THE NEW SCHOOL RETIREMENT EQUITY LAB

STATUS OF OLDER WORKERS

February 10, 2020

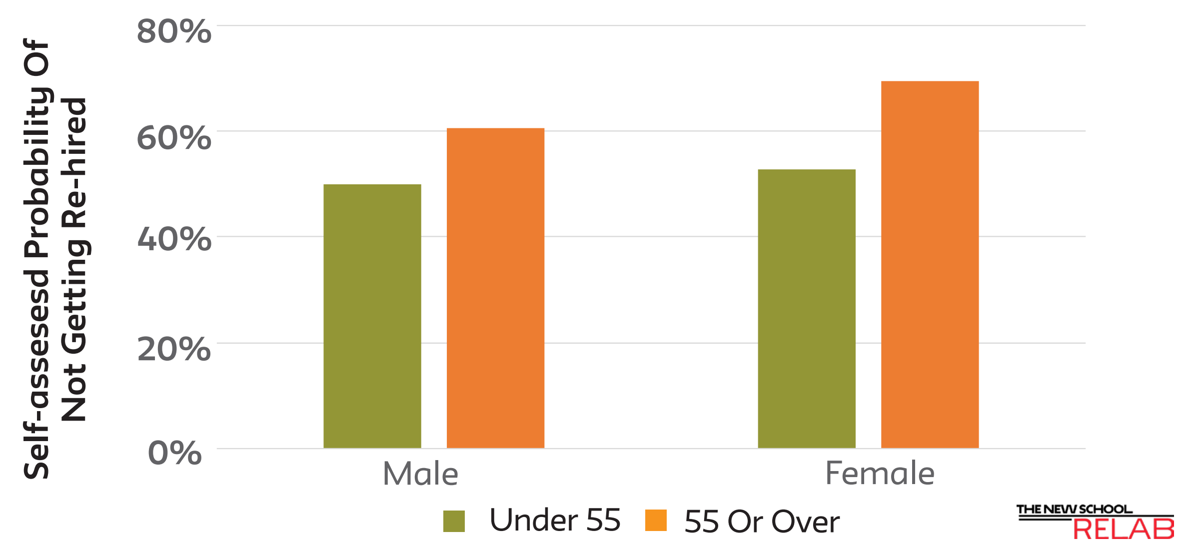
Older Workers Know They Face An Unfriendly Labor Market

- **Less Employable:** Older workers are more likely than younger workers to think they can't find a job comparable to their current one, a well-founded fear that persists at every earnings level and reflects the reality of an unfriendly labor market.
- **Decreasing Bargaining Power:** Without the ability to find a better job, older workers are less likely to quit their jobs, further eroding their bargaining power.
- **Policy Recommendations:** Increase older workers' opportunities by increasing their bargaining power in the workplace. Establish a federal Older Workers Bureau, expand Social Security, and create universal Guaranteed Retirement Accounts and an emergency savings program.

Older Workers Know They Are Less Employable

Workers are less likely to look for a new job if they aren't confident about finding one better than the one they have. For workers 55 or over, 60% of men and 70% of women believe that if they quit their job they are unlikely to find a comparable job within the next few months, compared to 50% of men and 53% of women below 55.

Older Workers, Especially Older Women, Do Not Believe They Could Find A Similar Job If They Quit



Source: SCEPA calculations using data from the American Life Panel (2013- 2016).
Notes: Questionnaire asks workers, "Suppose you were to lose your job this month. What do you think are the chances that you could find an equally good job in the same line of work within the next few months?"

