effort.” In 2014, this decreased to 34 percent, a statistically significant decrease of 6 percentage points. However, other dimensions of physical work, including “lifting heavy loads” and “stooping/kneeling/crouching,” saw no statistically significant changes (Moore, Ghilarducci, & Webb, 2019).

3.2. OLDER WORKERS ARE NOT DISPROPORTIONATELY EMPLOYED IN OCCUPATIONS WITH HIGH UNEMPLOYMENT RATE

Another factor leading to compensation repression among older workers could be falling demand for products made by older workers due to shifts in consumers’ tastes and an increase in foreign competition. We correlate the median age of workers by occupation ranked by their respective unemployment rate. Though pure mechanical effects imply that industries with shrinking employment would have older median ages (shrinking sectors do not hire younger workers). Using the March (2017) supplement of the Current Population Survey we find that older workers are not disproportionately employed in occupations with high relative unemployment rates. There was a non-significant correlation of -0.31 between median age and unemployment rate in each occupation. Additionally, correlations between the percentage change of value added per industry (between 2007 -2017) and median age of that industry produces the same results. We do not find evidence that older workers disproportionately produce goods and services that are facing lower demand.

3.3. IMPACT OF COHORT SIZE ON WAGES

Prior research implies that the size of one's birth cohort affects wages throughout one's working life, with members of relatively large cohorts (at all stages of their careers) earning a significantly lower wage than members of smaller cohorts. Estimated elasticities of wages with respect to the relative size of one's own cohort generally fall between -0.05 and -0.10, and are of similar magnitude for men and for women (Papadopoulos, Patria & Triest 2017).

The size of the Boomer cohort caused slow wage growth even when they were young (ages 22 to 34) and prime age (ages 35 to 54). When Boomers were young, their average real wages grew by 3.9 percent a year, which is lower than the rate experienced by smaller generations. Average wages grew 5 percent for the Silent Generation and 6.3 percent for Generation X. Moreover, when Boomers were prime-aged, their wages grew only 0.7 percent a year, lower than any generation in the last 70 years. The Greatest Generation (born 1900 to 1924) experienced 1.6 percent annual wage growth in prime age and Generation X's real earnings grew 1.3 percent a year in prime age (Papadopoulos, Ghilarducci & Webb 2017). This factor is compatible with the competitive labor market model but nonetheless it shows that because of the size of the boomer cohort older workers are more prone to loss of bargaining power.

4. POLICY RECOMMENDATIONS, LIMITATIONS, AND FURTHER RESEARCH

No single policy will strengthen bargaining power among all older workers. But each of the policies listed here should help older worker negotiate better pay and working conditions. Specific policies that aid unionization and/or raise the minimum wage, could help certain groups of older workers countervail the power of employers in monopsony situations. Minimum wage hikes would help raise compensation for older workers in low-paying food service, retail, and care work. A union advocate would help improve service work where split shifts, fissuring, and outsourcing is prevalent. Workers in strong bargaining positions negotiate with employers who

perceive gains if they pay more. Holding the productivity and skills of older workers constant, older workers have more bargaining power if the employer perceives their value. If employers are able to discriminate by age or are tainted by age bigotry and are less likely to promote and train, then older workers lose power.

Successful negotiators have confidence. Galinsky et al (2006) found that a person remembering a period of strength makes them more likely to seek a raise. Older workers who may have had an involuntary layoff or have faced micro aggressions related to age lead to psychological deflation, making a negotiator weak or signal weakness and disengagement (J. B. James, Besen, & Pitt-Catsouphes, 2011).

Enforcing age discrimination laws and establishing a new Older Workers Bureau at the Department of Labor aimed at disseminating research about the worth of older workers might help these workers get offered high pay and better working conditions. Negotiators who can “walk away” from the deal are also in a stronger position than those who can’t. Older workers’ bargaining power would therefore be improved by policies like higher Social Security benefits, expanded and improved pensions – like a Guaranteed Retirement Account (Ghilarducci & James, 2018) – and other forms of non-earned income.

Bottom line: a strong negotiator has to have a good alternative to a negotiated agreement; when the negotiated agreement is working for pay, a good pension is key.

Older workers are in a weak position if public policies are directed at enticing labor substitutes who will take a lower wage. For instance, older workers and EITC eligible workers are overrepresented in nursing, psychiatric and home health aides and among personal aides.

