

RESEARCH NOTE

Hidden and Persistent Unemployment Among Older Workers

Drystan Phillips

Research Note #2023-02

December 2023

Summary of Findings:

- Over 35 percent of long-term discouraged workers are over age 55
- Since 2010, workers' overall employment gains have not been experienced equally by older workers, leading to an unemployed labor force that is disproportionately older today.
- SCEPA's more comprehensive U-7 measure counts 14.3 million unemployed in November 2023—three million more than BLS found.

Suggested citation: Phillips, D. (2023) "Hidden and Persistent Unemployment Among Older Workers" Schwartz Center for Economic Policy Analysis and Department of Economics, The New School for Social Research, Research Note Series 2023-02.

SCEPA has been advocating for and tracking a broader definition of unemployment, referred to as U-7.¹ This inclusive measure of unemployment reveals that there are three million more unemployed workers than official tallies indicate—one in five of whom are over the age of 55. Comparing unemployment over the last 13 years, we find that these older workers are experiencing more persistent unemployment than their younger counterparts. Older workers' persistently high unemployment is especially pronounced when we consider workers who are actively searching for employment and long-term discouraged workers.

During recessions, some workers give up searching for a job when they otherwise would have continued looking.² This counter-cyclical pattern is referred to as the “discouraged worker” effect. Stigmatized workers who face discrimination in the job market are more likely to become discouraged; Black and Hispanic workers are consistently overrepresented in the counts of discouraged workers in the United States.^{3,4} Older workers, too, face substantial labor market discrimination and only half of older job searchers successfully attain jobs.⁵ Measures of unemployment that do not fully count discouraged workers will underestimate unemployment during times of recession and persistently undercount unemployment of stigmatized workers, including older workers.

SCEPA’s Metric for Unemployment Expands Inclusivity by Including Discouraged Workers

To evaluate and address these gaps, SCEPA has developed an inclusive measure that both utilizes and expands on the Bureau of Labor Statistics’ (BLS) approaches. The BLS publishes six different counts of the unemployed, ranging from what it terms the “U-1” to the “U-6.” The official unemployment count (“U-3”) is the top-line number promoted by the BLS and is most frequently used in discussions about the labor force. The U-3 identifies unemployed workers as anyone without a job who has actively looked for work in the past four weeks and is available to work.⁶ The BLS’s U-6 expands on the U-3 by counting involuntary part-time or underemployed workers and “marginally attached” workers as unemployed. Marginally attached workers are unemployed workers who want to work but have not looked for work in the past four weeks but have looked in the past 12 months.

SCEPA tracks an even more inclusive definition of unemployment than the BLS's U-6 by also including long-term discouraged workers who report that they want a job but have not actively looked for work in the past 12 months (Table 1). SCEPA’s U-7 measure provides important and overlooked information about workers who want to work but do not believe they will find a job. This inclusion is especially important during recessions and when focusing on stigmatized workers, such as older workers.

Table 1. Types of Unemployment

Type	Definition	Source
Official unemployment	Not working, actively looked for work in the past four weeks, and available to work.	BLS
Marginally attached to the labor force unemployment	Not working, actively looked for work in the past 12 months but not in the past four weeks, and available to work.	BLS
Part-time employment for economic reasons unemployment	Working less than 35 hours a week for an economic reason, such as slack work or unfavorable business conditions, inability to find full-time work, or seasonal declines in demand.	BLS
Long-term discouraged worker unemployment	Not working, wanting a job, have not actively looked for work in the past 12 months.	SCEPA

In the most recent BLS update for November 2023, the U-3 counted 5.8 million unemployed workers, and the U-6 counted 11.3 million unemployed because it also included 3.9 million workers working part-time for economic reasons and 1.6 million workers who were marginally attached. For the same period, SCEPA’s U-7 counted 14.3 million total unemployed workers as it included 3.0 million long-term discouraged workers (Figure 1).

