



# How Did Older Workers Fare in 2009?

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## The Retirement Policy Program

*A crosscutting team of Urban Institute experts in Social Security, labor markets, savings behavior, tax and budget policy, and microsimulation modeling ponder the aging of American society.*

The aging of America raises many questions about what's in store for future and current retirees and whether society can sustain current systems that support the retired population. Who will prosper? Who won't? Many good things are happening too, like longer life and better health. Although much of the baby boom generation will be better off than those retiring today, many face uncertain prospects. Especially vulnerable are divorced women, single mothers, never-married men, high school dropouts, and lower-income African Americans and Hispanics. Even Social Security—which tends to equalize the distribution of retirement income by paying low-income people more than they put in and wealthier contributors less—may not make them financially secure.

Uncertainty about whether workers today are saving enough for retirement further complicates the outlook. New trends in employment, employer-sponsored pensions, and health insurance influence retirement decisions and financial security at older ages. And, the sheer number of reform proposals, such as personal retirement accounts to augment traditional Social Security or changes in the Medicare eligibility age, makes solid analyses imperative.

Urban Institute researchers assess how current retirement policies, demographic trends, and private sector practices influence older Americans' security and decisionmaking. Numerous studies and reports provide objective, nonpartisan guidance for policymakers.

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## **Executive Summary**

The year 2009 was one of the worst for workers since the Great Depression. Total nonfarm payroll employment fell by 4.7 million. The average monthly unemployment rate for men reached 10.3 percent, the highest rate since these records began in 1948. Female workers fared only slightly better. Their 2009 average monthly unemployment rate was 8.1 percent, the highest rate since 1983.

High unemployment has attracted much attention, but there has been less consideration of how older workers have fared. In past recessions unemployment has remained relatively low for older workers, whose seniority often protected them during rounds of layoffs. However, age might not protect older workers as well as it once did, because workplaces are now less regularized and labor unions are less powerful. And the 2008 stock market collapse, which wiped out trillions of dollars of retirement savings, appears to have raised fears about the affordability of retirement and discouraged many older workers from leaving the workforce.

This report describes how older workers fared in 2009. It focuses on age differences in unemployment rates (the share of the workforce that is out of work and looking for employment), labor force participation rates (the share of the population that is employed or unemployed), employment rates (the share of the population that is employed), the duration of unemployment spells, and earnings. Analyses compare 2009 outcomes with those in 2007, when unemployment fell to its lowest level after the 2001 recession. Data come from the Current Population Survey, a monthly survey of about 50,000 households that serves as the basis for the federal government's official unemployment statistics.

Unemployment rates for older workers soared in 2009, although they were even higher for younger workers. Older unemployed workers were more likely than their younger counterparts to be out of work for many months.

- On average, 1.5 million workers age 55 to 64 and 421,000 workers age 65 and older were unemployed each month in 2009, more than double the number in 2007.
- The unemployment rate reached all-time highs (since records began in 1948) for older men and women. The 2009 unemployment rate was 7.2 percent for men age 55 to 64 and 6.7 percent for men age 65 and older. For women, the 2009 unemployment rate was 6.0 percent at age 55 to 64 and 6.1 percent at age 65 and older.
- Unemployment rates were much higher at younger ages in 2009. The unemployment rate at age 35 to 44 was 7.9 percent, for example, exceeding the rate at age 55 to 61 by 18 percent and the rate at age 70 to 74 by 30 percent.
- Unemployment in 2009 was more common for men than women of all ages—including older adults—because the recession hit male-dominated industries like construction and manufacturing particularly hard. In 2009, 14.3 percent of construction workers age 55 and older and 10.9 percent of older manufacturing workers were unemployed, well above the overall 2009 unemployment rate of 6.5 percent for adults age 55 and older.
- Construction, manufacturing, trade, and professional and business services accounted for nearly two-thirds of unemployed men age 55 and older in 2009. About two-thirds of unemployed women age 55 and older in 2009 came from trade, professional and business services, health care, manufacturing, and education.
- As in past years, 2009 unemployment rates were much higher among older African Americans, Hispanics, and workers with limited education than other older workers.

Among men age 55 to 64, for example, about 11 percent of Hispanic workers and 10 percent of African American workers were unemployed, compared with 6 percent of non-Hispanic white workers. About 10 percent of female workers age 55 to 64 without high school diplomas were unemployed in 2009, compared with about 5 percent of their counterparts with college degrees.

- Older unemployed workers spent more time out of work in 2009 than their younger counterparts. More than two-fifths of out-of-work men age 62 to 69 in 2009 were unemployed for more than six months, compared with just less than one-third of out-of-work men age 35 to 44. In December 2009, nearly half of unemployed men age 55 to 61 were out of work for more than six months.

Other 2009 developments were more positive for older workers. The share of adults employed fell at age 25 to 54 but not at age 62 and older. Also, earnings for full-time workers age 65 and older grew rapidly between 2007 and 2009.

- Employment rates did not decline in 2009 for men or women age 62 and older. Between 2007 and 2009, the share of men employed grew 3 percent at ages 62 to 64 and 70 to 74. Employment rates did not change significantly for women age 62 to 74 or for men ages 65 to 69 and 75 and older.
- Rising unemployment did not reduce older adults' employment rates last year because the share participating in the labor force increased. The surge in labor force participation at older ages contributed to higher unemployment, as some participants were unable to find work, but also maintained overall employment rates.

- Older men's employment gains were concentrated among those with at least some post-high-school education. Employment rates did not increase for men with no more than a high school diploma.
- Between 2007 and 2009, earnings grew rapidly for full-time workers age 65 and older. Real median weekly earnings increased about 11 percent for men and 9 percent for women. Real earnings did not increase, however, for men age 55 to 64, and increased 3.5 percent for women age 55 to 64.

While older adults' participation rates grew between 2007 and 2009, increasing numbers of seniors also began collecting Social Security retirement benefits. In 2009, 1.3 million men and 1.9 million women age 62 and older began receiving payments, the most new awards since Social Security began paying benefits in 1940. This surge resulted partly from the growth in the age-62 population as the boomers grew older, but mostly from older Americans' increased likelihood of claiming Social Security.

Although many questions remain about how older workers fared in 2009, our early examination underscores the need to invest more in older workers, especially as aging baby boomers transform the workplace. The aging population will increase the number of workers age 55 and older by a third over the coming decade. Their numbers could grow even more rapidly if labor force participation rates continue to grow at older ages. Yet, our labor and employment policies have not kept pace. The high unemployment rate and long duration of unemployment spells among older workers in 2009 highlight the need for better workforce development programs for older workers.



## Introduction

The year 2009 was one of the worst for workers since the Great Depression. Total nonfarm payroll employment fell by 4.7 million (Bureau of Labor Statistics [BLS] 2010a). The average monthly unemployment rate for men reached 10.3 percent last year, the highest rate since the federal government began keeping these records in 1948. Female workers fared only slightly better. Their 2009 average monthly unemployment rate was 8.1 percent, the highest rate since 1983. Unemployment was even more pervasive in certain parts of the country. In Detroit, for example, 15.4 percent of workers were unemployed in 2009 (BLS 2010c).

