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Aging Workforce, Rising Potential: Policy and Employer Action for Older Workers

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Recognizing that adult learners are the backbone of the U.S. economy, CAEL helps forge a clear, viable connection between education and career success, providing solutions that promote sustainable and equitable economic growth. CAEL opens doors to opportunity in collaboration with workforce and economic developers; postsecondary educators; employers and industry groups; and foundations and other mission-aligned organizations. By engaging with these stakeholders, CAEL fosters a culture of innovative, lifelong learning that helps individuals and their communities thrive. A national membership organization established in 1974, CAEL is Diversity, Equity, and Inclusion Workplace™ certified and is a part of Strada Collaborative, a mission-driven nonprofit. Learn more at cael.org and stradacollaborative.org.

The surge of retiring older workers paired with a shortage of skilled replacements — is often framed as a looming crisis. However, this perspective overlooks a crucial opportunity: older workers also represent a valuable and often untapped talent pool. This brief explores why employers should prioritize upskilling and reskilling their older employees. By doing so, companies can address labor shortages, tap into the expertise of experienced workers, and support their financial security, creating a win-win for both employers and the workforce.

This brief also explores necessary public policy changes that can facilitate this transition. By making it easier for older workers to remain and move up in the workforce, we can create a more robust and resilient economy.

Older workers are an important and often overlooked talent source

THE AGING WORKFORCE

As the U.S. population ages over the next decade, the role of older workers in the workforce is expected to grow significantly. According to a Pew Research analysis of U.S. Bureau of Labor Statistics (BLS) projections, individuals aged 65 and older are expected to make up 8.6% of the labor force — those who are either employed or seeking work — by 2032, an increase of 2% from 2022. Furthermore, this age group is projected to account for 57% of overall labor force growth during this period.

Notably, older adults are among the few age groups expected to increase their labor force participation rate, and the BLS forecasts that 21% of individuals aged 65 and older will be part of the workforce by 2032 — nearly a 20% increase from 2022. The only other age group projected to increase in participation rates is those 55 to 64, highlighting a broader trend of older individuals remaining active in the workforce.¹

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¹ <https://www.pewresearch.org/social-trends/2023/12/14/the-growth-of-the-older-workforce/>

THE SHRINKING SUPPLY OF LABOR

Underscoring the need for older workers in the labor force, the global talent shortage is a trend that is expected to intensify in the coming years. Projections suggest that by 2030, the global talent shortage could reach 85.2 million people, costing up to \$8.5 trillion in lost economic opportunity. Compounding this issue, the U.S. Census Bureau estimates that by 2025, individuals over the age of 65 will outnumber children for the first time in U.S. history. This demographic shift could further worsen labor shortages as fewer young workers enter the labor force.²

EMPLOYERS CAN'T AFFORD TO IGNORE THE OLDER WORKER POPULATION AS THEY SEEK TO FILL CRITICAL ROLES IN AN EVER-TIGHTENING LABOR MARKET

The Expected Shortfall Of Workers

A looming workforce gap is set to challenge U.S. employers, with a projected shortage of 6 million workers within a decade, according to a new study by Lightcast, a leading labor market data provider. This shortfall is driven by a combination of retirements, mismatches between workers and available jobs, and a decline in workforce participation among men. This trend suggests a significant labor gap that employers will need to address in the coming years.³

Older Workers Are One Possible Solution To This Shortfall

Older workers are among the millions of “hidden workers” — individuals who are eager to work and possess many of the skills that employers need, but often go overlooked by traditional hiring practices. A joint study by Accenture and Harvard Business School's Project on Managing the Future of Work sheds light on this untapped talent pool, emphasizing how engaging hidden workers can help bridge the skills gap that challenges many organizations. According to the research, companies that actively hire hidden workers are 36% less likely to experience talent and skills shortages, offering a compelling solution to workforce challenges.⁴



² <https://www.forbes.com/councils/forbesagencycouncil/2024/03/25/turning-silver-into-gold-are-unretired-workers-a-solution-to-the-85-trillion-labor-shortage/#:~:text=According%20to%20predictions%2C%20by%202030,first%20time%20in%20U.S.%20history>