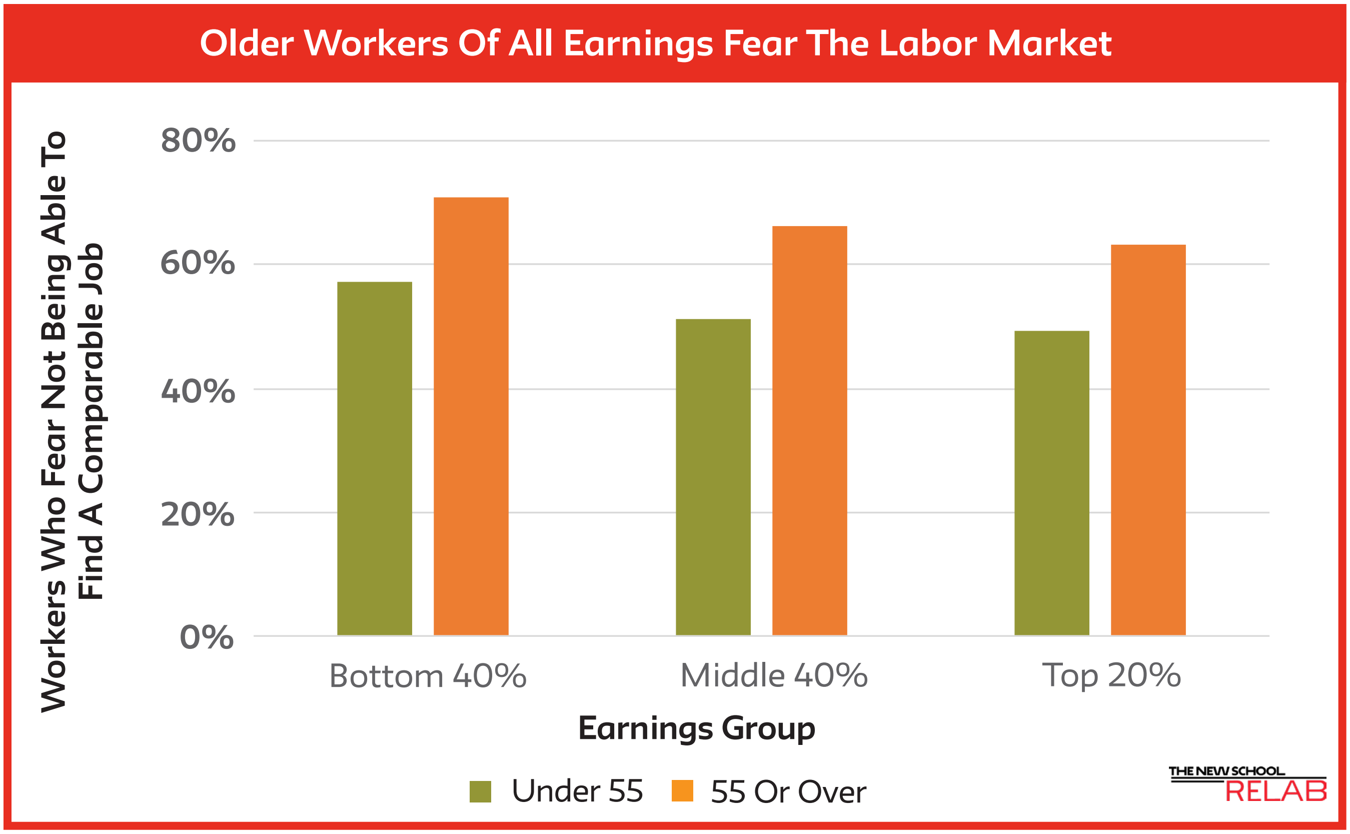
Suggested Citation: Retirement Equity Lab. (2020). "Older Workers Know They Face An Unfriendly Labor Market." Status of Older Workers Report Series. New York, NY. Schwartz Center for Economic Policy Analysis at The New School for Social Research.

