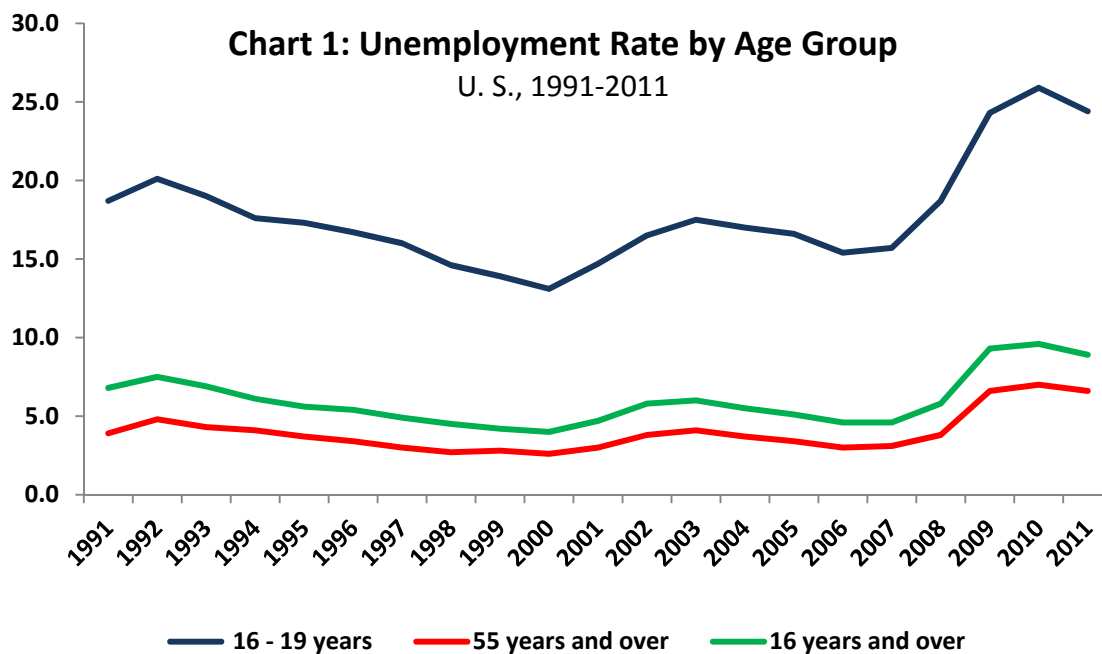


Issues of Interest Information You Can Use

After The Great Recession Older Americans Experience the Longest Duration of Unemployment

According to the National Bureau of Economic Research (NBER), the Great Recession began in December 2007 and ended in June of 2009. Some economists define a *recession* in terms of two consecutive quarters of decline in real Gross Domestic Product (GDP). However, according to the NBER, "a recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales". The Great Recession was the worst since the Great Depression, and has been unique in the duration of the unemployment besides its historically high level and significant decline in major financial markets.

The Great Recession began in December of 2007 and ended June 2009. It had long-lasting effects on workers across all demographics, educational levels, and income spectrums. As shown in Chart 1, the unemployment rate was 4.6% for workers ages 16 and over at the beginning of the recession, while two years after the recession ended it was 8.9%. The rate for workers ages 16-19 was 15.7% at the beginning of the recession and two years after the recession it was 24.4%. For workers 55 years and over, the unemployment rate was 3.1% when the recession began and 6.6% two years after the recession ended.

