

# STATUS OF OLDER WORKERS

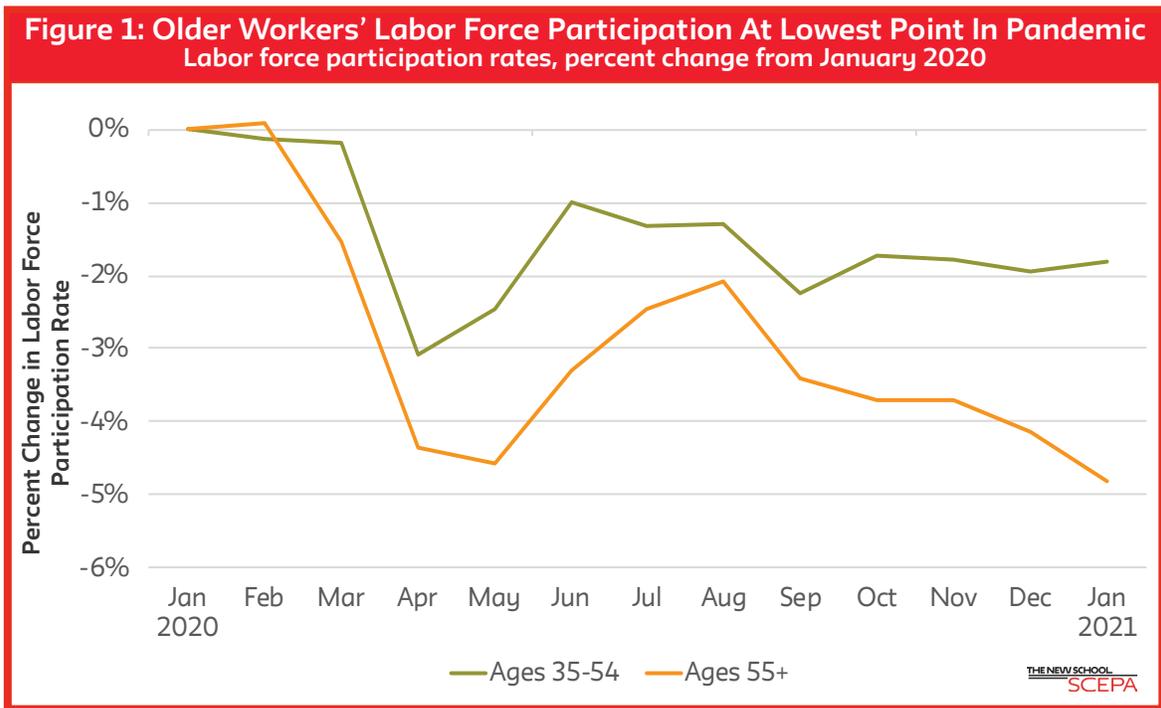


February 2021

## The Stalled Jobs Recovery Pushed 1.1 Million Older Workers Out Of The Labor Force

By Owen Davis, Bridget Fisher, Teresa Ghilarducci, and Siavash Radpour

- Renewed Labor Force Exit:** After a partial recovery between May and August, older workers' labor force participation rate fell continuously, reaching its lowest point of the recession in January. Roughly 1.1 million older workers exited the workforce between August and January due to the pandemic recession.
- No Jobs Added:** Although older workers' unemployment rate fell in January by 0.7 percentage points, the decline was driven by unemployed workers leaving the labor force rather than finding jobs.
- Deepening Inequalities:** Since October, the decline in employment for Black, Hispanic, and Asian older workers was more than twice that of white older workers.
- Policy Recommendations:** To facilitate older workers' return to work, we need aggressive anti-age discrimination enforcement and expanded unemployment benefits. We also need to lower the Medicare eligibility age to age 50 and make the program "first payer" to lower the cost of hiring older workers.



