



OLDER AMERICANS IN THE RECESSION

More are staying in the workforce, more are losing their jobs

BY EMILY GARR

It has been a little over one year since the recession began, and the American workforce has faced job market weaknesses in every region, among every race, age, and education level, and in nearly every industry.

In this overwhelmingly negative economic climate, a growing share of workers age 55 and over appear to be delaying retirement, holding on to jobs, or trying to find work. By contrast, the recession has played out quite differently for younger workers, whose labor force participation continues a long-term trend of decline and suggests that growing numbers are giving up on finding work and dropping out of the labor force entirely.

The higher labor force participation of workers 55 and older is at least in part a response to rising health care costs, plummeting home values, and losses in 401(k)s and individual retirement accounts, which are combining to make retirement unaffordable. Meanwhile, a fast-growing share of workers 55 and older faces lay-offs followed by lower-paying alternatives. While these changes reflect ongoing demographic shifts, they are exacerbated by the recession and have led to higher rates of both employment and unemployment that warrant further analysis.

In general, older workers tend to have relatively low unemployment rates, and that remains true in this recession. However, the job advantage is shrinking. When the recession began in December 2007, older workers accounted for 11.1% of the total unemployed. That share jumped to 13% in November 2008, when more than 1.3 million older workers were looking for a job but unable to find one.

Labor force participation

For those 55 and older, the labor force participation rate—the share of the population working or looking for work—jumped 1 percentage point since the recession began in December 2007 (from 38.8% to 39.8%), reaching its highest level since 1964. Alternatively, younger workers saw declines, most pronounced among 16-to-24 year olds (see **Table 1**).

TABLE 1
Labor force participation rates by age group

	Dec. 2007	Nov. 2008	Percentage-point change
16-to-24 year olds	58.9%	57.6%	-1.3
25-to-54 year olds	83.1%	83.0%	-0.1
55 and over	38.8%	39.8%	1.0

SOURCE: Author's analysis of BLS Current Population Survey.

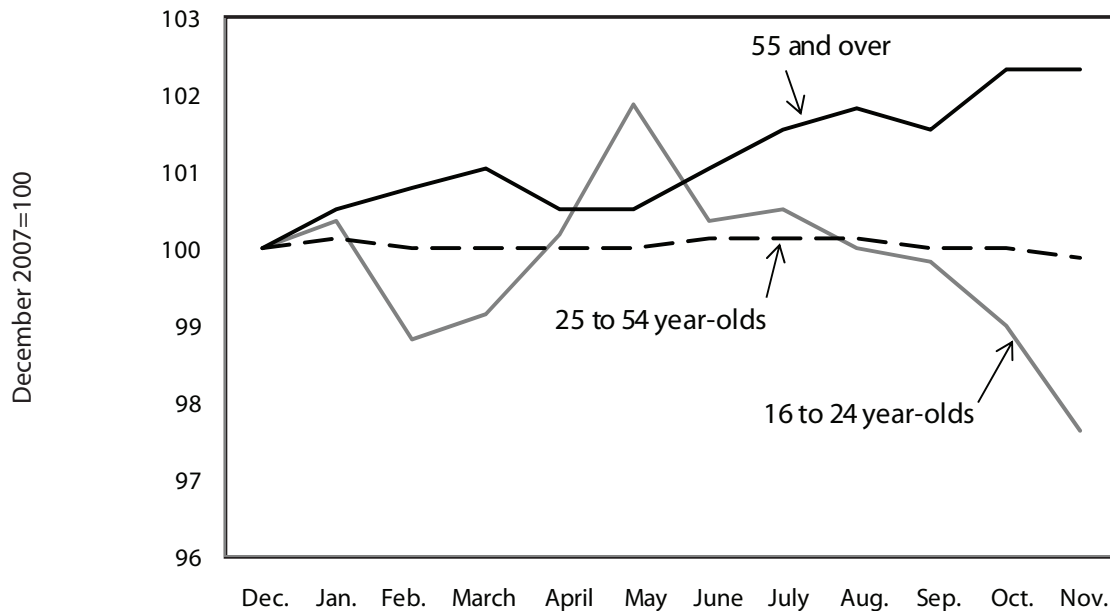
The surge in labor force participation by older workers in this recession, equivalent to about 1.36 million additional people, suggests more than simple demographic changes. For example, in the previous year, from December 2006 to November 2007, labor force participation for older workers increased much less (0.4 percentage points). But for younger workers, the trend was about the same: -1.5 percentage points for 16-to-24 year olds and -0.1 percentage point for those 25 to 54.