Making matters worse, these official unemployment rates understate the share of the population not fully employed because they count only people who are not working at all but actively seeking work. They don't include Americans working part-time because they can't find full-time employment, nor those who become discouraged by the dismal job market and stop looking for work. Adding these groups raises the effective 2009 unemployment rate to 16.2 percent in 2009.<sup>1</sup>

This report describes how older workers fared in 2009. In past recessions unemployment rates have remained relatively low for older workers, whose seniority often protected them during rounds of layoffs. Recent evidence, however, suggests that age might not protect older workers as well as it once did, as workplaces become less regularized and labor unions become less powerful (Munnell et al. 2006). At the same time, the 2008 stock market collapse, which wiped out trillions of dollars of retirement savings, may have raised fears about the affordability of retirement and discouraged many older workers from leaving the workforce (Butrica, Smith, and Toder 2009).

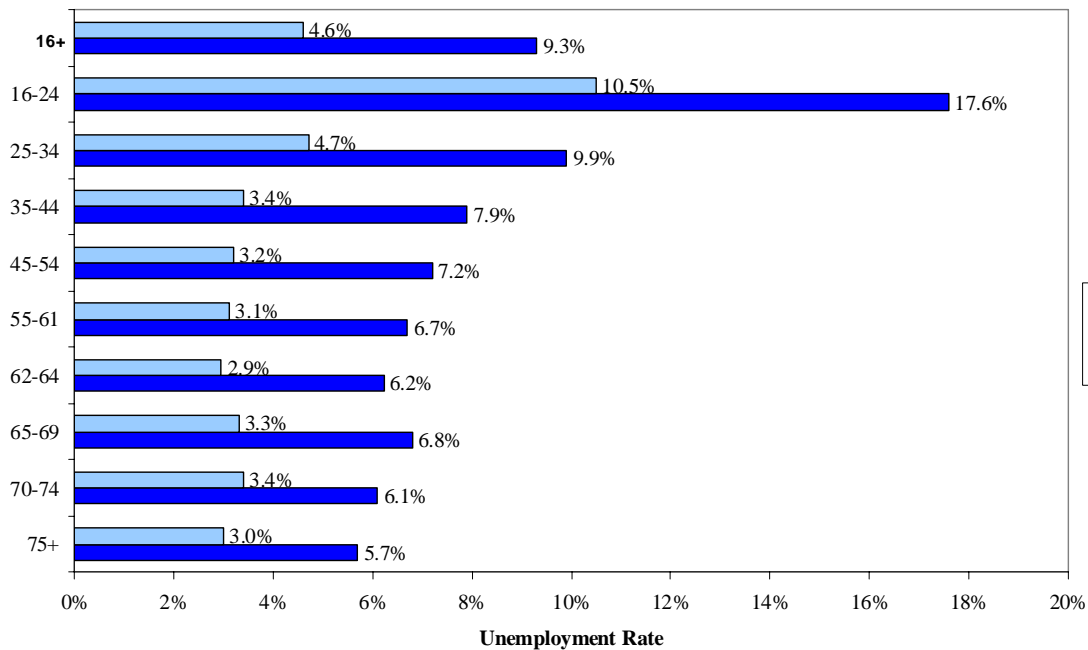
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<sup>1</sup> This estimate is based on our calculations from the Current Population Survey.

The report focuses on age differences in unemployment rates (the share of the labor force that is out of work and looking for employment), labor force participation rates (the share of the population that is employed or unemployed), employment rates (the share of the population that is employed), the duration of unemployment spells, and earnings. We compare 2009 outcomes with those in 2007, when unemployment fell to its lowest level after the 2001 recession. Data generally come from the Current Population Survey (CPS), a monthly survey of about 50,000 households conducted by the U.S. Census Bureau for BLS. It serves as the basis for the federal government's official unemployment statistics.

Although the available evidence suggests that younger workers fared worse than their older counterparts, 2009 was a very disappointing year for older workers. Unemployment rates reached record highs for men and women age 55 and older. Older African Americans, Hispanics, and adults with limited education were especially likely to find themselves unemployed. Older adults who lost their jobs spent more time out of work than their younger counterparts. There were some encouraging developments: men age 62 and older were more likely to be employed in 2009 than 2007 as many older adults stayed in the labor force, and earnings for workers age 65 and older grew substantially. However, employment gains for older men were concentrated among those with at least some college. Those with no more than a high school diploma did not fare as well. And employment rates fell for adults age 55 to 61. Labor market outcomes in 2009 underscore the need to invest more in older workers, especially as the workforce ages and people strive to work longer.

**Figure 1. Average Monthly Unemployment Rates by Detailed Age, 2007 and 2009**



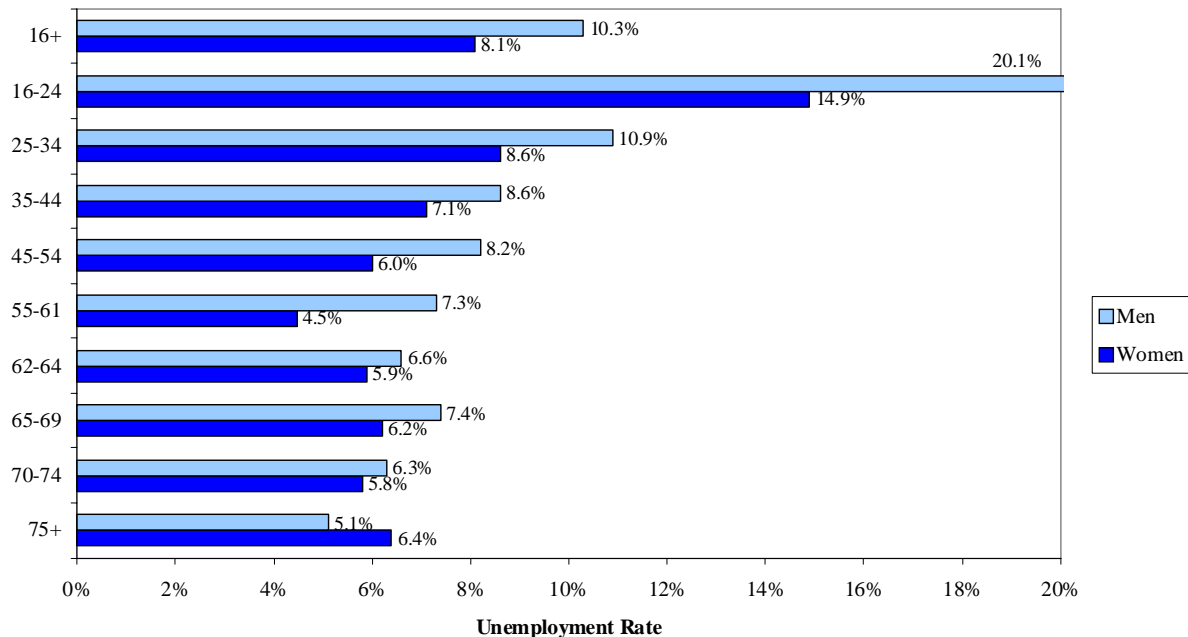
Source: Authors' estimates from BLS (2010b).

Note: The unemployment rate is the number of adults who are out of work and actively seeking employment, divided by the number of adults in the labor force (employed and unemployed).

