

# STATUS OF OLDER WORKERS

October 2020

## A First in Nearly 50 Years, Older Workers Face Higher Unemployment Than Mid-Career Workers

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- Unemployment Gap Flips:** Unemployment rates for workers 55 and older exceeded those of mid-career workers for the length of the pandemic — the first time since 1973 such an unemployment gap has persisted for six months or longer.
- Slower Recovery For Older Workers:** Older workers lost jobs faster and returned to work slower than mid-career workers, creating an unemployment gap of 1.1 percentage points between older workers' six-month average unemployment rate of 9.7% and mid-career workers' rate of 8.6%.
- Inequality in Recovery:** Older workers who are Black, female, or lack a college degree experienced higher rates of job loss and are more exposed to retirement risks.
- Policy Recommendations:** High and persistent unemployment, compounded by the health risks of Covid-19, threatens the retirement security of older workers. Congress needs to increase and extend unemployment benefits for older workers, discourage withdrawals from 401(k)s and IRAs, lower Medicare eligibility to 50, and create a federal Older Workers Bureau.



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## 6-Month Unemployment Gap Opens for Older Workers After 50 Years

In every recession since the 1970s, older workers (ages 55+) had persistently lower unemployment rates than mid-career workers (ages 35-54), partly because of the benefits of seniority.<sup>1</sup> In the current recession, this trend has flipped. In each month since the onset of the pandemic, older workers experienced higher unemployment rates than mid-career workers, representing a recovery gap in age. Older workers' unemployment rates from April through September were 1.1 percentage points higher than mid-career workers', 9.7% as opposed to 8.6% (six-month rolling average). For comparison, at the peak of unemployment in 2010 following the Great Recession, older workers'

unemployment rate was 1.2% below that of mid-career workers, 7.0% compared to 8.2% (six-month rolling average).

Although the monthly gap shrunk in September, falling to 0.4 percentage points relative to the six-month average of 1.1 percentage points, older workers continue to recover at a slower pace. Older unemployed workers often enter retirement earlier than planned and with less savings instead of staying unemployed. This involuntary retirement can decrease older workers' official unemployment rate, diminishing what would otherwise be a larger unemployment gap relative to mid-career workers.

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### Unemployment Gap Step 1: Initial Pandemic Job Loss Hit Older Workers Harder

The unemployment rate gap emerged at the start of the recession and persisted due to an unequal recovery for older workers. Between March and April, a higher share of older workers lost their jobs

compared to mid-career workers—10.9% of older workers fell into unemployment versus 8.9% of mid-career workers.

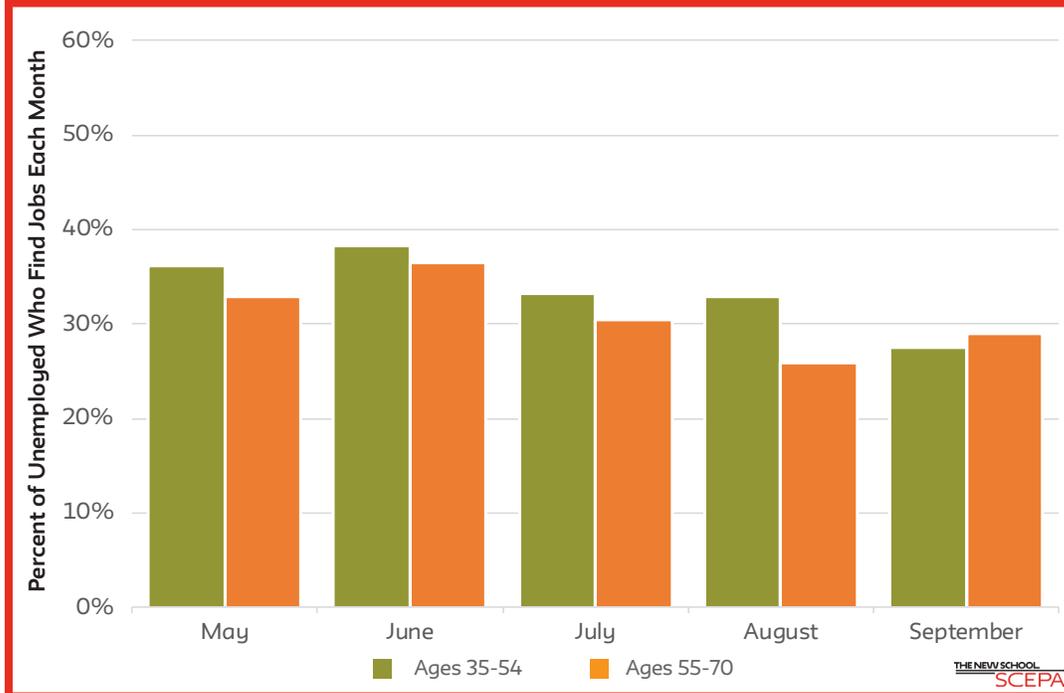
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### Unemployment Gap Step 2: Unemployed Older Workers Slower to Get Rehired

