John J. Heldrich Center for Workforce Development

research brief

Older Workers, the Great Recession, and the Impact of Long-Term Unemployment

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The Great Recession and Older Workers

December 2010 marked the three-year anniversary of the start of the Great Recession. Though technically over in June 2009, the Great Recession has left 15 million people unemployed, 2.1 million of them over age 55. In addition, the Bureau of Labor Statistics (BLS) reported that there were 1.3 million "discouraged workers" in December 2010 — individuals who no longer count as unemployed because they have given up actively searching for work, believing none is available. Workers across the demographic, educational, and income spectrums have all been affected, though men, minorities, and those with limited education have had a particularly challenging time, and male-dominated construction and manufacturing have been especially hard hit. The nation's unemployment rate has been at or above 9% for a record 20 months, and economists predict the rates will remain this high or higher throughout 2011 (Boushey, 2011).

Also breaking all records since the Great Recession began is the duration of unemployment, which is at historic highs. As of December 2010, there were 6.4 million long-term unemployed individuals who were unemployed 27 weeks or more, representing 44.3% of the unemployed (BLS, 2011). This is the highest proportion of long-term unemployment since the BLS began keeping records in 1948, and greatly exceeds the previous peak of 26%, reached in 1983 (Allegretto & Lynch, 2010). In fact, as a result of what it calls "an unprecedented rise in the number of persons with very long durations of unemployment during the recent labor market downturn," the BLS and the U.S. Census Bureau have announced that starting in January 2011, they will change how they record long-term unemployment, adding a new category that reflects durations of unemployment up to five years, instead of stopping at two years, as they have done for the past three decades. Because lengthy periods of unemployment negatively affect an individual's likelihood of returning to work, unprecedented levels of long-term unemployment are a very serious concern (Fogg, Harrington, & McMahon, 2010).

While workers of all ages and backgrounds have been affected by the Great Recession, older workers (age 55 and up) have fared especially poorly. Though less likely to become unemployed than younger workers — those 55 and over had an unemployment rate of 7.2% in December 2010 compared to 8.5% for workers age 25-64 — once they do lose a job, they are likely to remain out of work for longer (Pew Fiscal Analysis

Initiative, 2011). According to the BLS (2011), the average unemployment duration for older workers in December 2010 was about 43 weeks, compared to 32 weeks for younger job seekers. More than half (55.5%) of the 2.1 million unemployed older job seekers are classified as long-term unemployed, compared to 42.4% of younger job seekers. The Pew Fiscal Analysis Initiative (2011) found that over 40% of older workers have been unemployed for at least a year.

Not only are older job seekers less likely to get reemployed, they also tend to experience sharper declines in wages than younger workers in their new jobs. Analyzing longitudinal data from the Survey of Income and Program Participation, Johnson and Mommaerts (2011) found that median hourly wages on the new job are 20% lower than the median wage of the previous job for men age 50-61. For those 62 or over, the new median wage was 36% below their previous median wage. In contrast, younger men (age 35-49) experienced only a 4% drop in wages, and those 25-34, only a 2% decline. (Older displaced women also faced significant wage losses compared to younger ones, but not as dramatic a decline as for men.) Put differently, the probability of losing one's job may be lower for older workers, but, controlling for demographics, education, health status, job characteristics, and economic status, older job seekers' odds of getting reemployed are lower and their wage losses on the new job far exceed those for younger workers.

The Heldrich Center's *Work Trends* Survey of Unemployed Workers, 2009-2010

Researchers from the Heldrich Center for Workforce Development at Rutgers University examined the effects of the recession on unemployed workers in detail through several national random sample surveys of unemployed workers. In August 2009, the Heldrich Center interviewed a national random sample of 1,202 people who reported that they had lost a job at some point during the 12 months between September 2008 and August 2009. The Internet-based survey was fielded by Knowledge Networks, a survey research firm based in Menlo Park, California. In March 2010, 908 of these respondents were re-interviewed, and 764 respondents were re-interviewed in November 2010.