## Unemployment Rates by Age

On average, 14.3 million Americans were unemployed each month in 2009, up from 7.1 million in 2007 (BLS 2010b). The unemployed population last year included 1.5 million workers age 55 to 64 and 421,000 workers age 65 and older, more than double the number in 2007. The 2009 average monthly unemployment rate for adults age 16 and older was 9.3 percent, about double the 4.6 percent rate in 2007 (figure 1). As in previous years, the unemployment rate was much higher among the youngest workers, with 17.6 percent of those age 16 to 24 out of work and looking for employment in 2009. Even in good times, unemployment is high at young ages because younger adults generally have less education and experience than their older

**Figure 2. Average Monthly Unemployment Rates for Men and Women by Age, 2009**



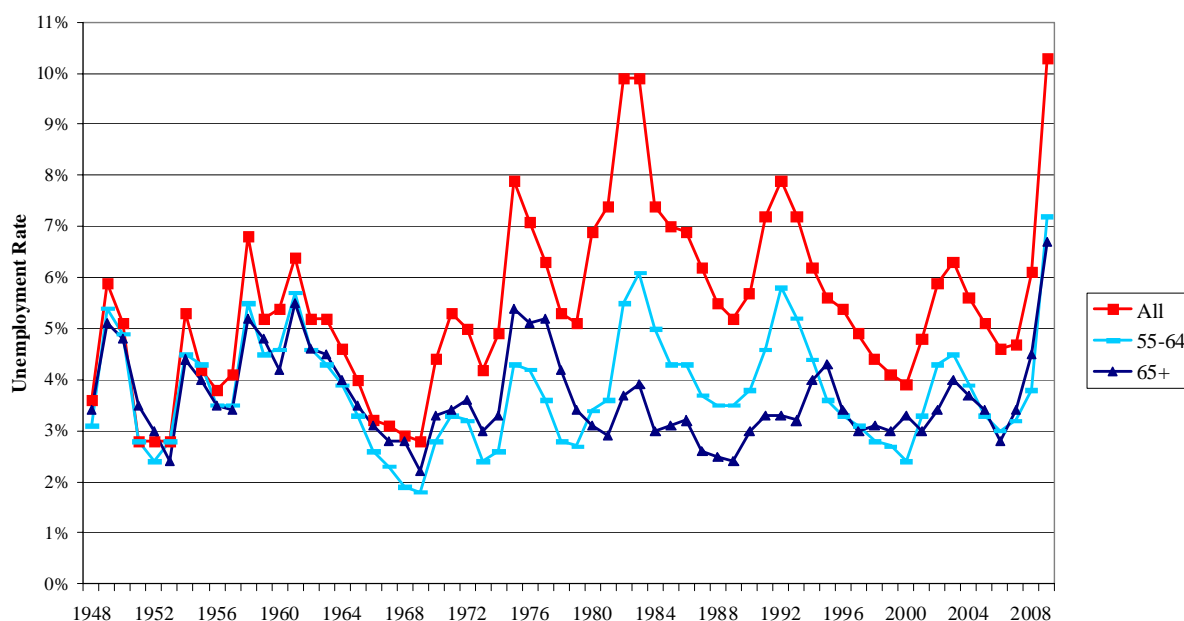
counterparts, making them less attractive to employers.<sup>2</sup> When jobs were plentiful in 2007, the unemployment rate did not vary much by age for workers past their mid-thirties. In 2009, however, when jobs were scarce, unemployment declined steadily with age.<sup>3</sup> The unemployment rate at age 35 to 44 exceeded the rate at age 55 to 61 by 18 percent (or 1.2 percentage points) and the rate at age 70 to 74 by 30 percent (or 1.8 percentage points).

Men had more trouble finding jobs last year than women. On average, 8.5 million men were unemployed each month in 2009, and their average monthly unemployment rate reached 10.3 percent (BLS 2010b). By contrast, 4.8 million women were unemployed, translating into an

<sup>2</sup> According to our calculations from U.S. Census Bureau (2008), for example, 21 percent of workers age 16 to 24 in 2007 lacked a high school diploma, compared with only 12 percent of those age 25 to 54. College graduates made up 9 percent of workers age 16 to 24 and 31 percent of those age 25 to 54.

<sup>3</sup> The one exception is that the unemployment rate was 0.6 percentage points higher for adults age 65 to 69 than for those age 62 to 64.

*Figure 3. Average Monthly Unemployment Rates for Men by Age, 1948-2009*



Source: Authors' estimates from BLS (2010b).

Note: The unemployment rate is the number of adults who are out of work and actively seeking employment, divided by the number of adults in the labor force (employed and unemployed).

average unemployment rate of 8.1 percent. Figure 2 compares 2009 unemployment rates for men and women by age. At every age we examined except for the 75 and older group, unemployment rates were higher for men than women. Differences were larger at younger ages than older ages.

The 2009 labor market was worse for men of all ages than it had been for decades. Within the 16 to 24 age group, the 65 and older age group, and every 10-year age group in between, men's average monthly unemployment rate was higher in 2009 than any year since 1948, when records began. Middle-aged men were hit particularly hard by the recession. The unemployment rate for men age 45 to 54 soared to 9.0 percent, an increase of 20 percent (or 1.5 percentage points) above the previous high, set in 1983.

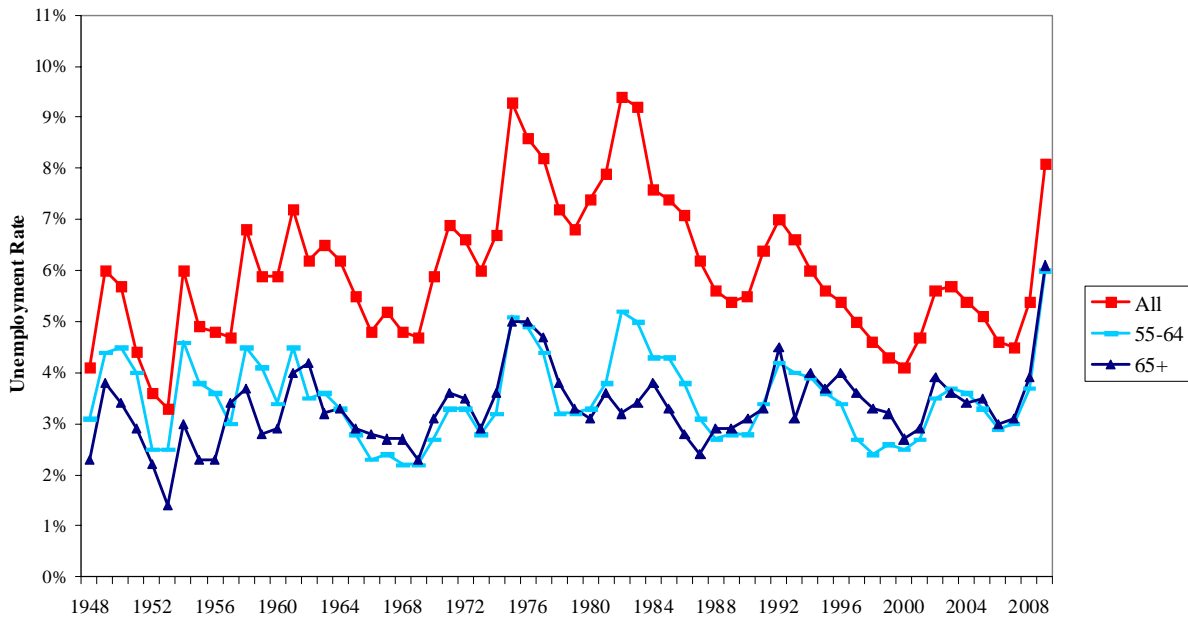
Figure 3 shows annual male unemployment rates from 1948 to 2009 for all men age 16 and older and for those ages 55 to 64 and 65 and older. Before 2009, the overall male

unemployment rate peaked in 1982 and 1983 at 9.9 percent, the only years in which it surpassed 8 percent. Last year's 10.3 percent unemployment rate exceeded the 1983 record by 4 percent. The 2009 unemployment rate exceeded previous records by even more for older men. Last year's rate was 7.2 percent for men age 55 to 64, 18 percent higher than the previous 1983 high, and 6.7 percent for men age 65 and older, 22 percent more than the previous high of 5.5 percent, set in 1961. Although older men were less likely to find themselves unemployed than their younger counterparts, their 2009 unemployment rates were much higher than they had ever been over the past six decades.

