

OLDER AND OUT OF WORK

Trends in Older Worker Displacement

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INTRODUCTION

This Issue Brief examines the issue of unemployed older workers. Covering the scope and impact of unemployment on older Americans, it especially addresses those who must work to support themselves and their families and to maintain health care coverage before becoming eligible for Medicare.

See also Issue Brief 17, “Older and Out of Work: Employer, Government and Non-Profit Assistance.” In this second Issue Brief the same authors explore employer, federal, state and community-based strategies designed to help older workers obtain new skills and return to work. Issue Brief 17 also discusses implications for policymakers, employers, and researchers.

A growing proportion of older adults do not have the option of retiring from work. Instead, many continue working because their personal savings and/or Social Security pensions are not sufficient. Others remain on the job to obtain health care coverage because they are not old enough for Medicare or poor enough to qualify for Medicaid. Reversing previous trends, the labor force participation rates and full-time employment of older men and women—especially those 65 years or older—have increased in the last decade.¹ According to the U.S. Census Bureau, nearly a quarter of adults between the ages of 65 and 74 (23.2%) were employed or looking for work in 2006, nearly a 20% increase since 2000.²

National surveys of working adults conducted by the John J. Heldrich Center for Workforce Development at Rutgers, The State University of New Jersey, and others have reported that nearly 7 in 10 American workers plan to continue to work full or part time for pay following retirement from their main job. The Heldrich Center survey also found that more than one in three (35%) workers have no retirement savings and will rely entirely on Social Security benefits when they do retire.³ According to a 2007 Gallup Poll, only half of Americans thought they would have enough money to live comfortably in retirement. As economic conditions deteriorated in 2008—with declining housing prices, a weak stock market, rising food and energy prices, and low interest rates for savings and investments—a Gallup Poll reported that 45% of Americans were concerned that they would retire at a later age than they originally expected.⁴

While full- or part-time work for pay is optional for some older Americans, it is an economic imperative for others. Among workers who retired but then went back to work, 54% did so because they needed the income. Another 6% returned to work for the health benefits, according to the Heldrich Center’s national survey.⁵

TRENDS IN OLDER WORKER DISPLACEMENT

Major structural changes in the U.S. economy contribute to labor market volatility and instability and worker displacement. Globalization, technological changes, the decline of U.S.-based manufacturing, mergers and acquisitions, and other factors have produced involuntary layoffs in nearly all sectors of the economy. In today's economy, few workers—including older workers—are immune from periods of short- or long-term unemployment.⁶

According to the U.S. Bureau of Labor Statistics (BLS), 8.1 million people were “dislocated” from their jobs between 2003 and 2005, of which 3.8 million lost jobs they had held for at least three years.⁷ (Dislocated workers are defined as adults who lose their jobs either because their company or plant closes or moves, there is insufficient work to keep them employed, or their shift or position is eliminated.)⁸ As the proportion of older workers in the workforce rises, more older workers will lose their jobs or face reduced work hours. Unemployment is rising in both white collar occupations and in the manufacturing sector, which has been declining for three decades.

Older workers are particularly vulnerable to job dislocations. Since 1980, the rate of job displacement among workers over the age of 50 has risen sharply compared to younger workers.⁹ In past decades, older workers were less likely than younger workers to lose their jobs. Now older workers are actually more likely than younger workers to be displaced.¹⁰

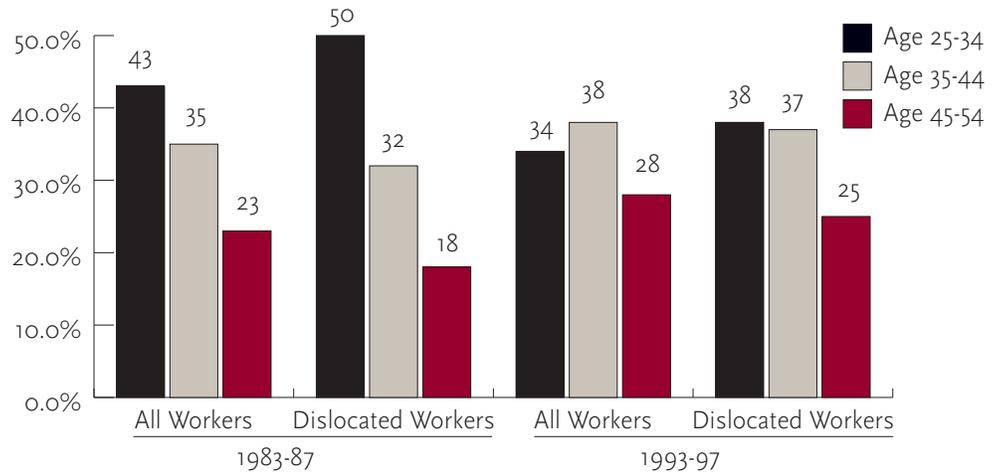
A study comparing dislocation rates by age between two time frames—1983-1987 and 1993-1997—found that the average age of displaced workers has increased over time. Older workers now make up a greater percent of job losers relative to their proportion of the labor market. The authors calculated that about two-thirds of the shift in age distribution of displaced workers can be attributed to the aging of the labor force. The probability of displacement has increased over time for older workers compared to younger ones (See figure 1).¹¹

