

Older Workers, Retirement, and the Great Recession

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KEY FINDINGS

- The recession has chipped away at some of the advantages historically accorded to older workers. Between 2007 and 2010, the unemployment rate for men age 62 and older increased by 4 percentage points, an unprecedented surge over the past 35 years.
- Between 2007 and 2009, labor force participation rates for men between 62 and 64 years old increased by 3.4 percentage points, perhaps because wealth lost in the financial crash kept older workers in the labor force and discouraged them from retiring early. However, from 2009 to 2011, participation rates for these men fell by 1.9 percentage points, presumably because rising unemployment induced them to retire early after the impact of the 2008 stock market crash faded.
- In the third quarter of 2011, 38 percent of unemployed workers age 62 and older had been out of work for more than a year, up from 20% in 2009 and 7% in 2007.

The workforce in the United States is becoming ever older. Because the number of older workers is growing, and because work is increasingly important to older adults, it is worth examining how older workers are faring in the Great Recession. This brief reports on employment, unemployment, and labor force participation among older workers since 2007, just before the labor market collapsed. It focuses on workers age 62 or older, nearly all of whom qualify for Social Security retirement benefits, an important safety net if laid off. However, it also examines outcomes for workers as young as age 50, whom employers appear somewhat reluctant to hire.

The substantial increase in the size of the older workforce has not been well appreciated. In 2011, 20 percent of workers were age 55 or older, up from 12 percent in 1996. This growth stems largely from population aging, as many members of the unusually large Baby Boomer cohort (born between 1946 and 1964) recently moved into their fifties and sixties. Older adults are also working more than in the past, as changes in Social Security and employer-sponsored retirement plans, better health, and higher educational attainment among older adults increase work incentives at older ages and encourage employers to hire and retain seasoned workers. Between 1993 and 2011, labor force participation rates—the share of the civilian noninstitutionalized population employed or looking for work—increased 47 percent for men age 65 to 69, for example, and 70 percent for women in that age group. This recent growth is particularly striking for

men because their labor force participation had been falling for decades.

The key question taken on here: What happened to this increasingly large segment of the labor force as the Great Recession played out? This question can in turn be subdivided into four subquestions:

1. *Has the older workforce been protected from the substantial rise in unemployment experienced in recent years by younger workers?* Although unemployment rates have increased more slowly for older men than younger men in past recessions, it's possible that such protection has broken down in the present more extreme downturn.
2. *Has the older workforce likewise been protected against the rise in long-term unemployment?* The main concern here is that employers in the current downturn may be especially reluctant to hire or rehire older workers (thus leading to a rise in long-term unemployment).
3. *How has the loss of retirement wealth affected labor force participation among older adults?* The loss of wealth in the early stages of the recession may have induced some older workers to remain in the labor force and thus drive up the labor force participation rate.
4. *And, finally, how did labor force participation rates among older adults fare in the latter stages of the downturn?* If the loss of wealth increased labor force participation in the beginning of the downturn, is there any

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evidence that older workers, presumably discouraged by high unemployment, increasingly withdrew from the labor force in the aftermath of the recession?

The evidence presented below suggests that older workers have indeed lost some of the protection against economic downturns that was evident in prior recessions. Although older workers were less likely than their younger counterparts to lose their jobs during the recent downturn, the increase in unemployment among older adults was nonetheless far more prominent than in prior recessions. Older adults also spent more time out of work when laid off. In the early stages of the recession, older workers were more likely to postpone retirement and remain in the labor force, presumably in an effort to counter losses in retirement wealth. However, participation rates for men age 62 to 64 declined in more recent years, perhaps discouraged by high unemployment. These unemployment spells disrupted retirement saving and led many to claim Social Security early, permanently reducing their monthly benefits. For many older workers laid off during and after the Great Recession, the economic consequences of job loss will likely last for the rest of their lives.

This account, which is in many respects quite disturbing, is laid out in more detail below. It is useful to begin by discussing the experiences of older men, then turn to those of women, and conclude with a discussion of rising unemployment duration. The theme throughout is that the historically privileged position of older workers appears to be eroding.

