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MISSED BY THE RECOVERY: SOLVING THE LONG-TERM UNEMPLOYMENT CRISIS FOR OLDER WORKERS

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C O N T E N T S

MISSED BY THE RECOVERY: SOLVING THE LONG-TERM UNEMPLOYMENT CRISIS FOR OLDER WORKERS

TUESDAY, MAY 15, 2012

U.S. SENATE,
SPECIAL COMMITTEE ON AGING,
Washington, DC.

The Committee met, pursuant to notice, at 2:17 a.m., in Room SD–562, Dirksen Senate Office Building, Hon. Herb Kohl, chairman of the committee, presiding.

Present: Senators Kohl [presiding], Blumenthal, and Corker.

OPENING STATEMENT OF SENATOR HERB KOHL, CHAIRMAN

The CHAIRMAN. Good afternoon. We'd like to thank our witnesses and at the same time welcome everyone attending today's hearing.

While Americans were hit hard by this recession, the ramifications for older workers are particularly severe. Once older workers lost their jobs, they struggled far more than other groups to find work again. In 2007, less than one in four unemployed older workers was out of work for more than half a year. But only four years later, more than half of unemployed workers over 55 are confronting long-term unemployment.

As a bipartisan opinion in the New York Times over the weekend stated, this problem is, quote, "nothing short of a national emergency." One solution that shows real potential was developed in Connecticut by one of our witnesses here today, Joe Carbone. He has created an innovative program called Platform to Employment that works individually with those out of work to ensure that they have updated skills to thrive in today's economy. The program partners with local businesses to place these workers into internships.

So far, 70 percent of those internships have turned into jobs. This program shows real promise to get people back to work and I believe it needs to be spread across the country.

However, it's also important that we look at some of the other reasons why older workers have been kept out of work for so long and address what we can do about it. We asked GAO to look into the issue and it found that employers are wary of hiring older workers, sometimes because they're concerned about health care costs, but other times because they assume that if one is over 55 or has been out of work then your skills are not up to date.

GAO surveyed experts who highlighted a number of approaches the government could take to help address this problem. One suggested approach addressed in my Older Workers Opportunity Act would provide tax credits for businesses employing older workers with flexible work programs.

Another area the experts mentioned is discrimination. Today I'm announcing my support for the Protecting Older Workers Against Discrimination Act, a bill authored by Senators Harkin and Grassley that is aimed at restoring the rights of older workers to pursue claims of age discrimination.

One common theme we've heard is that older workers want to keep working, not only because they need the money, but because they want to remain relevant and productive members of society. We need to encourage this. Left unchecked, long-term unemployment among older workers is a problem that will continue to grow as our work force grays. In only four years from now, the Bureau of Labor Statistics projects that nearly one in four workers will be over the age of 55. We hope this hearing raises awareness about this growing problem and provides some solutions to consider.

We'll now go to witness introductions. Our first panelist today is Sheila Whitelaw, a Philadelphia woman who has been out of work for more than two years. She has served as executive director for three nonprofits, worked as a nanny and office manager, and spent over a decade in the retail industry.

Next we'll be hearing from Charles Jeszeck. He's Director for Education, Workforce, and Income Security Issues at the U.S. Government Accountability Office. He's spent over 26 years with GAO working on issues concerning defined benefit and defined contribution pensions, PBGC, social security, unemployment insurance, as well as older worker unemployment issues.

Next we'll be hearing from Joe Carbone, who's President and CEO of The WorkPlace in Bridgeport, Connecticut. Mr. Carbone has developed the Platform to Employment, a public-private partnership that provides participants with placements at local companies. His program has been featured on 60 Minutes in a segment titled "Trapped in Unemployment."

Next we will be hearing from Diane Furchtgott-Roth. She's a Senior Fellow at Manhattan Institute for Policy Research. Formerly Ms. Furchtgott-Roth served as Chief Economist at the U.S. Department of Labor, as well as Chief of Staff, President George Bush's Council of Economic Advisers.