Single-month unemployment records were also set for middle-aged and older men in December 2009. Before 2009, the highest monthly male unemployment rate reached 8.9 percent at age 35 to 44 and 8.0 percent at age 45 to 54, both in the first quarter of 1983. In 2009, however, the monthly unemployment rate for men age 35 to 44 exceeded these post–World War II highs four times, peaking at 9.4 percent in December. The monthly rate for men age 45 to 54 surpassed the 1983 high seven times last year, reaching 9.5 percent in December. The monthly unemployment rate hit record highs of 8.2 percent for men age 55 to 64 and 8.1 percent for men age 65 and older in the final month of 2009. These rates exceeded pre-2009 highs set in 1950 (for men age 55 to 64) and 1977 (for those age 65 and older).

Although women's overall unemployment rate of 8.1 percent did not set any records in 2009, it was the highest since 1983's 9.2 percent rate and the sixth highest annual rate since 1948 (figure 4). (The unemployment rate for women peaked in 1982 at 9.4 percent.) Older women's unemployment reached new highs last year, however. In 2009, the unemployment rate was 6.0 percent for women age 55 to 64, surpassing the previous high set in 1982 by 15 percent. For women age 65 and older, the 2009 unemployment rate stood at 6.1 percent, 22 percent higher

**Figure 4. Average Monthly Unemployment Rates for Women by Age, 1948-2009**



Source: Authors' estimates from BLS (2010b).

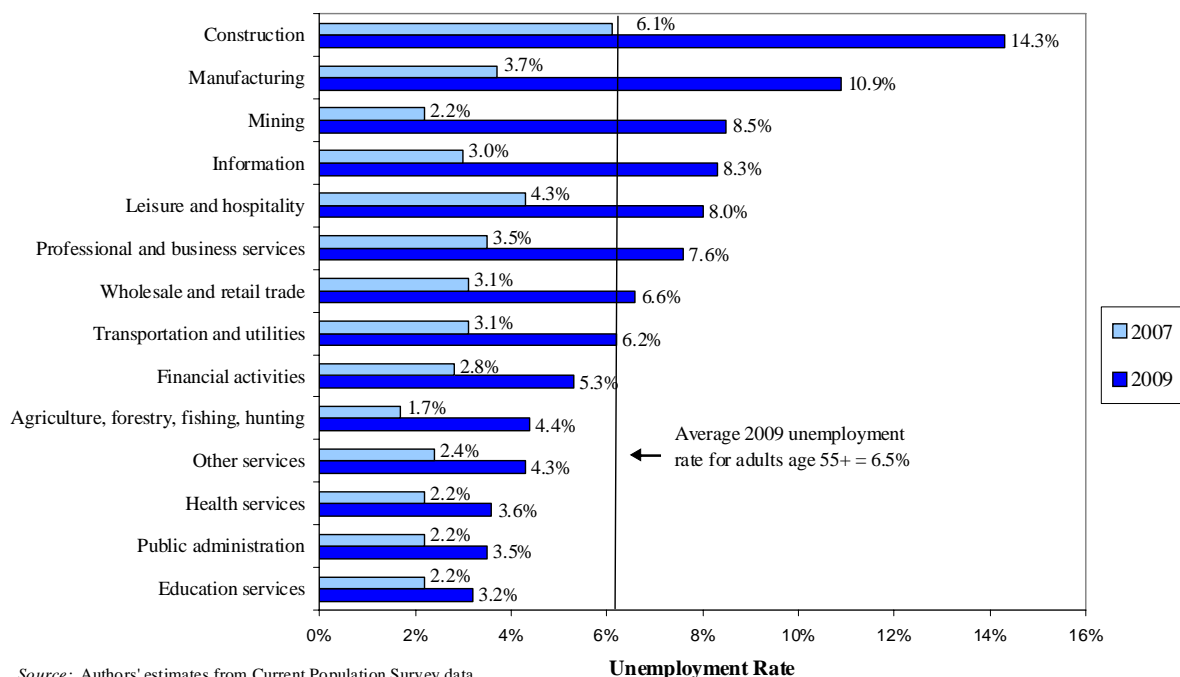
Note: The unemployment rate is the number of adults who are out of work and actively seeking employment, divided by the number of adults in the labor force (employed and unemployed).

than the previous record set in 1975 and equaled in 1976. Single-month unemployment rates also hit new highs for older women in July 2009, reaching 7.1 percent at age 55 to 64 and 7.3 percent at age 65 and older.

## Industry and Demographic Differences in Old-Age Unemployment

Unemployment in 2009 was more common for men than women of all ages—including older adults—because the recession hit male-dominated industries like construction and manufacturing particularly hard. Figure 5 shows average 2007 and 2009 unemployment rates by industry for workers age 55 and older. Unemployment among older workers grew in all industries, but percentage point increases were largest in construction and manufacturing. In 2009, 14.3 percent of older construction workers and 10.9 percent of older manufacturing workers were

**Figure 5. Average Unemployment Rates for Adults Age 55 and Older by Industry, 2007 and 2009**



unemployed, well above the overall 2009 unemployment rate of 6.5 percent for adults age 55 and older. Unemployment rates were also substantially above average for older workers in mining, information (which includes telecommunications, data processing, publishing, broadcasting, motion pictures, and other information services), leisure and hospitality, and professional and business services. In 2009, men accounted for 88 percent of older workers in construction, 86 percent in mining, and 70 percent in manufacturing. Unemployment was well below average in education, health, and government. Women made up about three-fourths of older adults working in health and two-thirds of those working in education.

The number of unemployed workers in each industry depends on the industry's unemployment rate as well as its size. Because of their high unemployment rates, construction accounted for 22 percent of unemployed older men in 2009 and manufacturing accounted for



another 22 percent. By contrast, only 10 percent of *employed* older men worked in construction, and 13 percent worked in manufacturing. Because of their large size, wholesale and retail trade accounted for 12 percent of unemployed older men and professional and business services accounted for 11 percent, slightly less than the shares of employed men in these industries. Combined, construction, manufacturing, trade, and professional and business services accounted for nearly two-thirds of unemployed men age 55 and older last year.

About two-thirds of unemployed women age 55 and older in 2009 came from trade, professional and business services, health care, manufacturing, and education. Trade accounted for 16 percent of unemployed older women and professional and business services accounted for 15 percent. Manufacturing accounted for 14 percent of unemployed older women, but only 6 percent of employed older women. Another 14 percent of unemployed older women came from health care, which employed 23 percent of all older women with jobs. Only 9 percent of unemployed older women had worked in education, compared with 17 percent of employed women.

