

SCHWARTZ CENTER
FOR ECONOMIC
POLICY ANALYSIS

POLICYNOTE

THE GROWTH OF UNSTABLE AND LOW-WAGE WORK AMONG OLDER WORKERS

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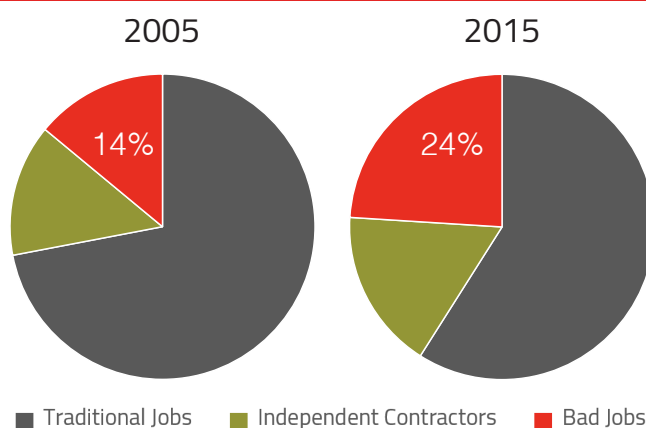
ELEVATOR PITCH

Between 2005 and 2015, the growth in older workers' unstable and low-wage jobs outpaced growth in jobs offering decent pay or stable employment. By 2015, nearly 1 in 4 older workers were in bad jobs. Bad jobs include the alternative work arrangements of on-call, temp/contract, and gig jobs (excluding independent contractors) and low-wage traditional jobs (paying less than \$15,000 per year).

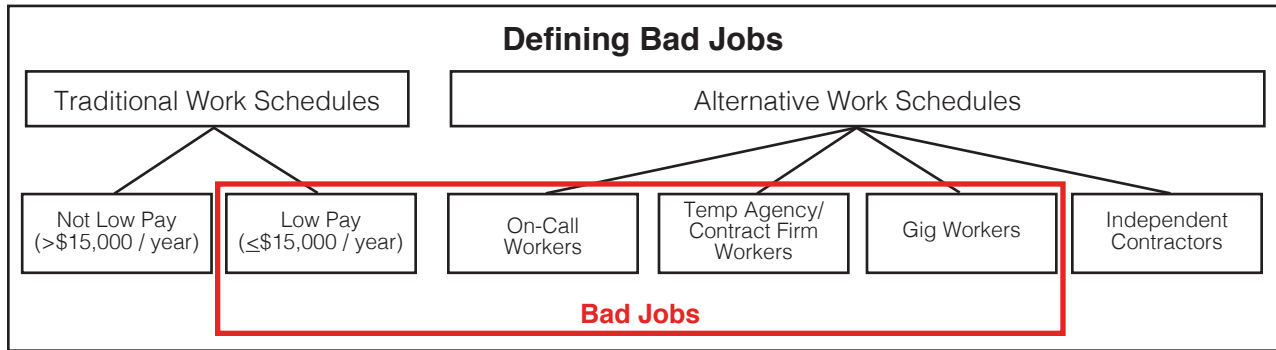
KEY FINDINGS

- The share of workers ages 62 and over in bad jobs grew from 14% in 2005 to 24% in 2015.
- Older workers in bad alternative work arrangement (AWA) jobs (on-call, temp/contract agency jobs, and gig jobs) are more likely to have lost their previous job involuntarily (17% vs 5% for older workers in other jobs).
- Older workers in bad AWA jobs view themselves as less employable than other workers, believing they have a 21% chance of finding an equally good job if they lose their current job vs an average of 36% for workers in other jobs.

Table 1: Growing Share of Older Workers in Bad Jobs



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GROWING SHARE OF OLDER WORKERS IN ALTERNATIVE WORK SCHEDULES

The share of older workers in alternative work arrangements (AWAs) is growing relative to the share in “traditional” jobs. In 2005, 18 percent of employed workers ages 62 and over were in AWA jobs. By 2015, the share of older workers in AWAs grew to 26 percent. This share represents 4.1 million older workers in AWAs in 2015 (Table 2).

