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- During the Great Recession, older workers experienced lower unemployment than their younger counterparts.
- Unemployed workers in their fifties were about a fifth less likely than those age 25 to 34 to become reemployed.
- Median monthly earnings declined 23 percent upon reemployment for workers age 50 to 61, compared with 11 percent for workers age 25 to 34.

Age Disparities in Unemployment and Reemployment during the Great Recession and Recovery

Richard W. Johnson and Barbara A. Butrica

The surge in unemployment that accompanied and followed the Great Recession—the economic downturn that began in December 2007 and lasted until June 2009—did not spare either younger or older workers. Nonetheless, age affected how workers fared during the slowdown. Layoffs were less common among older workers who had many years of service with their employers than among their younger counterparts who had less seniority, but older adults took longer to find work when they lost their jobs. Wage losses were especially steep for unemployed workers in their fifties who became reemployed.

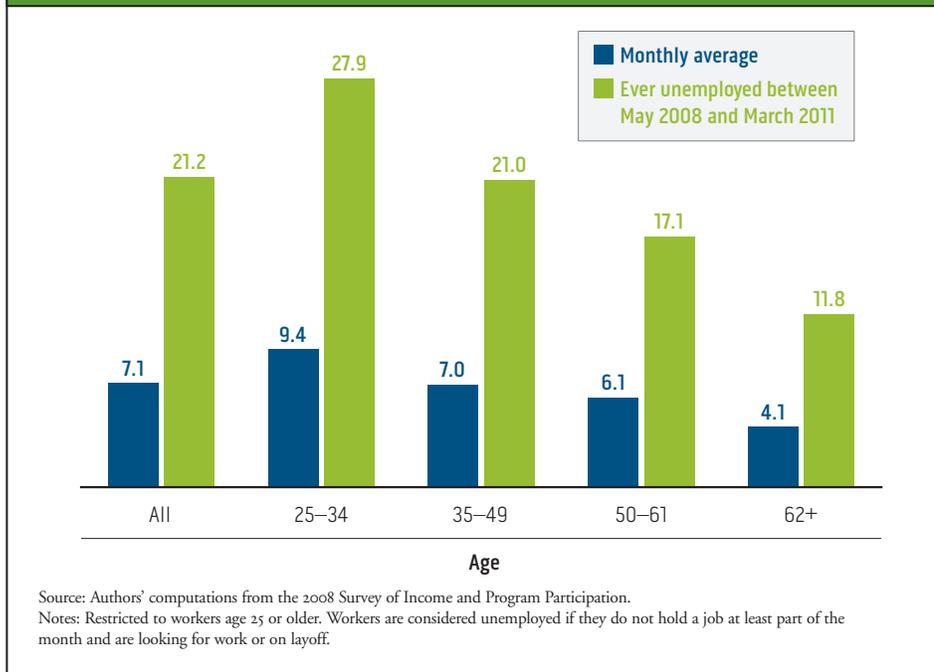
The relative performance of older and younger workers is attracting increasing attention as the population ages. In 2011, 20 percent of workers were age 55 or older, up from 12 percent in 1996.¹ This growth stems largely from population aging, as many baby boomers recently reached their fifties and sixties. 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 increase work incentives and ability at older ages and encourage employers to hire and retain seasoned workers.² Between 1993 and 2011, labor force participation rates—the share of the civilian noninstitutionalized population

employed or looking for work—increased 12 percentage points for men age 65 to 69, for example, and 11 percentage points for women in that age group.³ This recent growth is particularly striking for older men because it reverses a decades-long decline in their labor force participation.

This brief examines how unemployment and reemployment varied by age during and after the Great Recession and compares earnings on old and new jobs for displaced workers who became reemployed. Data come primarily from the U.S. Census Bureau's 2008 Survey of Income and Program Participation (SIPP), which has been tracking a large sample of American households from mid-2008 through early 2011. Data from the 2004 SIPP, which

Unlike younger workers, those age 62 or older who become unemployed may collect Social Security, helping them meet current expenses, but early claiming reduces monthly Social Security benefits.

