

STATUS OF OLDER WORKERS

May 1, 2019

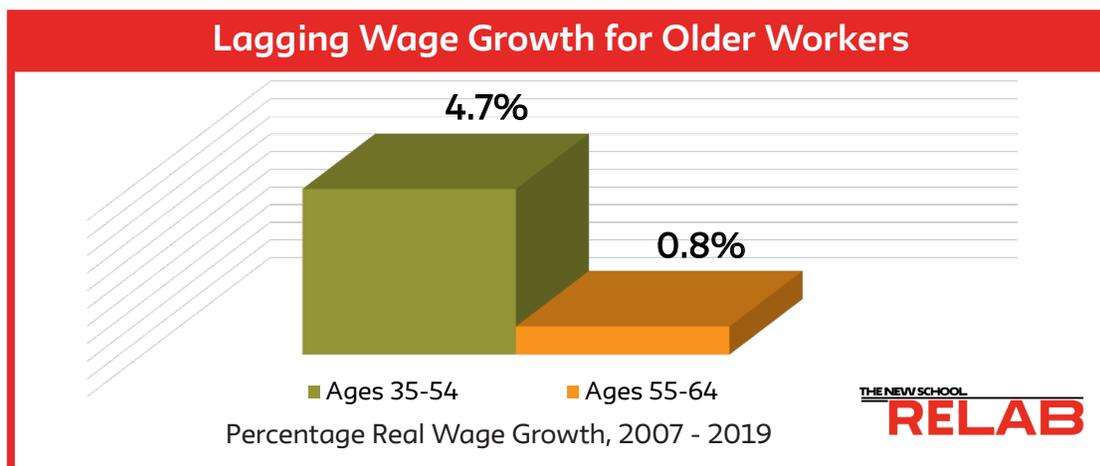
10+ Years of No Wage Growth: The Role of Alternative Jobs and Gig Work

- ▶ **Lagging Wages:** Older-worker wage growth is minimal and lags behind prime-age wage growth.
- ▶ **Alternative Work on the Rise:** Older workers increasingly resort to precarious alternative work, eroding their bargaining power and impacting other older workers' wages.
- ▶ **Policy Recommendations:** Congress and the President should create an Older Worker's Bureau, Guaranteed Retirement Accounts, and expand Social Security to protect older workers.

Stagnant Wages

Older workers experienced almost no real wage growth since 2007, despite record low unemployment rates. In the first quarter of 2019, median real weekly earnings of full-time workers ages 55 to 64 were only 0.8% higher than in the first

quarter of 2007, the peak of the business cycle. In contrast, weekly earnings for prime-age workers ages 35 to 54 grew 4.7%. In prior business cycles, older workers' earnings grew at similar or greater rates than wages of prime-age workers.



Source: Current Population Survey Outgoing Rotation Group, January-March, 2007 & 2019.

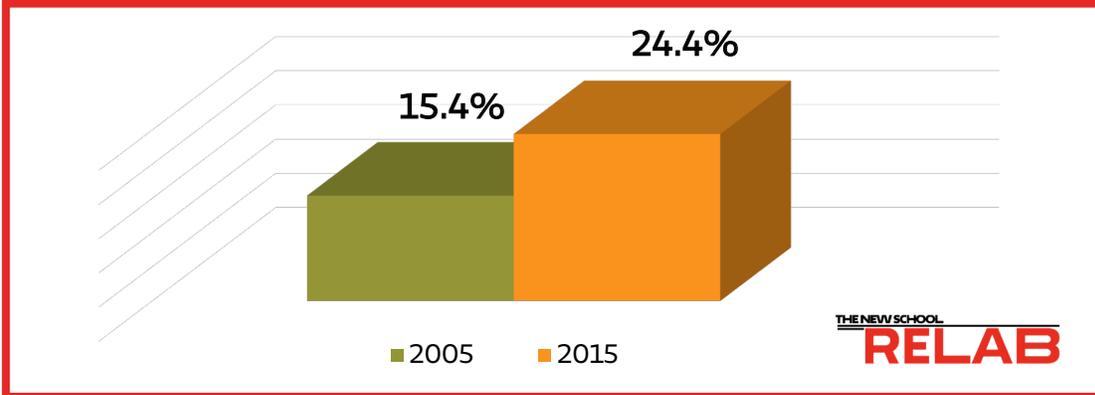
Notes: Sample includes workers who report usually working 35 hours or more per week. Percentage changes are in CPI-adjusted dollars.