Figure 1. 14.3 Million Unemployed Workers in November 2023
(Counts of Unemployed between U-3, U-6, and U-7)

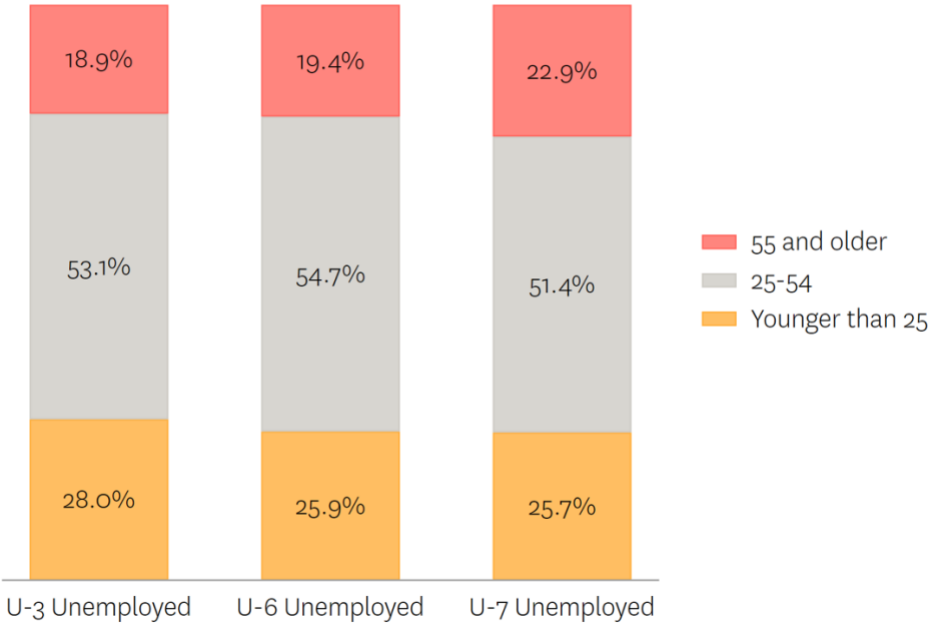


Source: SCEPA calculations using November 2023 Current Population Survey (CPS) data.

Older Workers are Overrepresented Among Long-term Discouraged Workers

Older workers are overrepresented among these three million long-term discouraged workers counted in SCEPA’s U-7. Over 35 percent of these long-term discouraged workers are over age 55. When considering the age composition of all three unemployment measures, older workers account for 23 percent of unemployed workers according to SCEPA’s U-7 measure of unemployment, but they only account for 19 percent according to the BLS’s U-3 and U-6 (Figure 2).

Figure 2. Age Composition of U-3, U-6, and U-7 for November 2023



Source: SCEPA calculations using November 2023 Current Population Survey (CPS) data.