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## The Recovery and the Reversal

In the final months of 2020, as the pandemic surged again and businesses were forced to scale back or close, the initial labor market recovery stagnated. For older workers, however, the recovery didn't just pause—it took several steps back. Older workers (ages 55 and older) gained an insignificant number of jobs between August

2020 and January 2021, even as 1.1 million older workers left the labor force.<sup>1</sup> The setback in older workers' recovery is reflected in the recent trends of three top labor market indicators: the labor force participation rate, the unemployment rate, and the employment-to-population ratio.

### 1. Labor Force Participation: 1.1 Million Older Workers Left the Labor Force

The most dramatic reversal of older workers' initial steps to recovery took place in the labor force participation rate, which indicates the share of workers who are either employed or looking for a job. This downward trend reflects older workers giving up looking for paid work.

Relative to the pre-pandemic participation rate, older workers' participation fell 2.7 percentage points between August and January 2021, erasing the 2.5 percentage-point recovery that occurred between the previous low point in May and August (see Figure 1). In January 2021, older workers' participation rate sank to its lowest point since the pandemic began. For older workers, the decline since August represents 1.1 million workers who left the labor force between August and January 2021 due to the pandemic recession. Since January 2020, the pandemic recession has caused a total

of 1.9 million older workers to leave the labor force. For context, 35 million workers 55 and older were employed in January 2021.

By contrast, the participation rate of mid-career workers (ages 35-54) slipped just 0.5 percentage points between August 2020 and January 2021 relative to the January 2020 pre-pandemic rate. Overall, older workers' participation rate remains 4.8% below its pre-pandemic level of January 2020, while mid-career workers' rate is down by a smaller 1.8%.

Some of these older workers will return to the labor force in coming months and years, but older workers who return to the labor market after a prolonged absence are likely to face earnings cuts in their new jobs.<sup>2</sup> Older workers who cannot return will be forced to retire early.<sup>3</sup>

### 2. Unemployment Down for the Wrong Reasons

For the bulk of the Covid-19 recession, older workers faced higher unemployment rates than mid-career workers—a pattern not seen in nearly 50 years.<sup>4</sup>

By January 2021, the unemployment gap by age had disappeared, as older workers' unemployment fell 0.7 percentage points, from 6.0% to 5.3%. Yet this decline was not because older unemployed

workers found jobs. Rather, older workers' unemployment rate fell due to the labor force exits detailed above. When unemployed workers give up on finding a job and leave the labor force, this mechanically reduces the unemployment rate (since those not in the labor force are no longer counted as unemployed). In this case, a falling unemployment rate is not good news.

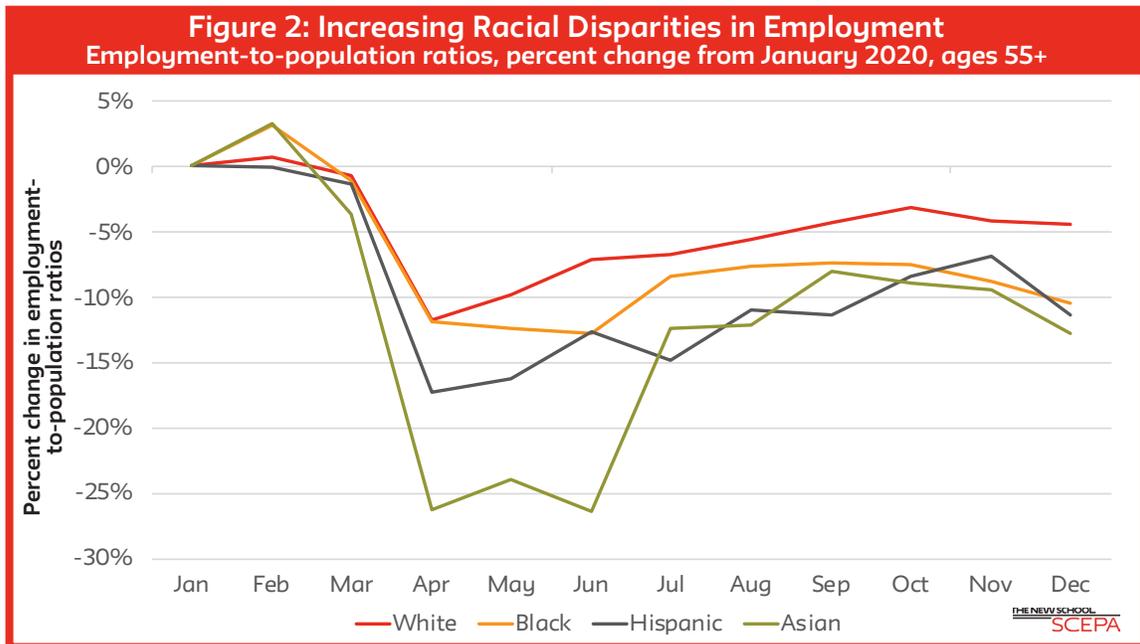
### 3. Employment: Age and Racial Inequalities Back on the Rise