The unemployment gap might have shrunk if, after falling into unemployment at higher rates, unemployed older workers also bounced back at higher rates. That has not been the case. Between April and September, on average, 28% of unemployed older workers found employment each month compared to 32% of mid-career workers.<sup>2</sup> This is consistent with previous

research finding that older workers face longer unemployment spells.<sup>3</sup> Due to a slowdown in the recovery for mid-career workers, September was the first month since the recession began in which unemployed mid-career workers found jobs at a slower rate than unemployed older workers, with 27% of mid-career workers and 29% of older workers finding jobs out of unemployment.

Figure 2: Unemployed Older Workers Less Likely to Find Jobs



Source: SCEPA calculations based on linked month-to-month Current Population Survey (CPS) data.  
Notes: Percentage of workers who report being employed in the listed month among those unemployed in the previous month.

## Unemployment Gap Step 3: Older Workers Continue to Lose Jobs Faster

Older workers continue to lose jobs at a higher rate than their mid-career counterparts. Over the past six months, older employed workers were 17% more likely to fall into unemployment than mid-career workers.<sup>4</sup> If older workers' rate of job loss were as low as mid-career workers', roughly 1 million older workers would still have their jobs. The rate of job loss remains unusually high. The share of older employed workers falling into unemployment in

September 2020 was more than double the share in September 2019, 1.3% versus 0.5%.

These numbers likely underestimate the rate of job loss among older workers due to the fact that many older workers are forced out of the labor market. See Relab's report, "Over Half of Unemployed Older Workers at Risk of Involuntary Retirement" (see endnote 7).

## Disparities in Recovery by Race, Sex, and Education

Since April, Black older workers have been 26% more likely than white workers on average to lose their jobs from month to month. However, Black workers and white workers faced roughly comparable rates of hiring out of unemployment during the recession.

Older women also faced higher rates of job loss than older men since the beginning of the pandemic, averaging a 38% higher likelihood of going from employed to unemployed in any given month. While unemployed older women returned to work more slowly than older men in the initial months of the recession, since July they have found work again at higher rates.

Like older women and older workers of color, older workers without a college education have elevated rates of job loss. Over a six-month period, non-college educated older workers were on average 45% more likely to fall into unemployment than older workers with college degrees. In the initial months after the pandemic shock, unemployed non-college older workers returned to work at higher rates relative to the college-educated unemployed. That pattern reversed in August and September.

See appendix for more details on disparities in job loss and rehiring rates.

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## Slower Recovery Damages Older Workers' Retirement Prospects and Expands Retirement Inequality

The 6-month unemployment gap for older workers points to a slower recovery for older workers compared to mid-career workers. The recovery gap between older and mid-career workers leaves older workers with higher unemployment rates, increasing the risk of involuntary retirement and downward mobility in retirement. The final years of a career are critical for older workers' livelihoods in retirement, especially for the majority of older workers who do not have sufficient retirement assets and expect to work longer to make up for it.

Even in normal times, many would not be able to work longer or benefit from doing so.<sup>5</sup> The pandemic recession made working longer even less of a reliable plan for millions of older workers who lost their jobs or saw their pay or hours cut. Those out of work cannot contribute to their retirement accounts, and longer unemployment durations among older

workers increase the risk of early and involuntary retirement.<sup>6</sup>

Persistent unemployment will cause more older workers to leave the labor force earlier than planned, increasing downward mobility and poverty in retirement.<sup>7</sup> Between April and September, unemployed older workers were nearly five times more likely to leave the labor force than employed older workers. An average 22% of unemployed older workers left the labor force compared to 4.5% of employed older workers.<sup>8</sup>

The unequal distribution of unemployment—which has fallen more heavily on women, workers of color, and those without college degrees—is likely to exacerbate existing inequalities in retirement preparedness.<sup>9</sup>

## Policy Recommendations

### Extend and Increase Unemployment Benefits

Older workers who are laid off experience longer spells of unemployment, which contributes to why many give up looking for work and retire earlier than planned. Increased unemployment benefits—even more than the \$600 a week which expired July 31—can help older workers preserve retirement assets and put off claiming Social Security early, protecting their monthly benefits

from the early retirement penalty.