Finally, we'll be hearing from Christine Owens. She's the Executive Director of the National Employment Law Project. Ms. Owens previously served as Director of Public Policy for the AFL–CIO and founded and ran the Workers Options Resource Center, which fought for an increase in the Federal minimum wage.

Before we hear from our first witness, we'd like to turn to Senator Corker for whatever comments he has.

STATEMENT OF SENATOR BOB CORKER

Senator CORKER. Chairman, thank you. And I know we're having a series of votes and thought for a moment this hearing had been called off. So I apologize for being a few minutes late. Thank you for being here and I appreciate your focus on long-term unemployment among seniors. I know we have some great witnesses here today.

I think we all recognize that long-term unemployment is actually hitting lots of demographic groups. Obviously, we don't want to pick winners and losers in that. But I certainly am glad we're having this hearing and look forward to questions and comments after. And thank you for calling it.

The CHAIRMAN. Thank you very much, Senator Corker.

Ms. Whitelaw.

STATEMENT OF SHEILA WHITELAW, UNEMPLOYED OLDER WORKER, PHILADELPHIA, PA

Ms. WHITELAW. Good afternoon. My name is Sheila Whitelaw. I am British by birth and, I'm proud to say, an American citizen. I have been an executive director of three nonprofit organizations. I have also worked as a nanny and an office manager and have spent over a dozen years in the retail sector. I have been promoted in many of the jobs I have had and have never been fired. I have an impeccable work history, but now I am out of work and no one will hire me.

I came to this country with a bachelor's degree in English literature. I married and had two daughters. We moved from the city of Philadelphia to the suburbs so that my daughters could receive a great education. Once my children got a bit older, I decided I needed to go back to work. I found a position as an office manager and stayed for eight years.

I then worked for three nonprofit arts organizations. My final position as executive director was cut short as my daughter was diagnosed with leukemia. Our family moved out to Seattle for five months so that my daughter could receive a bone marrow transplant.

Upon returning to Philadelphia, I cared for my daughter for another year. I was in more of a caregiving mode and at that time I found a part-time nanny position. I stayed with the family for four years and then decided that I missed working with adults and found a job selling women's clothing. In my 12 years at the boutique, I worked my way up from sales associate to manager.

But, unfortunately, in January 2010 the store lost its lease and the owner decided not to reopen. I applied for unemployment benefits and was approved. Then came the hardest part of all, looking for work as an older worker. I didn't know how long it might take to find a job, the economy was in such bad shape. These past two years have been a complete nightmare.

I have sent out hundreds of resumes and made many cold calls, as well as attending job fairs. I spend several hours every single day, including weekends, searching for openings on the Internet. I have had over 15 interviews, but rarely have I received a response.

I gather that many employers can calculate my age by looking at my resume or looking me up on line. Many applications require that I put my date of birth to even submit the forms, and I suspect I am weeded out in that process. I have also stopped putting the date of the boutique closure on my application for fear that employers will see how long I have been out of work and judge me because of that.

Last summer as my unemployment benefits ran out, I had to put my husband in a nursing home because of his increasing inability to take care of himself with Alzheimer's. I moved to a smaller apartment and took a position in a hotel gift shop. The conditions were absolutely deplorable and, after finding mice droppings in my handbag, I quit. Although the State informed me that I might be eligible for a recent extension of unemployment benefits, I had forfeited my eligibility because I left the job after four days of work.

I now live on my social security and $35 a month in food stamps. Life is exceedingly hard. I am working with a social worker to find subsidized housing for me in the future. I can work, I need to work, and I want to work, but that seems very far off right now.

I didn't have any real retirement money and a small savings accounts is almost depleted. At this point I don't expect to retire, even if I'm able to find a job. I plan to keep working as long as I am physically able and I am blessed to be in good health.

Contrary to what employers think, age is just a number. My age does not define my ability, negate my work experience, or reduce my dedication to the job at hand.

I thank you for the opportunity to tell my story today and I look forward to answering any questions that you may have. Thank you.

The CHAIRMAN. Thank you very much, Ms. Whitelaw.

Ms. WHITELAW. Thank you.

The CHAIRMAN. Mr. Jeszeck.

