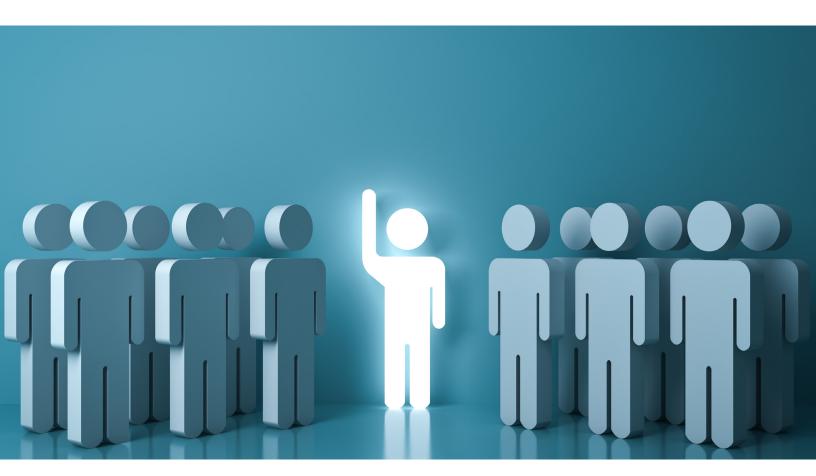McKinsey & Company

Global Social Responsibility Practice

The economic impact of ageism

New research quantifies the struggles that midcareer workers—those 45 and over—worldwide face and suggests possible interventions to level the playing field.

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In this episode of *The McKinsey Podcast*, Mona Mourshed, global founder and CEO of Generation, joins Roberta Fusaro, McKinsey executive editor, to discuss findings from Generation's recent report about the state of midcareer workers. The organization surveyed 3,800 employed and unemployed people, as well as 1,404 hiring managers from seven countries including Brazil, India, Italy, Singapore, Spain, the United Kingdom, and the United States. The responses revealed a consistent pattern of bias against workers aged 45 and older across geographies; they also suggest actions business leaders can take to hire, retain, and retrain this cohort of employees. An edited transcript of the conversation follows.

Midcareer workers are struggling

Roberta Fusaro: Mona Mourshed is the global founder and CEO of Generation, a nonprofit organization that provides free job training, placement, and support to help people find life-changing careers. Mona, thanks for joining us today.

Mona Mourshed: Thank you.

Roberta Fusaro: Just recently, you and your colleagues at Generation released a report that looks at the plight of workers age 45 and older. The findings suggest that people in this cohort are struggling, particularly those looking for entry-level or intermediate positions. What's the employment situation for older workers in the US and elsewhere? How exactly are they struggling?

Mona Mourshed: When you look at the long-term unemployed across Organization for Economic Co-operation and Development [OECD] countries, what you find is that 40 to 70 percent of them are age 45 to 50-plus. The reality is that once you hit a certain age, it becomes much harder for you to be employed.

When we surveyed people who are aged 45-plus across seven countries, 63 percent had been unemployed for more than a year, versus 36 percent for those who are age 18 to 34. So there's a very stark reality that employers perceive you and

your capabilities very differently when you're age 45-plus, particularly when you're seeking to switch into a new career.

Roberta Fusaro: When this cohort struggles or faces these challenges, how does that affect the global economy? How does that affect society? What are the impacts of this form of ageism, if we want to call it that?

Mona Mourshed: We should absolutely call it that. When you look at what will happen from the year 2050, you'll find that four in ten people are actually age 50-plus.

This cohort is the most educated and has the best healthcare outcomes of any other time for this age cohort in history. For the world to not be able to take advantage of the productivity and expertise of this population is tragic—let alone what it means for their own personal lives—if they're unable to have opportunity and financial independence.

Perception versus reality

Roberta Fusaro: We mentioned the term ageism. One of the more interesting, paradoxical findings from the report is what hiring managers are saying about older workers. They view them as being less valuable as hires, and yet they speak very highly of those currently in their organizations. What's that all about? How can those two perspectives exist simultaneously?