Alternative Work Suppresses Wages

One development suppressing wage growth for older workers is the proliferation of alternative work arrangements [AWAs], including on-call work, employment in contract firms, temporary agency work, independent contracting, and gig work (classified as “electronically mediated em-

ployment”). The share of workers ages 55 to 75 who reported working in an AWA increased from 15.4% in 2005 to 24.4% in 2015. And from 2005 to 2015, 94% of net employment growth took place in alternative work arrangements (Katz and Krueger 2016).

The Growth in Alternative Work Arrangements Among Older Workers, Ages 55-64



Source: Contingent Worker Survey, 2005 & RAND-Princeton Contingent Worker Survey, 2015.

Notes: Alternative work arrangements include independent contractors, temp agency workers, on-call workers, and workers provided by contract firms.

Both Katz and Krueger (2016) and an equivalent Bureau of Labor Statistics survey conducted in 2017 show that workers over 55 are three times more likely than workers under 35, and twice as likely as workers ages 35-54, to be in AWAs.

The common image of alternative work is of independent contractors: successful, self-employed workers who control their own work schedules and intensity levels. However, independent contractors comprise a shrinking minority of people in AWAs.

Most workers in alternative arrangements lack the ability to bargain over the terms of their employment. Gig workers often find their jobs through electronically mediated platforms which explicitly prevent bargaining over wages. On-call workers have limited control over their schedules. Moreover, a quarter of on-call workers are on zero-hours contracts, meaning they must be ready to come to work at any time but are not guaranteed any hours - and thus not guaranteed to earn a wage. In addition, the Economic Policy Institute estimates that between 10-20% of employers skirt labor protections to cut costs by misclassifying traditional employees as independent contractors.

Independent contractors, on-call, gig, temp agency and contract firm jobs all share the lack of an internal labor market. In the past, firms promoted from within and provided on-the-job training to their employees. Unions supported internal labor

markets to lessen the number of entry-level jobs, ensuring that promotion ladders and training programs continued to provide workers with a path to regular raises and promotions. With the erosion of unions, internal labor markets and training programs have disintegrated. Instead of using entry-level jobs as a tool to find future prime talent, firms now hire top talent from outside, expecting workers to acquire necessary skills on their own. A growing share of low-skilled jobs are handled by contract firms and temp agencies. With no path to promotion or wage increases, labor economists call these trends the fissuring of the workplace.

While some older workers cite flexibility and autonomy as reasons for taking on alternative work, they are outnumbered 2-to-1 by those who cite financial or labor market reasons. Four in 10 older workers have no retirement savings, including one-third of workers in the top 10% of earners. Inability to retire erodes workers' bargaining power (see ReLab's working paper, "Why American Older Workers Have Lost Bargaining Power"). Moreover, older workers face age discrimination in the labor market; older workers who are fired or laid off spend twice as long looking for work as their younger counterparts. The fissuring of the workplace permits firms to exploit older workers' desperation through lower wage offers. **Bottom line: Eroding bargaining power among some older workers can impact other older workers' wages. Older workers' willingness to take on precarious alternative work is a signal to employers that they do not have to raise wages.**

Policy Recommendations

▪ Older Workers Bureau

The time has come to devote special attention to the increasing vulnerability of older workers. To protect older workers from exploitation, the U.S. Department of Labor should create an Older

Worker's Bureau, similar to the creation of the Women's Bureau in 1920 to protect women in the labor market.

▪ Guaranteed Retirement Accounts and Social Security Expansion

Working longer is not an antidote to inadequate retirement savings for most workers, especially those in low-paying AWAs. While a small number – 2% – of older workers cite alternative work as a way of making ends meet until they can retire, low wages and lack of access to retirement plan coverage on the job mean older workers taking on these jobs have little ability to save.

All workers deserve to have a choice between work and retirement at older ages. Increased Social Security benefits and the creation of Guaranteed Retirement Accounts (GRAs) would allow

all Americans access to a secure retirement. GRAs are a proposal for universal individual accounts funded by employer and employee contributions throughout a worker's career and a refundable tax credit. With GRAs, workers can accumulate the savings they need to retire, rather than be forced into precarious, low-paying, alternative arrangements. Moreover, if older workers could choose retirement over bad jobs, employers would be compelled to offer better pay and offer traditional employment to those choosing to extend their careers.