Most of the growth in AWAs comes from jobs with unstable employment and low pay. Taken together, the share of older workers in on-call jobs, temp/contract agency jobs, and gig jobs grew by 5 percentage points. The share in independent contract jobs, the highest paying form of alternative work, increased 3 percentage points.

Alternative Work Arrangement Types:

Independent Contractors find their own clients and act as consultants or freelancers. These workers are often well paid, and we do not classify these as bad jobs.

On-call workers do not have set schedules for part of their work hours and can be called into work at any time. A subset of these are zero-hours workers who have no set hours. They are considered employed even if they are not called in to work.

Temp agency workers are paid by an agency specialized in finding and mediating the terms of temporary jobs.

Contract firm workers are similar to temp agency workers, but their jobs are not explicitly short term.

Gig workers provide their own goods and services like independent contractors, but find clients through an intermediary.

GROWING SHARE OF OLDER WORKERS IN LOW-PAYING TRADITIONAL JOBS

Between 2005 and 2015, the share of older workers in low-paying traditional jobs paying less than two thirds the median wage (\$15,000 a year in 2015) grew by 5 percentage points to 15 percent, or 2.4 million older workers. Meanwhile, the share of workers in traditional jobs that paid above \$15,000 declined by 13 percentage points to 59 percent.

The combined increases in low-paying traditional jobs and unstable AWAs contributed to an increase in the share of older workers in bad jobs from 14 percent in 2005 to 24 percent in 2015.

Table 2: Share of Workers Ages 62+ in Various Work Arrangements

Work Arrangement	2005	2015	Change	# of Workers in 2015
Traditional Work Arrangements	82%	74%	-8	11,750,000
Earning >\$15,000 per year	72%	59%	-13	9,350,000
Earning <= \$15,000 per year	10%	15%	+5	2,400,000
Alternative Work Arrangements	18%	26%	+8	4,100,000
Independent Contractors	14%	17%	+3	2,700,000
On-Call Workers	2%	4%	+2	600,000
Temp Agency/Contract Firm Workers	2%	4%	+2	600,000
Gig Workers	NA	1%	+1	200,000
Total Bad Jobs	14%	24%	+10	3,200,000

Source: Authors' calculation using 2005 Current Population Survey – Contingent Worker Supplement and 2015 American Life Panel Survey #441.
Notes: Workers are classified based on the job they work the greatest number of hours in. Gig workers not tracked in 2005. Bad jobs are defined as traditional jobs where workers earn less than \$15,000 per year in 2015 dollars, and all alternative work arrangements except Independent Contractors. Percentages rounded to the nearest percentage point, and numbers of workers rounded to the nearest 50,000. CPS sample weights. ALP sample is re-weighted to account for sample's high proportion of self-employed (Katz & Kreuger, 2016).

DESPERATE CIRCUMSTANCES BRING OLDER WORKERS TO BAD JOBS

Workers in on-call, temp/contract agency, and gig jobs are more likely than average to have lost their previous job involuntarily (17 percent, compared to 5 percent for other workers) and have low tenure in their current jobs (2.1 years, compared to 10.9 years for other workers). Moreover, they view themselves as less employable. When asked to assess the probability of finding an equally good job should they lose their current job, workers in bad AWA jobs estimated an average of 21 percent, compared to an average of 35 percent for other workers.

The median earnings among workers in on-call, temp/contract agency, and gig jobs is \$14,000. The median financial wealth/income ratio for workers in these jobs is 0.89, a rate that is below

the median for all older workers (1.71) but higher than those in low-paying traditional jobs (0.44). Taken together, many older workers in alternative work jobs take on these jobs as a last resort after losing their “career jobs.” They cannot afford to retire, but also cannot find traditional work in their industry, and view their job prospects as dimmer than most.