STATEMENT OF CHARLES A. JESZECK, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY, U.S. GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, DC

Mr. JESZECK. Mr. Chairman, members of the committee: Thank you for inviting me here today to discuss the labor market experiences of older workers since the recession of 2007. The recession has had a devastating effect on millions of workers of all ages, resulting in lost economic growth and reduced income and in the stress of having to seek new work simply to pay the bills.

My comments are based on the findings of our report that this committee is releasing today. In particular, I will focus on the growth of long-term unemployment among older workers and its implications for their retirement security. In summary, while older workers are less likely to lose their jobs compared to younger workers, it takes them longer to find new work. Further, if they are lucky enough to be rehired they are more likely to be reemployed at lower wages.

Regarding retirement, long-term joblessness can lead to reduced future accruals for workers with traditional pensions, while workers with 401[k] plans will lose contributions or may draw down their accounts. In each instance, older workers have less time to recoup their losses than do younger workers.

As in past recessions, the jobless rate for older workers has been lower than for younger workers. The jobless rate for workers age 55 and over peaked at 7.6 percent in February 2010, compared to January 2010 peak of 10.6 percent for all workers.

However, older workers consistently suffer longer spells of unemployment. In 2007, the median duration of unemployment was ten weeks for older workers, compared to nine weeks for prime age workers age 25 to 54. By 2011, the median duration for older workers had increased to 35 weeks, compared to 26 weeks for prime age workers. Also in 2011, over half, 55 percent, of jobless older workers were unemployed for 27 weeks or more and 15 percent were jobless for 2 years or more.

Rehired older workers displaced from work between 2007 and 2009 also generally sustained greater earnings losses than prime age workers. The median earnings replacement rate for these older workers was 85 percent, meaning that on average older workers in their new jobs earned only 85 percent of their previous wage. This is compared to 95 percent for prime age workers. About 70 percent of these rehired older workers sustained some job loss, compared to 53 percent of prime age workers.

Job loss can affect the retirement security of older workers in many ways. For those fortunate enough to have a traditional pension, long-term unemployment can lead to fewer years of accruing benefits from growth in wages in service and may prevent short-tenured employees from vesting. For those workers with 401[k] plans, long-term joblessness can result in lost employee and employer contributions and can lead a worker to draw down her account balance.

In our report we analyzed a worker 55 years of age with an average 401[k] balance of $70,000 who was unemployed for 2 years, drew down half of her account for living expenses, and then reinstituted contributions upon reemployment. Using rate of return assumptions from SSA, we found that she had still not made up the losses to her account by age 62.

Such drawdowns may be fairly common. An October 2011 AARP survey of workers age 50 and over found that nearly a quarter said that they had used all of their savings during the past three years.

Long-term joblessness also hurts those workers who rely primarily on social security. Although it favors low earners, because the social security retirement benefit formula relies on claimant's highest 35 years of wages long-term joblessness of a year or two could reduce their benefit. Further, long-term unemployed workers nearing age 62 may opt to claim benefits earlier than they would have if they had still been working. The SSA Office of the Chief Actuary has estimated that about 6 percent, or 139,000, more older workers filed for benefits between 2007 and 2009 than had been expected without a recession. Claiming benefits early, particularly for life-long low earners, can increase the risk of poverty at older ages.

Even in the best of times, a secure retirement is a difficult prospect, especially for those workers with no traditional pension and little retirement savings. The effects of the recent recession illustrate how daunting that endeavor will be for many in the years to come.

That concludes my statement, Mr. Chairman. I will be happy to answer any questions you or other members may have.

The CHAIRMAN. Thank you very much, Mr. Jeszeck.

Mr. Carbone.

STATEMENT OF JOSEPH CARBONE, PRESIDENT AND CEO, THE WORKPLACE, BRIDGEPORT, CT

Mr. CARBONE. Thank you, Senator Kohl and Senator Blumenthal from Connecticut for joining us. I'm going to summarize my written testimony—I'm going to be summarizing my written testimony that I gave you.

