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The Gerontological Society of America

America's Job Crisis: Low-Income Seniors Hit Hardest

The Future for Older Workers: Good News or Bad?

By Bob Harootyan and Tony Sarmiento

Does the future look promising for older workers? It depends. Factors such as age, educational attainment, gender, work history, workforce demands, desires, and ultimately, income/assets/financial security for retirement are key elements in determining if older adults remain in the labor force, whether voluntarily or not. For more than four decades since 1950 the labor force participation rate (LFPR) of the age 55+ population as a whole steadily declined. This often rapid decline was dominated by the dropping LFPR of older men, from almost 70 percent in 1950 to below 40 percent by 1990. Older women's LFPR increased slightly to the low 20-percent level during that period. However, since the early 1990s, the age 55+ LFPR of *both* genders has increased, reaching 46 percent for men and 35 percent for women by late 2010—the closest it has ever been. Today, despite historically high rates of unemployment and continued high numbers of workers who choose early Social Security retirement at age 62, the number of older workers—including those age 65+—and their proportion of the total workforce are increasing.

Consistently, however, a significant subgroup of older people faces various limitations in labor force participation. Low-income older workers are far more likely to be unemployed or underemployed than high-income older workers, and their high rates of unemployment are particularly devastating, given their limited resources. What is more, the economic challenges, retirement insecurity, and employment difficulties that confront low-income older workers are compounded for those who are poorly educated and minorities. They face **triple jeopardy** in the labor market: limited education and job skills, greater likelihood of unemployment, and more difficulty in finding work when unemployed.

This brief outlines the characteristics and challenges of older low-income workers, and pinpoints opportunities for policy to provide targeted assistance.

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› Fact

Nearly three-fourths of workers ages 47-65 remain in the work force—the highest proportion since 1950.

SOURCE: BASED ON DATA FROM U.S. BUREAU OF LABOR STATISTICS. 2011. *CURRENT POPULATION SURVEY.* WASHINGTON, DC: U.S. BUREAU OF LABOR STATISTICS.

Labor Market Experiences of America's Low-Income Older Workers

By Andrew Sum, Ishwar Khatiwada, and Mykhaylo Trubskyy

The past decade can justifiably be labeled America's Lost Decade.[1, 2] For most American workers, it was a period of stagnation if not marked decline. In 2010, for the first time since 1947, total payroll employment at the end of the decade fell below its level at the start. Employment among native born workers under age 55 declined sharply, especially for young (under age 30), blue collar, and non-college educated workers.[3] The unemployment rate in 2010 was nearly 2.5 times as high as it was in 2000, and overall labor underutilization rates approached 18 percent.

Older workers (age 55+), however, have fared substantially better since 2000 than have their younger counterparts; total employment of persons age 55-74 increased by more than nine million over the decade, a 53 percent gain. The employment rate of older workers rose in every age subgroup, especially for those age 65+, while the employment rates of all younger groups, particularly those under age 35, fell sharply.[4] The labor market fate of older workers, however, was not uniform across age, educational attainment, race-ethnic, and income subgroups. Less-educated and lower income older adults often experienced severe labor market difficulties that hampered their ability to obtain employment and adequate earnings. Dislocation rates of older workers also were high in 2010.

"For older adults, there is not just one America, but multiple Americas with widely different labor market and income problems ."

— ANDREW SUM, ISHWAR KHATIWADA, AND MYKHAYLO TRUBSKYY

Characteristics of older, low-income households

Over the past few decades, the distribution of income among older households has become increasingly concentrated at the top. In 2009, the mean household income of older Americans in the top decile was $230,165 or 32 times higher than that of those in the bottom decile. The income of a household headed by a 55-to-74 year old at the 10th percentile was only $12,100 in 2009, and at the 20th percentile it was slightly over $20,000.