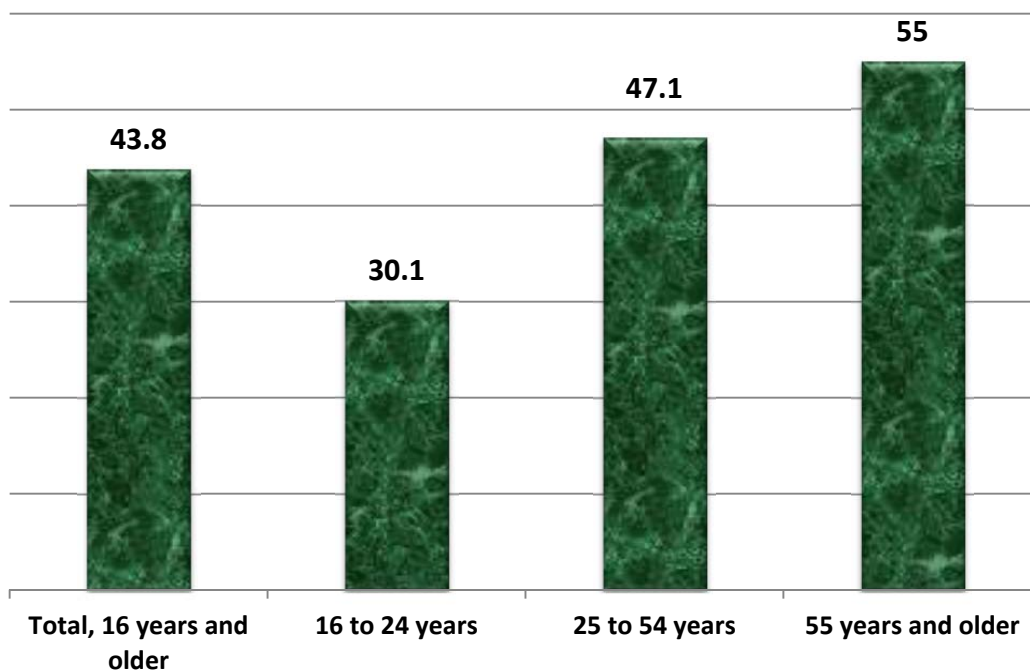


Source: Bureau of Labor Statistics

Younger workers, ages 16-19 years, minorities, workers with less education, male dominated sectors, such as construction and manufacturing experienced the highest unemployment rates. However, older workers age 55 years and over have remained unemployed the longest.

According to the US Bureau of Labor Statistics, there were 12.7 million unemployed persons in May 2012 with 5.4 million jobless for 27 weeks or more. Of the total unemployed of 12.7 million, 2.1 million were workers age 55 and over. Not only did the older workers remain unemployed for a long period of time, they also experienced a historically high level of unemployment. As shown in Chart 2, among the long-term unemployed (27 weeks or longer) in 2011, 55 % were older workers who have difficulty in finding employment opportunity.

Chart 2: Percentage Unemployed At Least 27 Weeks
U. S., By Age Categories



Source: U.S. Bureau of Labor Statics, Table 31

A recent report by the United States Government Accountability Office (GAO), found that among those who lost a job during the Great Recession, older Americans have it the worst. The report indicates smaller percentages of workers age 55 and over become unemployed in comparison with younger workers but they stay unemployed for the longest duration.

<http://gao.gov/assets/600/590882.pdf>

Challenges in Finding New Jobs

Despite improving job market, some studies confirm that once unemployed, older workers face barriers to re-employment and still struggling with long-term unemployment. Employer reluctance to hire older workers is identified as one of several reemployment challenges for older workers according to the GAO report.

According to experts interviewed by the GAO, among the key reasons employers were reluctant to hire older workers were the cost of providing health benefits to older workers, higher wages older workers earned in their previous jobs, perceived lack of up-to-date computer skills, overqualified for available lower-level positions. Another factor noted in this report is that employers might hesitate to hire and retain older workers because they assume that older workers will not work much longer, so the employer would not get a good return on the training investment.

A report from the National Employment Law Project by Claire McKenna and Mitchell Hirsch, on older workers long-term unemployment found that:

- Older workers (50 years and older) represented a larger share of the long-term unemployed in 2011 than they did before the Great Recession.
- Since the start of the Great Recession, the number of long-term unemployed older workers has increased more than fivefold.
- Compared to other age groups, once older workers became unemployed, they were most likely to become long-term unemployed.

<http://www.nelp.org/page/-/UI/2012/NELP.older.workers.3.9.2012.pdf?nocdn=1>

Consequences of Long-Term Unemployment

Remaining unemployed in longer period impacts worker's ability to meet ends and prospected fewer benefits during retirement. Job loss can result in fewer years of work over a worker's lifetime, which can lower the worker's retirement income in several ways, according to the GAO's report. According to the Social Security Administration, that in fiscal year 2009 about 139,500 more older workers applied for Social Security retirement benefits than would have been expected in the absence of a recession. If they choose to draw social security earlier than they should, the monthly retirements would be reduced permanently.

Older workers who gave up looking for employment are increasingly likely to retire.

A research brief, by the John J. Heldrich Center for Workforce Development, reports that prolonged unemployment has had a profound impact on the lives of the older unemployed workers. These include, they have been forced to cut back on spending, increase credit card debt, change their lifestyles, and find new uncomfortable ways to make ends meet.

For older workers who relied on defined contribution pension plans (workers and employers may make contributions into individual accounts), early retirement means they will retire poorer because they will have had less income to contribute to pensions. If these early retirees had defined pensions (benefits calculated by a formula based on factors such as salary or years of service), they will have less to draw down.

http://www.heldrich.rutgers.edu/sites/default/files/content/Heldrich_Center_Older_Workers_Brief.pdf

At a time when many economists predict that our nation may not reach to pre-recession levels of employment, as a society we need to be mindful the challenges the long-term unemployment poses to older workers. ***Older workers face a period in their lives they cannot rebuild opportunities lost during the Great Recession.*** Some may leave the workforce but many would remain it so there is a need to rethink about labor strategies and programs that would focus the needs of older workers.

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Metropolitan Social Services – Planning & Coordination
<http://www.nashville.gov/sservices/planningcoordination/index.asp>