Unfriendly Labor Market Is A Fact

Data confirms older workers' wary assessment of their job prospects. The wage premium for experienced workers is declining. Between 1992 and 2015, the effect of an additional year of experience on the hourly wages of older workers fell by 45%.[1] When older workers get rehired, their hourly wages are lower than in their previous job.[2] Following a job loss, median hourly wages of older workers ages 50-61 are 20% lower on the new job than the old job and for workers 62 and older, wages are 27% lower on the new job. Even if they voluntarily quit their previous jobs, older workers' (51 or over) wages decrease by 5%.[3] Moreover, older workers who change jobs in their fifties experience longer spells of unemployment compared to older workers who do not.[4]

Older Workers Of All Earnings Fear The Labor Market

Older workers in the top 20% of the earnings distribution are 14 percentage points more likely to lack confidence about finding another job compared to younger workers. For medium earners, the difference is 15 percentage points and for the lowest 40% of earners the difference is 14 percentage points. Older workers feel they have to hold on to low-earning and/or low-quality jobs, reflecting their inability to get a better job.



Source: SCEPA calculations using data from the American Life Panel (2013-2016).

Afraid They Can't Find a New Job, Older Workers Stay Put

Knowing they are less employable than younger workers, older workers often don't attempt to look for a new job. Examining the rate at which workers move from one job to another (without a spell of unemployment) reveals that older workers are not changing jobs as frequently as their younger counterparts. In 2018, workers over 55 were on average 62% less likely to change jobs compared to younger workers (ages 18-54).[5]

Job Insecurity Impacts Bargaining Power

From a lack of retirement security to the erosion of workers' rights and the growth of alternative jobs[6] and the gig economy, a host of factors contribute to older workers' vulnerability in the labor market.[7]

Because of this well-founded fear, the rate at which older workers quit their jobs remains low, even during a time of historically low unemployment. This signals to employers that they do not need to raise workers' pay to keep retention rates high and turnover costs low, tilting the balance of power towards employers. Workers who deem themselves less employable— and who are less likely to quit in hopes of getting a better job— have lower reservation wages (the lowest wage workers will accept to participate in the labor market), further eroding their bargaining power.[7]

Older workers' fears are founded in fact. Leaving them on their own to navigate an unfriendly labor market and the resulting insecurity further exacerbates their declining bargaining power. The solution is to create policies that give older workers viable alternatives to bad jobs and suppressed wages.

Policy Recommendations

Create A Federal Older Workers Bureau

The rising share of older workers in the U.S. calls for the establishment of an Older Workers Bureau—similar to the Women's Bureau established in 1920—to focus on older workers' issues, combat age discrimination, and consistently document conditions facing a growing and permanent segment of the labor force. An Older Workers Bureau focuses the attention of policy makers and data analysts on older workers.

Create Emergency Savings Program

Since half of Boomer households have just $5,000 or less in liquid assets, they are often forced to deplete their retirement savings due to emergency spending needs.[9] Lawmakers should respond by implementing an emergency savings program, modeled on the Obama administration's MyIRA program, to automatically enroll workers into emergency savings plans funded by payroll deductions. This program can supplement meager unemployment benefits and give workers the opportunity to look for better jobs.

Ensure Quality Retirement As An Option

Instead of increasing the retirement age, which is equivalent to a cut in benefits, lawmakers should strengthen and expand Social Security, ensuring a reliable fallback option when working longer is not possible. Guaranteed Retirement Accounts (GRAs) would give workers access to a secure and accessible way to save for their retirement and supplement their Social Security benefits. GRAs are a proposal for universal individual accounts funded by employer and employee contributions throughout a worker's career and a refundable tax credit.