Congress should suspend the job search requirement for older workers and their caretakers to be eligible for unemployment benefits. Older workers should not be forced to look for work at a time when work puts them at risk of severe illness or death.

### Discourage Early Withdrawals

Congress should immediately reinstate the 10% penalty fee for early withdrawals from tax-advantaged retirement accounts, which was removed by the CARES Act in March and is scheduled to return in January. A May survey showed 3 in 10 workers withdrew savings from

their retirement accounts to make ends meet during the pandemic.<sup>10</sup> Removing the fee encourages individuals to sacrifice future needs for short-term spending. Rather, Congress should enact measures to ensure the income and health insurance needs of those who lost jobs in the COVID-19 recession.

### Consider Lowering Medicare Eligibility Age to 50 & Make Medicare First-Payer

Lowering the Medicare age to 50 would ensure older laid-off workers get the care they need.<sup>11</sup> Moreover, making Medicare first-payer, meaning it would cover medical expenses before private insurance, would lower firms' costs associated with

providing health insurance to older workers. Easing the burden of hiring older workers would help prevent involuntary retirements while increasing older workers' health coverage.

### Expand Social Security

Increasing Social Security and instituting a minimum benefit will soften the blow for workers who are forced to retire before they are ready and prevent many from falling into poverty. Congress

should expand Social Security benefits by \$200 per month and increase the Special Minimum Benefit up to 125% of poverty.<sup>12</sup>

### Create A Federal Older Workers Bureau

An Older Workers Bureau at the U.S. Department of Labor would formulate standards and policies to promote the welfare of older workers, improve their working conditions, and advance their opportunities for profitable employment.

The Bureau would be tasked with three goals. First, provide resources to identify, research and analyze topics of concern for older workers. Second, create

innovative policies to advance quality employment opportunities for this increasingly vulnerable population. Last, the bureau would be responsible for outreach and education. This would include efforts to share and promote policies identified and created by the bureau, but also to raise awareness of the economic and societal benefits of promoting quality work for older workers.

# Older Workers at a Glance

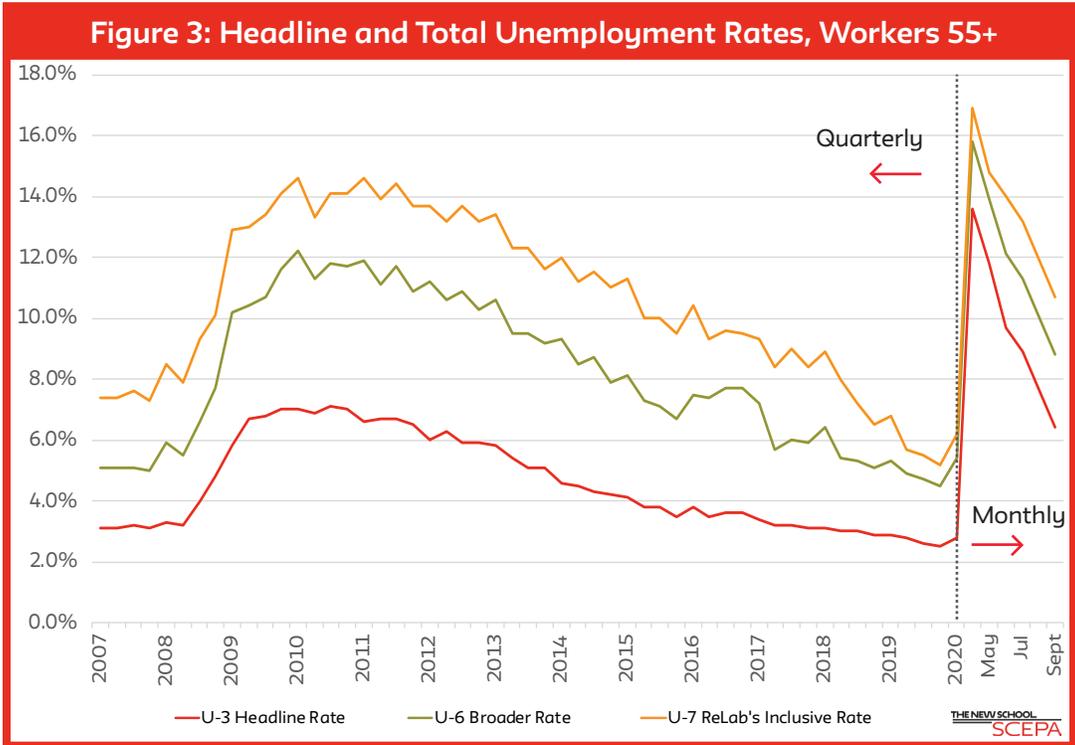
<b>6.4%</b> ↓	<b>10.7%</b> ↓
U-3 Headline Unemployment	ReLab's U-7 Unemployment Rate
<b>36.3%</b> ↓	<b>1.4 MILLION</b>
Employment-to-Population Ratio	Remain Unemployed Since April*