³ <https://lightcast.io/resources/blog/rising-storm-press-release-september-17-2024>

⁴ <https://www.hbs.edu/managing-the-future-of-work/Documents/research/hiddenworkers09032021.pdf>

The case for employer-supported worker upskilling through Tuition Assistance Programs (TAPs)

Upskilling aims to enhance workers' abilities, enabling them to excel in their current roles and paving the way for career advancement. In many cases, upskilling is key to qualifying for promotions into more advanced positions. **Employer tuition assistance programs (TAPs) are a powerful tool in this process, helping to build internal talent pipelines and supporting employees in achieving their career goals.** Older workers in particular are excellent candidates for upskilling initiatives and stand to gain significantly from TAPs.

CHARACTERISTICS OF TAPs

According to the IRS, "An educational assistance program is an employer's written plan to provide employees with undergraduate or graduate-level educational assistance. These programs allow employers to pay student loan debt and other education expenses tax-free."⁵ In the workplace, educational assistance programs most commonly take the form of a Tuition Assistance Program (TAP) and are often structured as tuition reimbursement programs. These programs usually require the employee to pay the upfront cost of coursework and later receive a reimbursement under the terms of the employer's plan. Typically, non-credit bearing courses are not covered by TAPs. While employers may offer other perks related to education, professional development, or training that do not fall under an IRS tax benefit, these types of perks are often prescriptive and used for skills training applicable to the employees' job function.

Percentage of Employers Providing TAPs

In 2020, nearly half of employers — 47% — provided tuition reimbursement as part of their employee benefits package.⁶ This investment is part of a broader commitment by U.S. corporations, which collectively spend approximately \$180 billion each year on formal training and talent development. Of that amount, \$28 billion is specifically allocated to tuition reimbursement, underscoring the importance employers place on supporting their workforce's education and career growth.⁷

Worker Interest In, Awareness of, And Utilization Of TAPs

A striking gap exists between opportunity and awareness in workforce education: while 80% of working adults express interest in pursuing further education, only 40% are aware that their employer offers a tuition reimbursement assistance program. Even more surprising, just 2% actually take advantage of these programs. This disconnect highlights a significant opportunity for employers to bridge the gap, better communicate the availability of education benefits, and empower their workforce to grow and advance.⁸

⁵ <https://www.irs.gov/newsroom/employer-offered-educational-assistance-programs-can-help-pay-for-college#:~:text=An%20educational%20assistance%20program%20is,other%20education%20expenses%20tax%2Dfree>

⁶ <https://www.shrm.org/topics-tools/news/benefits-compensation/employers-leveraging-tuition-assistance-to-attract-retain-employees>

⁷ <https://cew.georgetown.edu/cew-reports/college-is-just-the-beginning/>

⁸ <https://www.instride.com/insights/tuition-reimbursement-statistics/>

IRS TAX CODES RELATED TO EMPLOYER TAPs

There are two sections of the Internal Revenue Service (IRS) tax code that apply to Tuition Assistance Programs (TAPs), each with advantages and drawbacks.

Established in 1978, **Section 127** of the Internal Revenue Code allows employers to provide up to \$5,250 per year in tax-free educational assistance to each employee and became a permanent part of the tax code in 2012.⁹ Any benefit over this amount is considered taxable income for the employee. This benefit applies to both undergraduate and graduate education, as long as the assistance is offered as part of an employer-employee relationship. To qualify, the employer must establish a formal written plan that is accessible to all eligible employees. Amounts paid under a Section 127 educational assistance program are generally deductible by the employer as a business expense under Section 162.¹⁰ However, implementing and managing these plans can be costly and administratively challenging for employers. For employees, a limiting factor is the \$5,250 cap which was established 46 years ago based on the average annual cost of a four-year degree and has not been adjusted since.

