

Question: How are older workers faring in this challenging job market?

Historically what we have seen is that older workers fair better on a number of counts than younger workers. So that workers 50 and older tend to earn more per hour than their younger counterparts. They are more likely to receive retirement benefits on the job, more likely to receive health benefits on the job, and they are less likely to be unemployed. And these patterns persisted through the recent recession and its aftermath, even as unemployment has soared. So today what we see is that the average unemployment rate for men 55 and older in 2010 was about 7.7 percent. For women 55 and older, the average unemployment rate in 2010 was about 6.3 percent. Now these numbers are substantially lower than what they are for workers 25 to 54. Despite the fact that the unemployment rate is lower for older workers, it has soared for older workers so that the unemployment rate today for people 55 and older is more than twice as high as it was in 2007 before the recession began. And today there are fully about 3.3 million workers age 50 and older who are unemployed, so it is a problem. But the problem is not so much that older workers are more likely to lose their job, because they're not. They're less likely to lose their job than younger workers. But when they lose their job, they tend to be out of work for a longer period of time, and when they do become reemployed, they tend to earn substantially less on the new job than they did on the old job. So let's first think about the reemployment rates. We know that the fully 55 percent of workers 55 to 64 who are out of work—55 percent of them have been unemployed for six months or more. And this is in September 2010. By comparison, overall 43 percent of unemployed workers had been out of work for six months or more. So it is high for all age groups, but it is particularly high for older workers. What happens when they become reemployed? We see that older workers take a much bigger hit to their wages. If we look at men 50 to 61, when they become reemployed they are earning on average 20 percent less on the new job than they did on the old job. If we look at age 62 and older, those who become reemployed are earning 36 percent less on the new job than the old job. By comparison, if we look at men 35 to 49 who lost their job and became reemployed and they are suffering a wage loss of only 4 percent. So it is much more serious, the consequences of job loss are much more serious for older people than for younger people.

Question: Why are employers hesitant to hire older workers?

I think most of the evidence suggests that the difficulty that older workers face is driven mostly by employer reluctance to hire older workers. I think that is driven in large part by a concern that older workers maybe have skills that are out of date, and that because their education was completed so many years ago that it is not as relevant in today's world as it was when they received it—also concerns that maybe they haven't kept up with the technology. This is what comes out of employer surveys. Employers are often expressing some concern about these attributes of older workers, that they are not really as up to date with their skills as they might be. There is also concern that older workers might retire rather quickly, they won't spend enough time with the employer so that the employer can recoup the hiring and the training costs that are involved in bringing on a new worker. And finally there is some concern that employers express that older workers are just too expensive, and it is true that their wages

on average tend to be a little bit higher than for younger folks, but the difference is not dramatic. There is also concern about health care costs being more expensive at older ages than at younger ages. Again the differences aren't that dramatic either.

Question: What are the implications for older workers' retirement security?

One of the challenges that older workers face when they lose their jobs is that it can often really deal a significant blow to their future retirement security. So when people in their 50s, let's say, lose their job, they often have to dip into their retirement savings to make ends meet. That leaves less money in retirement to cover their living expenses, and even if they don't have to do that, and not everyone does—but you look at the data [and] a substantial number of folks who are losing their jobs now in their 50s are dipping into their retirement savings. But even those who don't, if they don't have a job, they don't have the opportunity to continue to build their retirement savings. And so much of retirement savings takes place in the 50s. People can start saving for retirement in earnest after they have moved through other life course events. So really it is after the children are grown, the house is paid off, the college tuition payments are over, that's when they really start focusing on retirement savings. If they don't have a job, they are unable to contribute to their 401K, they have less money to set aside into other retirement savings vehicles. Then for those who are 62, or older, who lose their jobs, rather than on the verge of turning 62, when they lose their jobs, a lot of these people then respond by taking up Social Security early. Social Security provides a really important safety net, a lifeline for people who lose their jobs. That's one of its strengths. The problem, though, is that when you collect Social Security early, you are getting a lifetime of lower benefits. So Social Security is first available at 62. If you collect it at 62 instead of waiting until 66, which is the full retirement age, you are going to get benefits that are only 70 percent, 75 percent as high for the rest of your life. So you're basically suffering a 25 percent cut of your Social Security benefits by collecting at 62 rather than waiting until 66, your full retirement age.