Figure 1. Percentage of Workers Unemployed by Age, May 2008 to March 2011



collected information through 2007, are used to compare Great Recession outcomes with those in the immediate preceding years. Workers are considered unemployed if they are on layoff or if they do not hold a job and are looking for work. The appendix provides additional information about our data and methods.

Younger Workers Were More Likely to Become Unemployed

On average 7.1 percent of workers age 25 or older were unemployed each month between May 2008 and March 2011 (figure 1). This estimate is similar to the average official unemployment rate during the period, which is based on a different household survey and a slightly different unemployment definition.⁴ Younger workers experienced higher unemployment rates than older workers. For example, the monthly unemployment rate averaged 9.4 percent for workers age 25 to 34, compared with 6.1 percent for those age 50 to 61 and 4.1 percent for those age 62 and older.

More than a fifth of workers (21.2 percent) were unemployed at some point between May 2008 and March 2011, about triple the average monthly unemployment rate during the period. Again, younger workers were more likely than their older counterparts ever to experience unemployment. More than one in four workers age 25 to 34 were unemployed at some point, compared with only about one in six workers age 50 to 61 and one in nine workers age 62 or older. Older workers were less likely than younger workers to lose their jobs because they generally had more seniority, and employers tend to lay off recent hires first.⁵

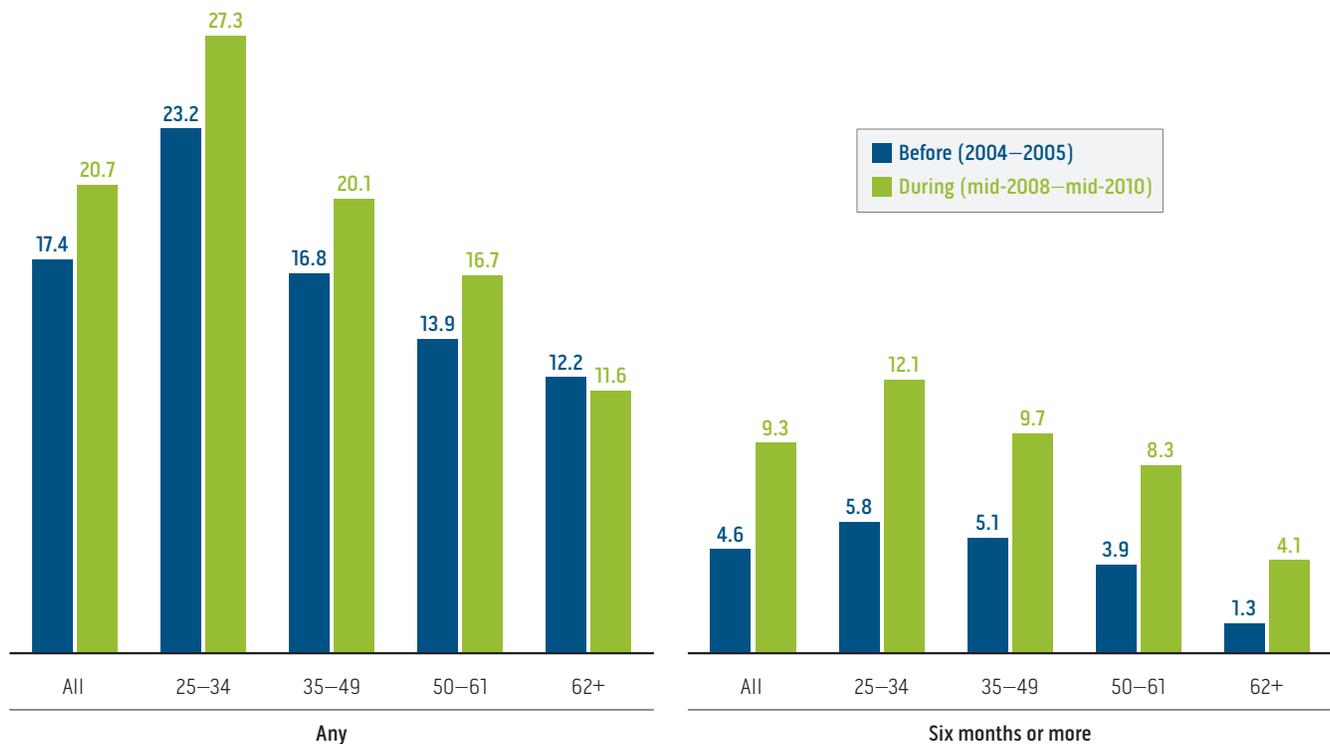
Unemployment was much more common during the Great Recession than beforehand. Between 2004 and 2007, the monthly unemployment rate averaged just 3.5 percent for workers age 25 and older, only half the 2008-to-2011 rate. However, the increase in unemployment during the recession was driven predominantly by a surge in extended and multiple jobless spells rather than a jump in the