Alternatively, **Section 132(d)** allows employers to offer a tax-free “working condition fringe benefit” for any expenses employees could deduct on their own tax returns under IRC Section 162. These typically include costs like travel, meals, and professional dues but also can extend to education expenses that maintain or improve job-related skills or fulfill requirements for employees to stay current in their roles. Section 132(d) is particularly advantageous for employers because it does not require a formal written plan and has no cap on the amount of benefits that can be provided. One disadvantage for both employers and workers is that the requirement thresholds have often come under scrutiny in court with a common theme that the education must be directly related to the employee’s current role and not for providing skills for a new position.¹¹

HOW TAPs BENEFIT EMPLOYERS

The Return On Investment (ROI) For Utilization Of TAPs

Lumina Foundation’s case studies highlight the compelling ROI for businesses that offer TAPs.¹² A standout example comes from a study conducted with Cigna where TAPs were shown to be an important business strategy. The research analyzed cost avoidance across three critical areas—promotions, transfers, and turnover—and revealed significant benefits. **Between 2012 and 2014, Cigna’s TAP delivered an impressive ROI of 129%.** This means that for every dollar Cigna invested in its TAP, the company not only recouped the dollar spent, but also saved an additional \$1.29 in talent management costs.¹³

⁹ <https://127coalition.com/>

¹⁰ <https://www.irs.gov/newsroom/frequently-asked-questions-about-educational-assistance-programs#:~:text=Amounts%20paid%20under%20a%20section,business%20expense%20under%20section%20162>

¹¹ <https://www.journalofaccountancy.com/issues/2004/sep/employerprovidededucationbenefits.html>

¹² <https://www.luminafoundation.org/news-and-views/the-case-for-talent-investment/>

¹³ <https://www.luminafoundation.org/files/resources/talent-investments-pay-off-cigna-full.pdf>

HOW TAPs BENEFIT WORKERS

Bright Horizon's 2019 Working Learner Index reveals the transformative impact of employer sponsored TAPs. An impressive 82% of workers who took advantage of their employer's TAP reported that the skills or degree they gained made them more effective in their roles. Furthermore, 84% felt that these programs equipped them to better navigate and prepare for the evolving demands of the future workforce. Beyond professional development, the study highlights the program's role in fostering employee loyalty, with 76% of respondents stating they are more likely to stay with their current employer because of the tuition reimbursement benefit. This underscores the dual value of such initiatives — empowering employees' career aspirations while strengthening organizational retention.¹⁴

TAPs And Student Loan Repayments

The narrative around student loan debt often centers on young people just starting their careers, but it's increasingly becoming a burden for older Americans as well. In 2022, an astonishing 3.5 million Americans aged 60 and older were grappling with \$1.25 billion in student loan debt. This trend highlights a dramatic and troubling shift, as the number of older Americans carrying student debt has surged by over 500% in the past two decades.

For many, this debt is from loans they took out for their own education. While this is mainly for degrees they pursued earlier in life, it also can be for degrees they pursued later in life to enhance their careers or to adapt to a changing job market. In addition, debt often includes Parent PLUS and other loans borrowed to help fund their children's — or even their grandchildren's — college expenses. Regardless of the origin, the consequences are far-reaching, causing many older borrowers to delay retirement or dip into savings. These data underscore the growing intergenerational dimensions of the student loan crisis and its profound impact on Americans across all life stages.¹⁵

As described above, the IRS has long allowed employers to offer education assistance programs, but a game-changing update to IRC Section 127 arrived in 2020. For the first time, these programs could be used to pay off student loans, a crucial lifeline for millions burdened by debt. This benefit applies to payments made after March 27, 2020, and is set to continue under current law through December 31, 2025. Under the change, employers can now provide up to \$5,250 per year to assist workers in paying down their student loans without adding to their taxable income. This new perk offers a unique win-win for both employers looking to attract and retain talent and employees eager to tackle their debt more efficiently.¹⁶

¹⁴ <https://www.brighthorizons.com/resources/Report/working-learner-index-report>

¹⁵ <https://www.newamerica.org/education-policy/collections/older-americans-with-student-loan-debt/#:~:text=Unaffordable%20student%20loans%20are%20often,billion%20in%20student%20loan%20debt>

¹⁶ <https://www.irs.gov/newsroom/reminder-to-employers-and-employees-educational-assistance-programs-can-be-used-to-help-pay-workers-student-loans-free-irs-webinar-will-offer-details>

Digital knowledge and older workers

WHAT IS DIGITAL KNOWLEDGE?