Labor Force Status of Older Men

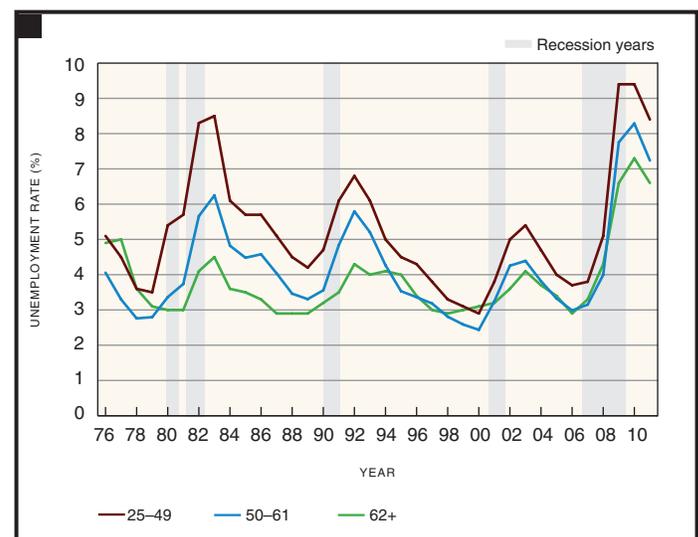
The unemployment rate for older men more than doubled in the aftermath of the Great Recession. Between 2007 and 2010—when older men’s unemployment peaked—unemployment rates increased 5.1 percentage points (from 3.2 to 8.3 percent) for men age 50 to 61 and 4.0 percentage points (from 3.3 to 7.3 percent) for men age 62 or older (figure 1). They never reached the unemployment rate for men age 25 to 49, which stood at 9.4 percent in 2010, 5.6 percentage points higher than in 2007. Unemployment rates fell by about 1 percentage point for all age groups in 2011.

The official unemployment rate—the share of the labor force that is out of work—counts only those unemployed workers who actively looked for work in the past four weeks. Non-working individuals who are not seeking employment are not considered part of the labor force, so unemployed workers who become discouraged and abandon their job search are not included in the official count. Also, those working part-time because they cannot find full-time employment are not

included among the unemployed. The share of the workforce that is underemployed, including discouraged unemployed workers and part-timers unable to find full-time work as well as those officially unemployed, considerably exceeds the official unemployment rate across all age groups. In 2010, the underemployment rate reached 14.2 percent for men age 25 to 49, 12.3 percent for men age 50 to 61, and 11.8 percent for men age 62 or older.

These age differentials are generally consistent with recent past recessions: Unemployment rates have been lower and increased more slowly for older men than younger men. What’s different about the Great Recession, though, is that the unemployment surge for men age 62 or older was unprecedented over the past 35 years. Consider the deep, double-dip recession of the early 1980s. The unemployment rate jumped 5.0 percentage points (to 8.5 percent) for men age 25 to 49 between 1979 and 1983, nearly as much as during and after the Great Recession. By contrast, the unemployment rate for men age 62 or older increased only 1.4 percentage points (to 4.5 percent) in the early 1980s. Similarly, during the two subsequent, milder downturns the age-62-plus unemployment rate for men increased just 1.4 percentage points between 1989 and 1992 and 1.0 percentage point between 2000 and 2003. Thus, the 4.0 percentage point increase in the unemployment rate for men age 62 and older during and after the Great Recession was nearly three times as large as any other recession-related surge in their unemployment rate over the past 35 years. Unemployment for men age 50 to 61 grew

FIGURE 1. Men’s Unemployment Rate by Age, 1976–2011 (%)



Source: Author's computations from Bureau of Labor Statistics (2012).

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more rapidly in the past few years than during the previous three recessions, but the difference was not nearly as large as for men age 62 and older.