During 2010, more than 8.3 million persons aged 55-74 lived in households with annual incomes under $20,000, representing just under 15 percent of the civilian, non-institutional U.S. population in that age group. This low-income older population was more likely to be female, older, black or Hispanic, a high school dropout, and unmarried. The absence of a second potential adult earner in a high fraction (72%) of these lower income households substantially increased the risk that a jobless household head would end up in the low-income group.[5]

America's job crisis: troubling trends

For older adults there is not one America but multiple Americas with widely varying labor market and income problems. Many of the recent problems are related to older

[1] Sum, A. 2010. Ringing out the lost decade of 2000-2010. *The Huffington Post,* December 30.

[2] Sum, A. 2011. Ringing out the lost economic decade of 2000-2010: Part two. *The Huffington Post* , January 7.

[3] Sum, A., and Khatiwada, I. 2010. The great recession of 2008-2009 and the blue collar depression. *Challenge: The Magazine of Economic Affairs*, July –August. 6-24.

[4] Sum, A., and Khatiwada, I. 2010. *Vanishing dreams revisited: The changing economic fortunes of America's young workers and its families.* Washington, D.C.: Children's Defense Fund

[5] Commonwealth Fund. 1987. *Commission on elderly people living alone, old, and poor.* New York: Commonwealth Fund

workers' low rates of employment, relatively low weekly earnings when employed, and limited retirement income when they leave the labor force. Older low-income worker unemployment has risen sharply. In 2000, the unemployment rate for older workers earning under $20,000 was only 6.7 percent, but rose very sharply during the Great Recession, tripling to 20.9 percent in 2010. This unemployment rate was seven times higher than for older workers in more affluent households.

These labor market problems go beyond unemployment; older workers also have growing rates of **underemployment** (working part time but desiring full time jobs), **hidden unemployment** (not seeking but want employment), and **mal-employment** (working at jobs well below their education or career level).[6] In 2010, nearly one million low-income older adults were in this underutilized pool, yielding an underutilization rate of 39 percent.

Older workers also have sharply rising **dislocation** rates and continue to encounter the greatest difficulty in finding new employment. During 2007-2009, low-income older workers were four times as likely to be dislocated as their more affluent peers. Moreover, as shown by other surveys, older dislocated workers have encountered **severe difficulty in regaining employment**.[7] Reemployment varies widely across household income groups, with the lowest income groups faring the worst.

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Rising Demand for Older Workers: The New American Workforce

By Neeta Fogg and Paul Harrington

Despite rising unemployment rates among all age groups since the recession began in 2007, the labor force participation rate (LFPR) of the older population has steadily increased during the last decade. In contrast, the LFPR for the under-age-55 population has declined. The aging of the nation's population and the increasing employment rates of those age 55+ have yielded an increasingly older workforce.

Labor market substitution of older workers for younger workers

Between December 2007 and December 2010 the LFPR of persons aged 16-24 declined sharply (7.6%) and the rate for those aged 25-54 declined by 1.6 percent. In contrast, the LFPR of workers aged 55+ increased by three percent, representing 3.2 million additional

[6] Sum, A., and Fogg, N. 1991. Labor market turbulence and the older worker. In P.B. Doeringer (Ed.), *Turbulence in the labor market* (pp. 64-102). New York: Oxford University Press

[7] Godofsky, J., Van Horn C., and Zukin, C. 2010. *The shattered American dream: Unemployed workers lose ground, home and faith in their futures.* New Brunswick, NJ: Heldrich Center for Workforce Development, Rutgers University

older workers during that period. The increased employment of older workers in an environment when overall employment sharply declined suggests a certain amount of **substitution** of older workers for younger and prime-aged workers. In December 2010, 20.2 percent of employed persons were age 55+, compared to 17.9 percent in December 2007.

This substitution effect is evident across all industry and occupation categories of the labor force, and accelerated during the recession. The most rapid growth in the proportions of workers age 55+ occurred within the construction, mining, and manufacturing industries, along with similarly high increases in the information and health services sectors. This workforce aging across all industries occurred in both blue collar and white collar occupations. It is noteworthy, however, that the biggest recent increases in the unemployment rate of older workers also has occurred in the construction and manufacturing sectors. In any event, the continued aging of the labor market will require greater attention to workplace accommodations, job training programs, and other supports that focus on the needs and preferences of older workers.