likelihood of experiencing any unemployment. Figure 2 compares unemployment during the 24 months spanning 2004 and 2005 and the 24 months from mid-2008 to mid-2010. Between the two periods, the share of workers age 25 or older ever unemployed grew from 17.4 to 20.7 percent, a significant but not staggering increase. By contrast, the share of workers age 25 or older unemployed for six months or more during a 24-month period doubled, increasing from 4.6 to 9.3 percent. Thus, the large difference in unemployment between the Great Recession and the years immediately preceding it reflects a modest rise in the number of people who lost their jobs coupled with a large increase in the amount of time the unemployed spent out of work.

The share ever unemployed grew modestly for all age groups except those age 62 or older, who did not experience any increase. Extended unemployment rose sharply for all age groups, with the share out of work for six months or more roughly doubling for workers younger than 62 and tripling for workers age 62 or older, albeit from a very small base. (Their 2.8 percentage point increase was relatively modest.)

Because younger workers were more likely than older workers to lose their jobs during the Great Recession, they were more likely to experience long-term unemployment. For example, 12.1 percent of workers age 25 to 34 were unemployed for at least six months, compared with 8.3 percent of those age 50 to 61. Among those out of work, however, adults in their fifties spent more time unemployed than their younger counterparts. Half of workers age 50 to 61 who became unemployed spent at least six months out of work (8.3 percent of 16.7 percent), compared with 44 percent of workers age 25 to 34 who lost their jobs. Only about a third of the oldest group of unemployed workers (those age 62 or older) experienced extended unemployment, likely because (as we show later) those who did not quickly find work chose to leave the labor force and retire.

Figure 2. Percentage of Workers Ever Unemployed over a Two-Year Period by Age and Number of Months Unemployed, before and during the Great Recession and Recovery



Source: Authors' computations from the 2004 and 2008 Surveys of Income and Program Participation.

Notes: Restricted to workers age 25 or older. Workers are considered unemployed if they do not hold a job at least part of the month and are looking for work or on layoff. Months of unemployment are not necessarily consecutive.

Older Unemployed Adults Were Less Likely to Find Work

Figure 3 shows the cumulative share of unemployed adults who became reemployed each month following the start of the unemployment spell and how it varies by age. The figure covers May 2008 through March 2011, and includes only those who worked at least a full month and then became unemployed for at least a full month. Reemployment rates were similar through age 49 but fell at older ages. Nearly half of unemployed adults became reemployed within six months at ages 25 to 34 and within seven months at ages 35 to 49. However, it took more than nine months of job search for half of unemployed adults age 50 to 61 to find work. Unemployed adults in their fifties were about a fifth less likely than their

counterparts age 25 to 34 to become reemployed each month during the Great Recession.

Adults ages 62 and older were the least likely age group to become reemployed once they lost their jobs. Only about a third (34 percent) found jobs within 12 months of becoming unemployed, and only about two-fifths (41 percent) became reemployed within 18 months. They were only about half as likely as those age 25 to 34 to become reemployed each month.

A partial explanation for seniors' low reemployment rate is that many workers laid off after age 62—when eligibility for Social Security retirement benefits begins—stopped looking for work and chose to retire. Half dropped out of the labor force within nine months of becoming unemployed (figure 4). It's no coincidence that Social Security retirement claims

surged in 2009 as the unemployment rate soared.⁶ Many younger unemployed workers also became discouraged, but only about a quarter of those age 25 to 61 dropped out of the labor force within nine months of becoming unemployed.