Older workers, mostly all female, compete against younger mothers who are eligible for income subsidies from tax revenue, which puts downward pressure on wages.

There is probably no desirable policy that will help older workers change geographical location, family, community so the monopsony effects of immobility have to be dealt with minimum wages and unionization.

One of the limitations of this research is that we do not perform a quantitative decomposition analysis or rank the importance of these factors. Different factors will matter for different kinds of workers. Older personal care workers, for example, are more affected by the EITC-wage suppression and older male welders by the loss of unions.

In sum, the following 5 sets of policies, presented in no particular order, will help older workers: 1. Raising older workers' reservation wage by improving retirement security; 2. Protecting workers' union rights, raising the minimum wage and improving the conditions of alternative work schedules by enforcing labor laws against wage theft and misclassifications; 3. Strict enforcement of age discrimination laws; 4. Establishment of an Older Workers Bureau at the Department of Labor formulate standards and policies to promote the welfare of older workers, to improve their working conditions, and advance their opportunities for profitable employment; 5. Reconsidering the unintended consequences of EITC to suppress wages for ineligible workers. For example, employers whose workers eligible for EITC should be subject to a higher minimum wage and other constraints on low wages. Ranking the policies for relative impact is the subject for future study.

5. CONCLUSION

The party that bears the most cost of the relationship ending has the least bargaining power. Economic measures of bargaining power in the labor market vary. This paper deploys the general framework of monopsony to assess the balance of power between workers and firms and the imbalance effect on wages, hours, and working conditions. We found that conventional competitive theories for wage stagnation fail to explain the decades-long trend in the U.S. instead,

We presented evidence that older workers face particular forms of monopsony and barriers and practices that account for loss of bargaining power of older workers.

We argue that since structural aspects of individual labor markets differ considerably, a range of different parameters should be considered in developing models that could fill in the middle ground between the two extremes of perfect competition and total monopsony. The more non-competitive the market, the more model-building needs to move away from marginalism and equilibrium by incorporating non-profit-maximizing goals of firms and bargaining power of the workers.