\* The 1.4 million older workers still unemployed since April does not include workers who were unemployed in April and have since left the labor force. Arrows reflect the change from the previous period's data. Bureau of Labor Statistics (BLS) and SCEPA calculations based on Current Population Survey (CPS) data.

## 1. Unemployment Rates

The headline unemployment rate (U-3) for workers ages 55 and older was 6.4% in September, down from 7.7% in August and a peak of 13.6% in April. 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 for over a year). U-7 decreased from a high of 16.9% in April to 10.7% in September.

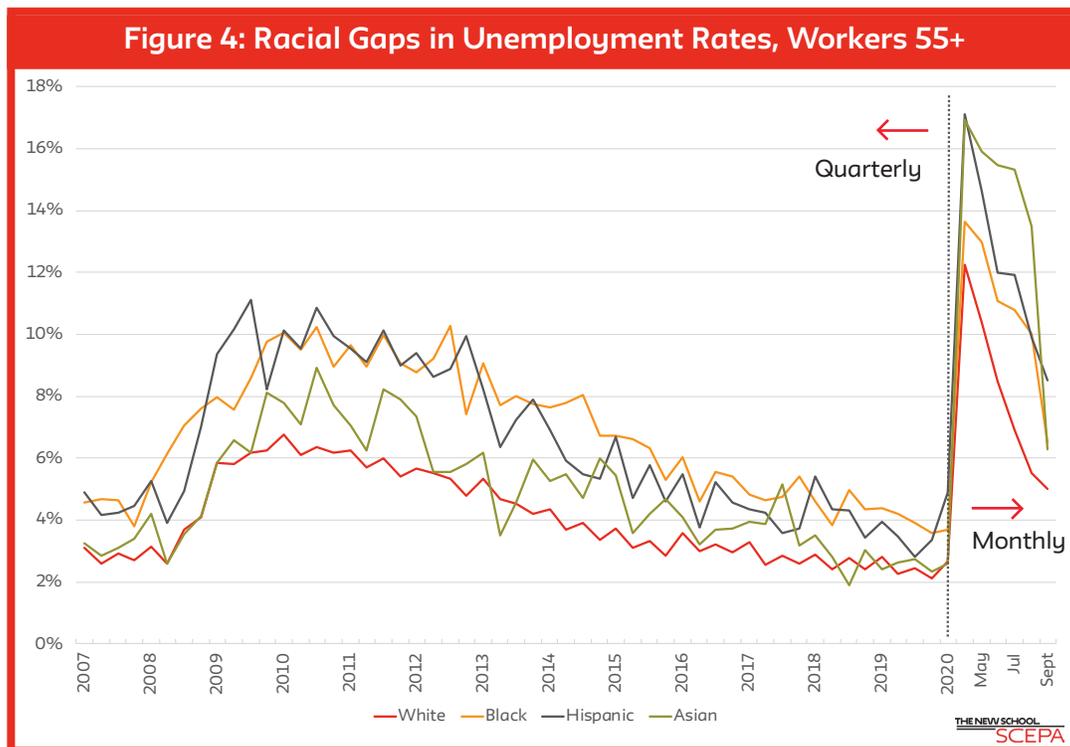


Source: SCEPA calculations based on Current Population Survey (CPS) data. Notes: Quarterly unemployment rates are the average of the unemployment rates for each month in the quarter. To help highlight recent trends, the final six data points are monthly figures rather than quarterly.