Digital knowledge includes two essential components: **digital literacy** and **digital skills**. Although the terms are often used interchangeably, they do have some nuanced differences. On the one hand, digital literacy broadly emphasizes understanding and critical thinking. According to the American Library Association’s Digital Literacy Task Force, digital literacy is defined as the ability to utilize technology and communication tools to find, assess and share information, requiring both critical thinking and technical expertise.¹⁷ Digital skills, on the other hand, refer to a specific ability to use technology to perform tasks. Having digital skills allows one to use the internet confidently across a variety of devices and use systems such as email, word processing, or spreadsheet applications.



A report from AARP, *2024 Tech Trends and Adults 50+*, found that while older adults’ adoption of technology devices — like smart phones, tablets, and smart tv’s — may have traditionally lagged younger adults’ adoption, that is no longer the case. But even with adoption rates on the rise for older individuals, there are still concerns. For example, the report acknowledges that there are nuanced differences in attitudes and adoption toward tech stating that, “While some [older adults] are embracing new frontiers in tech like smart home integration and Gen AI, others feel they lack digital literacy and are more cautious.”¹⁸

Additionally, some older adults may be at higher risk of being left behind due to lower levels of digital knowledge. A 2021 brief from Urban Institute found that lower access to both technologies and upskilling opportunities among older women and older people of color were found to have influenced digital skills variation within the older population. The report highlights the need for targeted funding to help older Americans improve their digital abilities, especially as more jobs — even those that haven’t traditionally required technology skills — are now relying on them. Additionally, with the mainstreaming of remote and hybrid work for certain occupations, boosting these skills is becoming increasingly important.¹⁹

Overall, the stakes are high for the one in three Americans of all ages who lack digital knowledge. **By 2023, 90% of jobs in the U.S. will require digital proficiency, and those without these skills are at risk of being left behind in a technology-driven economy.** While broadband connectivity has unlocked a world of opportunities — enabling people to access upskilling programs, pursue in-demand careers, and achieve higher wages — these benefits remain out of reach for those who lack internet access or needed tech skills. Ensuring widespread digital literacy is no longer optional — it’s essential for economic inclusion and long-term success.²⁰

¹⁷ <https://literacy.ala.org/digital-literacy/>

¹⁸ <https://www.aarp.org/content/dam/aarp/research/topics/technology/internet-media-devices/2024-tech-trends-adults-50-plus.doi.10.26419-2Fres.00772.001.pdf>

¹⁹ <https://www.urban.org/sites/default/files/publication/104771/digital-skills-and-older-workers.pdf>

²⁰ <https://www.thirdway.org/report/americas-digital-skills-divide#:~:text=One%2Dthird%20of%20Americans%20lack,in%20broadband%20and%20digital%20connectivity>

WHY DIGITAL KNOWLEDGE IS IMPORTANT TO EMPLOYERS AND OLDER WORKERS

As the modern workplace becomes increasingly reliant on technology, digital knowledge is critically important to older workers for several reasons. Investing in digital knowledge isn't just about survival in the modern workplace, it's about thriving and maintaining relevance, independence, and fulfillment throughout life's journey. These are some key reasons why digital knowledge matters to older workers:

- **Job security and opportunity in a changing work environment**

Many jobs, even those that didn't traditionally require technology skills, now involve digital tools and platforms. Think restaurant servers — now paperless — who even a decade ago commonly wrote orders in short hand using pen and paper.

By acquiring and staying abreast of current digital technologies, older workers can adapt to new roles and responsibilities, ensuring they remain valuable to employers.