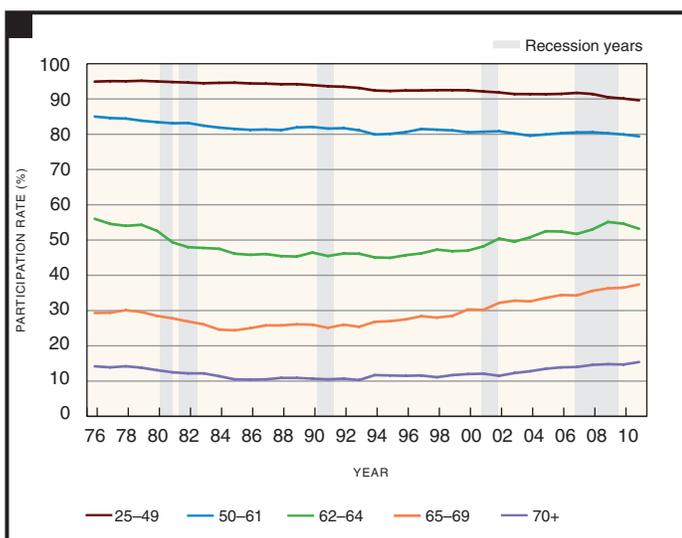
Is there any evidence to support the argument that a loss of retirement wealth among older adults has induced them to delay retirement? This argument can be addressed by examining changes among older adults in their labor force participation rate (defined as the percent of the civilian noninstitutional population in the labor force). It's clear from figure 2 that older men's participation rates have indeed changed during and after the Great Recession. The most interesting shifts occurred at ages 62 to 64. Between 2007 and 2009, participation rates surged for men in this age group, increasing 3.4 percentage points as the unemployment rate soared. Relative to the 2007 participation rate of 34 percent, this is a 10 percent increase in only two years. The only other two-year period in which participation rates for men age 62 to 64 grew as rapidly over the past three decades was 2000 to 2002. Interestingly, the stock market crashed during both periods, with the S&P 500 stock index falling 49 percent from September 2000 to October 2002 and 57 percent from October 2007 to March 2009. The timing suggests that, just as some have hypothesized, retirement wealth lost in the crash kept some older workers in the labor force and discouraged them from retiring early.

There are, however, two countervailing forces at play that might undermine the uptick in participation among older

workers. The first is that the stock market recovery should have reduced some of the incentive to work, and the second is that, as high unemployment rates became apparent, some older workers might have reasoned that jobs were simply not available and thereby opted for retirement. The results of figure 2 accord, at least in part, with just such an account. As shown here, participation rates for men age 62 to 64 declined over the past two years, falling 1.9 percentage points from 2009 to 2011. This is the largest two-year drop in that age group's participation rate since 1982 and the only time that the participation rate fell as much as a percentage point over two years since 1995, when labor force participation among men in their early sixties began rising. High unemployment following the Great Recession appears to have discouraged many unemployed workers in their early sixties eligible for Social Security retirement benefits, leading some to retire early, after the impact of the 2008 stock market crash faded. Nonetheless, the participation rate for men age 62 to 64 was higher in 2011 than in 2007, just before the Great Recession began. Compared to men age 62 to 64, younger men reduced their labor supply earlier in the recession, and their participation rates did not drop as much in 2010 and 2011.

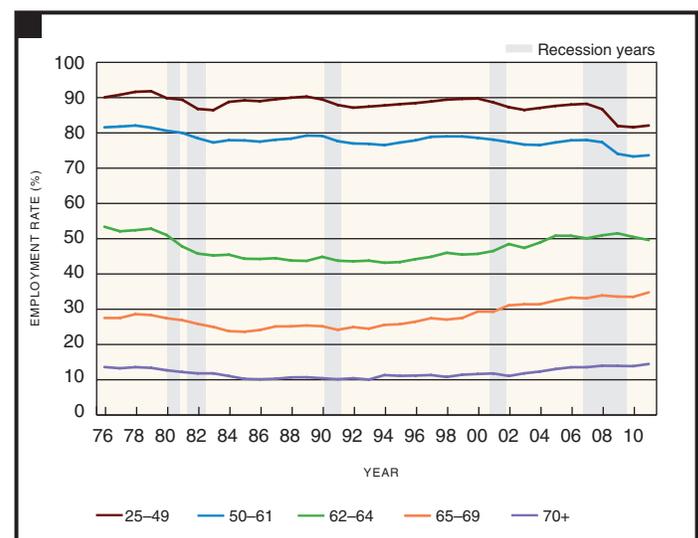
Rising labor force participation among men eligible for Social Security retirement benefits slightly boosted their employment rates—the share of the civilian noninstitutionalized population employed—during and after the Great Recession despite the increase in unemployment (figure 3). Between 2007 and 2011, employment rates increased 1.7 percentage points overall for

FIGURE 2. Men's Labor Force Participation Rates by Age, 1976–2011 (%)



Source: Author's computations from Bureau of Labor Statistics (2012).

FIGURE 3. Men's Employment Rates by Age, 1976–2011 (%)



Source: Author's computations from Bureau of Labor Statistics (2012).