These national *Work Trends* surveys conducted between the summer of 2009 and the end of 2010 provide a unique profile of the American workforce. Unlike other surveys of unemployed workers, this series interviewed the same individuals three times over a 15-month period as they struggled with the harshest unemployment since the 1930s. This brief highlights the key findings from the Heldrich Center's effort to document the experiences of older and younger American workers during the worst labor market in a generation. (Full reports are available at: http://www.heldrich.rutgers.edu.)

Limited Success in Finding Another Job

Based on the Heldrich Center's *Work Trends* data, older workers (55+) have the lowest reemployment rate of any demographic group. By November 2010, almost twice as many workers **under** the age of 55 had found a full-time job (28%) than workers who are 55 or older (15%). Older workers' reemployment rate (15%) compares unfavorably with all subgroups. (See Table 1.)

Given the dismal reemployment rate for older workers, it is not surprising that over a quarter of the older unemployed respondents (27%) left the labor force and stopped looking for work, compared to 17% of younger job seekers who did so. Two-thirds (67%) of those older workers said they dropped out because they were discouraged, compared to 51% of younger respondents.

Table 1. Reemployment Rates for Demographic Groups: August 2009 through November 2010 (n=764)

Workers 55 and older	15%
Workers 18-34	41%
Workers 35-54	32%
High school education or less	33%
Some college	28%
Bachelor's degree or higher	43%
Black, non-Hispanic/Other, Hispanic	29%
Income less than $30K	27%
$30K-$60K	29%
More than $60K	56%

For those one in six older workers who found another job, half were forced to take a pay cut and, in many cases, a very substantial one. Fourteen percent said the income from their new job was more than 50% less than their previous job. Twenty-nine percent said their pay was between 31% and 50% lower, and another 29% said their new income was between 21% and 30% lower than their prior income. In addition to earning lower wages, half of the older workers who found new jobs described it as something they accepted just to get by while they look for something better. And, most of the reemployed workers (66%) are either somewhat or very concerned that their new job is not a secure one they can count on.

As noted earlier, long-term unemployment in the United States is at historic highs for all job seekers, with nearly 10% of job seekers looking for work for two years or longer, according to BLS data. Older workers are overrepresented among the long-term unemployed, comprising 14% of all unemployed job seekers, and 18% of those who are unemployed over 52 weeks (BLS, 2011).

Results from the Heldrich Center's *Work Trends* surveys were similarly grim. The surveys found that of the older unemployed respondents, more than half (52%) have been looking for over two years and more than a third (34%) have been searching for work for between one and two years. This compares to 31% and 28% respectively for those job seekers under 55. Among older job seekers, one in five (20%) expect it will be another one to two years before they start a new job compared to only 5% of the more optimistic younger job seekers.

Devastating Consequences of Long-Term Unemployment

Prolonged unemployment has had a profound impact on the lives of older unemployed workers. They have been forced to cut back on spending, increase credit card debt, change their lifestyles, and find new, often uncomfortable, ways to make ends meet. The vast majority (82%) of the older workers contacted by the Heldrich Center have less in savings compared to when the recession began; 62% of them indicated they have "a lot less." More than one-third (35%) have seen their savings cut in half in the past year alone, and one-fourth have lost 26% to 50%. Most will not have time to recoup their losses, leaving a lingering scar on their future retirement prospects. To adjust to their new financial circumstances, nearly a third (31%) of the older respondents cut spending on essential items, and 59% have given up some things that are not essential, but desirable. (See Table 2.)

To endure prolonged unemployment, older job seekers have sought alternative means to make ends meet. In the absence of a regular paycheck, a substantial number of older unemployed workers increased credit card debt, while an alarming number also sold possessions, borrowed money from family or friends, borrowed money from adult children,

Table 2. Percentage of Older Workers who Cut Back Expenditures on: (n=235)

Entertainment	88%
Travel/Vacations	86%
Clothing	79%
Food	62%
Health care	52%
Transportation	46%
Housing/home upkeep	45%

missed a mortgage or rent payment, or moved to a different house or apartment. (See Table 3.)