Older Workers at a Glance

2.5% ↓
U-3 Headline Unemployment

5.2% ↓
ReLab's U-7 Inclusive Unemployment

$913 ↑
Full-Time Workers' Median Weekly Earnings

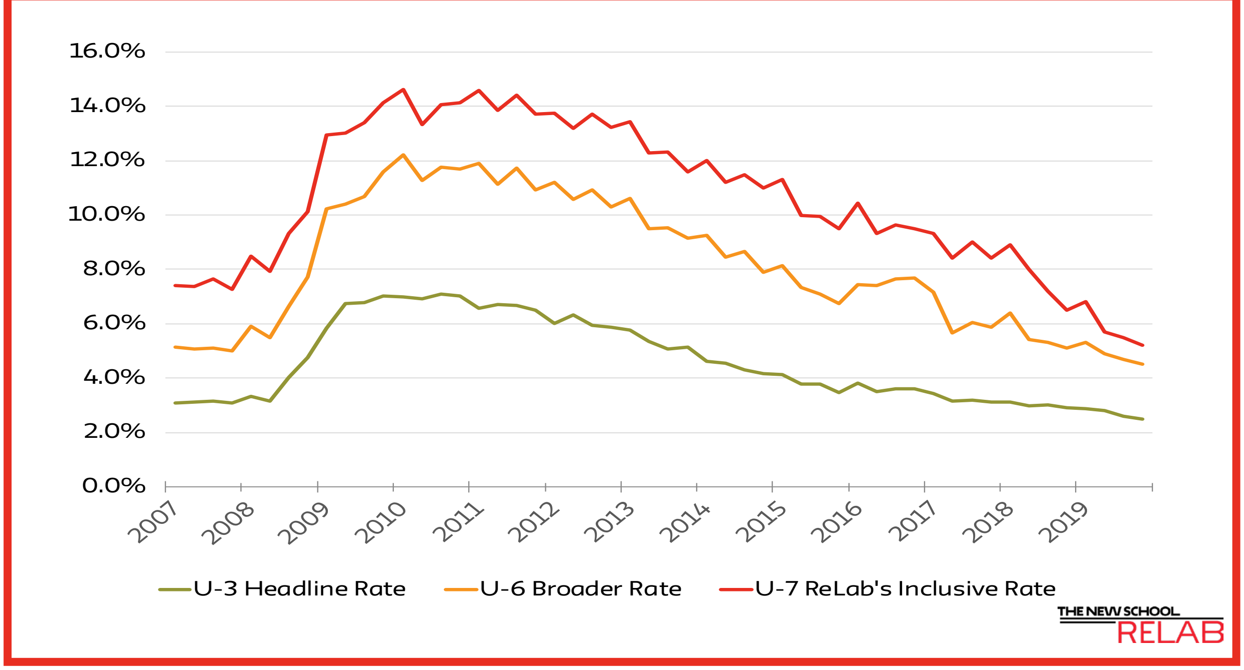
41% ↓
Workplace Retirement Coverage

*Arrows next to "Older Workers at a Glance" statistics reflect the change from the previous quarter's data.

1. Unemployment Rates

The headline unemployment rate (U-3) for workers ages 55 and up is 2.5% this quarter (from October to December), which represents a 0.1% decline from last quarter. ReLab's U-7 figure includes everyone in headline unemployment, plus marginally attached and discouraged workers, involuntary part-time workers, and the involuntarily retired (those who say they want a job but have not looked in over a year). U-7 decreased from 5.5% to 5.2% in the last three months.