Older Workers Have Grown Dramatically as a Share of the Unemployed

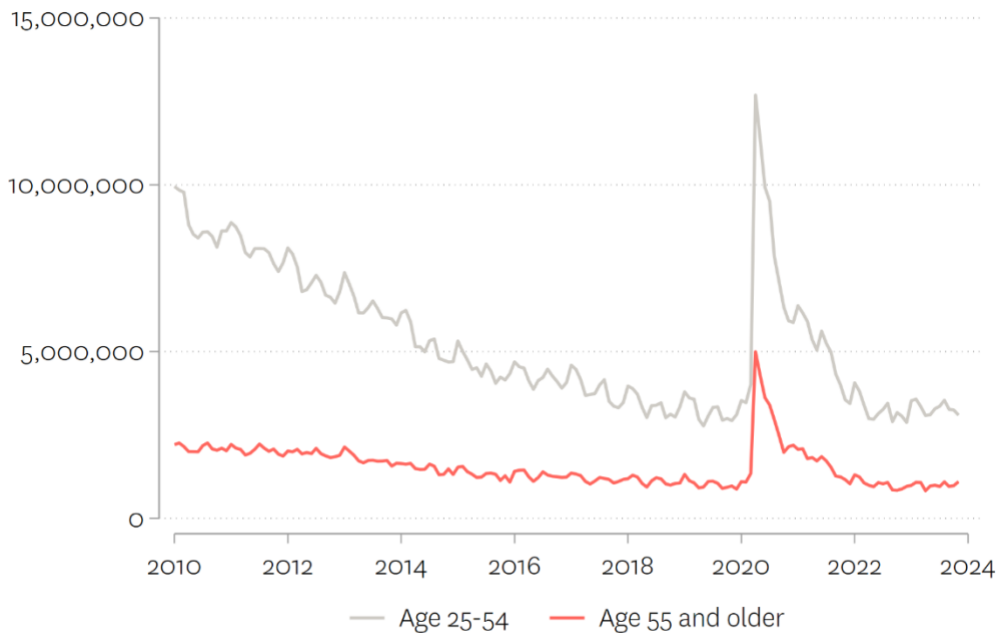
Since 2010, when SCEPA began tracking the U-7, the labor force of the United States has changed drastically. Setting aside the COVID-19 recession and recovery, the 13 years since 2010 have seen a dramatic decline in the official unemployment rate from 10.6 percent in January 2009 to 3.5 percent in November 2023. The composition of unemployed workers also looked different in 2010. In January 2010, workers 55 and older made up 16 percent of the unemployed, according to SCEPA’s U-7 measure—compared with 23 percent in November 2023. While much of this change can be attributed to the general aging of the United States labor force, that does not completely explain this increase in the proportion of older workers. Over the same period, the share of the population aged 55 and older grew by six percentage points, from 31 percent to 37 percent, less than the seven percent growth observed in SCEPA’s U-7 measure.

The overall change in the age composition of the unemployed over the last 13 years may not be driven equally by changes in the four underlying types of unemployment that make up SCEPA’s U-7 (Table 1). Examining the age composition shifts for each kind of unemployment separately provides insights into how age shifts in each unemployment type drive the overall age composition shift.

Older Workers Face More Persistent Official Unemployment

There are noticeable age distribution shifts in the number of official unemployed workers between 2010 and today. While the number of official unemployed workers aged 25-54 shrank from 10 million to 3.1 million, the number of official unemployed workers aged 55 and older only reduced from 2.2 million to 1.1 million (Figure 4). Expressed as a fraction of the unemployed counts in 2010, the count of official unemployed workers aged 25-54 declined by 69%, while the count of workers aged 55 and older only fell by 50%. This unequal reduction between older workers and workers aged 25-54 implies that older workers are experiencing more persistent official unemployment and are contributing to the change in the overall age composition of the U-7.