## 2. Unemployment By Race

Unemployment rates vary widely by race, creating gaps that persist in normal economic times but widened significantly at the outset of the pandemic recession. The unemployment rate for white older workers (55+) was 5.0% in September, down 0.5 percentage points from April. Unemployment rates for other groups are higher, though they converged some in September. The unemployment rate was 6.5% in June for Black older workers (down from 10%), 8.5% for Hispanic older workers (down from 9.9%) and 6.3% for Asian older workers (down from 13.5%).

The shrinking of racial unemployment gaps in September was driven not just by nonwhite older workers finding jobs, but also by these workers dropping out of the labor force altogether. Roughly one-third of unemployed Black older workers left the labor force in September, double the dropout rate of the previous month and double the comparable figure for white workers. Older Hispanic and Asian unemployed workers also (21% and 27%, respectively) than older white workers (17%).



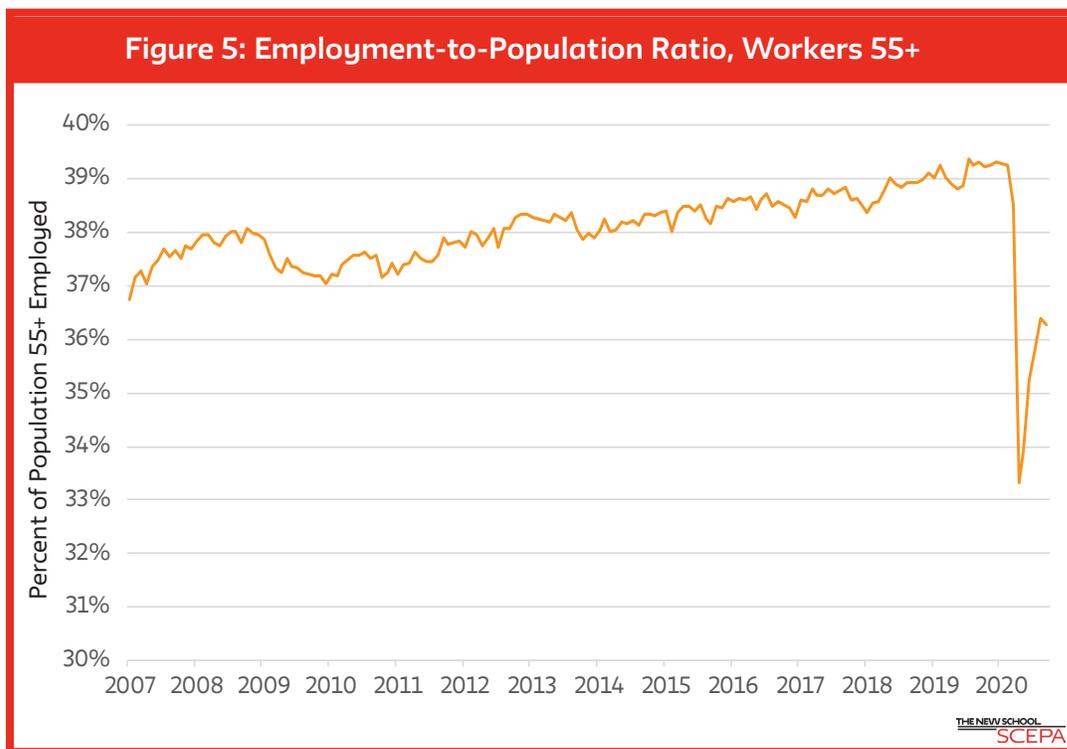
### 3. Employment-to-Population Ratio

The employment-to-population ratio, or EPOP, provides a broader view of the labor market than the basic unemployment rate. The unemployment rate looks only at those who are in the labor force: people with jobs (the employed) and people without jobs who are seeking work (the unemployed).

The unemployment rate does not capture exits from the labor force, an especially important factor for older workers who face a risk of involuntary retirement when they lose jobs. By contrast, the EPOP captures the combined effect of unemployment and exits from the labor force.

The combination of exits from the labor force and the rise of unemployment at the start of the pandemic caused the age 55+ EPOP to fall a historically unprecedented 6 percentage points between February and April, from 39.3% to 33.3%, a level well below the lowest older worker EPOP recorded during the Great Recession (37.0%).