- **Access to remote and hybrid work opportunities**

The proliferation of remote and hybrid work models demands proficiency in communication platforms, project management tools, and online collaboration software. Digital knowledge enables older workers to fully participate in these work environments, making them more competitive and flexible.

- **Upskilling and career advancement**

Learning new digital skills opens doors to potentially higher-paying and in-demand positions. For older workers, this can mean opportunities to shift into less physically demanding roles or extend their careers in fields like customer support, data analysis, or digital marketing.

- **Adapting to lifelong learning**

Keeping pace with rapidly changing technology requires continuous learning. Digital knowledge equips older workers with the ability to adapt to evolving tools and trends, making them more resilient in their careers.

Beyond work, digital learning empowers older workers to access online resources, manage finances, and stay informed and connected. This can boost their brain health and their confidence and enhance their personal and professional lives.

DIGITAL SKILLS TRAINING AND OLDER WORKER UPSKILLING

The relationship between digital skills training and employer-provided TAPs lies in their shared goal of empowering employees through education and skill development to meet the demands of a modern, technology-driven workplace. Together, TAPs and digital knowledge building address both general lifelong learning and immediate, job-specific technological requirements and are complementary to one another.

TAPs offer a broad framework for employees to pursue formal education, certifications, or advanced degrees, and can include programs that focus on digital literacy and advanced technological skills. Digital skills training provides targeted, hands-on learning opportunities helping employees build specific competencies like using workplace software, performing data analysis, or adapting to new digital tools.

Conclusion

As workforce needs evolve and new skills are demanded, the need for targeted initiatives to support workers — especially older ones — has never been more urgent. Expanding employer-provided tuition assistance programs (TAPs) and enhancing access to digital skills training can play a crucial role in addressing workforce challenges.

EXPANDING TUITION ASSISTANCE PROGRAMS

Tuition assistance programs have proven to be an important tool for both workers and employers. They provide employees with the opportunity to pursue education and training that directly benefits their careers, while employers benefit from a more skilled and loyal workforce. However, to truly meet the demands of the 21st-century economy, these programs must be expanded and modernized. This includes increasing the current annual \$5,250 limit under Section 127 to more accurately reflect the present day costs associated with higher education.

INCREASING ACCESS TO TAPs FOR OLDER WORKERS

While TAPs are a valuable resource, many older workers may be unaware of their existence or face barriers to accessing these programs. **Employers should actively address these obstacles to ensure that older employees are aware of these programs and have equal opportunity to benefit.** While most TAPs are configured to provide reimbursement to employees upon completion of course work, this arrangement makes it financially difficult for many workers to take advantage of the offering. When possible, TAPs can and should be made more inclusive for lower-wage workers through direct payment arrangements between the employer and the learning provider. Additionally, integrating student loan repayment options into TAPs can provide a crucial lifeline for older workers who may still be carrying an education debt, whether from their own studies or loans taken out for their children. Such support can erase financial stress and motivate employees to pursue further learning and achieve career longevity.

WIDER ADOPTION OF EMPLOYER-SUPPORTED DIGITAL SKILLS TRAINING FOR OLDER WORKERS

As technology reshapes nearly every industry, digital skills have become part and parcel of the workplace. **Older workers, however, often face a digital divide, which can limit their job opportunities and long-term employability.** Employers have a unique opportunity to bridge this gap by offering dedicated digital skills training programs tailored to older workers. These programs should focus on foundational skills such as using productivity software, navigating online platforms, and adapting to new workplace technologies. Advanced options, like data analysis, coding, or cybersecurity could also be offered to those seeking more specialized roles. By supporting digital upskilling, employers not only enable older workers to advance within their company, they strengthen their organization's overall resilience and innovation capacity while future-proofing their workforce. The bipartisan infrastructure law passed in 2021 included \$2.75 billion in funding for the Digital Equity Act, which offers opportunities for states to support increasing broadband access and digital skills building for covered populations, including "aging individuals." States can work with employers and other stakeholders to deploy these funds in ways that make digital upskilling more accessible and affordable.²¹

²¹ <https://www.ntia.gov/other-publication/2024/digital-equity-act-at-a-glance>