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men age 62 and older. Employment increased for men age 65 to 69 and men age 70 or older, but fell about half a percentage point for men age 62 to 64. That decline occurred in 2010 and 2011, after employment rates increased during the recession as participation rates surged. For men younger than 62, employment declined in 2008 and plunged in 2009, but rebounded slightly in 2011.

These results suggest that the recession has chipped away at some of the advantages historically accorded to older workers. Most importantly, the increase in the unemployment rate for older workers exceeded that in prior recessions, while the rising labor force participation in the early stages of the recession might be a reaction, in part, to declines in retirement wealth.

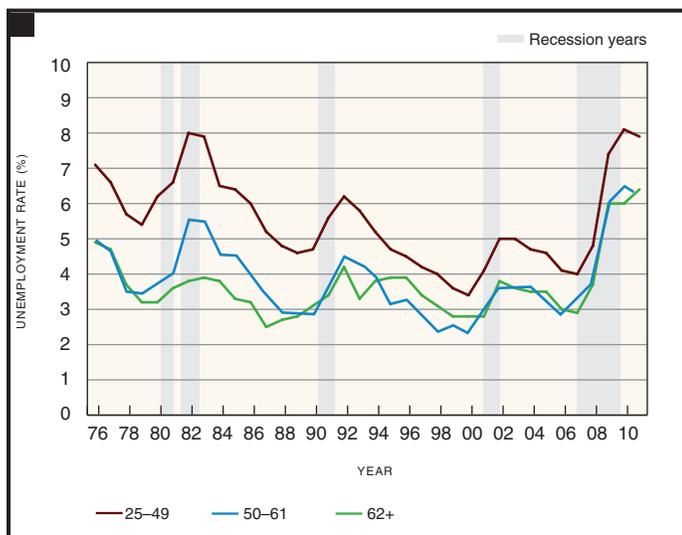
Labor Force Status of Older Women

Like men, women across the age spectrum experienced sharp increases in unemployment during and after the Great Recession. Between 2007 and 2010, unemployment rates roughly doubled both for women age 50 to 61 and women age 62 and older (see figure 4). By 2011, the rate had declined slightly for women age 50 to 61, but not for women age 62 and older. Although the unemployment rate for women age 25 to 49 was roughly equal to that of the recession of the early

1980s, figure 4 shows that the unemployment rates for older women reached a higher level in the current recession than at any time in the past 35 years. Older women's labor force participation rates generally continued rising during and after the Great Recession, while younger women experienced modest declines. At age 62 to 64, for example, participation rates increased 3.5 percentage points between 2007 and 2010, before declining 0.6 percentage points in 2011 as unemployment worsened for older women (figure 5). Participation rates have increased steadily since 2007 for women age 65 to 69 and age 70 or older, although more slowly than for those age 62 to 64. High unemployment rates may have discouraged some younger women from looking for work, as participation rates fell each year since 2008 for women age 25 to 49. However, participation rates for women in this age group have been slowly falling since 2000, so the post-recession declines may simply reflect this longer trend.

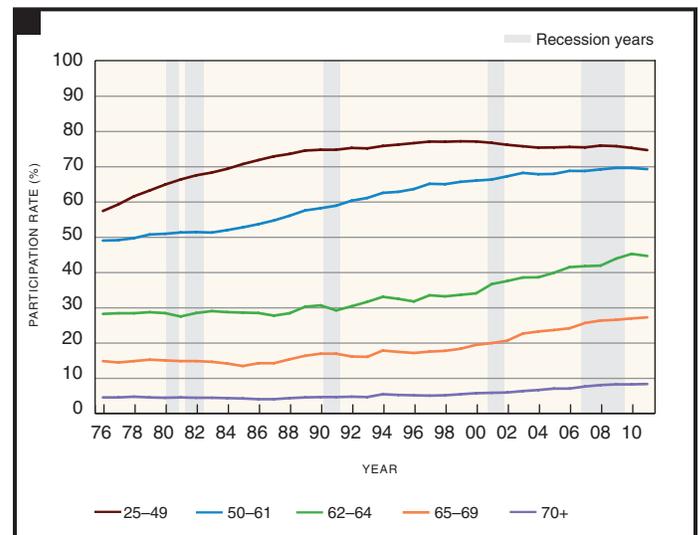
While employment rates declined during and after the Great Recession for women ages 25 to 49 and 50 to 61, they increased for women age 62 or older, the same pattern evident among men (figure 6). For example, the share of women age 62 to 64 employed increased 2.1 percentage points (about 5 percent) between 2007 and 2010, but then declined a bit in 2011.