Older Workers at a Glance



2.9%

U-3 Headline Unemployment

6.8%

ReLab's U-7 Inclusive Unemployment

37%

Projected Share of Older Women in Low-Paying Home Health Care Jobs

44%

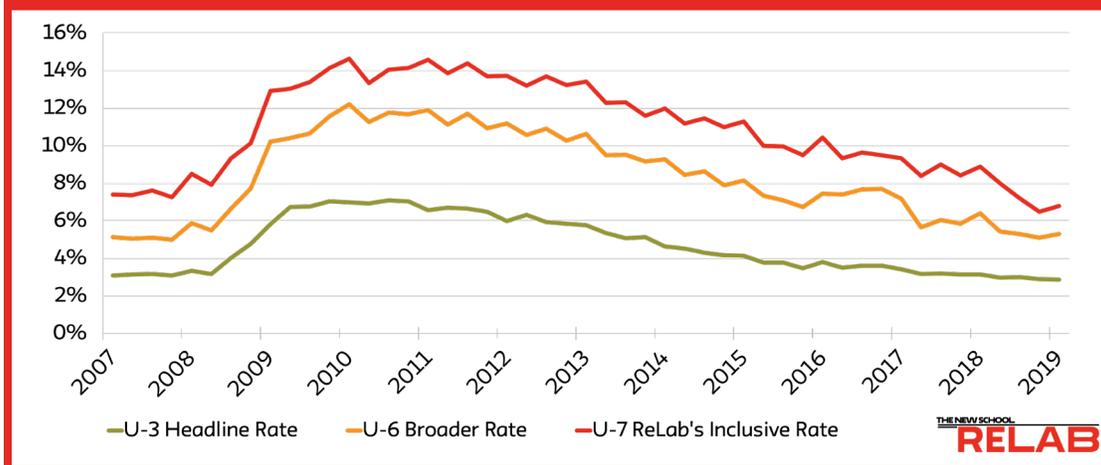
Workplace Retirement Coverage

1. Unemployment Rates

The headline unemployment rate (U-3) for workers ages 55 remained at 2.9% this quarter (from January to March), which represents no change from last quarter. 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 in over a year). U-7 increased from 6.5% to 6.8% in the last three months. The share of jobless older workers who reported spending more than 27 weeks looking for work in the first quarter was 42%.

Headline and Total Unemployment Rates for Workers Over 55



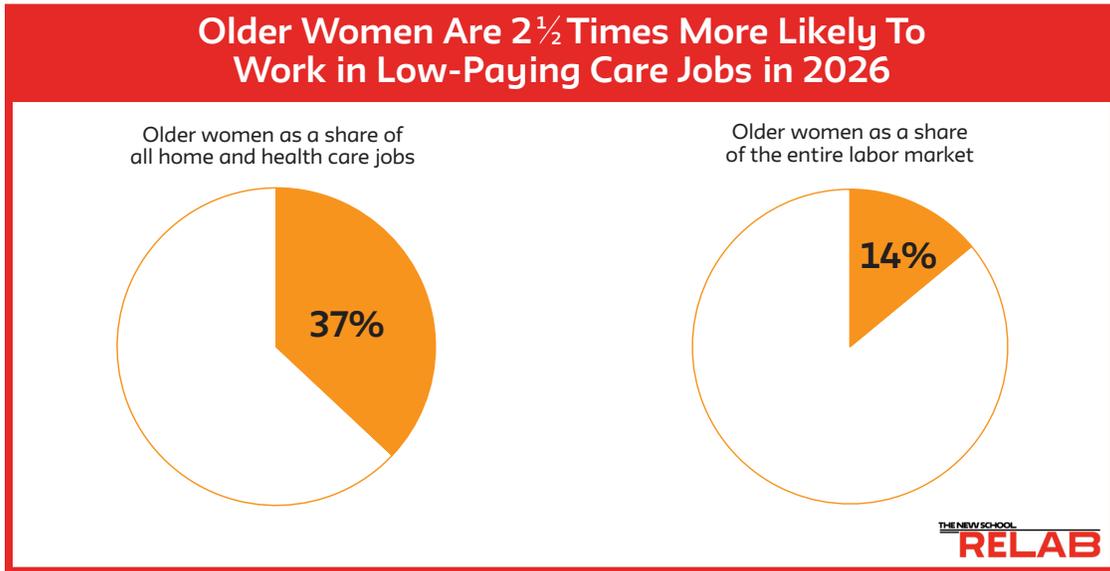
Source: Bureau of Labor Statistics (BLS) and SCEPA calculations based on Current Population Survey (CPS) data. Notes: U-3 is sourced from BLS' Employment Situation report, and is defined as the share of the labor force that is unemployed. U-6 and U-7 are SCEPA calculations. U-6 is the share of the labor force and marginally attached members that are unemployed or working part-time for economic reasons. U-7 is the share of all people saying they want and are available for a job that are not working or working part-time for economic reasons. Quarterly unemployment rates are the average of the unemployment rates for each month in the quarter.