As in past years, 2009 unemployment rates were much higher among older African Americans, Hispanics, and workers with limited education than other older workers (table 1). Among men age 55 to 64, about 11 percent of Hispanic workers and 10 percent of African American workers were unemployed, compared with 6 percent of non-Hispanic white workers. The unemployment rate for Hispanic men in this age group nearly tripled between 2007 and 2009. At age 65 and older, 2009 male unemployment rates reached about 11 percent for African Americans, 8 percent for Hispanics, and 6 percent for non-Hispanic whites. About 12 percent of male workers age 55 to 64 who did not complete high school were unemployed in 2009, compared with about 5 percent of college graduates. Unemployment did not vary with education

*Table 1. Average Monthly Unemployment Rates for Older Men and Women by Education and Race and Ethnicity, 2007 and 2009 (%)*

	<b>Age 55–64</b>		<b>Age 65 and Older</b>	
	<b>2007</b>	<b>2009</b>	<b>2007</b>	<b>2009</b>
<b>MEN</b>				
<b>Education</b>				
Did not complete high school	5.1	12.1	6.2	8.6
High school graduate	3.7	8.6	2.8	7.1
Some college	3.5	7.4	3.9	7.9
Four or more years of college	2.2	4.7	2.5	4.9
<b>Race and Ethnicity</b>				
Non-Hispanic white	2.9	6.3	3.1	6.1
African-American	5.2	9.7	5.0	10.6
Hispanic	3.9	11.4	5.5	7.8
<b>WOMEN</b>				
<b>Education</b>				
Did not complete high school	5.5	9.9	2.8	7.3
High school graduate	3.0	6.1	3.2	5.6
Some college	3.2	6.9	3.5	7.4
Four or more years of college	2.2	4.5	2.7	5.2
<b>Race and Ethnicity</b>				
Non-Hispanic white	2.7	5.6	3.1	5.9
African-American	3.6	7.1	4.0	5.7
Hispanic	5.2	8.7	4.0	8.6

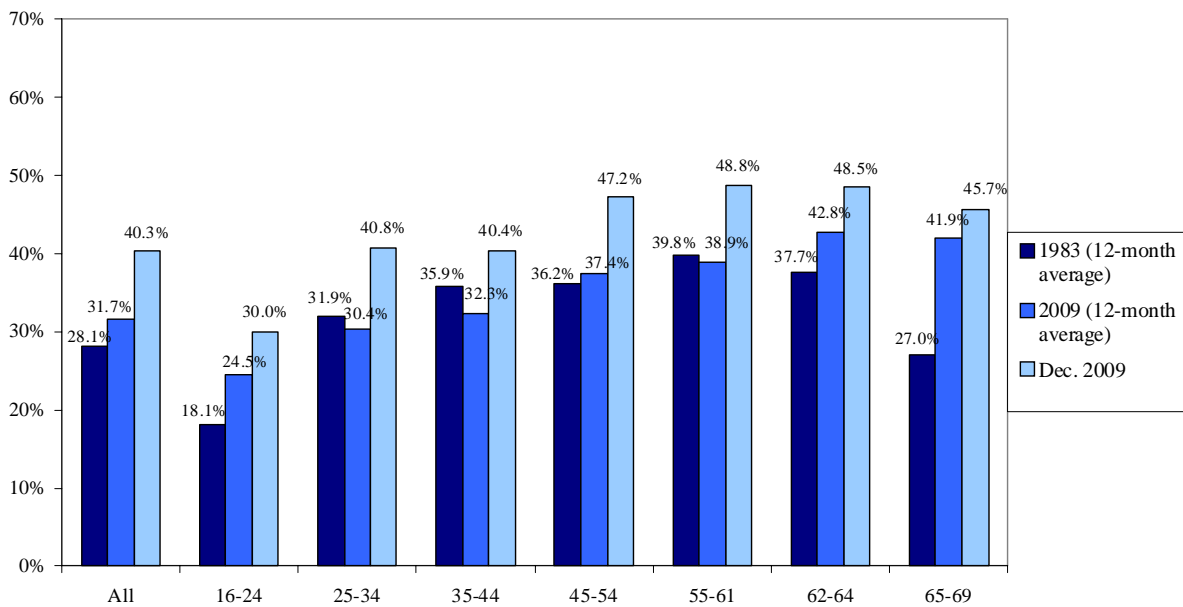
*Source:* Authors' computations from the Current Population Survey.

*Note:* The unemployment rate is the number of adults who are out of work and actively seeking employment, divided by the number of adults in the labor force (employed and unemployed). All 2009 estimates differ significantly ( $p < .05$ ) from 2007 estimates.

as much for workers beyond age 65 as for those a few years younger. The unemployment rate for men age 65 and older who did not complete high school reached only 8.6 percent in 2009, an increase of only 2.4 percentage points since 2007.

Patterns are similar for older women, although the differences by race and ethnicity and education were less pronounced than for men. For example, the unemployment rate for Hispanic women age 55 to 64 reached about 9 percent in 2009, 2 percentage points less than the

**Figure 6. Percentage of Unemployed Men out of Work for More than Six Months by Age, 1983 and 2009**



Source: Authors' calculations from Current Population Survey data.

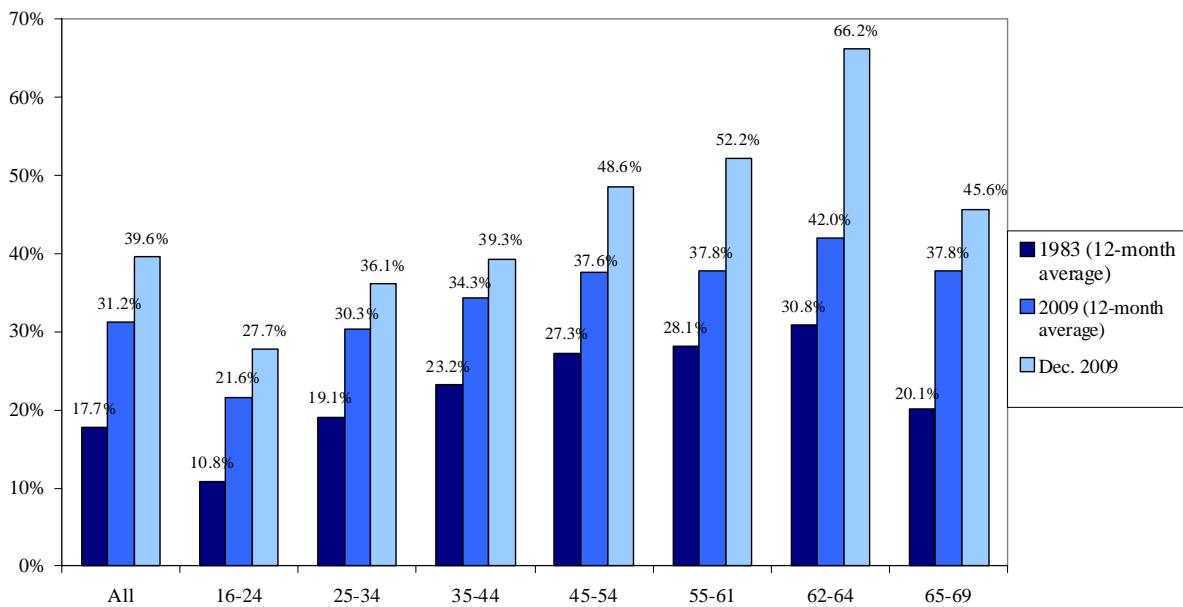
Note: Unemployed workers include only those who are out of work and actively seeking employment.

corresponding rate for men. About 10 percent of female workers age 55 to 64 without high school diplomas were unemployed last year, compared with about 5 percent of their counterparts with college degrees.