Although in the months following April there was a rebound in the share of older people who are employed, the recovery stalled in September when the seasonally adjusted EPOP for older workers fell by 0.1 percentage points to 36.3%—signalling a potentially long and slow recovery.



Source: BLS based on Current Population Survey (CPS).  
Notes: Monthly, seasonally adjusted.

## Endnotes

1. This report does not cover workers aged 34 and younger, a group that has experienced extremely high rates of unemployment in the current recession (see Aaronson, S. and Alba, F. (2020). “Unemployment among young workers during COVID-19.” Brookings Institution, 10 Sept, 2020). The focus of this report is older workers, and the most appropriate comparison group are those who are also likely to have established their careers. This justifies the designation “mid-career” workers, or those aged 35-54.
2. These figures do not include flows into employment from out of the labor force, which may include individuals who stopped working in the pandemic but were categorized as not in the labor force rather than unemployed. Excluding retired workers, rates of transition from not in the labor force to employment have been higher for mid-career workers than older workers.
3. Johnson, R. (2012). “Older Workers, Retirement, and the Great Recession.” The Russell Sage Foundation and The Stanford Center on Poverty and Inequality, Great Recession Brief, October 2012. Retrieved from [https://inequality.stanford.edu/sites/default/files/Retirement\\_fact\\_sheet.pdf](https://inequality.stanford.edu/sites/default/files/Retirement_fact_sheet.pdf)
4. This defines job loss as going from employment to unemployment only. There are also flows from employment to not-in-labor-force that are not included in our job loss measure. Yet even when excluding flows to retirement, flows from employment to not-in-the-labor-force are comparable between mid-career and older workers. If we included older workers who immediately retired upon losing their jobs, the job loss rate would be higher for older workers.
5. Ghilarducci, T., Papadopoulos, M., and Webb, A. (2020) “The Illusory Benefit of Working Longer on Financial Preparedness for Retirement.” Schwartz Center for Economic Policy Analysis and Department of Economics, The New School for Social Research, Working Paper Series 2020-2.
6. Schwartz Center for Economic Policy Analysis (SCEPA 2018). 52% of Older Workers Forced into Involuntary Retirement. Retrieved from <https://www.economicpolicyresearch.org/jobs-report/september-2018-unemployment-report-for-workers-over-55>
7. Papadopoulos, M., Fisher, B., Ghilarducci, T., and Radpour, S. (2020). “Recession Increases Downward Mobility in Retirement: Middle Earners Hit From Both Sides.” Schwartz Center for Economic Policy Analysis, May 2020. Retrieved from [https://www.economicpolicyresearch.org/images/Retirement\\_Project/status\\_of\\_older\\_workers\\_reports/Q1\\_2020\\_OWAG\\_Final\\_2.pdf](https://www.economicpolicyresearch.org/images/Retirement_Project/status_of_older_workers_reports/Q1_2020_OWAG_Final_2.pdf)
8. Authors’ calculations based on the Current Population Survey (CPS).
9. Morrissey, M., Sabadish, N. (2013). “Retirement Inequality Chartbook: HOw the 401(k) revolution created a few big winners and many losers.” Economic Policy Institute, September 2013. Retrieved from <https://www.epi.org/publication/retirement-inequality-chartbook/>
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12. Ghilarducci, T. (2020). Teresa Ghilarducci on Social Security Fixes to Protect the Poorest. Bloomberg. Retrieved from <https://www.bloomberg.com/news/articles/2020-03-27/teresa-ghilarduccion-social-security-fixes-to-protect-the-poorest>

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## Technical Appendix

### Methodology

To measure transition rates between unemployment and employment, we used public-release Current Population Survey microdata from IPUMS to construct a series of two-month panels. For each adjacent two-month period, we matched individuals across months and kept only those observations in which individuals were recorded in both months. For measurements of flows in each two-month period, we use the IPUMS-CPS panel weights associated with the second month.

### Additional Tables

Tables below list monthly transition rates between employment and unemployment for different groups. Each cell shows the share of employed (unemployed) individuals who transitioned to unemployed (employed) in the listed month. For example, the first cell in Table 1 says that 2.08% of the 18-34 year-olds who were employed in February were recorded as unemployed in March.