The employment-to-population ratio (EPOP) measures the share of the total population currently employed. At times when large numbers of unemployed workers move frequently in and out of the labor force, the EPOP presents a better picture of the economy, since it shifts the focus from unemployment and participation rates to the share of the population earning an income. A decrease in EPOP represents an increase in the share of people who must rely on alternative sources of income, such as retirement savings or social safety nets.

Older workers' EPOP fell 0.9 percentage points between October and January, compared to a 0.5 percentage-point increase for mid-career workers (relative to pre-pandemic rates). The fall in the older worker EPOP partially reverses a recovery of 8.6 percentage points between April and October.

The recent fall in the older worker EPOP underscores the fact that the January decline in older workers' unemployment rate was driven by labor force exit rather than job finding—if it were job finding, the EPOP would have risen substantially.

The setback of older workers' recovery hit Black, Hispanic and Asian workers harder than white workers, reflecting long-standing disparities in the impact of recessions on different demographic groups.<sup>5</sup> The onset of the pandemic led to greater declines in employment for nonwhite older workers than white older workers. Although these gaps were beginning to close by late summer, they reopened in the final months of 2020. Whites saw a 1.2 percentage point decline in EPOP from October to December, compared to declines of more than double that for nonwhite workers: 2.9 percentage points each for Black and Hispanic older workers and 3.9 percentage points for Asian older workers (see Figure 2).<sup>6</sup> The unequal effects of the recent reversal mirror the disparities in employment declines throughout the pandemic recession as a whole. Over the course of the entire pandemic recession, older white workers' EPOP has fallen 4% relative to January 2020, compared to 10% for Black, 11% for Hispanic, and 13% for Asian older workers. This compounds inequalities that existed before the pandemic.



## Policy Recommendations

### Speed Up Vaccinations and Strengthen Workplace Protections

To help older workers' economic recovery, policymakers must accelerate pandemic control measures, especially vaccination programs. While those 65 and up are prioritized for vaccination, workers in their 50s and early 60s fall in an unfortunate gray area: old enough to be at

heightened risk, but too young to qualify for the first round of vaccinations. The sooner these workers can be vaccinated, the quicker the labor market will recover. All older workers require stronger workplace protections, which many employers are unwilling or unable to provide.

### Extend and Increase Unemployment Benefits

Laid-off older workers experience longer spells of unemployment, contributing to why many give up looking for work and retire involuntarily. Increased unemployment benefits—more than the \$300 a week set to expire—can help older workers avoid dipping into their retirement savings and claiming

Social Security early. Congress should also 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.

### Lower 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. Moreover, making Medicare first payer—having it cover medical expenses before private insurance—would lower firms' costs associated with providing

health insurance to older workers. Easing the health insurance cost 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 levels.<sup>7</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.