## Unemployment Duration

As the ranks of the unemployed soared last year, unemployed workers were spending more time out of work than in previous recessions. In 2009, 31.7 percent of unemployed men were out of work for more than six months, compared with 28.1 percent in 1983 when overall unemployment peaked (figure 6). Long-term unemployment increased throughout 2009. In December 2009, about two-fifths of unemployed men were looking for work for more than six months, substantially higher than the average for all of 2009.

**Figure 7. Percentage of Unemployed Women out of Work for More than Six Months by Age, 1983 and 2009**



Source: Authors' calculations from Current Population Survey data.

Note: Unemployed workers include only those who are out of work and actively seeking employment.

In both 1983 and 2009, older unemployed men were more likely than their younger counterparts to be out of work for more than six months, but the differences were particularly striking last year. More than two-fifths of out-of-work men age 62 to 69 in 2009 were unemployed for more than six months, compared with just less than a third of out-of-work men age 35 to 44. In December 2009, nearly half (48.8 percent) of unemployed men age 55 to 61 were out of work for more than six months.

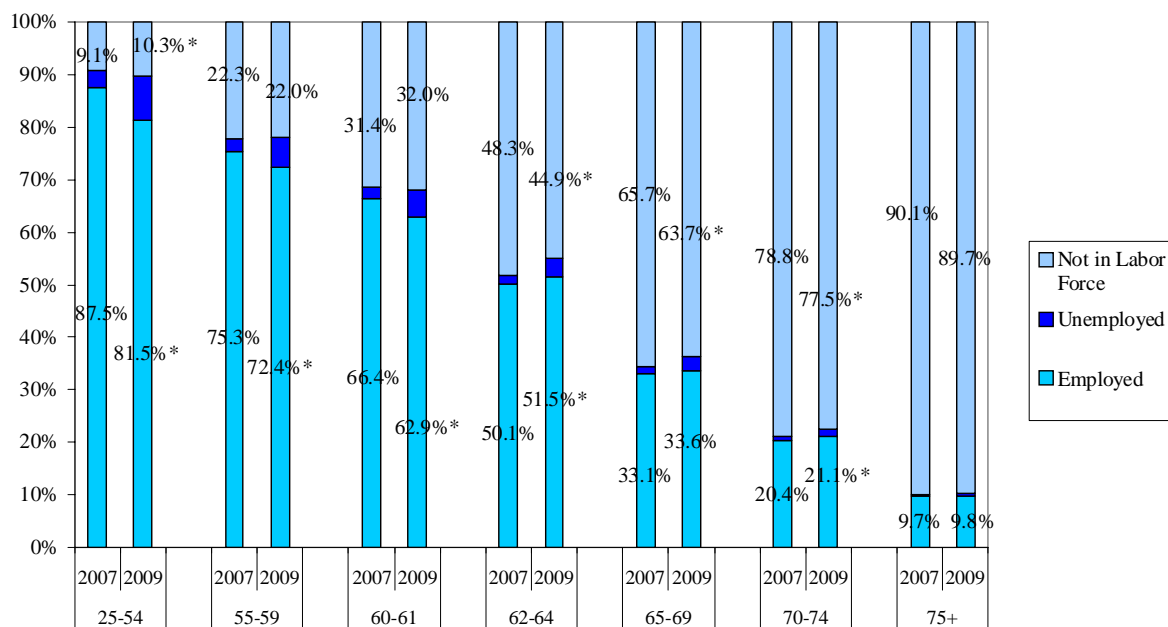
Unlike in 1983, last year unemployed women were about as likely as unemployed men to spend many months looking for work. About 31 percent of unemployed women spent more than six months out of work in 2009, up from 18 percent in 1983 (figure 7). As with men, older unemployed women were more likely to have spent more than six months looking for work than younger unemployed women, especially at the end of last year. About half of unemployed

women age 55 to 61 and about two-thirds of those age 62 to 64 spent more than six months out of work in December 2009.

Several factors might account for older workers' relatively long unemployment spells, and it's not clear which explanation is most important. Some research indicates that employers are less likely to hire older job applicants than younger applicants (Lahey 2008). Reluctance to hire older workers might stem from perceptions that older workers are more expensive than younger workers, that they will soon retire (giving employers little time to recoup hiring and training costs), or that they are less productive (perhaps because they lack the stamina necessary for physically demanding work or they lack the latest skills necessary for high-tech jobs). Age discrimination might also play a role in hiring decisions. In the 12 months ending September 30, 2009, 22,778 age discrimination claims were filed with the Equal Employment Opportunity Commission (EEOC), nearly one-fifth more than in 2007 (although down from the record 24,582 claims filed in 2008) (EEOC 2010).

Age-related differences in job search behavior may also partly explain why older unemployed adults spend more time out of work than their younger counterparts. Older people may be able to afford to search longer for appealing job offers. For example, older adults tend to be wealthier than younger adults and are less likely to have to support young children. Also, as discussed later, some unemployed people age 62 and older use Social Security to supplement their incomes. Alternatively, older people may spend more time unemployed than younger people because they may be less effective job searchers. Some older adults, for example, may be unfamiliar with online recruiting techniques. Older unemployed workers are also less likely to receive training services from federally funded One Stop Career Centers, which might limit their employment opportunities. In 2006, only 11 percent of One Stop clients age 55 and older

**Figure 8. Labor Force Status of Men by Age, 2007 and 2009**



Source: Authors' calculations from BLS (2010).

Note: The figure shows the percentage of civilian noninstitutionalized men employed, unemployed, and outside the labor force in 2007 and 2009. An asterisk indicates that the 2009 estimate differs significantly ( $p < .05$ ) from the corresponding 2007 estimate.

received training services, compared with 21 percent of clients overall (Employment and Training Administration 2010).

## Labor Force Participation Rates

While unemployment rates reached record highs for older adults in 2009, the share of seniors employed increased between 2007 and 2009 as more older adults remained in the labor force.

Figure 8 shows how the percentage of men employed, unemployed, and not participating in the labor force varied by age in 2007 and 2009. The percentage of men age 62 and older that were employed increased modestly over the period. The share of the civilian noninstitutionalized population that was employed grew 3 percent (or 1.4 percentage points) at age 62 to 64 and 3

percent (or 0.7 percentage points) at age 70 to 74.<sup>4</sup> (The observed increase in employment rates at ages 65 to 69 and 75 and older were not statistically significant.) Labor force participation rates grew even more rapidly over the period, increasing 7 percent (or 3.4 percentage points) at age 62 to 64, 6 percent (or 2.0 percentage points) at age 65 to 69, and 6 percent (or 1.3 percentage points) at age 70 to 74.

The increased employment and participation rates among older men are particularly striking when compared with the reduced rates among men younger than 62. Between 2007 and 2009, employment rates declined 7 percent at age 25 to 54, 4 percent at age 55 to 59, and 5 percent at age 60 to 61. Labor force participation rates fell slightly over the period for men younger than 62.