Certainly the word "scourge" is a strong word and I think it understates the level of social change that is being caused to the American workforce as a result of this horrible recession. It's not just the number of people that are unemployed; that in and of itself is certainly staggering. It's the length of unemployment that really does present the greatest challenge to the American workforce system.

It's not unusual, in fact it's a daily occurrence, that you're interacting with people who have been out of work two, three, four years. It's not uncommon. Understanding and developing an appreciation for the damaging effects of long-term unemployment is something for national discussion and I commend you for bringing it up here. I saw the same article in the New York Times over the weekend.

Something happens at the one-year point of unemployment. It's terribly insidious and it's kind of structural. We hear the term "structural" usually in reference to the economy, but something structural with respect to the person. It's the mind. It's no longer just being out of work; it's the mind. It's one's self-esteem, it's one's confidence. It's the emotional effect that unemployment has with respect to family and children and how you feel about life and things of that sort.

At a time when it's more and more difficult to convince business that you're the right candidate for the job, where you need to be at your best, it seems to be a case in which you're facing a mountain of challenges.

Overcoming this is really daunting for anybody, but it's compounded for older workers. They're dealing with the stigma of being older. They're dealing with the prejudices that come with it, with the discrimination that comes with it, and this mean perception that lots of folks have that you're looking for something for nothing or your skills are too dull to be of help to anybody. It's a challenge if you're under 50. It's a category 5 hurricane if you're over 50.

I fear that we're losing the battle. We've already had thousands of people in this Nation reach the point where their benefits have expired and thousands more every week fall into that category. And until or unless there are relevant services and tools that are part of the American workforce system, that understands the effects of long-term unemployment and provides them for this population, so that population stays connected to the system and is served, we will continue to lose them.

That one-year point of unemployment is a critical time to either keep them and catch them or to lose them. Three million people or more have exhausted benefits already and another three million may very well exhaust benefits by the end of this year.

Now, there's no shortage of stats. You've heard them all. But the increase in terms of the percentage of the population of 55 and older that are unemployed for a year is four times what it was four years ago.

Our program that you made reference to, Senator, Platform to Employment, was basically a research project, and I think very clearly it showed that if you address the issues of one's self-confidence, the emotional issues, and you recognize the position of benefit, the buyer's market that business has, you can't help to give them a chance to reenter the workforce. Short of that, it's very, very difficult.

Now, time may be kind of running out here. As I said before, the one-year point is that point. But we're going to be having what could be two or three million people reach the conclusion of benefits at the end of this year. It could be 25 to 30 percent of them might very well be people that are 55 and older.

The more time that people are unemployed, the more hopeless and desperate that they become. After a while they stop looking for work, they give up, and they rely upon the regional safety net for support.

So I gave a lot of ideas and suggestions in my testimony, but let me just highlight a couple. The SCSEP program, the Senior Community Service Employment Program, may not have been designed for this particular population, but I think it's a service vehicle that you should consider. It keeps the focus on employment. I see no merit whatsoever in moving this program from the U.S. Department of Labor to HHS. This is a plan that's been considered for two or three years. It sends exactly the wrong message to older workers in particular who are long-term unemployed that you're a social service issue, you are not an employment issue.

You ought to take that program, examine the regulations, declare long-term unemployed people a group that is a priority in the program, and consider the investment option that I made in my testimony, the cost of the safety net, as opposed to the cost of investment in the person in the program. Do a pilot project. I suggest to you that it will be thousands of savings per person to invest on the employment side as opposed to the safety net and, most important, you're giving people a chance to have the American dream and to have opportunity, which is a basic fundamental right of being an American.

Thank you.

The CHAIRMAN. Thank you very much.

Ms. Furchtgott-Roth.

STATEMENT OF DIANA FURCHTGOTT–ROTH, SENIOR FELLOW, MANHATTAN INSTITUTE, NEW YORK, NY

Ms. FURCHTGOTT-ROTH. Thank you very much.