### For a Complete List of Policy Priorities...

For a complete 10-point list of policy priorities for the new presidential administration to consider, please see our November 2020 report, "A Policy

Agenda for the Biden Administration: Protecting Older Workers & Strengthening Retirement Security."

# Older Workers at a Glance

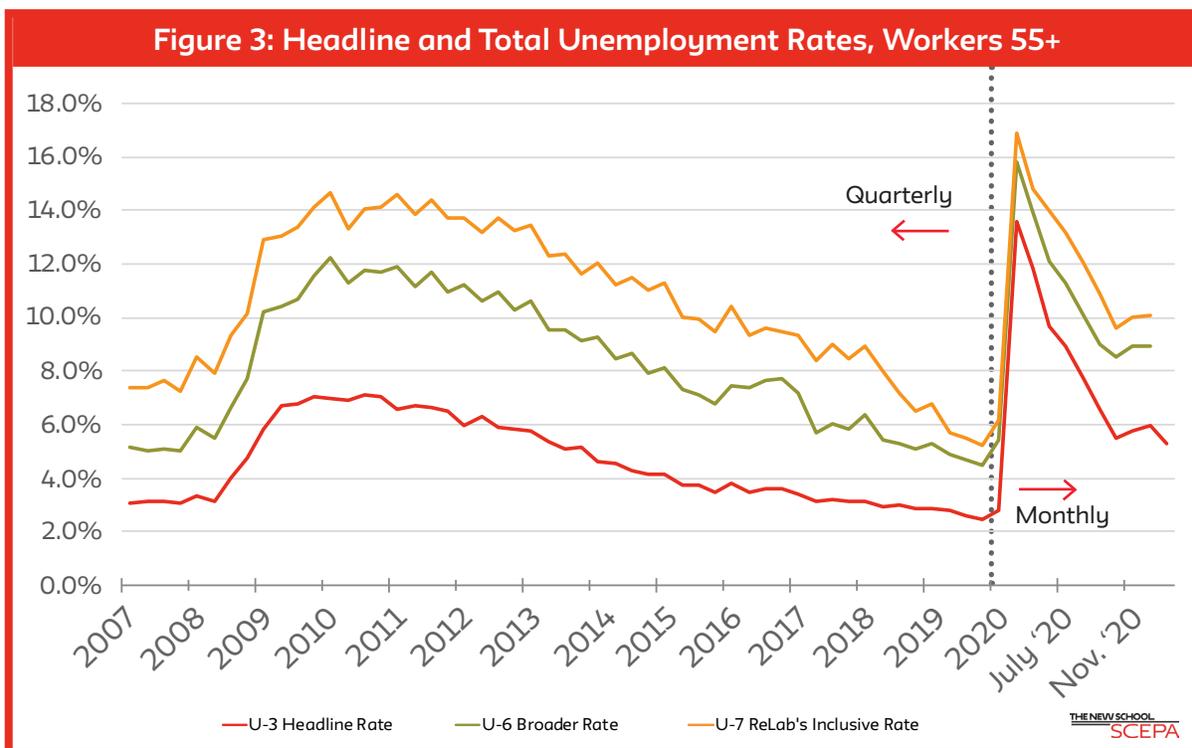
<h2>5.3%</h2> <p>U-3 Headline Unemployment</p>	<h2>10.1%</h2> <p>ReLab's U-7 Unemployment Rate (December 2020)</p>
<h2>36.3%</h2> <p>Employment-to-Population Ratio</p>	<h2>3 MILLION</h2> <p>Older Jobs Lost in Pandemic*</p>

\*Arrows reflect the change from the previous quarter's data. All data represents the most recent numbers released by the BLS. Jobs lost statistic reflects the number of additional jobs older workers would hold if the pre-pandemic older worker EPOP held for the current 55+ population.

## 1. Unemployment Rates

The headline unemployment rate (U-3) for workers ages 55 and older was 5.3% in January, down from 6.0% in December 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 December.