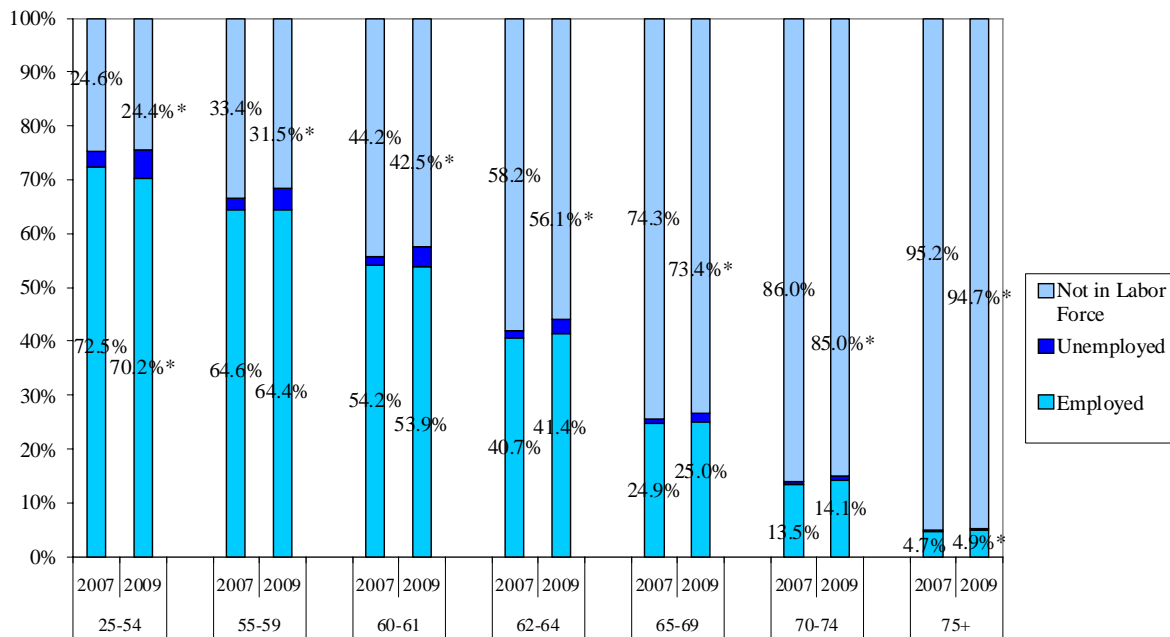
Older women's labor force participation also increased between 2007 and 2009, growing 5 percent at age 62 to 64, 4 percent at ages 65 to 69, 7 percent at age 70 to 74, and 10 percent at age 75 and older (figure 9). The share of women employed did not increase significantly over the period, except at age 75 and older. Employment rates fell at younger ages, but participation rates increased. It's not unusual for women's labor force participation rates to increase during recessions (Lundberg 1985). When their husbands lose their jobs, married women often enter the labor force to help offset lost family income.

The recent increase in male labor force participation and employment at older ages was concentrated among men who had at least some post-high-school education. Table 2 shows how labor force participation rates and employment rates varied by education for men and women age 62 to 69. Between 2007 and 2009, participation rates increased 10 percent for men who attended college but did not earn a Bachelor's degree and 4 percent for men with a Bachelor's degree. By

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<sup>4</sup> Most old-age employment growth occurred in 2008. As overall employment plummeted last year, employment rates declined slightly between 2008 and 2009 at ages 65 to 69 and 75 and older, and remained essentially unchanged at ages 62 to 64 and 70 to 74.

**Figure 9. Labor Force Status of Women by Age, 2007 and 2009**



Source: Authors' calculations from BLS (2010).

Note: The figure shows the percentage of civilian noninstitutionalized women employed, unemployed, and outside the labor force in 2007 and 2009. An asterisk indicates that the 2009 estimate differs significantly ( $p < .05$ ) from the corresponding 2007 estimate.

contrast, participation rates did not increase significantly for older men who never attended college. Employment rates grew for men who attended college and fell for those who did not. For women, however, participation and employment rates increased most for those who did not complete high school. College graduates also experienced substantial gains in participation and employment. Rates fell or increased insignificantly for high school graduates and women with less than four years of college education.

Last year's gains in older adults' labor force participation rates continue a nearly two-decade trend. Between 1993 and 2009, participation rates at age 62 to 74 increased 39 percent for men and 66 percent for women (Johnson and Kaminski 2010), after declining for much of the twentieth century. In 2009, 15.3 million men and 13.7 million women age 55 and older



*Table 2. Labor Force Participation Rates and Employment Rates for Men and Women  
Age 62–69 by Education, 2007 and 2009 (%)*

	Participation Rate		Employment Rate	
	2007	2009	2007	2009
<b>MEN</b>				
Did not complete high school	28.3	29.2	26.8	26.1
High school graduate	36.8	37.6	35.4	34.6
Some college	40.2	44.2*	38.9	40.7*
Four or more years of college	53.7	56.0*	52.3	53.3
<b>WOMEN</b>				
Did not complete high school	17.0	19.4*	16.4	17.9*
High school graduate	31.1	30.3	30.3	28.8*
Some college	36.8	37.8	35.6	34.9
Four or more years of college	41.7	44.2*	40.6	41.9*

*Source:* Authors' computations from the Current Population Survey.

*Note:* The labor force participation rate is the number of adults employed or unemployed, divided by the civilian noninstitutionalized population. The employment rate is the number of adults employed, divided by the civilian noninstitutionalized population. An asterisk indicates that the 2009 estimate differs significantly ( $p < .05$ ) from the corresponding 2007 estimate.

participated in the labor force. Together, they accounted for 19 percent of the labor force, the highest share since BLS began tracking age-specific participation rates in 1948.

Recent growth was fueled by increased work incentives, improved health, and heightened concerns about the affordability of retirement. Traditional employer-sponsored pension plans that usually encourage early retirement because they fail to reward work at older ages have mostly disappeared in the private sector in favor of age-neutral 401(k)-type plans. Employer-sponsored retiree health plans are also disappearing, raising the cost of retiring before Medicare eligibility begins at age 65. Recent Social Security reforms that increased the full retirement age, eliminated the earnings test for workers past the full retirement age, and boosted credits for those who delay retirement also increased incentives to work longer (Song and Manchester 2009).

The 2008 stock market collapse may also have boosted participation rates at older ages. Retirement accounts lost \$2.7 trillion between September 2007 and March 2009, about one-third of their pre-crash value (Butrica and Issa 2010). Although retirement accounts recouped about two-thirds of those losses by the end of 2009, the decline in retirement wealth may have discouraged some older workers from retiring and prompted some retirees to return to work, especially well-educated older adults. Those with limited education probably did not lose much wealth when equity values declined because few had substantial retirement accounts. They may have been hit harder by the recent drop in housing prices, which fell 10 percent nationally between the third quarters of 2007 and 2009 (Federal Housing Finance Agency 2009).<sup>5</sup> The data necessary to verify older people's response to the 2008 stock market collapse and erosion in housing prices are not yet available, however.

## **Social Security Benefit Receipt**

While older adults' participation rates grew between 2007 and 2009, increasing numbers of seniors also began collecting Social Security retirement benefits. In 2009, 1.3 million men and 1.9 million women age 62 and older began receiving payments, the most new awards since Social Security began paying benefits in 1940 (Johnson and Mommaerts 2010a). This surge resulted partly from the growth in the age-62 population as the boomers grew older, but mostly from older Americans' increased likelihood of claiming Social Security. The retirement benefit take-up rate—defined as the number of new retirement awards in a given year divided by the number of adults age 62 and older who had not yet begun collecting benefits at the start of the year—reached 25.8 percent for men in 2009, up from 22.7 percent in 2008 and 21.2 percent in

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<sup>5</sup> Housing prices fell much more sharply in certain parts of the country. For example, between the third quarters of 2007 and 2009, housing prices fell 32 percent in California and Florida and 44 percent in Nevada (Federal Housing Finance Agency 2009).