When older workers lose jobs, they are less likely to get another one quickly and experience greater earnings losses than younger workers, according to BLS data. In 2004, for example, the average period of joblessness for older workers was 26 weeks, compared with 19 weeks for younger job seekers. Dislocated workers with 20 years experience find jobs that pay, on average, between 20% and 40% less than their previous jobs. An Urban Institute study on job changes concluded that older displaced workers (45-75) who found other employment suffered average wage losses of roughly 19%. One-quarter of older men laid off from long-term jobs experienced hourly wage loss of at least 50%.¹²

Workers under 50 years of age are 42% more likely to be called for an interview than those 50 and older.¹³ In addition, older workers re-entering the workforce face fewer employment opportunities than younger workers and are likely to be employed in a narrower range of industries and occupations than younger workers. Moreover, dislocated workers in regions with declining industries may be forced to leave their communities to find work, something that may be extremely difficult for older workers who own homes and have roots in a community.¹⁴

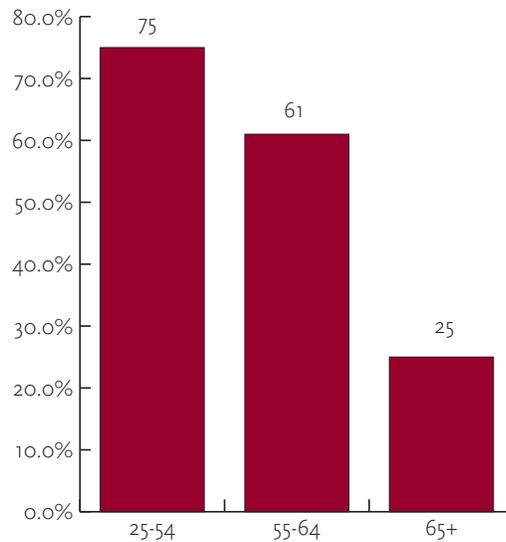
There is no consensus about the definition of what constitutes an “older worker.” The Age Discrimination in Employment Act includes protection to workers who are 40 or older. The U.S. Department of Labor sets the floor at 55 years of age for its older worker programs. The Census Bureau defines older workers as 55 and older but breaks down its data into several age ranges: 55-64, 65-74, and 75 and up. The current full (normal) retirement age when older workers can start to collect Social Security is 65 but rising to 67. AARP membership is available to adults when they reach 50, yet several new AARP older worker initiatives are open to adults who are 40 and older. The data and programs described in this Issue Brief reflect this myriad of definitions. See our Issue Brief 4, *How Old are Today's Older Workers?* for a discussion of this. (@ www.bc.edu/agingandwork)

figure 1. Percent of Displaced Workers by Age, 1983-87 and 1993-97



Source: Daniel Rodriguez and Madeline Zavodny, *Explaining Changes in the Age Distribution of Displaced Workers*, Federal Reserve Bank of Atlanta Working Paper 2000-1, February 2000.

figure 2. Reemployment Rates for Displaced Workers by Age



Source: Data from U.S. Bureau of Labor Statistics, *Displaced Workers Summary*, 2003-2005, August 2006.

Among those workers who receive unemployment insurance, older workers return to work at lower rates than their younger counterparts, are less likely than younger workers to return to their pre-job loss earning levels, and are less likely to have sustained employment after they return to work.¹⁵ According to the BLS, reemployment rates for displaced workers who had been at their previous job for over three years were 75% for workers 25-54, 61% for workers 55-64, and 25% for workers who were 65 and older (See figure 2).¹⁶

One study on the lasting effect of dislocation on older workers found that two years after a job loss at age 55, only 60% of men and 55% of women were employed. This compares with employment rates of over 80% for nondisplaced men and women who were working at age 55.¹⁷

Another indication that older unemployed workers face difficult challenges is their over-representation among the long-term unemployed. While long-term unemployment (lasting more than six months) has been rising over the past several decades,¹⁸ workers over the age of 45 are more likely to be found in this group relative to their proportion in the workforce. Workers 45 years or older represent 26% of the workforce but 35% of the long-term unemployed. Older workers, particularly older men laid off in the male-dominated manufacturing industries, are disproportionately represented in that group (See figure 3).¹⁹

The University of Michigan Retirement Research Center found that only half of older job seekers are successful at attaining employment. They explored several reasons for these low outcomes, which they find can be attributed to:

- low intensity of job search,
- having a high “reservation wage” (the lowest wage rate at which a worker will accept a job),
- suffering a negative health shock, or
- experiencing a positive budget shock (defined as an increase in either total household non-labor income or total non-pension wealth).