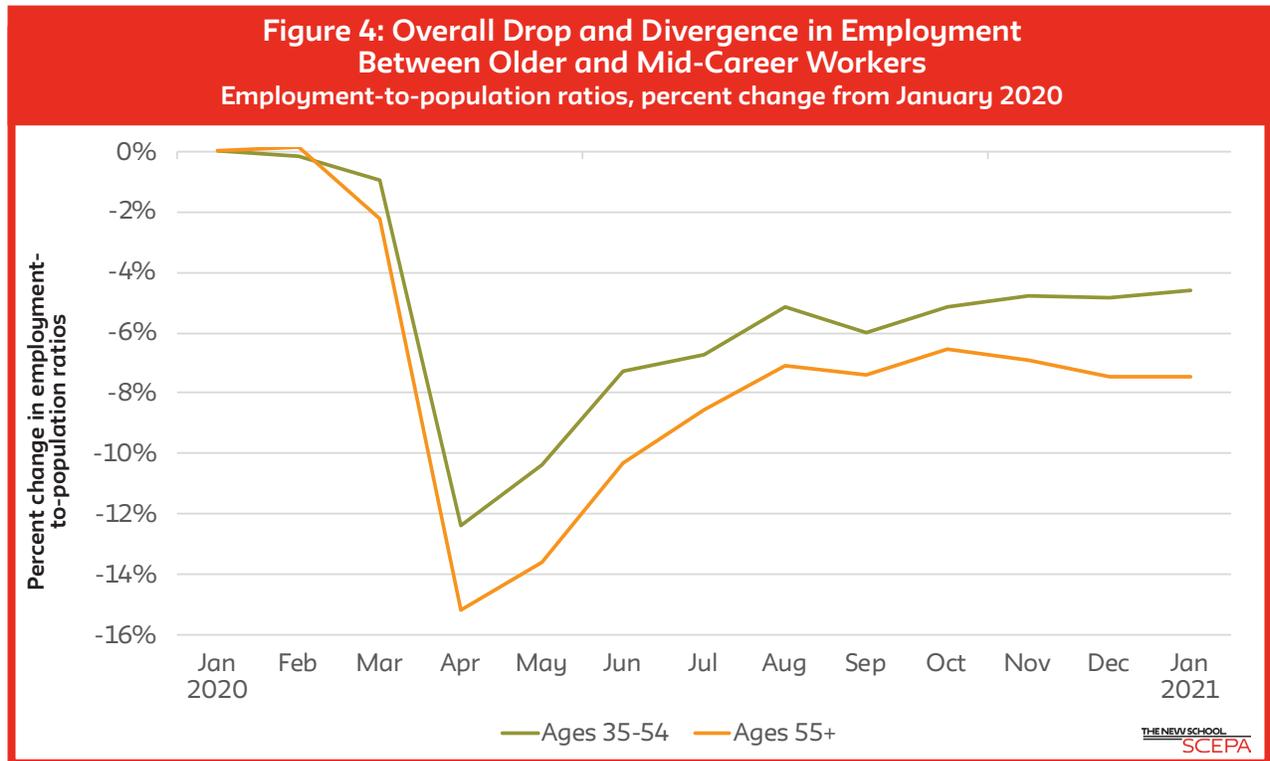


Source: Bureau of Labor Statistics and SCEPA calculations based on Current Population Survey data. Notes: Quarterly unemployment rates are the average of the unemployment rates for each month in the quarter. To help highlight recent trends, the final six data points are monthly figures rather than quarterly.

