Workers of all ages continue to feel the effects of the global recession, especially recent college graduates who have struggled to find jobs and cash-strapped baby boomers who lack sufficient retirement savings.

There is a widely held perception that the two groups are fighting for a single scarce commodity: jobs. While some evidence suggests that young workers sometimes have trouble competing directly with older, more experienced workers for low-skilled jobs, most economists agree that 20-somethings would not have an easier time joining the workforce if older workers moved out of the way. In fact, a higher number of older workers in the labor force actually seems to improve young workers’ prospects.

The so-called “lump of labor” theory, in which older and younger workers are competing for a fixed number of jobs, certainly did not hold true in the United States during the Great Recession, according to a recent report by The Pew Charitable Trusts’ Economic Mobility Project entitled, “When Baby Boomers Delay Retirement, Do Younger Workers Suffer?”

“Every which way that it was analyzed, the authors found that … when older workers are employed at higher rates, the young workers are also employed at higher rates,” said Diana Elliott, the project’s research manager.

Andrew Sum, the director of Northeastern University’s Center for Labor Market Studies, said older workers do keep younger workers out of some low-skilled jobs, such as fast-food and restaurant workers, greeters at chain stores, grocery store baggers and even some construction and office workers.

“If you take a look at the industries where the jobs were lost, you generally find many more older workers working in jobs that used to go to teenagers, especially, and young adults,” he said. “That’s been going on for the past decade.”

Older workers have also been staying longer in the workforce since the late 1990s, Sum said. A marked decline in retirement savings is partly responsible – many people keep working simply because they can’t afford to stop.

But a look at the economy as a whole, rather than at low-skilled jobs in particular, shows that higher employment among older workers seems to correlate with more – and better-paying – jobs for younger workers. A 1 percent increase in the employment rate of baby boomers over the age of 55 was associated with a 0.28 percent rise in the youth hourly wage rate, according to the Pew study.

Even when the authors looked at employment trends dating back to 1977, taking into account differences in demographics, nature of employment and labor market conditions between states, the findings were similar.

Youth employment rose by 0.21 percentage points when the employment rate among older workers increased by 1 percentage point.

“This really suggests a larger labor market phenomenon,” Elliott said. “If the labor market is doing well, then everyone benefits.”

The idea that boomers are crowding out younger workers persists partly because it makes intuitive sense, said Kevin Cahill, a research economist at the Sloan Center on Aging and Work at Boston College. If 10 workers were to leave a firm, that could open up spots for 10 others.
But economies are driven by much more complex equations, he noted, with technological changes eliminating some jobs and creating others over time.

What About Europe?

While a U.S. jobs recovery appears to be gaining traction, Europe is still struggling through a labor crisis that has hit younger workers particularly hard. Every fourth person between 15 and 24 is jobless in the European Union, Patrick De Maeseneire, the CEO of Adecco Group, a Zurich-based staffing company, told a Credit Suisse panel discussion at the World Economic Forum in Davos in January.

Greece and Spain are the worst-hit countries, with youth unemployment hovering around 59.4 percent and 55.5 percent, respectively, according to Eurostat figures released this month.

But the dynamic between younger and older workers appears to be the same in Europe as in the U.S. A 2009 study published by the New York-based National Bureau of Economic Research looked at employment trends in 12 countries, including France, Germany, Italy and Spain, and concluded that youth unemployment rates declined as higher proportions of older workers participated in the work force.

That’s not to say the two generations face identical labor trends.

Older workers in the U.S. are less likely to lose their jobs during and after a recession than their younger counterparts, partly due to workplace seniority rules, according to a brief by the Urban Institute’s Richard W. Johnson, which was published by The Russell Sage Foundation and The Stanford Center on Poverty and Inequality.

But older workers who lose their jobs can expect to be unemployed for much longer than younger ones. In December 2012, the average period of unemployment for workers aged 55 and older was 51.3 weeks, compared with 34.3 weeks for other workers, Johnson’s brief said.

A Boon to the Economy

But all in all, far from slowing the economy, older workers delaying retirement are able to save more money, allow employers to draw from a larger pool of potential employees, and set more people to producing in the greater economy.

Besides, if older employees didn’t want to work, middle-aged and younger people would have to support a growing section of society, Cahill said.

And that, he warned, would present “a much bigger problem.”