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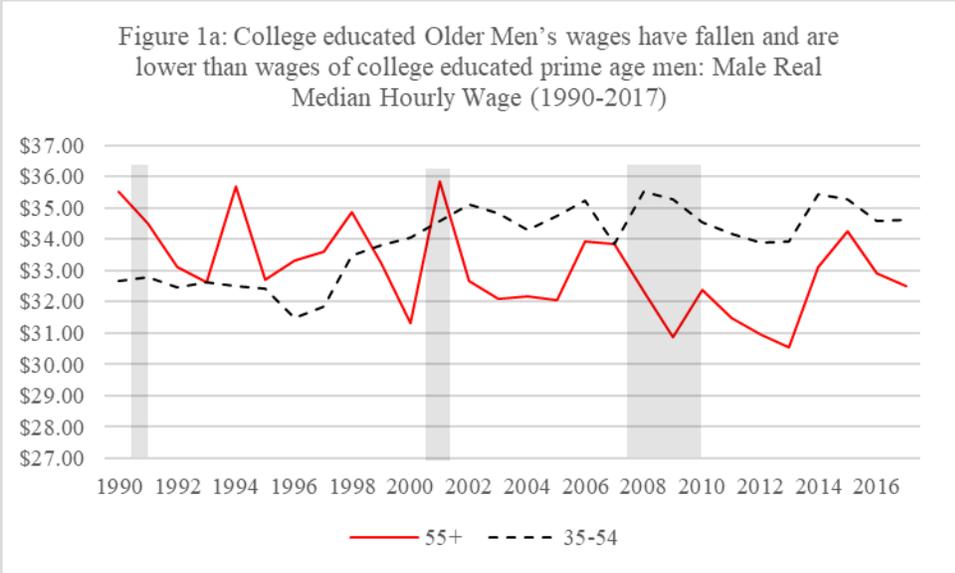
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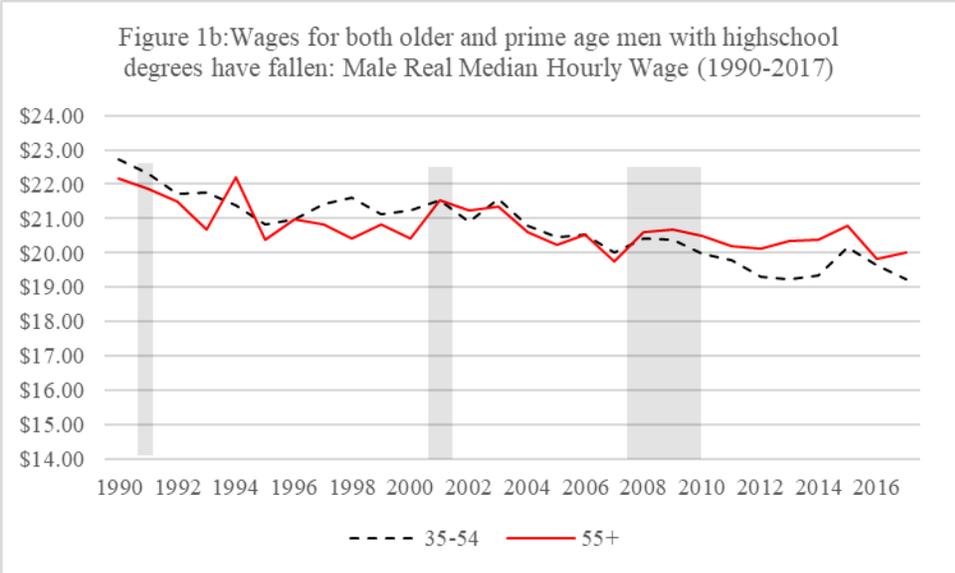
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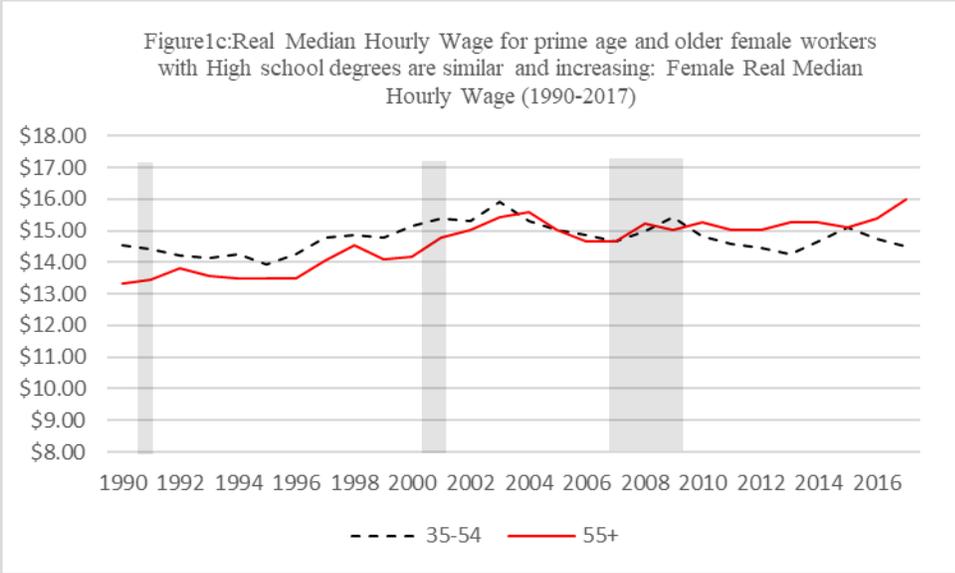
Tables and Figures