The higher-than-normal participation increases for older workers suggest that the flailing economy has given them an added incentive to stay in their jobs, or return to the workforce, rather than retire. In May of 2008, participation rates began rapidly accelerating, and reached a peak of 27.7 million in October (Figure A). By contrast, younger workers' participation began a steep descent, likely because fewer jobs became available.

The increase in labor force participation of older workers has resulted in larger shares of both unemployed and employed, while the share of the population retired or not in the labor force for other reasons decreased. Table 2 details the employed, unemployed, and underemployed segments of this growing portion of the labor force.

FIGURE A

Labor force participation (SA) since the start of the recession, by age group



SOURCE: Author's analysis of BLS Current Population Survey.

TABLE 2
Composition of total population 55 and over

	Retired / Not in labor force	Employed	Unemployed
Dec. 2007	61.2%	37.6%	1.2%
Nov. 2008	60.2%	37.9%	1.9%

SOURCE: Author's analysis of BLS Current Population Survey.

TABLE 3
Employment rates by age group

	Dec. 2007	Nov-08	Percentage-point change
16-to-24 year olds	88.2%	86.2%	-2.0
25-to-54 year olds	95.9%	94.2%	-1.7
55 and over	96.8%	95.3%	-1.6

SOURCE: Author's analysis of BLS Current Population Survey.

The employed

Since the recession began, the employment rate—the share of the population employed—has decreased for every age group, but older workers incurred more modest decreases than others. **Table 3** shows that older workers' employment rate dropped 1.6 percentage points, compared to 1.7 for 16-to-24 year olds, and 2.0 percentage points for 25-to-54 year olds.

Workers 55 and over are now 18.8% of the total population employed in the United States, up from 17.9% in December 2007. This is not necessarily good news. First, older workers' growing share of the employed tightens the competition for younger workers entering or remaining in the labor force, for whom experience and skill development is a valuable asset. Second, employment activity may be the result of poor financial circumstances or delayed retirement rather than increased job opportunities. Third and related, under-employment is a growing segment of the employment landscape, meaning that some jobs may not be as productive—or desired—as they might have been in non-recessionary periods.

The unemployed

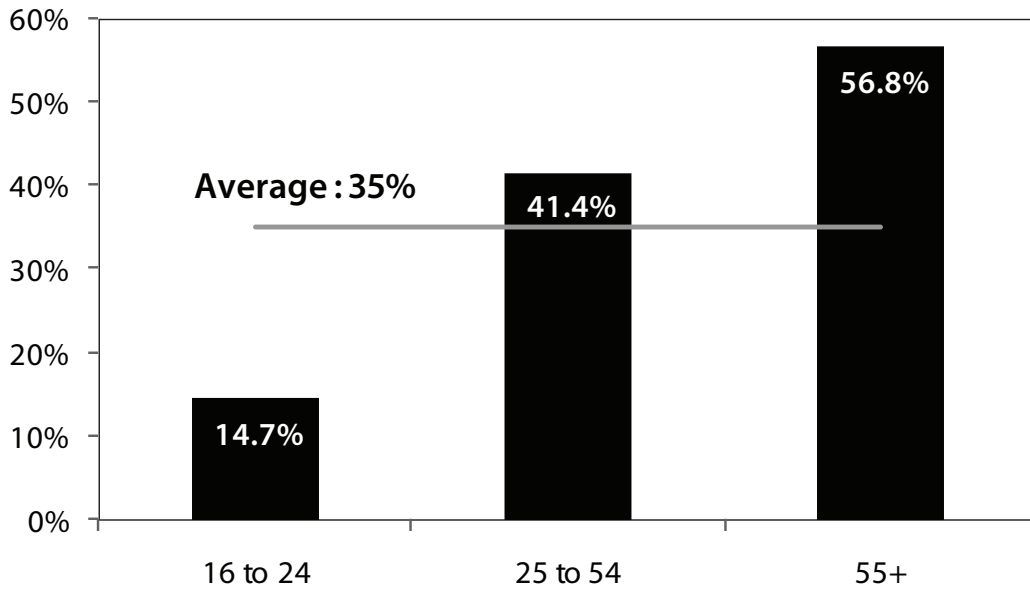
Unemployment rates are considerably lower for older workers compared to the rest of the population. Older workers had an unemployment rate of 4.7% in November, compared to 5.8% for 25-to-54 year olds and 13.8% for 16-to-24 year olds. However, the older unemployed population is rising quickly, and the costs are high.