FIGURE 4. Figure 4. Women's Unemployment Rate by Age, 1976–2011 (%)



Source: Bureau of Labor Statistics.

FIGURE 5. Women's Labor Force Participation Rates by Age, 1976–2011 (%)



Source: Author's computations from Bureau of Labor Statistics (2012).

Unemployment Duration at Older Ages

The final set of results pertain to the duration of unemployment. The financial and psychological consequences of joblessness are much more serious for those out of work for many months or years than for those unemployed for only a few weeks. Are older workers experiencing much long-term unemployment as recession-stressed employers opt to hire younger (and often cheaper) workers?

The answer to this question can be found in figures 7 and 8. Although older workers were less likely than their younger counterparts to become unemployed during and after the Great Recession, figure 7 shows that those who lost their jobs generally spent more time unemployed. In the third quarter of 2011, 38 percent of unemployed workers age 62 and older had been out of work for more than a year, up from 20 percent in 2009 and 7 percent in 2007 (figure 7). Unemployment spells were nearly as long in 2011 for out-of-work adults age 50 to 61, 36 percent of whom had been out of work for more than a year, compared with about 6 months for those age 25 to 34 and seven months for those age 35 to 49. Even 18 months after becoming unemployed, only about two-fifths of jobless workers age 62 or older had become reemployed.

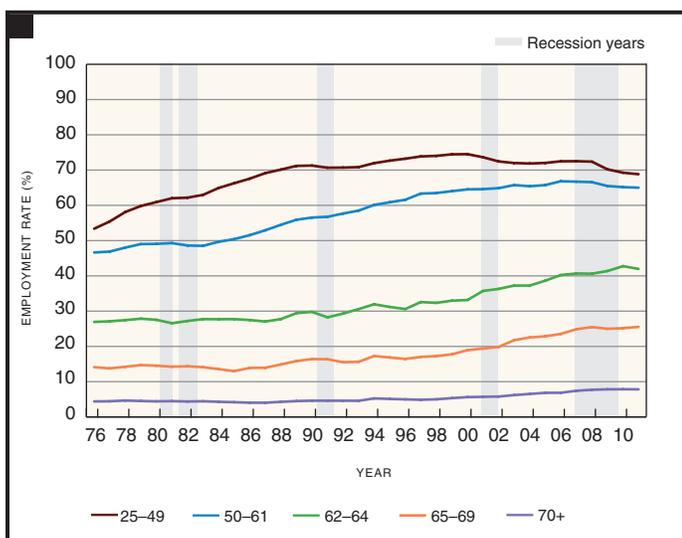
The age differentials in figure 7 come from a federal survey that asks unemployed workers how long they have been out of work. Another way of assessing older unemployed workers' job prospects is to track workers over time from the month

they become unemployed until they become reemployed. Results from that approach, shown in figure 8, reveal that only 55 percent of workers age 50 to 61 who lost their jobs between 2008 and 2010 and 34 percent of their counterparts age 62 or older were reemployed within 12 months of losing their jobs. By contrast, 67 percent of unemployed workers age 25 to 34 and 64 percent of those age 35 to 49 became reemployed within 12 months. Thus, unemployed workers age 50 to 61 were about a sixth less likely to find jobs within a year than their counterparts age 25 to 34, and workers age 62 or older were only about half as likely to find jobs. It took more than nine months of job search for half of out-of-work adults age 50 to 61 to become reemployed, compared with about 6 months for those age 25 to 34 and seven months for those age 35 to 49. Even 18 months after becoming unemployed, only about two-fifths of jobless workers age 62 or older had become reemployed.