In addition to the difficulties caused by reduced income, roughly a third (32%) of older unemployed workers no longer have any health insurance. One-third (33%) are enrolled in Medicare or Medicaid, another 10% have insurance through a family member, and 11% have other arrangements. Only 10% have insurance from a current employer, and 4% from a prior employer. In the March 2010 survey, over half (51%) of older workers indicated that they went without medical care for themselves or their family members (Borie-Holtz, Van Horn, & Zukin, 2010). These uninsured older workers will have serious implications for health care costs as they are more likely to seek care in a costly hospital emergency room.

Pessimistic about Jobs, Retirement, and the U.S. Economy

The challenges faced by older workers in the *Work Trends* surveys expose a stark contrast to how Americans have traditionally viewed their retirement years. Comparing their overall financial situation to two years ago, 71% of respondents 55 and older said they were in worse shape; 24% were about the same. More than half of older workers (58%) said the recession has caused a major change

Table 3. Percentage of Older Workers who have Done the Following Since Becoming Unemployed: (n=235)

Increased credit card debt	39%
Sold some of your possessions to make ends meet	33%
Taken a job below your education or experience levels	26%
Taken a job you did not like	23%
Borrowed money from family or friends, other than adult children	18%

in their lifestyle, and many feel this lifestyle represents a "new normal."

Essentially refuting a fundamental tenet of the American Dream, only a quarter (27%) of older respondents agreed that most people who want to get ahead can make it if they're willing to work hard, while three-quarters (72%) believe that hard work and determination are no guarantee of success for most people. Older workers are deeply pessimistic about getting jobs, their long-term future, and what they believe are fundamental and lasting changes in the economy.

More broadly, older workers in the Heldrich Center's surveys express a bleak outlook on the new economic reality Americans will face as the economy emerges from the Great Recession. Many of the respondents believe a legacy of the recession will be a permanently higher unemployment rate for the United States, as well as a very different view toward when and how Americans will be able to retire. Over half of older workers believe it will be at least one to two years before the economy begins to recover, a prediction that results in similarly grim expectations regarding their own personal finances for the next several years. (See Table 4.)

Table 4. Older Workers' Assessment of their Financial Situation (n=235)

Percentage of older workers who rate their personal financial situation as:	
Poor shape	45%
Only fair shape	39%
Good shape	16%
Percentage of older workers who believe that, over the next year, their family's finances will:	
Stay the same	42%
Get worse	34%
Get better	23%
Percentage of older workers who think that, over the next several years, their finances will:	
Remain at the level they are now	76%
Get back to where they were before the recession began	21%

The experience of prolonged unemployment is causing a substantial number (68%) of those panelists over 50 to rethink their retirement. Their new reality is leading them to either retire earlier than planned, presumably because they cannot find work, or later than planned, on the assumption that they cannot afford to stop working after prematurely dipping into their retirement savings. Two-thirds (68%) of older respondents expect to go on Social Security as soon as they are eligible, or already have done so. Given the demographics of an aging workforce, early retirement may have profound implications for the Social Security system, and for the reduced income individuals can expect by going on benefits earlier than they might have otherwise. For these individuals, however, the changes they have experienced during the course of the recession signal drastic and lasting changes that will permanently affect American workers.

Older workers also express pessimistic views about the labor market conditions that workers of all ages will face in the wake of the long-term changes caused by the Great Recession. In many ways, older workers believe the labor market will never be the same. They fear that, as one older respondent predicted, "The unemployed will not recover from their earnings, savings, and retirement fund losses." (See Table 5.)