## 2. Employment-to-Population Ratio

As detailed above, the employment-to-population ratio (EPOP) provides a broader view of the labor market than the basic unemployment rate. The EPOP for workers 55 and older in January 2021 was 7.4% below the January 2020 EPOP, a slight improvement from -7.5% in December 2020. The recent decline in older workers' EPOP contrasts with the upward trend for mid-career workers

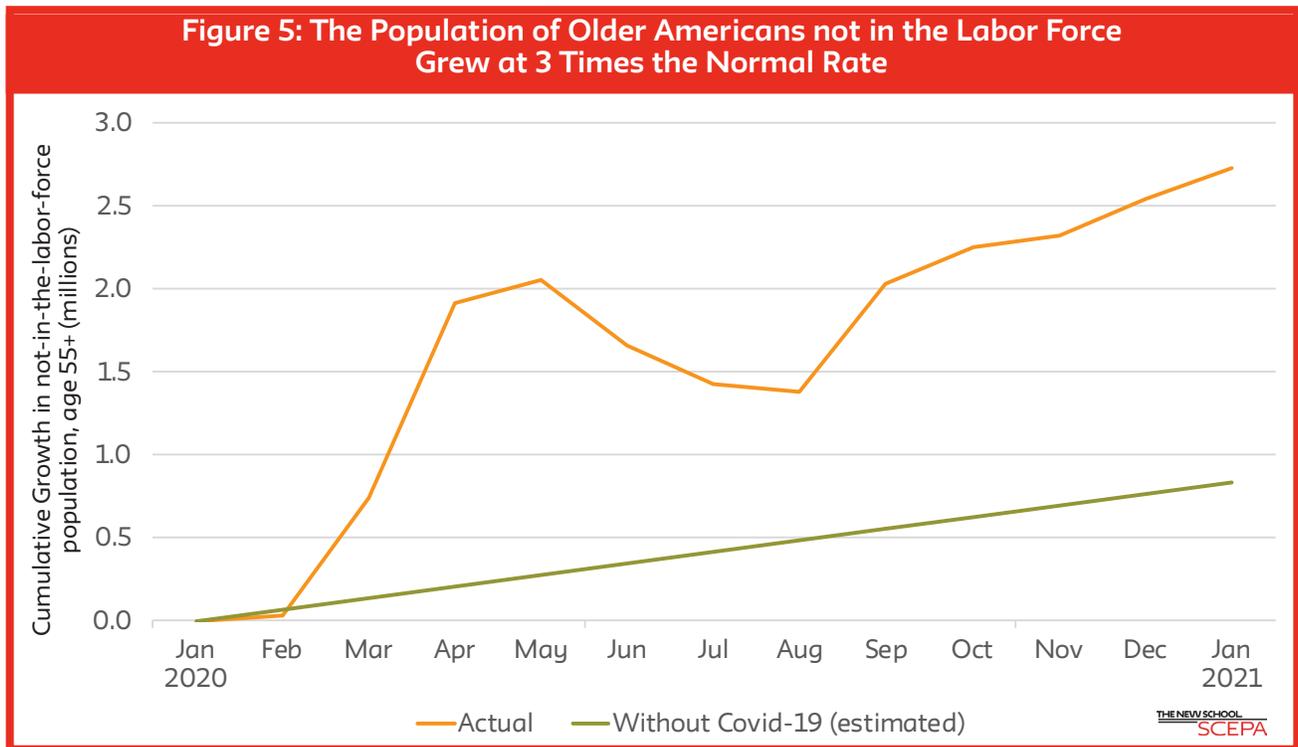
beginning in October 2020. Both groups' EPOPs remain significantly below pre-pandemic levels, indicating a substantial loss of employment across the economy and an increase in the share of workers relying on non-labor sources of income, including social safety nets, retirement savings, and Social Security benefits.



### 3. Labor Force Exit Caused by Covid-19

The number of Americans aged 55 and older grew by an average of 117,000 per month. In normal times, when the participation rate is mostly constant, this population growth leads to a natural increase of about 70,000 people per month in the number of older Americans who do not participate in the labor force. Without the Covid-19 pandemic and recession, and assuming the economy was as strong as it was in January 2020, the population of Americans ages 55 not in the labor force would have increased by roughly 835,000 between

January 2020 and January 2021 (see the green line in Figure 5). However, many older workers left the labor force because of the job loss and health risks of Covid-19 pandemic and recession. By January 2021, 2.7 million more older workers were out of the labor force than in January 2020 (orange line in Figure 5), more than three times the number who would have been added to the over-55 population not in the labor force otherwise.