Nonetheless, those older unemployed adults who remained in the labor force were much less likely to find work than their younger counterparts. About half of unemployed workers age 62 and older who continued their job search remained out of work 16 months after their unemployment spell began, compared with about a third of those age 50 to 61 and a fifth of those age 25 to 34 (results not shown). Unemployed adults age 62 and older who remained in the labor force were about a third less likely to find work than those age 25 to 34.

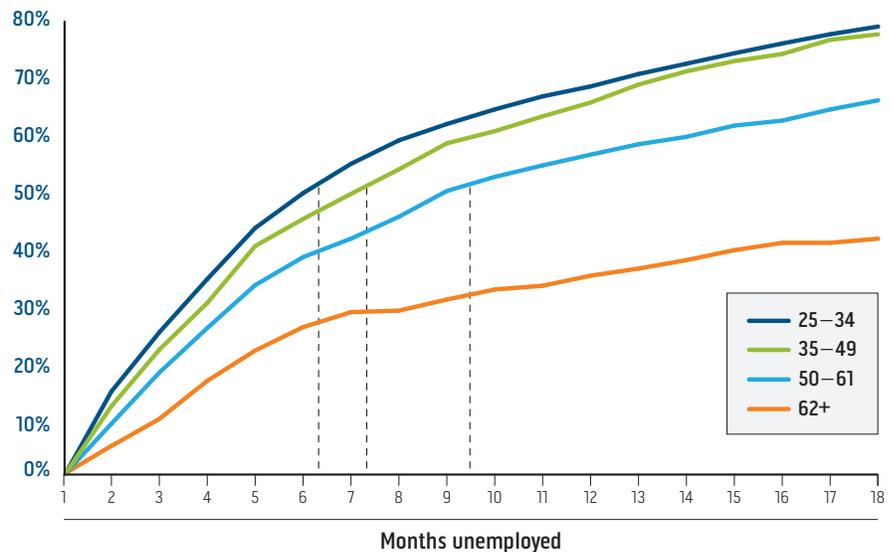
Reemployment rates were 14 percent lower during and after the Great Recession than in the years immediately preceding it. Eighty-four percent of unemployed adults age 25 and older found work within 18 months of becoming unemployed between 2004 and 2007, compared with 72 percent between mid-2008 and early 2011 (figure 5). Reemployment rates declined even more sharply between the periods for older unemployment workers, falling 17 percent at ages 50 to 61 and 25 percent at ages 62 and older.

Reemployed Displaced Workers Earned Less on Their New Jobs

Workers unemployed for at least a month during the Great Recession experienced substantial pay cuts when they became reemployed. Median monthly earnings following an unemployment spell stood at \$1,850 for reemployed workers age 25 and older, 16 percent below the preunemployment median of \$2,200 (figure 6). The earnings shortfall increased with age. For example, median monthly earnings declined 23 percent after an unemployment spell for reemployed workers age 50 to 61, compared with just 11 percent for workers age 25 to 34. As a result, unemployment compressed the age difference in earnings. Workers in their fifties and early sixties returning to work after a period of unemployment earned only 2 percent more than their counterparts in their forties and late thirties. Postunemployment monthly earnings plummeted for workers age 62 and older who lost their jobs during the Great Recession. Their median monthly earnings reached only \$1,100 after their return to work, barely half their median earnings before they lost their jobs.

Many reemployed displaced workers reduced their hours on the new job, partly accounting for the decline in monthly earnings, especially after age 62. Thirty-seven percent of unemployed adults age 25 and older who returned to work during the Great Recession worked part-time (fewer than 35 hours per week). Only 30 percent of them