The number of unemployed workers 55 and over has increased a staggering 56.8% in less than a year—from 856,000 in December 2007 (when the recession officially began) to 1,342,000 in November 2008. This compares to a 35% increase across all age groups (see **Figure B**). In just 12 months, older workers have gone from 11.1% of the total unemployed in December 2007 to 13% in November 2008.

Stakes are often higher for older workers when jobs are lost. Displacement rates—which measure job losses due to plant closures, the elimination of positions, or other shifts in labor demand¹—are currently at the highest level on record

FIGURE B

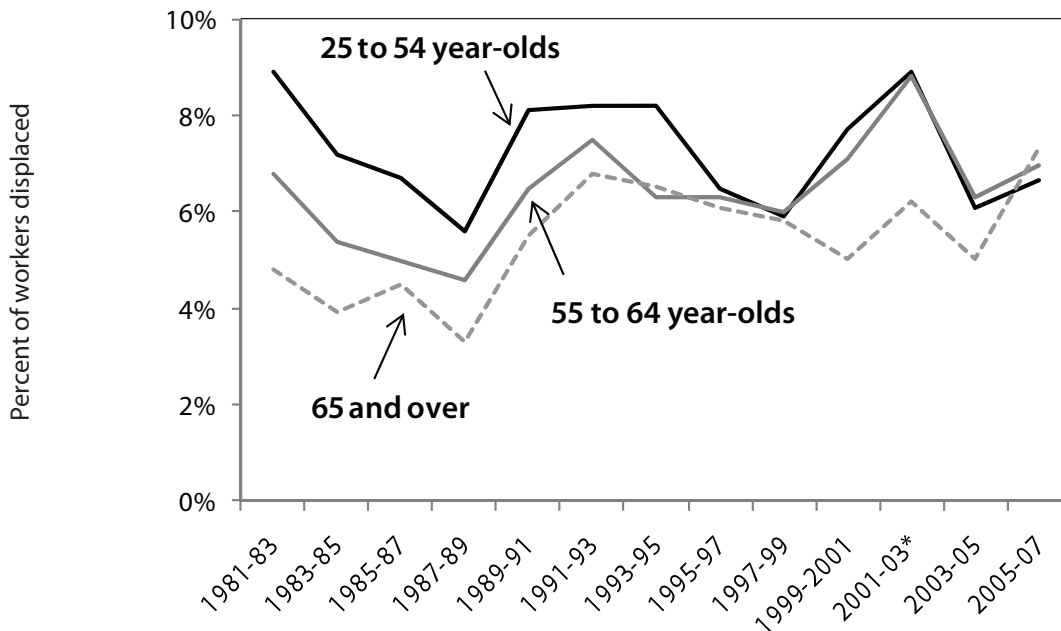
Growth in unemployment levels by age group since the start of the recession



SOURCE: Author's analysis of BLS Current Population Survey.

FIGURE C

Displacement rates by age group, 1981-2007



SOURCE: BLS, Displaced Worker Supplement of the Current Population Survey.