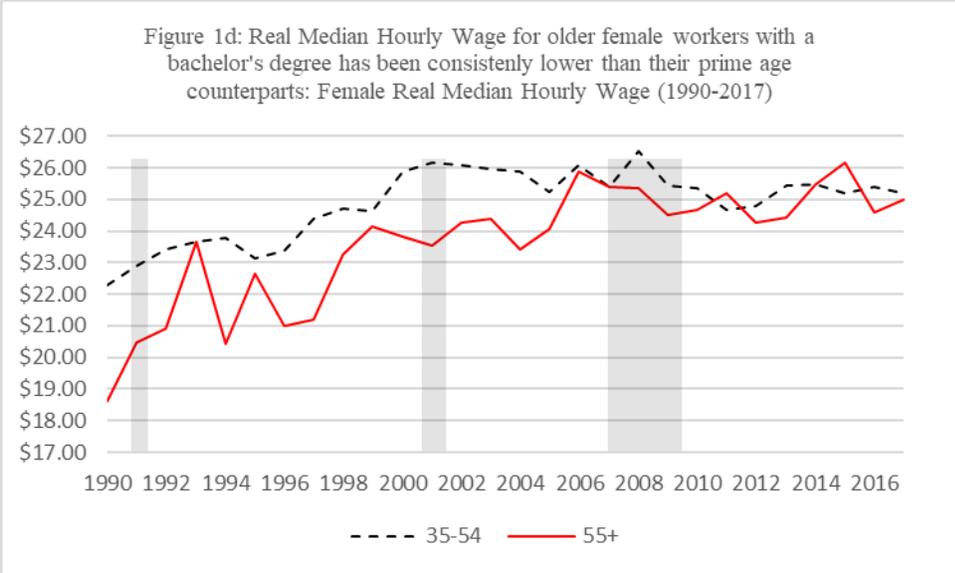
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Source: Authors' Calculations using the CPS ASEC (1991-2018)



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Figure 1c: Regression Estimation for wage trends (1989-2017)

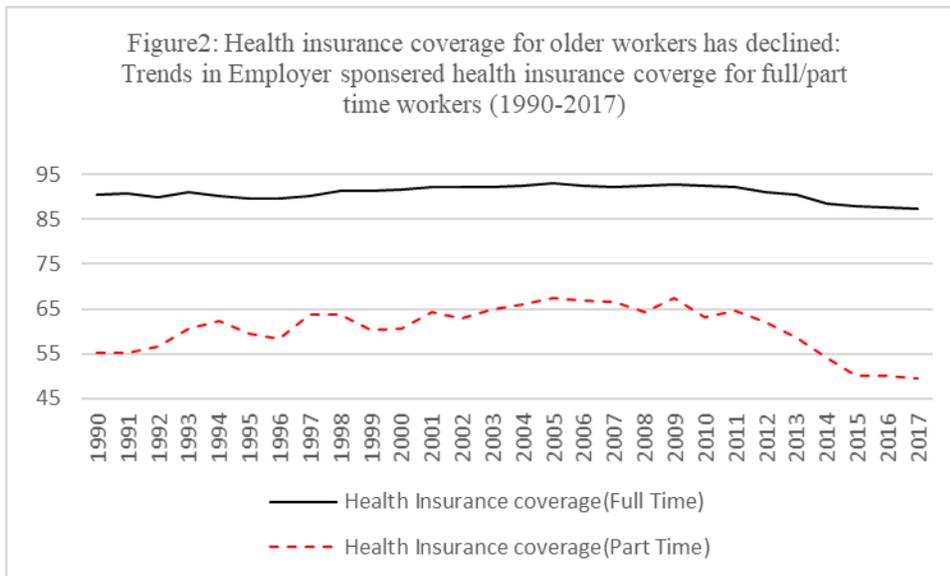
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
VARIABLES	Prime-Age Men with BA	Older Men with BA	Prime-Age Women with BA	Older Women with BA	Prime-Age Men with HS	Older Men with HS	Prime-Age Women with HS	Older Women with HS
year	0.00316 ***	- 0.00226* **	0.00331 ***	0.00662 ***	- 0.00560* **	- 0.00260* **	0.000736 ***	0.00498 ***
	(0.000293)	(0.000738)	(0.000308)	(0.00077)	(0.000245)	(0.000412)	(0.000236)	(0.000348)
Constant	- 2.818** *	8.019***	- 3.420** *	- 10.11** *	14.26***	8.255***	1.216***	- 7.308** *
	(0.587)	(1.481)	(0.618)	(1.560)	(0.492)	(0.827)	(0.472)	(0.699)
Observations	112,283	32,685	114,247	28,598	171,079	54,740	162,485	61,402