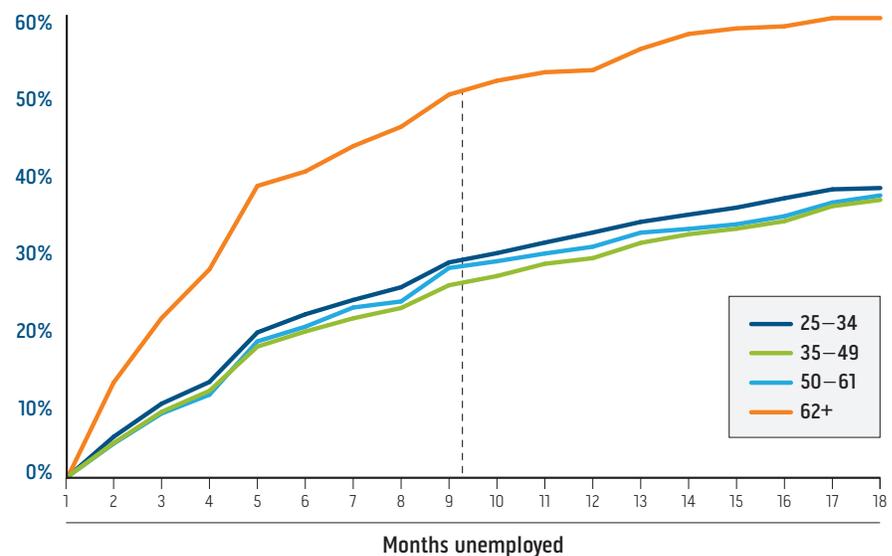
Figure 3. Cumulative Probability of Unemployed Adults Becoming Reemployed by Age, 2008–2011 (%)



Source: Authors' computations from the 2008 Survey of Income and Program Participation.

Notes: Restricted to respondents age 25 or older observed working for at least one full month and then unemployed for at least one full month. Workers are considered unemployed if they do not hold a job and are looking for work or on layoff. Estimates include adults who stop looking for work after becoming unemployed. Age is measured at the time the worker becomes unemployed.

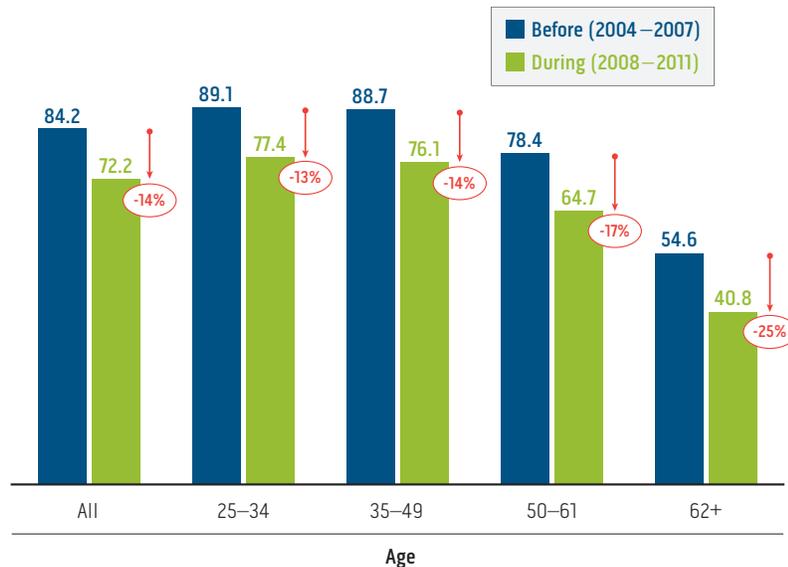
Figure 4. Cumulative Probability of Unemployed Workers Dropping Out of the Labor Force by Age, 2008–2011 (%)



Source: Authors' computations from the 2008 Survey of Income and Program Participation.

Notes: Restricted to respondents age 25 or older observed working for at least one full month and then unemployed for at least one full month. Workers are considered unemployed if they do not hold a job and are looking for work or on layoff. Age is measured at the time the worker becomes unemployed.