2007. For women, the take-up rate reached 36.6 percent in 2009, up from 34.8 percent in 2008 and 32.9 percent in 2007.

This trend seems at odds with the growth in labor force participation rates at older ages, since old-age Social Security benefits are designed for retirees, not workers. Social Security recipients may work, but the retirement earnings test reduces their benefits by \$1 for every \$2 they earn above a certain amount if they have not yet reached the full Social Security retirement age of 66.<sup>6</sup> Some adults age 62 and older may collect Social Security while looking for work. If employed, those younger than 66 might choose to work only part-time, keeping their earnings low enough so that the retirement earnings test does not reduce their benefits. Or, they might choose to earn more, reducing their benefits or foregoing them altogether. Such benefit cuts will not necessarily reduce older workers' lifetime Social Security benefits, because their monthly payments will be recomputed at a higher level once they stop working. More research is needed to understand how older adults combine Social Security with work and how work patterns for beneficiaries have changed over time.

## **Earnings**

Real earnings for full-time workers of all ages grew modestly between 2007 and 2009.

Expressed in constant 2009 dollars (as measured by the consumer price index), median usual weekly earnings increased 3.3 percent (from \$793 to \$819) for men and 3.5 percent (from \$635 to \$657) for women (table 3). Median weekly earnings grew more slowly earlier in the decade.

During the seven-year period from 2000 to 2007, median earnings for full-workers increased just

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<sup>6</sup> The work penalty for beneficiaries who have reached the full retirement age was repealed in 2000. In 2010, beneficiaries subject to the retirement earnings test may earn up to \$14,160 without any reduction in benefits.

*Table 3. Real Median Usual Weekly Earnings for Full-Time Workers by Age and Sex, 2007 and 2009*

	2007 (\$)	2009 (\$)	Percent Increase
Men			
All	793	819	3.3
16–24	458	458	0.0
25–34	711	715	0.6
35–44	903	916	1.4
45–54	941	967	2.8
55–64	965	965	0.0
65 and older	710	791	11.4
Women			
All	635	657	3.5
16–24	423	424	0.2
25–34	618	634	2.6
35–44	691	709	2.6
45–54	700	712	1.7
55–64	703	727	3.4
65 and older	553	602	8.9

*Source:* Authors' estimates from BLS (2010d).

*Note:* Estimates exclude self-employed workers. Financial amounts are expressed in constant 2009 dollars, as adjusted by the change in the consumer price index.

3.6 percent in real terms for women and failed to keep pace with inflation for men, falling 1 percent in real terms.<sup>7</sup>

Since 2007, earnings have grown especially rapidly for older workers. Between 2007 and 2009, real median weekly earnings increased about 11 percent for men age 65 and older employed full time and 9 percent for their female counterparts. Real earnings growth was flat for men age 55 to 64 and reached 3.5 percent for women age 55 to 64. However, men and women age 65 and older continued to earn less than younger workers. In 2009, median full-time weekly earnings for men age 65 and older were 18 percent lower than median earnings for men age 45 to

<sup>7</sup> These estimates are based on our estimates from BLS (2010d).

54. For women, full-time workers age 65 and older earned 15 percent less than their counterparts age 45 to 54. The earnings gap between older and younger workers doesn't necessarily mean that older workers are underpaid. Many workers change occupations as they approach retirement, downshifting into lower-paying jobs that are less demanding than their career occupations (Johnson, Kawachi, and Lewis 2009.)

## **Conclusions**

The 2009 economic downturn that pushed up unemployment rates did not spare older workers. As in previous recessions, younger workers were more likely to be unemployed last year than older workers. What makes the current downturn unusual, however, is that unemployment increased substantially for older adults. Last year unemployment rates at ages 55 to 64 and 65 and older reached their highest levels for both men and women since these records began in 1948. Older unemployed workers were more likely than their younger counterparts to spend many months out of work. In December 2009, for example, about half of unemployed men and women age 55 to 61 spent more than six months out of work.

There were some encouraging developments for older workers in 2009. Despite the increase in unemployment, adults age 62 and older were no less likely to be employed in 2009 than in 2007. For men age 62 to 64 and those age 70 to 74, employment rates increased significantly between 2007 and 2009. Rising unemployment did not reduce older adults' employment rates last year because the share participating in the labor force increased. The surge in labor force participation at older ages contributed to higher unemployment, as some participants were unable to find work, but also maintained overall employment rates. Real

median earnings were also substantially higher in 2009 than in 2007 for workers age 65 and older.

Many workers age 62 and older turn to Social Security retirement benefits when they lose their jobs, a safety net that is not available to younger workers. Record numbers of older Americans began collecting Social Security benefits in 2009 as the labor market weakened. Collecting Social Security early is not an ideal solution to high unemployment, because retirees who claim benefits before Social Security's full retirement age—now 66—generally receive reduced monthly benefits for the rest of their lives, potentially leaving them with insufficient income at older ages when out-of-pocket health care costs mount (Johnson and Mommaerts 2010b). Despite the long-term cost, however, early Social Security benefits provide a lifeline for eligible older adults who can't find work.

For workers age 55 to 61—too young to qualify for Social Security retirement benefits—2009 was particularly disappointing. Employment rates declined significantly for men, and real median full-time earnings were no higher in 2009 than in 2007 for those age 55 to 64. Many adults in their late fifties and early sixties also face health problems that prevent them from working and often lead to poverty (Johnson, Favreault, and Mommaerts 2010).

Many questions remain about how older workers fared in 2009. For example, why did old-age unemployment increase more sharply in this recession than in previous downturns? Did heightened concerns about retirement income security, driven by declining housing prices and the stock market crash, lead to the recent surge in labor force participation at older ages? Have many retirees returned to work, or have older workers delayed retirement? How often do seniors combine work with Social Security, or use Social Security retirement benefits to supplement unemployment insurance benefits? Why do older unemployed workers generally spend more

time out of work than their younger counterparts? How do labor market outcomes vary by education, race and ethnicity, and health status? Researchers may begin to tackle these questions as better data become available in coming months.

Our examination of current data underscores the need to invest more in older workers, especially as aging baby boomers transform the workplace. The aging population will increase the number of workers age 55 and older by a third over the coming decade. Their numbers could grow even more rapidly if labor force participation rates continue to grow at older ages. Yet, our labor and employment policies have not kept pace. The high unemployment rate and long duration of unemployment spells among older workers in 2009 highlight the need for better workforce development programs for older workers. Between 1979 and 2008, employment and training services funded by the U.S. Department of Labor fell by nearly 70 percent in inflation-adjusted dollars (Holzer 2008), while the labor force grew by nearly 50 percent (BLS 2010b). The problem isn't only inadequate funding. Employment and training services are not targeted to older workers, who are less likely to use them than younger workers (General Accounting Office 2003). We also need better accommodations for workers with disabilities, more flexible work arrangements—such as part-time employment, variable work schedules, and telecommuting—and better opportunities for occupational downshifting, so older workers can move from high-stress managerial jobs to less demanding positions as their working lives wind down. And it's important to root out the biases that many older adults still face in the workplace.

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