Mona Mourshed: Yes, that was one of the most strident findings in our research. We asked hiring managers, what are their perceptions of job candidates in the different age brackets of 18 to 34, 35 to 44, and 45-plus? What happened is that hiring managers, and this is across sector and across seven countries, consistently said they perceived only about 15 to 18 percent of the 45-plus candidates they saw to be a fit for the roles for which they were hiring.

Then we asked, for those age 45-plus who happened to be hired, somehow managed to get through, what's their performance on the job?

It turns out, 87 percent of those individuals are performing as well, if not better than, their younger peers. Ninety percent of them are viewed as having long retention potential, if not more so than their younger peers. That right there is the definition of bias. It's when you see exceptions to your perceptions, yet the bias prevails. That is tragic.

What was also quite stark was that this perception bias was absolutely universal across all seven countries in our sample.

Roberta Fusaro: I find that point, again, fascinating. I guess I would have assumed there would be industry-specific factors, cultural factors, geographic factors that come into play, but the findings were consistent?

Mona Mourshed: Absolutely consistent, and the same magnitude as well. It wasn't just that it was higher or lower, but it was the exact same magnitude. This, to me, is one of the great tragedies of what we're seeing, and this is why we should call it ageism. We are absolutely seeing ageism.

Actions leaders can take

Roberta Fusaro: What are some interventions leaders can take to bring the 45-plus worker into the fold? Not just bringing new employees in, but also retaining and retraining existing older workers?

Mona Mourshed: As is the case with any "ism," this is something that takes decades to work through. We identified a set of interventions. In particular, it begins with simply understanding, if you're an employer, what is the actual performance of different demographics in your company.

Then second is ensuring that the fact base is also well understood at the hiring-manager level. There are many industry coalitions, CEOs, that call for intergenerational diversity, greater inclusion, in the talent they hire. But the reality is that it doesn't trickle down, in many cases, to the hiring-manager level.

That awareness, first and foremost, is important. We must examine how the interview happens. When an interview is done through a traditional CV screen, many of the age-45-plus people just automatically are getting screened out because they're not fitting the type or they're not fitting the algorithm that's currently being used.

In our own programming, we find it's absolutely critical to use demonstration-based interviews— whether that is sharing the graduates' portfolios or having them demonstrate the job task in some way. All this, instead of sitting across the table and talking about their relevant job experience—which, in some cases, if they're shifting to a new profession, they don't have. Demonstration-based interviews are the second thing we really pinpoint.

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The third thing is just simply being very clear about language. We would often find words like, is this candidate agile enough? Is this candidate going to fit in with our culture? Is this candidate going to be savvy? These are all trigger words, which are different ways of saying this person is too old to understand technology or to be able to do this or that.

Those are biases. Those are perceptions. Find ways to test it instead of assuming it.

Why the reluctance to pursue training?

Roberta Fusaro: There was another point in the Generation research discussing the importance of training and the fact that a large percentage of midcareer workers need training, but many are reluctant to enroll in classes or to move forward with that training. What's preventing folks from getting the training and new skills they need?

Mona Mourshed: First, let me just describe why training is important for midcareer workers. In our sample, we included a group of midcareer workers who had switched careers in the past three years. For example, they were working in logistics, and now they're working in tech.

For that group, 75 percent said that profession-specific training was absolutely critical for them to be able to make that career shift. Then, in order to support them to make a shift, we asked the unemployed midcareer respondents whether they are keen to engage in training. We found that 58 percent of them said no. You look at that and on the face of it and you say, well, you know, that doesn't make sense, but, frankly, people make decisions for very rational reasons.

When you look at who said no, 70 percent are struggling to make financial ends meet. About 60 percent had a secondary-school education, alone. A significant share had been unemployed

for at least a year. You take those things together, and what that says is, for many of them, education was not a great experience.