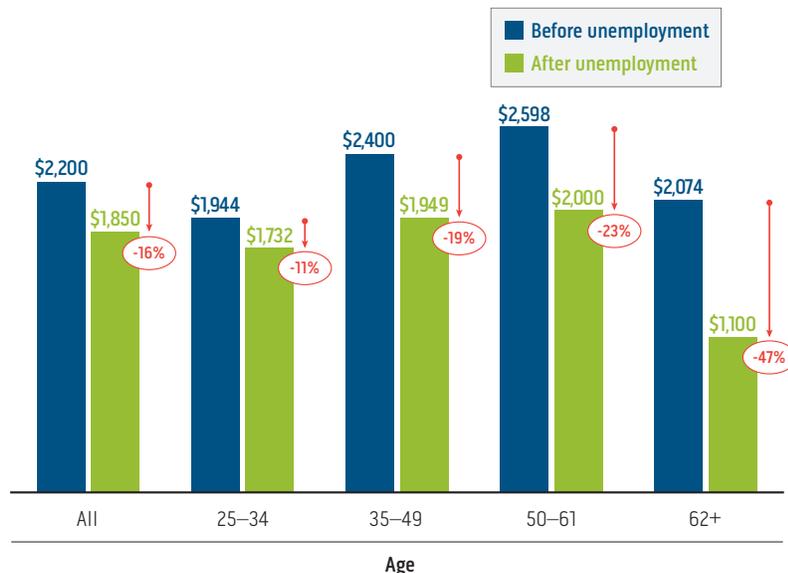
Figure 5. Probability of Unemployed Workers Becoming Reemployed within 18 Months by Age, before and during the Great Recession and Recovery (%)



Source: Authors' computations from the 2004 and 2008 Surveys of Income and Program Participation.

Notes: Restricted to respondents age 25 or older observed working for at least one full month and then unemployed for at least one full month. Workers are considered unemployed if they do not hold a job and are looking for work or on layoff. Estimates include adults who stop looking for work after becoming unemployed. Age is measured at the time the worker becomes unemployed.

Figure 6. Median Monthly Earnings for Reemployed Workers before and after Unemployment Spell by Age 2008–2011



Source: Authors' computations from the 2008 Survey of Income and Program Participation.

Notes: Restricted to wage and salary workers age 25 or older observed working for at least one full month, then unemployed for at least one full month, and then employed for at least one full month. Earnings are compared in the last full month of employment and the first full month of reemployment. Workers are considered unemployed if they do not hold a job and are looking for work or on layoff. Age is measured when the worker becomes unemployed.

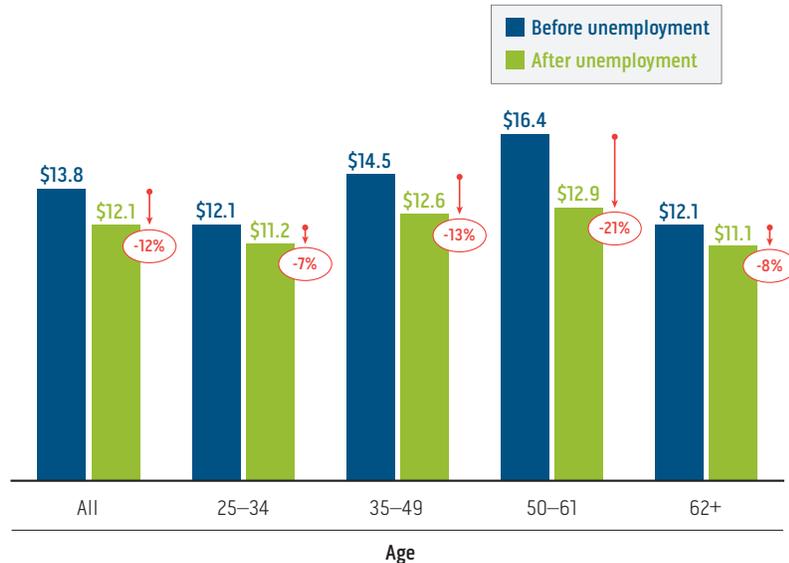
worked part-time before they became unemployed. Many new employees were forced to cut back their hours because they couldn't find full-time employment, but some may have elected to work fewer hours. Part-time work was especially common among older workers, many of whom gradually reduce their hours as they transition into retirement. Unemployed workers who decide to collect Social Security have little incentive to return to full-time employment because their monthly benefits will be reduced if they receive significant earnings before age 66 (the system's full retirement age). Sixty-one percent of workers age 62 and older worked fewer than 35 hours on their new jobs, up from 39 percent on their old jobs.⁷