2. Low-Paying Jobs

Older workers are increasingly employed in low-wage jobs. If nothing changes, Bureau of Labor Statistics projections indicate older women will be disproportionately working low-wage personal and home health care jobs (1.3 million jobs projected to be added between 2016 and 2026). Older women are predicted to constitute 37% of these care jobs and only 14% of the entire la-

bor force in 2026. Just 7% of personal and home health care aides are union members, and 24% earn less than \$15/hour.

Overall, 13% of college-educated, full-time older workers reported earnings of less than \$15/hour in the last quarter, down one percentage point from the previous quarter.

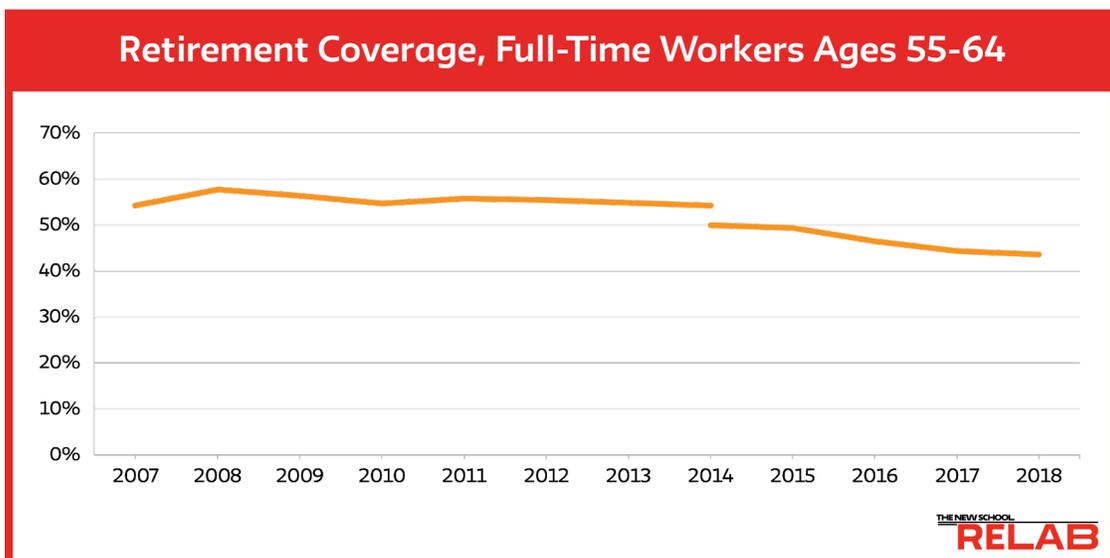


Source: SCEPA calculations from BLS data.

3. Retirement Coverage

Workplace retirement plan coverage remained low in 2018 at just 44%. Growth in alternative

work arrangements is partly to blame, since AWAs almost never offer retirement coverage.



Source: SCEPA calculations using Current Population Survey - Annual Social and Economic Supplement data.

Notes: Share of workers with a retirement plan from their current workplace. Sample includes workers who reported working 30 hours or more per week in the previous year. Starting with 2014 the CPS changed the sequencing of questions related to sources of income and plan coverage. The question text pertaining to pension coverage was not changed. In 2014, the CPS fielded the old survey to part of the sample and the new survey to the rest. We present results for the old and new survey as separate lines.



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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