

Can Unemployed Older Workers Find Work?

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Delaying retirement is often viewed as the surest route to financial security in old age.¹ By working longer and earning more, older workers can accumulate additional Social Security, boost savings, and shrink the period their retirement savings must fund. Employment at older ages also expands the nation's labor pool, accelerating productivity, increasing national income, and raising living standards for both workers and retirees. Yet, this strategy depends on whether older adults can find jobs. Workers 50 and older are less likely than younger workers to lose their jobs, but they take longer to find work when they become unemployed, especially in the Great Recession.

Unemployment in the Wake of the Great Recession

Although job creation and destruction help distribute resources efficiently and promote economic growth, this process can impose hardships: displaced workers forfeit wages, and being out of work takes financial, physical, and emotional tolls.

Unemployment soared in the wake of the worldwide financial crisis and the Great Recession. The economy shed 8.5 million nonfarm private-sector jobs between December 2007 (when the recession began) and December 2009 (Bureau of Labor Statistics [BLS] 2010a). Monthly male unemployment rates averaged 10.3 percent in 2009 and 10.5 percent in 2010, the highest since reliable records began in 1948 (BLS 2010b). Job prospects were only slightly better for women, whose unemployment rate averaged 8.1 percent in 2009 and 8.6 percent in 2010. And 31 percent of unemployed adults had been out of work for more than a year in the second quarter of 2010 (BLS 2010c).

Job Prospects for Older Unemployed Workers

Layoff rates are lower for older workers than younger workers. Among workers employed in wage and salary jobs in the second half of 2008, those age 50 to 61 were 34 percent less likely than those age 25 to 34 to lose their

jobs within 16 months.² Earlier research based on data from 1996 to 2007, however, showed that the protective effects of age stemmed solely from older workers' seniority (Johnson and Mommaerts 2011). When job tenure was held constant, men age 50 to 61 were significantly *more* likely to lose their jobs than men age 25 to 34.

Not surprisingly, unemployment rates are consistently lower for older workers. Annual average monthly unemployment among workers 55 or older in 2010 was 7.7 percent for men and 6.2 percent for women. Nonetheless, unemployment at age 55 and older increased sharply since 2007, when rates averaged just 3.2 percent for men and 3.0 percent for women.

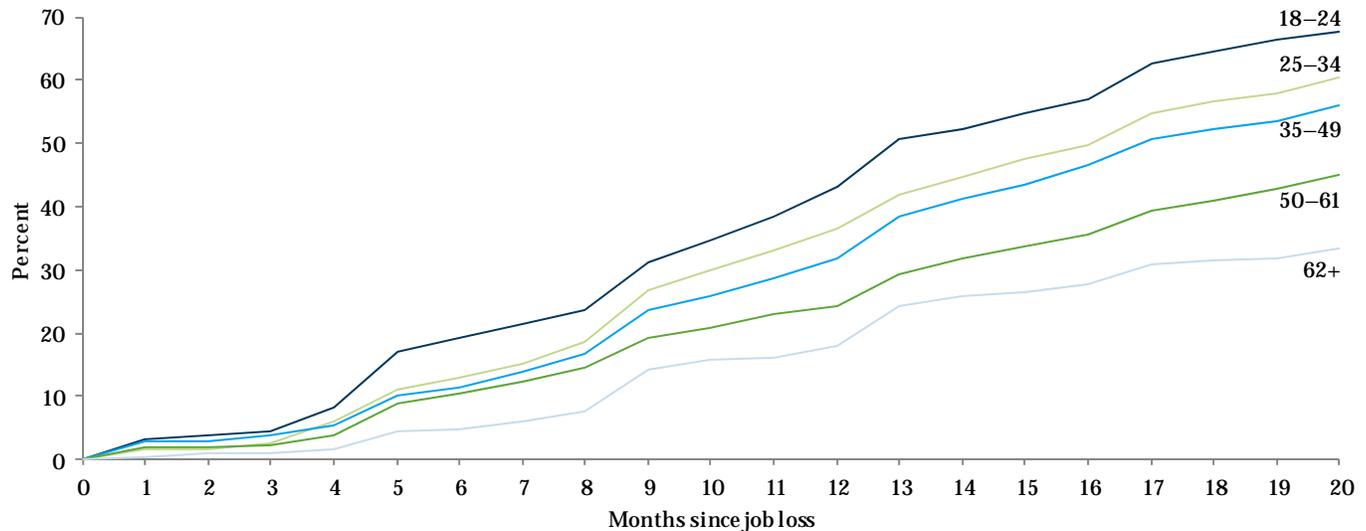
Although older workers are less likely to be laid off than their younger counterparts, those who lose their jobs take substantially longer to become reemployed. Workers age 50 to 61 who lost their jobs between mid-2008 and the end of 2009 were a third less likely than those age 25 to 34 to find work within 12 months, and those age 62 or older were only half as likely (figure 1). Reemployment was low among all age groups, however. The likelihood of finding a job within a year was only 36 percent at age 25 to 34, 24 percent at age 50 to 61, and 18 percent at age 62 and older.

Older displaced workers who find jobs must often accept deep pay cuts. For displaced men age 50 to 61 who became reemployed between 1996 and 2007, the median hourly wage fell 20 percent below the median wage on the old job (Johnson and Mommaerts 2011). For men reemployed at age 62 or older, the new median wage fell 36 percent below the old. By contrast, median wages fell only 4 percent for reemployed men age 35 to 49 and 2 percent for those 25 to 34.

Implications

The challenges facing unemployed older workers highlight the need for more training and employment services for those 50 and older. Better training could provide older workers with the tools to compete in

Figure 1. Cumulative Probability by Age of Displaced Wage and Salary Workers Becoming Reemployed, 2008 and 2009



Source: Authors' tabulations from the 2008 Survey of Income and Program Participation panel, spanning the years 2008 and 2009.

Notes: Estimates are based on a sample of 4,001 wage and salary workers age 18 or older who were displaced from their jobs. The analysis follows them from the first month they are displaced until they become reemployed, they drop out of the labor force, or the survey ends.

today's job market and the skills employers in high-growth industries demand. The U.S. Department of Labor could specifically target workforce development funds to older workers, who generally use fewer services than younger workers. The agency could also reform its performance evaluation system, which sometimes discourages staff and grantee organizations from serving older workers. Additional efforts to root out age discrimination could help level the playing field for older unemployed adults. These steps could lengthen work lives and bolster retirement security.

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Notes

- See, for example, Butrica, Smith, and Steuerle (2006) and Munnell and Sass (2008).
- Workers age 50 to 61 stood a 6.1 percent chance of losing their jobs within 16 months, compared with 9.3 percent for those 25 to 34. These estimates are based on our analysis of data from the 2008 panel of the Survey of Income and Program Participation, a nationally representative household survey conducted by the U.S. Census Bureau that follows respondents over time and collects monthly information on employment. The analysis considers job losses that result from layoff, slack work, employer bankruptcy, or the sale of a business.

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