Because many reemployed adults reduced their hours, the decline in median monthly earnings for unemployed workers ages 25 and older who became reemployed was greater than the decline in median hourly wages (figure 7)—16 percent compared with 12 percent. As with monthly earnings, the decline in hourly wages increased with age, but only up to age 61. Median hourly earnings fell 21 percent for reemployed displaced workers age 50 to 61, but only 13 percent for those age 35 to 49 and 7 percent for those age 25 to 34. Compared with those age 35 to 49, the median hourly wage for reemployed displaced workers age 50 to 61 was 13 percent higher on the old job, but virtually the same on the new job. However, median hourly earnings fell only 8 percent for reemployed displaced workers age 62 and older. Most of their decline in monthly earnings stemmed from the shift toward part-time employment.

Conclusions

Older workers were less likely than younger workers to lose their jobs during the Great Recession, but those who became unemployed took longer to find work. Unemployed workers in their fifties were about a fifth less likely than those in their late twenties and early thirties to become reemployed each

Figure 7. Median Hourly Wages for Reemployed Workers before and after Unemployment Spell by Age, 2008–2011



Source: Authors' computations from the 2008 Survey of Income and Program Participation.

Notes: Restricted to wage and salary workers age 25 or older observed working for at least one full month, then unemployed for at least one full month, and then employed for at least one full month. Wages are compared in the last full month of employment and the first full month of reemployment. Workers are considered unemployed if they do not hold a job and are looking for work or on layoff. Age is measured when the worker becomes unemployed.

month during the Great Recession. Unemployed adults age 62 and older were even less likely to find work. Many soon stopped looking and instead took early Social Security benefits, but those who continued their job search were a third less likely to become reemployed than those age 25 to 34.

These age differences are generally consistent with those observed in recent years, during both economic booms and busts.⁸ Unemployment rates increased during the Great Recession and reemployment fell, but age differentials did not change much. Older workers' relatively low layoff rates seemingly derive solely from their seniority with their employers. Other data show that, given the same job tenure, men in their fifties are actually more likely to lose their jobs than men in their late twenties and early thirties.⁹ As long-term employment relationships become less common even at older ages, the existing layoff advantage for older workers may erode.¹⁰

Low reemployment rates for older displaced workers are consistent with other evidence that employers are less likely to hire older workers than otherwise-identical younger workers.¹¹ Although more research is needed to understand the low reemployment rates for older displaced workers, there are several possible explanations. Employers may be reluctant to hire older workers because they fear they will not have time to recoup hiring and training costs before workers retire. Surveys also reveal that many employers believe older workers lack creativity and are generally unwilling to learn new things.¹² Additionally, many express concern that older workers are more expensive than younger workers, perhaps because rigid pay systems push wages up with seniority or because pension and health benefits are more costly at older ages.¹³

Another possible explanation is that older job workers themselves are partly responsible for their low reemployment rates. Older unemployed workers are wealthier than the younger

unemployed, and some may be willing to wait for a lucrative job offer rather than accept a low-paying position. Nonetheless, older displaced workers suffer larger wage losses than their younger counterparts when they become reemployed. Those in their fifties do not earn much more on their new jobs than those in their forties and early thirties, and those age 62 or older earn much less. Of course, some older displaced workers may be willing to accept lower wages for flexible part-time employment that eases the transition into retirement.

Unemployed workers in their fifties experienced especially steep wage declines when they became reemployed during the Great Recession and its aftermath, with median hourly earnings 21 percent lower on their new jobs than their prelayoff jobs. These wage losses may reflect employer reluctance to hire older workers. Alternatively, older workers may be less productive on their new jobs because the skills they developed in their former positions may not readily transfer to other employers. More research is needed to understand what drives these losses.