Robust standard errors in parentheses

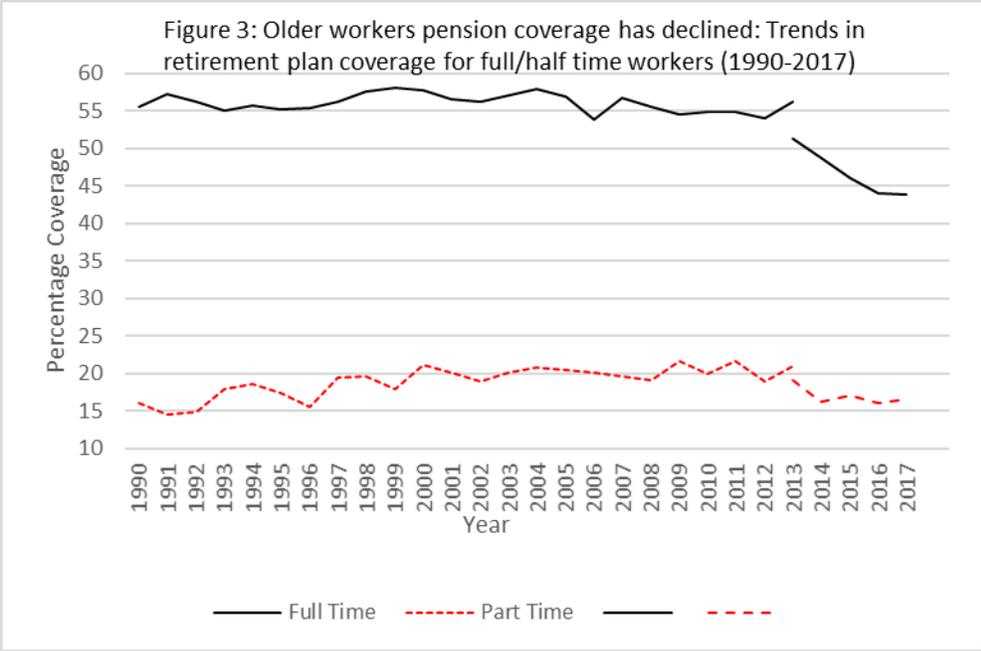
*** p<0.01, ** p<0.05, * p<0.1

Source: Authors' Calculations using the CPS ASEC (1991-2018)

Figure2: Health insurance coverage for older workers has declined:
Trends in Employer sponsored health insurance coverage for full/part
time workers (1990-2017)



Source: Authors' Calculations using the CPS ASEC (1991-2018)



Source: Authors' Calculations using the CPS ASEC (1991-2018)

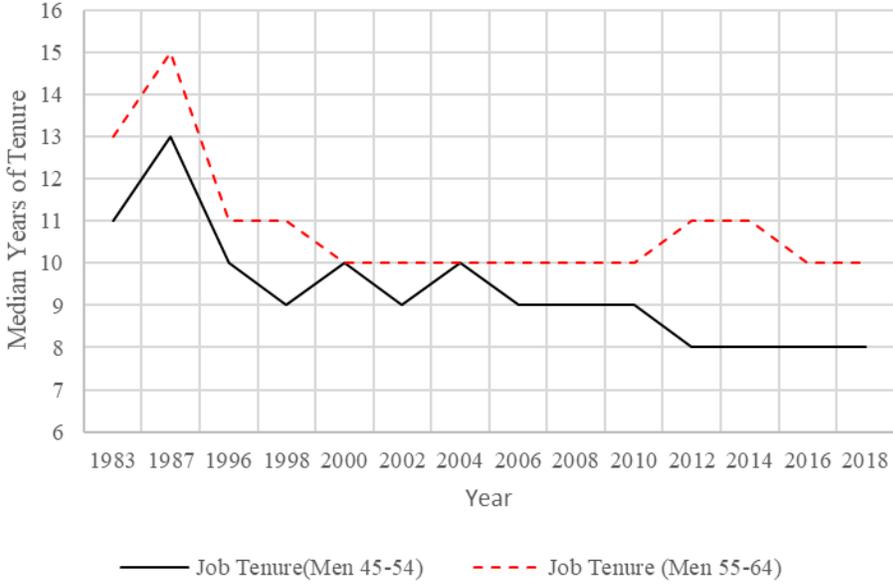


Source: Authors' Calculations using the CPS Outgoing Rotation Group (2005-2018)

Figure 5: Earnings are lower for older workers (55+) in alternative work schedules and the share of older workers in alternative work schedule is increasing.