Conclusion

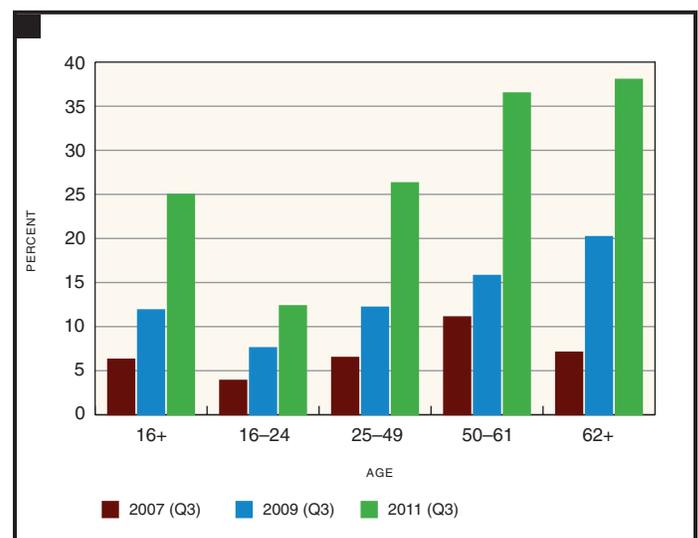
The good news for older workers is that they were less likely to lose their jobs during and after the Great Recession than younger workers. The unemployment rate for workers age 50 to 61 and those age 62 or older has remained below the rate for workers younger than 50, as in past recessions. Workplace seniority appears to explain the relatively low layoff rates for older workers.

FIGURE 6. Women's Employment Rates by Age, 1976–2011 (%)



Source: Author's computations from Bureau of Labor Statistics (2012).

FIGURE 7. Percentage of Unemployed Workers out of Work For More Than a Year by Age, Third Quarter of 2007, 2009, and 2011



Source: Author's calculations from the Current Population Survey.

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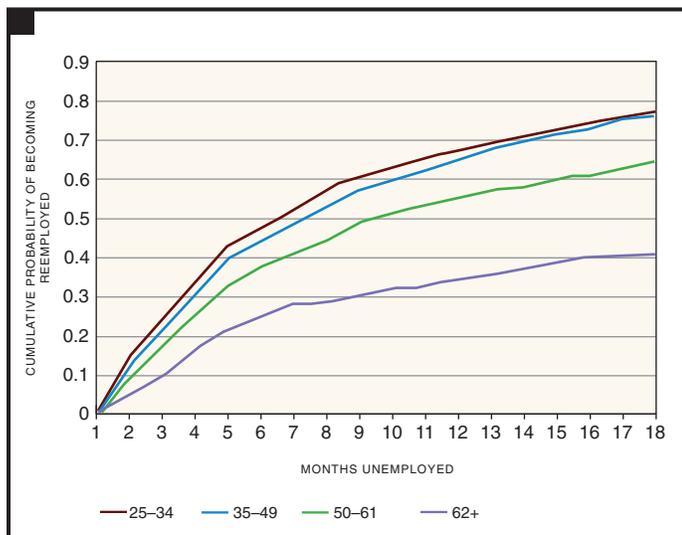
However, the unemployment rate for older workers surged over the past four years, growing much more rapidly for both men and women age 62 or older than at any time during the past three and a half decades. The privileged position of older workers may be eroding as seniority rules begin to fade. More importantly, today's older displaced workers appear more likely than those in previous recessions to remain in the labor force and search for jobs instead of immediately retiring. This trend may reflect growing unease about retirement income security. When older adults lose their jobs, they spend much more time unemployed than their younger counterparts. This outcome is consistent with audit surveys that show that employers are less likely to hire older workers than otherwise-identical younger workers. Long unemployment spells are especially serious for those younger than 62, who cannot turn to Social Security retirement benefits to partly offset their lost wages.

Social Security provides an important safety net for unemployed workers age 62 and older, allowing them to replace

part of their lost earnings. Indeed, Social Security claiming hit an all-time high in 2009 and remained elevated in 2010 as the unemployment rate soared. But early claiming reduces monthly Social Security benefits. Those who take up Social Security today at age 62 collect only three-fourths as much as they would have received each month if they had instead waited until age 66, the full retirement age. Moreover, unemployed adults are not generally able to save for retirement, and many are forced to dip into their retirement savings prematurely.

With Social Security's full retirement age set to begin rising to 67 in 2017, workers will soon have to delay retirement further to maintain their living standards in old age, especially if Americans do not save more for retirement and out-of-pocket health care spending continues to rise. However, high unemployment threatens to derail plans to work past traditional retirement ages. For many older workers laid off during and after the Great Recession, the financial ramifications of job loss may last the rest of their lives.

FIGURE 8. Cumulative Probability of Unemployed Workers Becoming Reemployed by Age, 2008–2011



Source: Author's computations from the 2008 panel of the Survey of Income and Program Participation.

ADDITIONAL RESOURCES

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