The traditional K–12 education failed them in many ways. They're not rushing to go back into an experience that, from their perspective, was negative. Second, they need to be able to feed their families. One of the questions we had asked was, "If you had a living stipend during the training, how would that change your perspective of engaging?" And 40 percent said it would.

They also have concerns about, is it worth it? Is this worth my time? If I put in the effort, and I'm in a training for X number of months, what's the ROI of that? We found 60 percent said that if there was a job interview or a job guarantee, then they would partake. It's really important to understand the reasons why we see this phenomenon for this segment.

At Generation, we preconfirm the job vacancies. We recruit our learners. We then have the boot camp in parallel. We have the social-support services. Then, once they complete these steps, they interview with our employer partners. It's deliberately holistic to be able to bring this population into the program, such that you overcome the hesitation they previously had.

Bias goes both ways

Roberta Fusaro: There also seems to be a point here, as you were just describing, the role that Generation can play from end to end, right? I'm thinking about employers: there are benefits, I guess, to targeting the 45-plus worker that would also redound to the rest of your workforce. I'm imagining that's the case. Is that so?

Mona Mourshed: The reality is that we must embrace an intergenerational workplace. The demographics are as such. I will also say, youth have

different biases in the workplace that they confront. There's often a perspective, this person's too young; they don't have the right level of maturity. Are they really going to stick with us? In many ways, our youth and our midcareer workers need to be able to work together in a much more integrated way to be able to change the workplace context, because no employer is going to be able to get the best out of their talent unless both youth and midcareer workers are successfully working side by side with each other.

Roberta Fusaro: Are there any findings about the impact of automation on 45-plus workers and more vulnerable populations?

Mona Mourshed: When we look at automation and digitization, there are two effects. One is there are new types of jobs being created. Conversely, there are some jobs that are no longer in as much demand. The nature of job tasks in given professions is also changing. What does all of that mean? If you are aged 45-plus, there is a likelihood that you are going to have to shift to either a new role or shift to learning a whole new set of job tasks or confront the reality that the job that you had for the last ten years is no longer going to be with us. All of these things are creating pressures that lead us down the same path, which is: How do we support an age-45-plus person to be able to enter an entirely new career?

One of the things that really struck us is, there's actually very little global programming geared toward supporting the age-45-plus for those shifting into new careers. There's also not so much research on this. There's certainly been what I'll call the demographic, so, the macro research. But, at the actual employer level and at the programmatic level, what are the actual interventions that are necessary to change this? There hasn't been so much. Again, just given the way the demographics of the world are shifting, we have got to do better to figure out now how to support this population. Otherwise, we're going to be inundated with—I'm sure, the many articles you've seen as well—the silver tsunami.

There's all these apocalyptic articles and reports about what's going to happen to pensions, rising healthcare costs, et cetera.

We have an opportunity to change that, but this is the moment. This is the moment where we say, this matters. We're not going to neglect any longer supporting the age-45-plus to enter new careers. We do it systematically.

Strong levels of despair

Roberta Fusaro: It sounds like this lack of global programming might be an area where we need to dig in some more. But just wondering if anything else struck you as areas for further development or more research?

Mona Mourshed: A couple of areas. One, as I mentioned earlier, is the fact that the trends were so universal. We also had expected that there would be some variation by country, but that was not the case. So ageism is real. It is global, whether you are an emerging market or you are an OECD country.

The second thing I'd say is, we really felt a strong level of despair among the age-45-plus. So 66 percent of those who had successfully switched careers had to compromise significantly in terms of the pay or the sector or role they wanted or in the work hours, et cetera. You just feel there has been this tremendous pressure on this population. There's a level of desperation that, frankly, is even higher in some cases than what we see with our youth population. That's obviously tragic.