Figure 3. Official Unemployed Worker Counts by Age Group from 2010 to Today

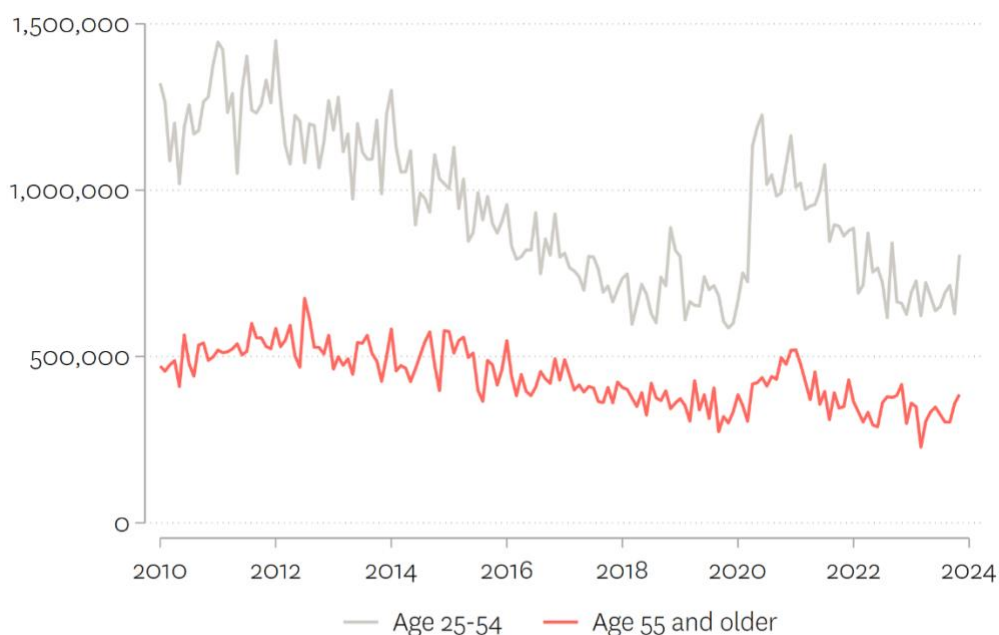


Source: SCEPA calculations using Current Population Survey (CPS) data January 2010 to November 2023.

Older Workers Face More Persistent Marginal Attachment

Between 2010 and today, we see notable age distribution shifts in the number of marginally attached workers. The count of marginally attached workers aged 25-54 fell from 1.3 to 0.8 million, while the count for workers aged 55 and older fell from 0.5 to 0.4 million (Figure 5). Expressed as a fraction of the 2010 counts, the count of workers aged 25-54 reduced by 39%, and the count of workers aged 55 and older went down by 18%. This unequal reduction implies that older workers are experiencing more persistent marginal attachment and are contributing to the change in the overall age composition of the U-7.

Figure 4. Marginally Attached Worker Counts by Age Group from 2010 to Today



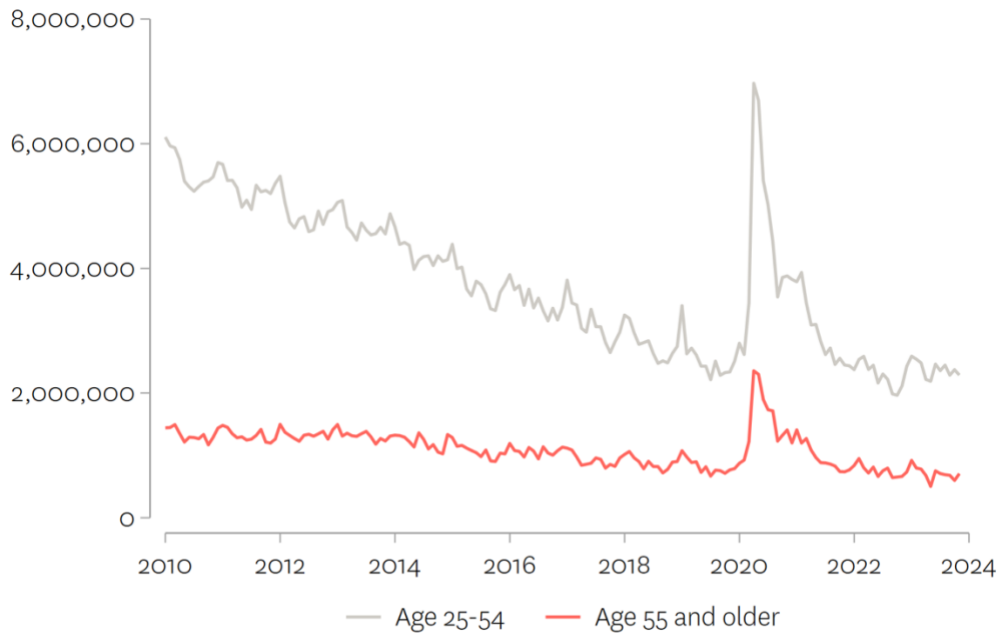
Source: SCEPA calculations using Current Population Survey (CPS) data January 2010 to November 2023

Part-Time Employment for Economic Reasons is More Persistent Among Older Workers

There are also noticeable age distribution shifts in the number of part-time workers for economic reasons between 2010 and today, though perhaps a smaller shift than observed in the two previously discussed types. In 2010, there were 6.1 million workers aged 25-54 who were part-time for economic reasons, and that has fallen to 2.3 million today. Also in 2010, there were 1.4 million workers aged 55 and older who were part-time for economic reasons, and this shrank to 0.7 million today (Figure 6). Expressed as a fraction of the 2010 counts, the amount of workers aged 25-54 reduced by 63 percent, while the number of workers aged 55 and older went down by 51 percent. This unequal reduction between older workers and workers aged 25-54 implies that it

is becoming more common for older workers to work part-time for economic reasons compared to workers aged 25-54. This unequal reduction is contributing to the change in the overall age composition of the U-7.