**Figure A1: Employment Transitions, By Age Group**

Employed to Unemployed Transition Rate				Unemployed to Employed Transition Rate			
	18-34	35-54	55+		18-34	35-54	55+
<b>Mar</b>	2.08%	1.36%	1.04%	<b>Mar</b>	27.65%	24.00%	18.44%
<b>Apr</b>	12.72%	8.85%	10.80%	<b>Apr</b>	24.05%	22.98%	15.87%
<b>May</b>	4.39%	2.92%	3.33%	<b>May</b>	31.20%	36.20%	32.87%
<b>Jun</b>	3.28%	2.33%	2.79%	<b>Jun</b>	34.52%	38.36%	36.41%
<b>Jul</b>	2.75%	2.04%	2.41%	<b>Jul</b>	28.91%	33.16%	30.50%
<b>Aug</b>	1.51%	1.16%	1.35%	<b>Aug</b>	26.97%	32.96%	25.96%
<b>Sept</b>	1.93%	1.14%	1.26%	<b>Sept</b>	26.24%	27.49%	28.92%

Source: Authors' calculations using the Current Population Survey February-September 2020. Notes: See above for methodology.

**Figure A2: Employment Transitions, Older Workers By Race**

Employed to Unemployed Transition Rate					Unemployed to Employed Transition Rate				
	White	Black	Hispanic	Asian		White	Black	Hispanic	Asian
<b>Mar</b>	0.86%	1.63%	1.25%	1.69%	<b>Mar</b>	22.48%	6.42%	15.17%	3.14%
<b>Apr</b>	9.88%	11.52%	16.05%	12.70%	<b>Apr</b>	14.93%	18.02%	21.21%	9.83%
<b>May</b>	3.09%	3.14%	4.96%	3.82%	<b>May</b>	33.90%	26.66%	32.52%	29.32%
<b>Jun</b>	2.36%	4.34%	3.15%	5.43%	<b>Jun</b>	36.72%	36.79%	38.87%	28.58%
<b>Jul</b>	2.15%	3.91%	3.38%	1.75%	<b>Jul</b>	31.12%	28.90%	25.44%	37.95%
<b>Aug</b>	1.21%	0.81%	1.37%	4.55%	<b>Aug</b>	26.85%	31.10%	19.85%	25.77%
<b>Sept</b>	1.15%	1.19%	1.46%	2.69%	<b>Sept</b>	29.16%	36.66%	25.73%	21.34%

Source: Authors' calculations using the Current Population Survey February-September 2020. Notes: See above for methodology.

**Figure A3: Employment Transitions, Older Workers By Gender**

Employed to Unemployed Transition Rate			Unemployed to Employed Transition Rate		
	Men	Women		Men	Women
<b>Mar</b>	1.18%	0.89%	<b>Mar</b>	16.81%	21.27%
<b>Apr</b>	9.05%	12.71%	<b>Apr</b>	16.45%	15.00%
<b>May</b>	2.74%	4.02%	<b>May</b>	34.67%	31.17%
<b>Jun</b>	2.68%	2.91%	<b>Jun</b>	39.07%	34.21%
<b>Jul</b>	1.79%	3.13%	<b>Jul</b>	26.78%	33.76%
<b>Aug</b>	1.23%	1.49%	<b>Aug</b>	22.36%	28.90%
<b>Sept</b>	1.06%	1.48%	<b>Sept</b>	27.21%	30.65%

Source: Authors' calculations using the Current Population Survey February-September 2020. Notes: See above for methodology.

**Figure A4: Employment Transitions, Older Workers By Education**

Employed to Unemployed Transition Rate			Unemployed to Employed Transition Rate		
	No college	College		No college	College
<b>Mar</b>	1.21%	0.79%	<b>Mar</b>	19.68%	15.41%
<b>Apr</b>	12.89%	7.71%	<b>Apr</b>	15.10%	17.74%
<b>May</b>	3.90%	2.57%	<b>May</b>	33.44%	31.43%
<b>Jun</b>	3.26%	2.13%	<b>Jun</b>	38.66%	31.24%
<b>Jul</b>	2.59%	2.14%	<b>Jul</b>	31.50%	28.47%
<b>Aug</b>	1.51%	1.12%	<b>Aug</b>	25.03%	28.15%
<b>Sept</b>	1.44%	0.99%	<b>Sept</b>	25.71%	35.41%

Source: Authors' calculations using the Current Population Survey February-September 2020. Notes: See above for methodology.

# 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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