The last thing I would say is if you are age 45-plus and you identify with an underrepresented community in your particular country, we found that you had to do two to three times as many interviews just to get a job offer as those who were not. That also is a finding that weighed on us, because what's coming together is almost like a double whammy of what you now have to contend with in terms of bias in the hiring process.

That, again, just speaks to the importance of doing demonstration-based interviews and actually really understanding what does someone know how to do as opposed to your perception as an employer of what you think they can do.

Only about 50 percent of companies actually consider age to be part of their DEI [diversity, equity, and inclusion] strategy. Naming that age inclusion is an important part of diversity and inclusion for the strategy of the company is any immediate thing that can be done. Second is really understanding the experience and the performance of different age brackets, particularly when it comes to entry-level and intermediate roles in a company. And then reflecting that in terms of how hiring happens.

My final point here would be to say, demonstration-based interviews, be they through a portfolio, be they through demonstrated job tasks, is absolutely critical.

Roberta Fusaro: I'm happy to see there's potentially a trend in that direction. You've mentioned this surprising sense of despair. Maybe it's not so surprising, really, among 45-plus workers. Is there more to say about that? Is there more that either the report reveals or that other research reveals about how to cope with that?

Mona Mourshed: We understood it was there. That's going to be the topic of our follow-up research coming next year. We'll be doing some testing on the employer interventions as well. On the basis of the research we conducted and published this summer, we've now committed

to doing follow-up research next year, where we're going to take several of the phenomena we found and go several levels deeper. Then, we can identify what I'll call a suite of micro interventions that employers can undertake, that policy makers can undertake, and that workforce program practitioners can undertake. This issue has just been prone to so much neglect, unfortunately. Many of us across the world need to now be focused very heavily on what are the actual changes in programming and policy that can redirect the trajectory for the age-45-plus population.

Roberta Fusaro: We'll be looking forward to that. This has been a fascinating conversation, Mona. Thanks so much again for joining us today.

Mona Mourshed: Thank you for the invitation.

Lucia Rahilly: And now, we have a story as told by senior partner Eric Kutcher. He experienced an early and painful lesson on how to be a better leader.

Eric Kutcher: I was a very young manager, and it was very clear I had no idea whatsoever what that meant. One of the first lessons I realized is, what I thought was a good manager didn't necessarily mean I would be a good manager for someone else—that the way I learned and the way I wanted to be managed could be totally different.

Because I was young, I was actually first asked to manage a summer associate that was probably five or six years older than I was. What worked for me is, I would go to our managers, almost as if I was a student to a teacher, and I'd present my work for

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the day. They would sit down and go through it, and they'd hand it back to me with a series of questions. Maybe if there was something that was worthy of a discussion, we'd do it, but there were a bunch of edits, and I loved it. It was a way for me to learn, to see the types of things that I should have asked myself. And I learned from those markups.

So I had this summer associate, who was, as I said, about five years older than me, who had no interest in being managed by someone younger, none whatsoever. And all the things that I thought were fantastic, she hated, like, literally hated.

So the first two or three interactions with her, I would sit in my corner of the team room. She would sit in hers. She would bring the pages to me. I'd take them, put them right in front of me, and I'd sit down and start to make a bunch of edits. Then I'd hand them back, and she'd kind of look at me, like, what the heck is this? Like, why would you think that this is actually managing?

Here I was, thinking this was going to be the most inspiring . . . and then, I got my first upward feedback, and it was abysmal. I mean, just awful, because I had done nothing to get to know her. I had done nothing to understand how she wanted to learn, how she wanted feedback, what would be most inspiring to her, what would give her the confidence to do better, what would make her feel like the work she was doing was appreciated.

I had made all these assumptions about what worked for me, that it must work for everyone. Again, because I was young, I just hadn't had many experiences, and it was a real eye-opener as to how different people, different styles, and how you as a leader, you as a manager, really have to adapt to the people that you are managing as opposed to them adapting to you.

I think that was my big aha.

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