Figure 5. Part-Time Unemployed for Economic Reasons Worker Counts by Age Group from 2010 to Today

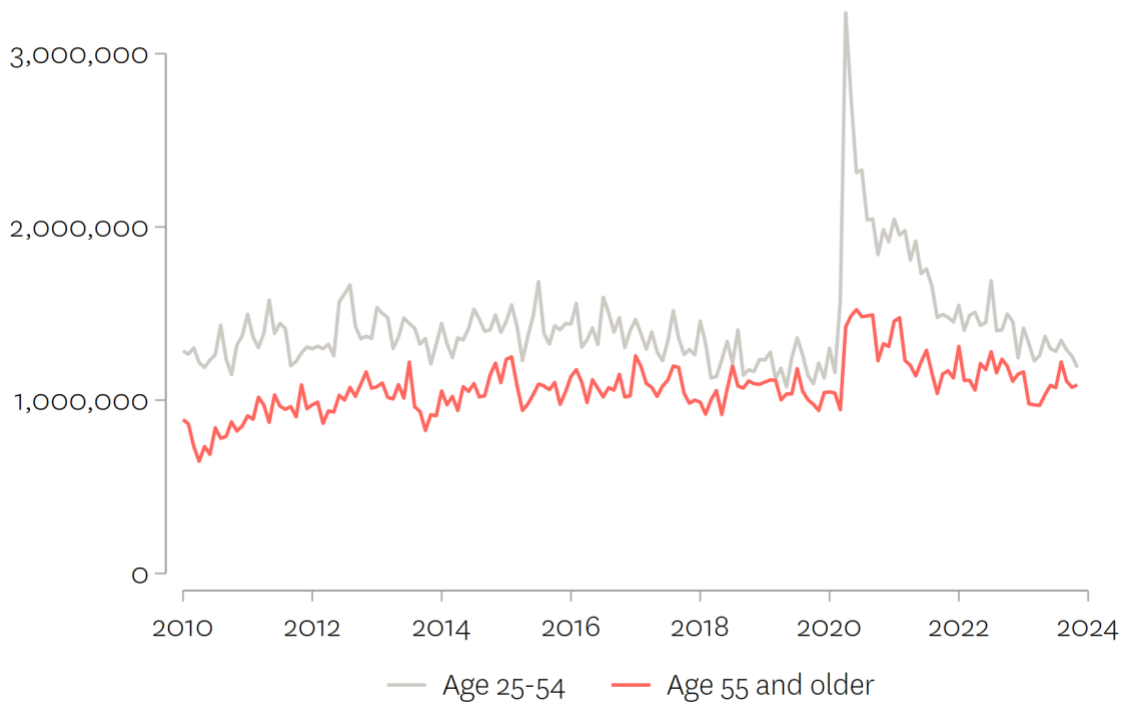


Source: SCEPA calculations using Current Population Survey (CPS) data January 2010 to November 2023.

More Older Workers are Long-Term Discouraged Today than 13 Years Ago

Strikingly we see that the number of long-term discouraged workers has shrunk slightly for people aged 25-54 but has increased for people aged 55 and older in the past 13 years. In January 2010, there were 1.3 million long-term discouraged workers aged 25-54, and there are 1.2 million today. Meanwhile, the number of long-term discouraged workers aged 55 and older rose from 0.9 million in 2010 to 1.1 million today (Figure 7). Expressed as a fraction of the 2010 counts, the number of workers aged 25-54 who are long-term discouraged declined by 7 percent while the amount of long-term discouraged workers aged 55 and older grew by 23 percent. This dramatic movement in opposite directions shows that more older workers are experiencing long-term discouragement today. This increase in older long-term discouraged workers is especially striking when the overall official unemployment rate fell from 10.6 to 3.5 percent over this period. This unequal reduction contributes to the change in the overall age composition of the U-7.