	Year	
	2005	2017
Share of workers in Alternative Work Schedule	11.30%	15.10%
Ratio of Earnings (AWS/Traditional)	0.35	0.44

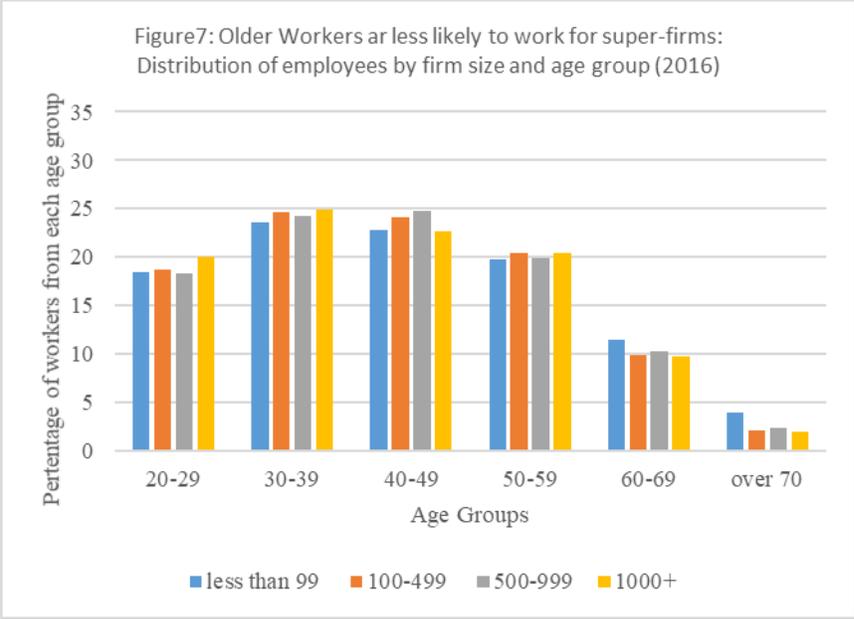
Figure 6: Median numbers of years that older male employees are with the same employers has declined by more than one third: Median years of tenure with current employer for male wage and salary workers by age group (1983-2017)



Source: Authors' Calculations using the CPS Job Tenure Supplement(1983-2018)

Table 2: Share of workers who receive EITC and older (ineligible) workers in 10 (projected) fastest growing occupations with most employment gain (2015)

The Top 16 Occupations with the most job growth, 2016 and projected 2026 (Numbers in thousands)	(Numbers in thousands)	(Numbers in thousands)					
		2016 National Employment Matrix title and code	Increase 2016-2026	Employment 2026	Median annual wage, 2017(1)	Share of workers who get EITC	Percent Female
Total, all occupations	11,519		167,582	\$37,690	11.8	48.1	23.8
Nursing, psychiatric, and home health aides	604		3,026	\$25,365	30.3	88.8	25.3
Personal care aides	778		2,794	\$23,100	30.0	83.2	32.7
Medical assistants	818		818	\$32,480	23.6	92.0	14.4
Combined food preparation and serving workers, including fast food	580		4,032	\$20,180	22.6	62.5	29.8
Janitors and cleaners, except maids and housekeeping cleaners	237		2,621	\$24,990	20.6	34.4	35.0
Cooks, restaurant	145		1,377	\$25,180	20.0	38.1	18.5
Waiters and waitresses	183		2,783	\$20,820	18.0	67.0	12.6
Construction laborers	150		1,367	\$34,530	17.3	2.9	16.6
Laborers and freight, stock, and material movers, hand	200		2,828	\$27,040	16.5	16.0	22.6
Customer service representatives	136		2,921	\$32,890	13.5	65.2	21.3
Accountants and auditors	140		1,538	\$69,350	5.6	65.0	29.4
Registered nurses	438		3,393	\$70,000	3.6	90.3	26.4
Market research analysts and marketing specialists	734		734	\$63,230	3.1	53.2	18.0
General and operations managers	205		2,468	\$100,410	1.8	30.9	20.2
Software developers, applications	225		1,087	\$101,790	1.7	17.2	13.8
Source: Employment Projections program, U.S. Bureau of Labor Statistics							
(2) Additional data from ASEC 2016							



Source: Authors' Calculations using the CPS ASEC (2017)