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"Industries that are seeing rapid increases of older workers will need to make changes to accommodate their rapidly aging workforce that is prone to age-related functional limitations and job-related disabilities. These changes include both the physical spaces in which older workers are employed, as well as changes in job duties, work tasks, and hours of work."

—NEETA P. FOGG AND PAUL E. HARRINGTON

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

By Carl E. Van Horn, Nicole Corre, and Maria Heidkamp

December 2010 marked the three-year anniversary of the start of the Great Recession. The recession has left 15 million unemployed, 2.1 million of them over age 55.

Older workers are discouraged

Findings from The Heldrich Center's 2009-2010 *Work Trends* Survey of Unemployed Workers confirmed that workers age 55+ have the lowest reemployment rate of any working age group. By November 2010, almost twice as many younger workers had found full-time jobs as workers age 55+; two-in-three older workers said they dropped out of the labor force because they were discouraged, compared to one-in-two younger respondents; 14 percent said their new income was more than 50 percent less than their previous one; and two-in-three older workers were either somewhat or very concerned that their new job was not a secure one.

Devastating consequence of unemployment, especially if long-term

Older workers are over-represented among the long-term unemployed, comprising 14 percent of all unemployed job seekers and 18 percent of those who are unemployed more than 52 weeks.[8] The *Work Trends* findings are similarly grim; over half of unemployed older workers had been job seeking for two years or more, and a portion of these individuals felt that age discrimination was a factor in their inability to find another job.

Prolonged unemployment has a profound impact on the financial security of older Americans. The majority of survey respondents had less savings compared to when the recession began; 62 percent reported "a lot less." A number had greater credit card debt, while an alarming number sold possessions, borrowed money from family or friends, missed a mortgage or rent payment, or moved elsewhere. Most will not have time to recoup their losses, thus leaving a **lingering scar on their future retirement prospects**.

Compounding the problem, roughly a third of workers age 55-64 had no health care insurance. In the March 2010 *Work Trends* survey, more than half said they went without medical care for themselves or their family members.[9] Loss of health coverage often leads to increased use of costly hospital emergency rooms.

Older workers pessimistic about the future

Older workers are deeply concerned about jobs and the economy. Nearly half believe that the Great Recession's legacy will be a permanently higher U.S. unemployment rate. Consequently, over half say the recession caused a major decline in their lifestyle, and many feel this lifestyle represents a "new normal." Two-thirds feel that people will be unable to retire when they want to. Yet, a substantial number of older workers are retiring earlier than planned because of prolonged unemployment. Two in three older workers expect to collect Social Security retirement as soon as they are eligible, or already have done so. These early retirees' monthly benefits will be much less than if they waited until their full-retirement age; this may also have profound implications for the Social Security system.

"Many believe a legacy of the Great Recession will be a permanently higher unemployment rate for the U.S., as well as a very different view of when and how Americans will be able to retire."

— CARL E. VAN HORN, NICOLE CORRE, AND MARIA HEIDKAMP

What is government's role?

Contemporary governmental policies are not well suited to address unemployment in a prolonged recession. This is especially true for older workers who face longer durations of unemployment and may need substantial retraining in order to find other jobs. What then do older workers think policymakers should do to help the unemployed? A vast majority (58%) say that providing unemployment insurance is the most important service that government can provide. Only 17 percent said they think job placement services are more important and only seven percent said that job training programs are essential.[10]

Today, the primary national strategies to help the unemployed consist of **unemployment insurance** for all workers and **short-term training** primarily for younger adults**.** Unemployment insurance should be linked with education and retraining services for older workers who must compete in the contemporary job market. Many need financial aid for training in new, high-demand careers. In addition, given the high likelihood of long-term unemployment for the foreseeable future, there may be a need to expand opportunities for subsidized on-the-job training and employment programs targeted to older workers.