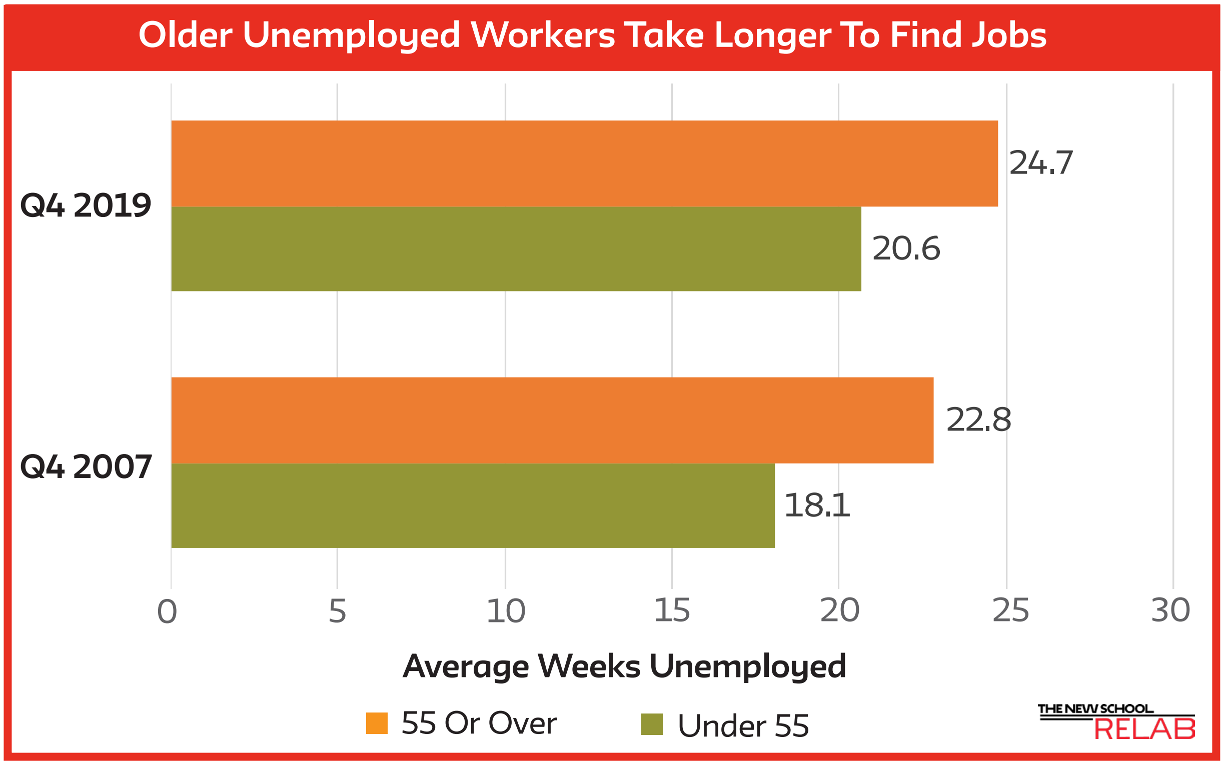
Headline and Total Unemployment Rates For Workers Over 55



Source: Bureau of Labor Statistics (BLS) and SCEPA calculations based on Current Population Survey (CPS) data. Notes: U-3 is sourced from BLS' Employment Situation report, and is defined as the share of the labor force that is unemployed. U-6 and U-7 are SCEPA calculations. U-6 is the share of the labor force and marginally attached members that are unemployed or working part-time for economic reasons. U-7 is the share of all people saying they want and are available for a job that are not working or working part-time for economic reasons. Quarterly unemployment rates are the average of the unemployment rates for each month in the quarter.

2. Longer Unemployment

Compared to their younger counterparts, older workers are less able to recover from the financial shock of losing a job.[10] For them, job loss often leads to lower wages, lower-quality jobs and has more severe health consequences.[11] Older workers experiencing job loss take one month longer than younger workers, on average, to find a new job. In 2019, older workers spent 24 weeks looking for a job compared to 20 weeks for younger workers. The average number of weeks spent unemployed has increased for both age groups since the peak of the last business cycle (2007). As older workers' time looking for work stretches out, many tap into their retirement savings further compromising their standards of living once they retire.

