

Older Workers and the Recession

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Abstract

For older workers, this recession is unprecedented. Retirement expert Richard Johnson explains why and what should be done to cushion its impact on seniors who want to work. This commentary appeared in the *San Diego Union-Tribune*.

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Last week's triple dose of grim employment news stirred memories of the early 1980s. Made official on Monday, the current recession has already outlasted any downturn since 1982. Tuesday came word that San Diego's October unemployment rate edged up to 6.8 percent, outstripping the national average for the eighth straight month. Friday's sock to the solar plexus? The economy lost 533,000 jobs last month, the largest monthly decline since 1974.

It gets worse. For older workers, this recession is unprecedented. Last month, 298,000 Americans ages 65 and older were unemployed, 50 percent more than when the recession began a year ago.

During previous downturns, relatively few older Americans were counted as unemployed. Although many lost their jobs, they generally retired instead of looking for work. During the severe 1981-82 recession, seniors' unemployment rate grew by just 0.8 percentage points – only about one-fourth the increase for prime-age workers (25 to 54).

Today, however, seniors are nearly as likely as their juniors to join unemployment lines, because pink-slipped seniors can no longer afford to put their feet up. Shrinking Social Security benefits, traditional pension plans, and 401(k) balances combine with soaring health care costs to force them to keep pounding the pavement.

Workers who must start collecting Social Security today at age 65, rather than at the normal retirement age of 66, will permanently forfeit 7 percent of their monthly benefit. Premiums for Medicare Part B, which pays for doctor visits, eat up another 9 percent of Social Security benefits – triple the benefit hit in 1982.

Rising medical expenses, which consume 15 percent of older people's budgets, can also jinx retirement. And only one in three large private employers offers retiree health benefits to supplement Medicare, compared with two in three in the 1980s. Meanwhile, Medicare's new drug benefit has barely dented seniors' out-of-pocket spending.

Whipsawed by these trends, it's no surprise that three in 10 Americans ages 65 to 69 were working or job-hunting in 2007, up from two in 10 in 1982. Paychecks provided nearly one-fifth of this group's income in 2006.

The stock market shed about half its value over the past 14 months, destroying \$2.8 trillion in 401(k) and individual retirement accounts and intensifying pressure on seniors to work. Older Americans have been hit hardest because those 50 and older hold nearly three-quarters of these assets. (During the 1981-82 recession, the S&P 500 index fell by only 6 percent.)

How the stock market performs matters more to seniors than it used to. A quarter-century ago, two in five workers in the private sector had pensions that paid a guaranteed benefit throughout retirement, no matter what jolts the economy or stock market took. Today, only one in five private-sector workers does.

Adding insult to injury, slumping home values are eroding seniors' most important asset apart from Social Security and Medicare. The latest S&P/Case-Shiller home price index shows that San Diego home prices fell 26 percent between September 2007 and September 2008.

As retirement prospects dim for many seniors and employers nip severance pay and other lifelines for laid-off workers, government needs to do more. The tiny Senior Community Service Employment Program – serving

only 92,000 people nationwide in 2006 – is the only federal program specifically for unemployed older workers.

Limited help is also available through federally funded One-Stop Career Centers. These offices offer job information, skill assessments, career counseling and planning and job training to workers of all ages, but they limp along underfunded. The Government Accountability Office estimates that only about one in seven displaced workers ages 55 and older sign up for the centers' more intensive services.

California should do more to help. Other states already train career center staff on the special challenges older workers face, certify employers friendly to mature workers, develop the entrepreneurial skills of older dislocated workers, and create Web sites for older job-seekers.

It's also time for a federal stimulus package committing billions of dollars to rebuilding our crumbling infrastructure. That's a sure way to create jobs, some of them for seniors.

Budgets are tight. But investing in getting willing-and-able seniors back to work would boost the nation's output, spur spending, get the economy back on track and ease the recession's toll on our oldest workers, most of whom have done their bit for their families and the economy for decades.

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