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[8] Bureau of Labor Statistics. 2011. The employment situation: December 2010. Washington, D.C.: U.S. Department of Labor

[9] Borie-Holtz, D., Van Horn, C., and Zukin, C. 2010. No end in sight: The agony of prolonged unemployment. New Brunswick, NJ: John J. Heldrich Center for Workforce Development, Rutgers University

[10] Godofsky, J., Van Horn, C., and Zukin, C. 2010. *The shattered American dream: Unemployed workers lose ground, hope, and faith in their futures.* New Brunswick, NJ: John J. Heldrich Center for Workforce Development, Rutgers University

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Boomers Sail into Retirement—or Do They?

By Sara E. Rix

Boomers' main claim to fame lies, of course, in their numbers. The 76 million Americans born from 1946-1964 and the two million immigrants in the same cohort have given the country plenty to deal with, including vastly more slots in public schools, colleges, and the labor force. They likewise will put pressure on retirement programs as they age. Some of this pressure might be abated by boomers' longer work lives, but this is uncertain.

Financial insecurity on the threshold of retirement

"Estimates of how prepared boomers are for a retirement free of work vary, but on the whole, the picture is not a rosy one."

— SARA E. RIX

Estimates of boomers' preparedness for a retirement free of work vary, but on the whole, the picture is not rosy. There is some reason for optimism with respect to absolute wealth levels, at least shortly after retiring. Before the Recession, early boomers (born between 1946 and 1955) were estimated to have more wealth and income at age 67 than those before them.[11] But relative well-being—post-retirement income compared to that in pre-retirement—failed to show the same degree of improvement.

A 2009 analysis concluded that 41 percent of early boomer households risk having insufficient funds to maintain their standard of living in retirement,[12] while a 2001 study estimated that 47 percent of boomers born between 1948 and 1954 may risk not having enough income for basic retirement expenses or uninsured health care costs.[13] Recently, a 2011 Harris poll reported that one-fourth of boomers have no retirement savings.[14]

These economic risk factors are reflected in boomers' growing concern about their financial ability to retire comfortably. Many employed boomers may opt to continue working longer than planned, perhaps into their mid- to late-60s. But 62 remains the most common retirement age, the point at which workers are first eligible for Social Security benefits, albeit at reduced levels. But some boomers will stay in the workforce longer, fueled largely by long-term economic concerns.

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[11] Butrica, B., and Uccello, C. 2004. *How will boomers fare at retirement?* Washington, DC: AARP

[12] Munnell, A. H., Webb, A., and Golub-Sass, F. 2009. *The National Retirement Risk Index: After the crash* (Issue in Brief, 9-22). Chestnut Hill, MA: Center for Retirement Research at Boston College

[13] VanDerhei, J. 2001. *A post-crisis assessment of retirement income adequacy for baby boomers and gen Xers* (EBRI Issue Brief No. 354). Washington, D.C.: Employee Benefit Research Institute

[14] Harris Interactive. 2011. *Number of Americans reporting no personal or retirement savings rises* [The Harris Poll #13]. February 2.

U.S. Senior Community Service Employment Program: Priorities, Successes, and Challenges

By Judith G. Gonyea and Robert B. Hudson

The most pressing challenges of older workers are faced by those with low incomes, whose work lives have often been marked by physically demanding and intermittent employment, a combination that can render them exhausted and poor. In later life, they often face two unpalatable situations: significant difficulty in the labor market and an inability to retire with adequate income. Yet, beyond adding early retirement benefits under Social Security, public policy has done little to address the special needs of this population.

One ongoing program that has done so is the **Senior Community Service Employment Program (SCSEP)**, authorized under Title V of the Older Americans Act (OAA). SCSEP, started in 1965, is the only federal jobs program targeted at low-income older adults. The program provides subsidized part-time community-service jobs for low-income individuals age 55+ who have poor employment prospects. SCSEP participants receive on-the-job training to gain skills for obtaining unsubsidized employment.