Table 5. Older Workers' Assessment of the Economy (n=235)

The U.S. economy is experiencing fundamental and lasting changes	72%
The Great Recession represents a temporary downturn	27%
Older workers who believe the elderly will not be able to retire when they want to	67%*
It will be many years before the unemployment rate will return to where it was before the Great Recession	53%
The unemployment rate will never return to the way it was	40%
Job security will return to what it was before	35%
Job security will not return to pre-Great Recession levels	55%
The availability of good jobs at good pay for those who want to work will return to pre-Great Recession levels	46%
The availability of good jobs at good pay for those who want to work will never return to pre-Great Recession levels	46%
It will be many years before workers will not have to take jobs below their skill level	54%
Going forward, workers taking jobs below their skill level will be the norm	40%

**This question represents all survey respondents over age 50.*

What is the Government's Role?

Older and younger unemployed workers have similar views about the role of government in ameliorating joblessness. Four in ten workers 55 years or older said that the government should be mainly responsible for helping laid-off workers, whereas 45% of younger workers preferred that response. Older workers are also somewhat more likely to say that the individual (34%) should be mainly responsible than younger workers (24%).

What, then, do the older workers think policymakers should do to help unemployed workers? Providing Unemployment Insurance for unemployed workers is the most important service that government can provide, according to 58% of the respondents. Only 17% said they think job placement services are more important and only 7% said that job training programs are essential (Godofsky, Van Horn, & Zukin, 2010).

While 7 in 10 older workers reported that they considered changing their careers to find a new job, only 12% enrolled in a training course for that purpose (Godofsky, Van Horn, & Zukin, 2010). The gap between the need to change careers and the relatively small percentage of those who actually enrolled in training to do so can be explained by several factors. Many workers, accustomed to quickly finding reemployment were reluctant to change careers before first attempting to reconnect with their former employer or with another employer in their industry. Surely, the lack of personal resources to pay for the costs of education and training also deters workers from entering new training programs, and older job seekers appear to be underserved by publicly funded training programs compared to younger job seekers.

Contemporary governmental policies are not well suited to address the problems of a prolonged recession. This is especially true for older workers who face longer durations of unemployment and may need to undertake long-term — and expensive — retraining programs in order to find another job. The federal government's primary strategies for helping the unemployed consist of partial income replacement through Unemployment Insurance and short-term training programs for younger adult workers. While Unemployment Insurance continues to be of great value, it should be linked with education and retraining services for older workers who are too young or financially unable to retire. These workers need financial aid to pay for education and training in new careers that are in demand. In addition, given expectations of long-term unemployment remaining high for the foreseeable future, there may be a need to expand opportunities for subsidized on-the-job training and community service employment programs targeted to older workers. Without additional assistance, millions of older workers will be left behind when the economy recovers and will suffer continued financial crises.

Although this brief focuses on the financial impacts of job loss on older Americans, respondents to the Heldrich Center's *Work Trends* surveys also reported devastating emotional impacts from long-term unemployment, including anxiety, depression, anger, hopelessness, and stress (Godofsky, Van Horn, & Zukin, 2010). Many older workers also suspect that age discrimination may be a factor in their inability to find new jobs, which must be addressed along with improving access to education and training resources. Failure to improve the job opportunities for older job seekers (Heidkamp, Corre, & Van Horn, 2010) will lead to a significantly diminished quality of life as these workers enter what were supposed to be the "golden" years of retirement.

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The John J. Heldrich Center for Workforce Development, based at the Edward J. Bloustein School of Planning and Public Policy at Rutgers, The State University of New Jersey, is a dynamic research and policy center devoted to strengthening the nation's workforce. It is one of the nation's leading university-based centers devoted to helping America's workers and employers respond to a rapidly changing 21st Century economy.

The Center's motto —"Solutions at Work"— reflects its commitment to offering practical solutions, based on independent research, that benefit employers, workers, and job seekers. The Center's policy recommendations and programs serve a wide range of Americans at all skill levels.

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