TABLE 4
Age composition of the labor force, by employment category

	16-to-24 year olds		25-to-54 year olds		55 and over	
	Dec. 2007	Nov. 2008	Dec. 2007	Nov. 2008	Dec. 2007	Nov. 2008
Labor force	14.4%	14.0%	68.1%	67.6%	17.6%	18.4%
Employment	13.3%	13.0%	68.7%	68.3%	17.9%	18.8%
Underemployment	29.4%	27.1%	58.3%	58.9%	12.3%	14.0%
Part-time for economic reasons	21.7%	21.4%	65.1%	64.3%	13.2%	14.3%
Unemployment	33.8%	28.9%	55.1%	58.2%	11.1%	13.0%

SOURCE: Author's analysis of BLS Current Population Survey.

for older workers. In 2003, the displacement rate of 55-to-64-year-old workers surpassed that of workers 25 to 54 (see **Figure C**). And in the most recent survey covering 2005-07, the same could be said for workers 65 and over.

These displacement rates have important implications for finding work and future pay. Only 61% of workers age 55 to 64 who lost their jobs in 2005-07 had been re-employed as of January 2008, compared to 75% of those 25 to 54.² Older workers who do find jobs often must settle for less income. A 2007 Urban Institute study found that 22% of older workers who were laid off from long-term jobs between 1986 and 2004 experienced wage losses of 50% or more. Possibly more worrisome is the fact that these wage cuts were often accompanied by losses in pension and health benefits (Johnson and Kawachi 2007, 16).³

The underemployed

The underemployment rate is a broader measure than unemployment because it includes marginally attached workers⁴ (many who have given up finding a job) and involuntary part-time workers (who would prefer full-time work), in addition to the unemployed.⁵ Involuntary part-time work accounts for about 37% of older workers' underemployment, and unemployment accounts for about half. In November 2008, 9.4% of older workers were underemployed, compared to 6.3% when the recession began. Underemployment growth is also troubling for other age groups, particularly 16-to-24 year olds, for whom the rate reached 23.8% in November.

Table 4 summarizes the changing face of the American labor force by comparing older workers' share of the total population, the employed, the unemployed, and the underemployed at the start of the recession in December 2007 to comparable numbers for November 2008. For older workers, high labor force participation translated into 0.8% more labor force participants, 0.9% more of the employed, 1.7% more of the underemployed, 1.1% more of involuntary part-timers, and 1.9% more of the unemployed population.

Conclusion

The labor force participation of older Americans has been trending upwards since the early 1980s but has been accelerated by this recession to a level not seen in over 40 years. For older workers who are willing and able to continue working, the challenges they face in the recession—including declining retirement savings—may not seem disastrous. But for others, continued employment may *not* be a healthy option. The trend also means that younger workers face additional competition for fewer jobs. Meanwhile, unemployment levels are rising fast, and displacement of older workers is creeping up.

More worrisome still may be the vulnerability of older workers *once displaced*. Lower replacement earnings and poor job prospects are compounded by soaring health costs, and shrinking retirement savings due to falling home values, stock

market losses, and a steady shift by employers away from traditional pensions toward defined-contribution plans such as individual retirement accounts.⁶

In 2009, the overall unemployment rate is projected to exceed 8.5%. This prospect calls for careful attention to employment trends among vulnerable populations, such as those 55 and over. As labor force participation rates of older workers rise, so do rates of employment insurance exhaustion, long-term unemployment, underemployment, and job displacement. Though older workers may be better able than younger counterparts to find or maintain jobs in this recession, data show that the downsides to working more are stacking up.

References

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Endnotes

- 1 Based on the Displaced Worker Supplement of the Current Population Survey. Historically, older workers had lower displacement rates than younger ones. But as unionization, tenure, and lifetime job security deteriorates—and employer health costs increase—older workers are more susceptible to job displacement.
- 2 See BLS (2008). Re-employment refers to workers who had been at their previous jobs for over three years, were displaced, and had actively been seeking work. See also Heidkamp and Van Horn (2008).
- 3 The analysis covers workers ages 45 to 75, based on findings from the Health and Retirement Study.
- 4 Marginally attached workers are people neither working nor looking for work, but indicate that they want and are available for a job and that have looked for work in the recent past.
- 5 Underemployment rate = [(part-time + marginally attached + unemployed) / (labor force + marginally attached)]*100
- 6 For a more secure alternative, see EPI's proposal for Guaranteed Retirement Accounts (Guilarducci 2007).