Economic insecurity: a new reality for many

For many Americans, a new reality is emerging whereby employment in later life will be a necessity rather than a choice. Rising economic insecurity, coupled with fears of slipping down the economic ladder, may keep many middle-class, working-age adults in the paid labor force for a greater number of years. Yet, for workers who have labored in the secondary tier of the labor force—characterized by low-paying jobs with few benefits—extended years of employment into old age have long been a reality. Employment in physically taxing jobs may, however, lead to an earlier forced departure from the paid labor force due to disability, labor-market obstacles, and family obligations. Data revealed that almost one-third of retired workers perceived their retirement as forced.[15] Indeed, involuntary job separation and periods of joblessness in the years immediately prior to retirement often result in permanent labor force withdrawal. It is precisely this population that constitutes the heart of SCSEP beneficiaries.

Throughout its history, SCSEP has provided both economic and social benefits to its participants and has directed the activities of those participants through minimum wage, part-time community service jobs with local non-profit organizations and government agencies. The relative stability of SCSEP and its operations over nearly a half-century is remarkable in light of near-tectonic forces that have rocked social policy over the same time. It was born a classic categorical program of the Great-Society type, and despite various efforts over time to consolidate workforce programs, largely remains such today.

"For many Americans, a new reality is emerging whereby employment in later life will more likely be a necessity rather than a choice."

— JUDITH G. GONYEA AND ROBERT B. HUDSON

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Given current pressures and emerging trends, it is an open question of how SCSEP, its participants, contractors, and host agencies will fare in the years ahead. The Obama Administration and Congress recently agreed on a federal budget for 2011 that cut SCSEP funding by $375 million, a 45 percent reduction from 2010 level.[16] Further, in its 2012 budget, the Obama Administration proposes moving the administration of SCSEP from the Department of Labor (DoL) to the Administration on Aging (AoA). AoA states that this proposed shift "reflects the recognition that the SCSEP program can be at its most effective when its services are closely integrated with the supports that are provided by AoA's existing aging services programs."[17] Agencies operating under other titles of the OAA have long called for tighter coordination between their social services and the work-oriented ones under SCSEP. Yet, AoA has no history of administering a means-tested program that requires complex eligibility determination, continual compliance testing, and extensive data collection, required across all programs administered by DoL.

As the workforce ages and retirement patterns change, a detailed analysis of advantages and disadvantages of this proposed move is warranted. By 2050, one in five U.S. workers is projected to be age 50+. And, only about half of American workers now have a traditional retirement of a one-time transition from full-time work to a complete withdrawal from the labor force soon after a 65th birthday.[18] Given these realities, locating SCSEP within the DoL, which can coordinate with other workforce programs, may be increasingly important. As Lita Levine Kleger of Experience Works writes, "DoL can build on the long-term record of success of the SCSEP to expand communication and coordination with other workforce programs to ensure that the needs of older workers are met."[19]

Understandable as any proposed budget cut may be considering current efforts to reduce the federal deficit, additional cuts in SCSEP funding seem shortsighted in light of larger demographic and labor force trends. While the public heralds longer life expectancies, one of the greatest challenges current and future cohorts face is securing economic resources sufficient to maintain well-being for as many as 30 retirement years. And, these challenges are especially severe for low-income older workers.

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[16] Employment & Training Reporter. 2011. *$300 million cut in final FY2011 law; some issues left to feds.* Washington, D.C.: Mill Publications, Inc. April 18.

[17] Administration on Aging. 2011. *Release of the FY2012 budget request to Congress.* Washington, D.C. Page 2.

[18] Hardy, M. 2006. Older workers. In R.H. Binstock and L.K. George (Eds.), *Handbook of aging and social sciences* (6th ed.) (pp. 201-218). CA: Academic Press.

[19] Workforce[3] One. 2010. *Title V Reauthorization: A Listening Session.* April 26.

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