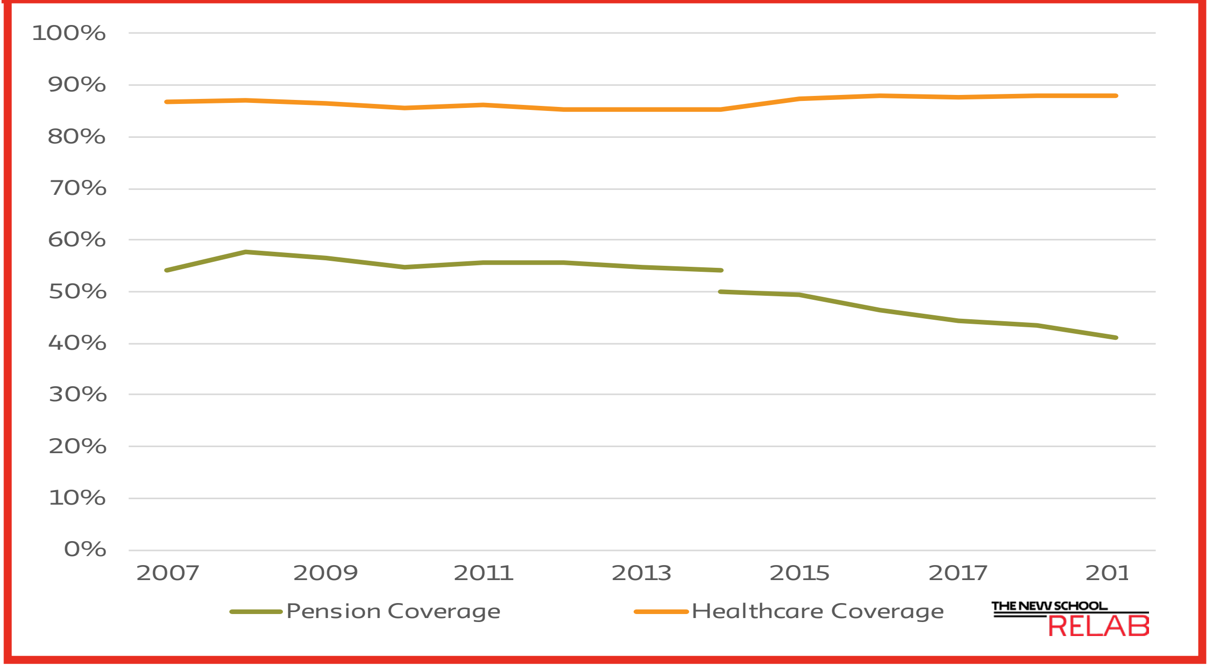


Source: Current Population Survey - basic monthly for October-December 2007 and 2019.
Notes: Samples are pooled across three surveys.

3. Retirement Coverage

Workplace retirement plan coverage fell in 2019 to 41%. Low retirement plan coverage increases retirement insecurity for workers and weakens their bargaining position.

Pension And Healthcare Coverage, Full-Time Workers Ages 55-64



Source: SCEPA calculations using Current Population Survey—Annual Social and Economic Supplement data.
Notes: Share of workers with a retirement plan from their current workplace. Sample includes workers who reported working 30 hours or more per week in the previous year. Starting with 2014 the CPS changed the sequencing of questions related to sources of income and plan coverage. The question text pertaining to pension coverage was not changed. In 2014, the CPS fielded the old survey to part of the sample and the new survey to the rest. We present results for the old and new survey as separate lines.

Endnotes

1. R Johnson, 2019
2. R Johnson and C Mommaerts, 2011
3. R Johnson et al, 2009
4. S Sass and A Webb, 2010
5. SCEPA calculations using data from Longitudinal Employer-Household Dynamics (LEHD).
6. Schwartz Center for Economic Policy Analysis, 2019
7. Schwartz Center for Economic Policy Analysis, 2019
8. M Papadapoulos, 2020
9. SCEPA calculations using Survey of Consumer Finances (SCF). Liquid assets include: saving, checking ,money market accounts, call accounts with brokerage, and prepaid cards.
10. J Brand, 2015
11. W Gallo et al, 2006

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WHY FOCUS ON OLDER WORKERS?

With 10,000 baby boomers turning 65 every day, the American labor force is transforming. Out of the 11.4 million jobs expected to be added to the U.S. economy by 2026, 6.4 million will be filled by workers over 55.* Moreover, all of the net increase in employment since 2000—about 17 million jobs—was among workers ages 55 and older.

The aging American workforce and these workers' lack of retirement readiness will shape employment patterns, the direction of public policy, and the strength of bargaining power for all American workers, old and young.

*Authors' calculations from Bureau of Labor Statistics Data

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