Job loss has serious financial consequences at all ages. Not only do laid-off workers forgo earnings while unemployed, it usually takes years for their annual earnings to return to pre-layoff levels once they find work.¹⁴ Unlike younger workers, those age 62 or older who become unemployed may collect Social Security, helping them meet current expenses, 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. For many workers laid off during and after the Great Recession, the financial ramifications of job loss may persist for the rest of their lives. ■

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Notes

1. Authors' estimates from the Bureau of Labor Statistics (2012).
2. See Blau and Goodstein (2010), for example.
3. Authors' estimates from the Bureau of Labor Statistics (2012).
4. The official monthly unemployment rate compiled by the Bureau of Labor Statistics averaged 7.3 percent between May 2008 and March 2011 for workers age 25 and older (Bureau of Labor Statistics 2012). Based on the Current Population Survey, which interviews about 60,000 households each month, the official unemployment rate counts people without jobs during the survey week who actively looked for work during the previous four weeks, as well as workers on layoff during the survey week. Our SIPP definition counts workers without jobs for any week during the survey month, as long as they are on layoff or looking for work. Neither definition counts jobless workers who are not looking for work unless they are on layoff and waiting to be recalled to their jobs.
5. Johnson and Mommaerts (2011).
6. Haaga and Johnson (2012); Johnson and Mommaerts (2010).
7. In 2012 Social Security reduces monthly payments to beneficiaries younger than 66 by \$1 for every \$2 they earn in excess of \$14,640.
8. Johnson and Mommaerts (2011).
9. Ibid.
10. Farber (2008).
11. Lahey (2008); Rosen and Jerdee (1995).
12. Johnson (2009).
13. Scott, Berger, and Garen (1995).
14. Arulampalam (2001); Couch, Jolly, and Placzek (2010); Jacobson, LaLonde, and Sullivan (1993).

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Appendix

Our estimates are based on data from SIPP, a longitudinal survey of American households conducted by the U.S. Census Bureau. SIPP interviews households every four months, collecting information on employment, earnings, and other topics for the current month and each of the three previous months. However, the interviews are staggered, with one-quarter of the sample surveyed each month. The most recent panel began in 2008. When our study was completed, data were available from the first eight interviews of that panel, spanning 32 months. The observation period runs from May 2008 to December 2010 for the first interview group and from August 2008 to March 2011 for the last interview group, which was first surveyed four months later.

We use SIPP to examine unemployment, reemployment, and earnings. All estimates are restricted to adults age 25 or older and computed separately for different age groups. The cutoff for the oldest group is 62 because Social Security retirement eligibility begins at that age.

The unemployment rate is the number of adults unemployed (on layoff or not holding a job but looking for work) divided by the number of adults in the labor force (holding a job, looking for work, or on layoff). To compute average monthly unemployment rates, we combine all of our monthly observations and calculate the average rate for the period. These estimates are based on a sample of 54,865 workers.

We also estimate the cumulative probability of becoming reemployed each month following unemployment onset and the cumulative probability of dropping out of the labor force after becoming unemployed. The sample consists of 6,310 adults employed for at least one full month during the observation period who then become unemployed for at least one full month. We consider only the first observed unemployment spell for each worker. Much of the reemployment analysis includes observations on nonworking adults after they stopped looking for work, but we also examine reemployment rates only while they continue their job search.

Finally, we compare median monthly earnings and hourly wages on new and old jobs for unemployed workers who became reemployed. We use earnings in the last full month of employment before the unemployment spell and the first full month of employment afterwards. Hourly wages are computed by dividing monthly earnings by usual monthly hours (estimated by multiplying usual weekly hours by 4.3). Like the reemployment analysis, these comparisons are restricted to adults employed for at least one full month before and after an unemployment spell that lasts at least one full month. Self-employed workers are also excluded. The sample consists of 2,651 workers.

Data from the 2004 SIPP panel are used to compare unemployment and reemployment during the Great Recession with outcomes in the years immediately preceding the downturn. The 2004 SIPP panel collected data from October 2003 through December 2007. Our unemployment rate sample includes 59,008 workers age 25 and older, and the reemployment sample includes 5,179 nonworking adults.

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Unemployment and Recovery Project

This brief is part of the Unemployment and Recovery project, an Urban Institute initiative to assess unemployment's effect on individuals, families, and communities; gauge government policies' effectiveness; and recommend policy changes to boost job creation, improve workers' job prospects, and support out-of-work Americans.

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