



How Is the Recession Affecting Older Workers?

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The overall unemployment rate, now 6.7 percent, reached a 15-year high in November 2008. More than 10.3 million Americans were out of work last month, according to Bureau of Labor Statistics (2008) data, and 2.2 million private-sector nonfarm jobs have disappeared since the current recession began in December 2007. Some analysts, including those at Goldman Sachs, expect the unemployment rate to reach 9 percent by the end of 2009.

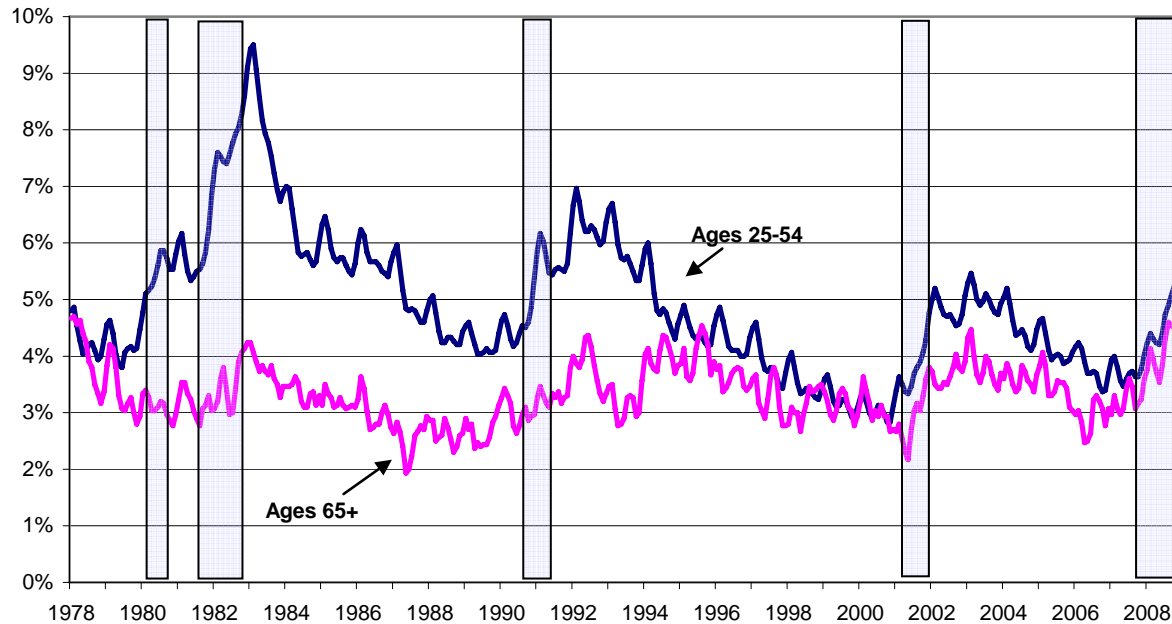
Unemployment Rates at Older Ages Are Growing

- Last month 298,000 adults age 65 and older were unemployed, about 50 percent more than in December 2007. The November 2008 unemployment rate for adults age 65 and older was 4.6 percent, up from 3.3 percent in December 2007 (figure 1).
- By contrast, 12 months into the severe 1981–82 recession—the most recent downturn to have lasted as long as the current one—the number of unemployed older adults had not increased at all.
- The age-65-and-older unemployment rate peaked during the current recession at 4.7 percent in August and September 2008, the highest rate in more than 30 years.
- Unemployment rates are lower at older ages than at prime working ages (25 to 54), partly because older workers often drop out of the labor force when they lose their jobs and thus are not considered unemployed. This gap has narrowed over time, however, averaging 0.6 percentage points between January 2005 and November 2008, compared with 3.4 percentage points 25 years ago (between January 1980 and November 1983).
- The recession has not yet discouraged many older job seekers. Since December, the share of adults not in the labor force has declined at ages 55 to 64 and at ages 65 and older.

Fewer Older Americans Can Afford to Retire Now than during Past Recessions

- The share of adults age 65 to 69 participating in the labor force (working or looking for work) increased to 29.7 percent in 2007, from only 20.2 percent in 1982.
- Several factors have boosted labor force participation at older ages, including the decline in traditional employer-sponsored pension and retiree health plans, the increase in Social Security's normal retirement age, and changes in Social Security rules (including increasing the delayed retirement credit and restricting the retirement earnings test) that boost benefits for those who continue working past the normal retirement age (now 66).
- The stock market lost 47 percent of its value between September 30, 2007 and December 2, 2008, destroying \$2.8 trillion in 401(k) and individual retirement accounts (Soto 2008) and intensifying pressures on seniors to work. During the 1981–82 recession, the S&P 500 index fell by only 6 percent. With the growth in 401(k) plans and IRAs, seniors' retirement income is now more dependent on stock market performance.

Figure 1. Monthly Unemployment Rates by Age, 1978-2008
(shaded areas indicate recessions)



Source: Bureau of Labor Statistics (2008); National Bureau of Economic Research (2008).

Note: Estimates are three-month moving averages, and are not seasonally adjusted.

The Recession Limits Job Opportunities for Older Workers

- Manufacturing, construction, retail, and business and personal services accounted for nearly all of the jobs lost during the current recession. The contraction of the retail sector will hit older workers hard because retail sales is the largest occupation for workers age 65 and older (Mermin, Johnson, and Toder 2008).
- Many workers become self-employed in their sixties. However, the credit crunch could make it difficult for people to start and sustain small businesses. Between July and November 2008, the number of self-employed workers fell by nearly 700,000 (7 percent).

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