Workers in low-paid traditional jobs have been in their current jobs (8.8 years) for longer than those in unstable AWAs (2.1 years). They also face greater deprivation, with 12% reporting having faced food insecurity in the last year (compared to 6% for other workers) (Table 3). These workers appear stuck in their precarious situations, with little prospects of moving into higher paying work.

Table 3: Descriptive Statistics of Older Workers in Varying Work Arrangements in 2015

	All	Alternative Work		Traditional Work	
		Independent Contractors	On-Call, Temp, Contract, or Gig Jobs	Low Paying Jobs	Non-Low Paying Jobs
Share of Workers	100%	17%	9%	15%	59%
Median Wealth/Earnings Ratio	1.71	3.61	0.77	0.44	1.02
Wealth/Earnings Ratio > 3	34%	57%	29%	39%	27%
Expect DB Pension Income in Retirement	23%	30%	22%	16%	23%
Lost Last Job Involuntarily	6%	5%	17%	5%	5%
Experienced Food Insecurity Recently	7%	2%	6%	12%	7%
Average Job Tenure (Years)	10.1	8.3	2.1	8.8	12.2
Average Perceived Employability	35%	42%	21%	34%	35%

Source: Authors' calculation using 2005 Current Population Survey – Contingent Worker Supplement and 2015 American Life Panel Survey #441.

Notes: Sample includes workers ages 62+ who participated in all four surveys. Surveys 324, 334 and 336 correspond to sections from the 2012 HRS Core questionnaire, and survey 441 corresponds to a modified Contingent Worker Supplement introduced by Katz & Kreuger (2016). Wealth includes the value of stocks, bonds, checking accounts, savings accounts, money market accounts, CDs, and real estate, less debt. Income is total income, including earnings from all jobs, in the previous year. Perceived Employability is a respondents' self-reported probability of finding an equally good job should they lose their current job. Food insecurity is defined as a respondent reporting not having enough money to buy food, or eating less because they could not afford food at any point in the last 12 months. CPS sample weights. ALP sample is re-weighted to account for sample's high proportion of self-employed (see Katz & Kreuger, 2016).

POLICY RECOMMENDATION

Proponents of working longer will point to the growth of alternative work schedules as evidence that the labor market provides options for the employment of older workers, including those needing to take on part-time work to finance a later retirement. But these jobs often offer low pay and precarious work, making it difficult to save for retirement. Providing older workers a reliable retirement savings account, such as Guaranteed Retirement Accounts (GRAs), would

do more to enhance older workers' retirement prospects and increase workers' bargaining power than compelling workers to take on precarious jobs. GRAs are individual savings accounts that all workers can contribute to, with employers matching contributions and the government providing a guarantee of principal. GRAs provide a safe, effective vehicle for workers to accumulate personal retirement savings over their working lives.¹

ENDNOTES

1. Ghilarducci & James, 2018.

REFERENCES

- Ghilarducci, T., & James, T. 2018. *Rescuing retirement*. Columbia University Press: New York.
- Katz, L.F. & Krueger, A.B., 2016. The rise and nature of alternative work arrangements in the United States, 1995-2015 (No. w22667). National Bureau of Economic Research.

APPENDIX

The Bureau of Labor Statistics last fielded the Contingent Work Survey (CWS) as a supplement to the monthly Current Population Survey in 2005. The American Life Panel (ALP) is a nationally-representative sample of respondents which allows researchers to field their own surveys. A slightly-modified version of the CWS was fielded to ALP respondents by Katz & Kreuger (2015). The results of this survey are compared to those in the 2005 CWS run by the BLS in Table 1. The

sample for these comparisons includes workers ages 62 and older.

Separately, a modified version of the 2012 Health & Retirement Survey Core questionnaire was fielded to ALP respondents in 2015. ALP respondents ages 62 and older who participated in both the modified CWS and the modified HRS form the sample in Table 2.

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