After taking these factors into account, the researchers found that 13% of older job seekers become discouraged—defined as willing to work at the prevailing wage but unable to find a job.²⁰

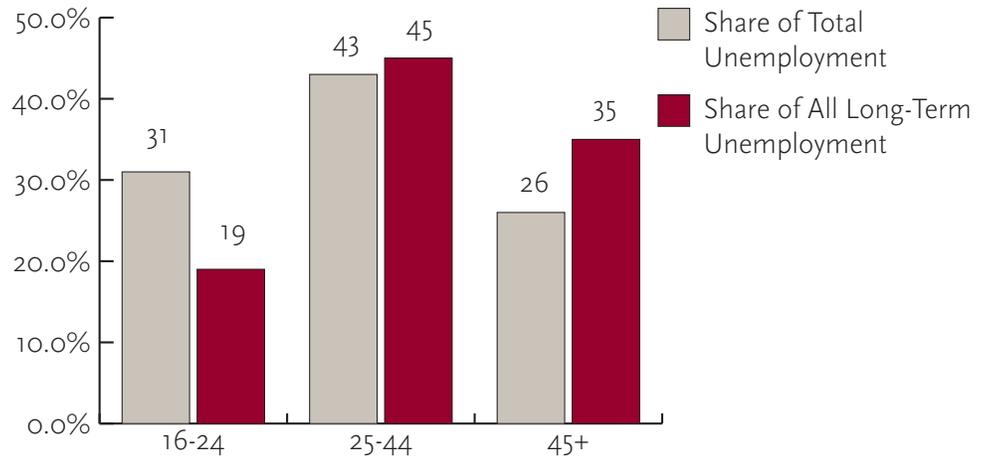
Among the obstacles that older job seekers may encounter is employers’ reluctance to hire them. Employers at a forum on older workers organized by the Government Accountability Office cited the following negative perceptions and stereotypes as barriers to hiring and retaining older workers:

- older workers are more expensive, including their compensation, the rising cost of their health insurance, and the costs to train them.
- older workers are both less productive and produce lower-quality work than younger workers.
- older workers are resistant to change.
- employers fear age discrimination lawsuits should they subsequently need to lay off recently hired older workers.²¹

Even if older job seekers do not experience age discrimination, they may experience other impediments to reemployment. Among the more significant obstacles for older unemployed workers are:

- limited access to training and skills retraining programs;
- limited job search skills;
- health problems, disabilities, or physical limitations;
- few opportunities for flexible work arrangements;
- lack of information about starting a business; and
- retirement laws and regulations that may discourage employers from hiring older workers.²²

figure 3. Age Composition of the Long-Term Unemployed, 2003



Source: Data from Sylvia Allegretto and Andy Stettner, *Educated, Experienced, and Out of Work*, EPI Issue Brief, March 4, 2004.

CONCLUSIONS

Older unemployed workers face more significant challenges than their younger job-seeking counterparts. Older unemployed workers take longer to find new jobs, and when they do, it is often in a different occupation, a different industry, and at much lower earnings than in their previous job.²³ For some, their skills and education may no longer be relevant. Others experience age discrimination from employers concerned about the cost and productivity of older workers. The scope and nature of the problems experienced by older workers suggest the need for robust employment and training programs and services that focus on the special needs of older, unemployed workers.

The graying of the workforce—and of the unemployed—creates challenges for private employers, too. As the “Baby Boom” generation reaches the traditional retirement age of 65, the impending wave of retirements is causing some firms and industrial sectors to suffer chronic talent shortages.²⁴ For companies facing a brain and experience drain, retaining their mature workers and/or encouraging retirees to return to work must become essential human resource strategies. These companies will need to adopt flexible work arrangements and benefits packages that will make their workplaces more attractive to mature workers. Connecting employees who have been laid off with companies that desperately need highly skilled and experienced workers will continue to be a challenge for the U. S. labor market.

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The Sloan Center on Aging & Work at Boston College was founded in 2005 with a multi-million dollar grant from the Alfred P. Sloan Foundation. The Center partners with workplace decision-makers in evidence-based research on employer and employee responses to the increasingly global multi-generational workforce. These collaborations focus on quality of employment with the aim to inform employers with research data to attract, engage and retain high quality industry talent. As of 2008, the Center has three research streams – the US National Initiatives, the State Initiatives and the Global Initiatives. Their collective mission is to gather information and collaborate with leaders in the public, non-profit and business sectors in an effort to leverage today's multi-generational workforce and globalization as competitive advantages in the 21st century economy.

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