Figure 6. Long-Term Discouraged Worker Counts by Age Group from 2010 to Today



Source: SCEPA calculations using Current Population Survey (CPS) data January 2010 to November 2023.

Large Age Shifts in Official Unemployment and Long-Term Discouraged Workers Particularly Contribute to the Aging of the Unemployed

Taken as a whole, it is clear that the overall increase in the representation of older workers in SCEPA’s U-7 measure is driven by the rising representation of older workers in all four types of unemployment that comprise SCEPA’s measure. Because of the different sizes of these groups and the different degrees of age composition shifts between the groups, the overall change is not driven equally by changes in each type of unemployment. In particular, the age shifts in official unemployment and long-term discouraged workers are dramatic. While there have been fewer and fewer workers aged 25-54 who have been without a job and actively searching for work in the past four weeks, proportionally more older workers are still actively looking for work without having found employment yet. At the same time, more older workers today want a job but have not looked for work in the past year than in 2010. Workers’ overall employment gains have not been experienced equally by older workers, leading to an unemployed labor force that is disproportionately older today.

Conclusions

Persistent and hidden unemployment faced by older workers affects many facets of their labor and lives. For older workers who are employed, this persistence may diminish their bargaining power with employers as they seek fair wages and acceptable working conditions.⁷ Many older households also have very little capacity to cope with prolonged unemployment—and when faced with significant financial hardship they may start claiming Social Security earlier to replace their lost wages.⁸ This early claiming will reduce their guaranteed lifetime income and increase their financial fragility throughout their remaining lives.⁹ This research highlights the need for targeted policies and support for older individuals in the workforce, ensuring that the benefits of a recovering economy are distributed more evenly across all age groups.

CPS Analysis Notes

Analysis of the Current Population Survey (CPS) used the basic CPS public record data from January 2010 to November 2023 as provided by the United States Census Bureau. Estimates were calculated using CPS’s composited final weight and have not been seasonally adjusted.

¹ Howell, D. (2010). Undercounting the Underemployed: How Official Indicators Have Missed Millions of Underutilized Workers. Schwartz Center for Economic Policy Analysis.

² Benati, L. (2001). Some empirical evidence on the ‘discouraged worker’ effect. *Economics Letters*, 70(3), 387-395.

³ Heslin, P. A., Bell, M. P., & Fletcher, P. O. (2012). The devil without and within: A conceptual model of social cognitive processes whereby discrimination leads stigmatized minorities to become discouraged workers. *Journal of Organizational Behavior*, 33(6), 840-862.

⁴ Cohany, S. (2009). Ranks of Discouraged Workers and Other Marginally Attached to the Labor Force Rise During Recession. *Issues in Labor Statistics*, 09-04.

⁵ Maestas, N., & Li, X. (2006). Discouraged Workers? Job Search Outcomes of Older Workers. Job Search Outcomes of Older Workers. Michigan Retirement Research Center Research Paper No. WP, 133.

⁶ United States Bureau of Labor Statistics. (2015). How the Government Measures Unemployment. https://www.bls.gov/cps/cps_htgm.htm. Accessed 9 Dec 2023.

⁷ Ghilarducci, T. (2019) “Why American Older Workers Have Lost Bargaining Power.” Schwartz Center for Economic Policy Analysis and Department of Economics, The New School for Social Research, Working Paper Series 2019-2.

⁸ Morrissey, M., Radpour, S., & Schuster, B. (2022). The Older Workers and Retirement Chartbook (No. 2022-03). Schwartz Center for Economic Policy Analysis (SCEPA), The New School for Social Research. New York, NY.

⁹ Phillips, D and Ghilarducci, T. (2023). “Older Workers Claim Social Security While Working, Upending Beliefs About Raising the Retirement Age” Policy Note Series, Schwartz Center for Economic Policy Analysis at The New School for Social Research. New York, NY.