## Endnotes

1. This estimate of labor force exits reflects departures from the labor force that are in addition to expected labor force exits that would have occurred due to aging and retirement. It is calculated using the 55+ population for January 2021 and the change in the labor force participation rate from August 2020 to January 2021.

2. Johnson, R.W. & Butrica, B.A. (2012). Age disparities in unemployment and reemployment during the Great Recession and recovery. Urban Institute Brief No. 2012-3. Retrieved from [https://inequality.stanford.edu/sites/default/files/media/\\_media/working\\_papers/Johnson\\_Butrica\\_age-disparities.pdf](https://inequality.stanford.edu/sites/default/files/media/_media/working_papers/Johnson_Butrica_age-disparities.pdf)

3. Papadopoulos, M., Fisher, B., Ghilarducci, T., and Radpour, S. (2020). "Over Half of Older Workers Unemployed Since March at Risk of Involuntary Retirement." Status of Older Workers Report Series. New York, NY. Schwartz Center for Economic Policy Analysis at The New School for Social Research.

4. Davis, O., Fisher, B., Ghilarducci, T., and Radpour, S. (2020). "A First in Nearly 50 Years, Older Workers Face Higher Unemployment than Mid-Career Workers." Status of Older Workers Report Series. New York, NY. Schwartz Center for Economic Policy Analysis at The New School for Social Research. Older workers tend to experience lower unemployment rates in typical recessions because many older workers enjoy seniority protections that shield them from job loss. This report does not focus on the youngest workers (35 and younger), whose unemployment rates have exceeded all other groups and whose recovery has also reversed. This

is not to downplay the plight of jobless teens and early-career workers, but rather to make a clean comparison between older workers and the next closest group to them in age, experience, and other characteristics.

5. Davis, O., Radpour, S., and Ghilarducci, T. (2020) "Chartbook: Retirement Insecurity and Falling Bargaining Power Among Older Workers." Schwartz Center for Economic Policy Analysis, The New School for Social Research. Retrieved from <https://www.economicpolicyresearch.org/insights-blog/chartbook-retirement-insecurity-and-falling-bargaining-power-among-older-workers>.

6. Since measures of EPOP by race are derived directly from CPS microdata, they are not seasonally adjusted. All other measures of EPOP presented in this report are derived from seasonally adjusted Bureau of Labor Statistics data. Percentages reflect EPOP levels relative to each group's January 2020 EPOP. October was chosen as the comparison month since this is the month when the older worker unemployment trend reversed. January 2021 microdata were not yet available at the time of publication.

7. 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>

# WHY FOCUS ON OLDER WORKERS

Between 2000 and 2019, over 21 million jobs were added to the U.S. economy. Of these, more than 18 million were jobs filled by workers over the age of 55. Estimates from the U.S. Bureau of Labor Statistics show out of 6 million jobs expected to be added to the economy by 2029, 4.4 million will be filled by workers over 55 (data including the effects of COVID-19 will be available Fall 2021). Due to the scale of older people in the workforce, we must take action to ensure older workers have secure income in retirement. Without the ability to save adequately for retirement, older workers will lose bargaining power in the labor market and will in turn diminish bargaining power for every other worker.



\*Employment projections are based on BLS employment projections of labor force participation. The BLS projections assume labor market equilibrium; that is, one in which labor supply meets labor demand with the exception of some level of frictional unemployment. Additionally we assume that the distribution of unemployment will not vary drastically between age groups.

\*\*Sources:  
<https://www.bls.gov/emp/graphics/2019/labor-force-share-by-age-group.htm>  
<https://www.bls.gov/news.release/pdf/ecopro.pdf>  
<https://www.bls.gov/cps/cpsaat03.htm>

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