Unemployment is a serious issue for older workers and also a problem for other workers. Millions of Americans are looking for work. I agree that older workers face serious difficulties in today's underperforming labor market, but I disagree with the GAO report's implication that the problems facing older workers require policies that treat older workers differently from younger workers. Such policies would needlessly set one generation against each other. They rest on the false premise that the problems facing older workers are the result of discrimination or other factors that work specially against older workers and in favor of younger workers.

In fact, the problems facing older workers in today's stagnant labor market are not dissimilar from the problems facing all workers—lack of robust growth. Look at this chart, figure 2 in my testimony, which unfortunately I was not allowed to place on an easel, which my research assistant is holding. Over the past ten years, employment has increased among Americans 55 and older by 8.9 million. At the same time, it has declined by 3.1 million in the 25 to 54 age group and declined by 313,000 among those age 20 to 24.

Figure 3 shows the labor force participation rate of seniors has increased by 5.7 percentage points over the past ten years. Yet it's declined in other age groups.

Figure 4 shows that, compared with those age 20 to 24 and 25 to 54, unemployment rates are lowest for those 55 and over and have seen the smallest increase over the past decade.

In November 2011 the Pew Research Center issued a lengthy study entitled "The Rising Age Gap in Economic Wellbeing," which I would like to submit for the record.

It concluded that the gap in wellbeing between older and younger workers was at a record. The older group had 47 times the net worth of the younger group in 2009, compared to a multiple of 10 in the quarter before. Older Americans, the report from Pew concluded, had benefited from appreciation of their homes, higher incomes, and lower unemployment rates. Younger workers have student loans and no jobs.

Speaking of the New York Times, this weekend there was a lengthy article called "A Generation Hobbled by the Soaring Costs of College," showing that debt among some students they interviewed was $125,000 when they graduated.

The reality is that the administration's policies have failed across the board and resulted in a serious deficit of employment opportunities for all workers, old and young alike. The problem will not be solved by special policies that favor one group over another. What we need instead are policies that broadly create more job opportunities for all, with older workers benefiting as much as younger workers.

Just a few sample policies: Add more certainty to the tax system. Rates on income and capital are scheduled to rise dramatically next January 1st, creating extensive uncertainty and what some people have called "Tax Armageddon." Older Americans are disproportionately hurt by tax uncertainty because they have fewer opportunities to react to changes, particularly those affecting capital gains.

Another example that we could do is eliminate the Environmental Protection Agency's new regulations on coal, which are affecting the utility sector, which employs a disproportionate number of older workers. Over 100 coal-fired plants have closed since January 2010. The closing of coal-fired plants causes electric utilities to require higher rates, which harm older Americans on fixed incomes.

If we approved the Keystone XL Pipeline, Canadian oil could go to our refiners in the Gulf to be made into gasoline and other products. Millions of older Americans live in the States that would benefit from these construction projects.

One proposed bill that would interfere with job creation is S. 1471, the Fair Employment Opportunity of 2011. The bill would set up another protected class of workers, the unemployed. The unemployed would be allowed to sue employers for discrimination. This would increase the cost of hiring American workers, making it more likely that employers would expand plants offshore, making America a less favorable place to do business. Employers would face more paperwork to show that they weren't discriminating against the unemployed, and trial lawyers would target companies with threats of lawsuits.

Thank you very much for inviting me to testify today and I would be glad to answer any further questions.

The CHAIRMAN. Thank you very much.

Ms. Owens.

STATEMENT OF CHRISTINE OWENS, EXECUTIVE DIRECTOR, NATIONAL EMPLOYMENT LAW PROJECT

Ms. OWENS. Thank you, Chairman Kohl, Ranking Member Corker, and Senator Blumenthal. Thank you very much for convening this hearing today into the problems older long-term unemployed workers face in navigating the labor market and possible solutions to these difficulties.

I also want to compliment the General Accounting Office for its thoughtful review of these problems, which included a survey of existing research and polling, as well as its focus groups that enriched its presentation of the problems older unemployed workers are facing.

As we discussed in our written statement today, older workers are less likely to become unemployed, but when they become unemployed they are more likely to remain so and to remain so for longer periods of time. Moreover, older unemployed workers are three times as likely as younger unemployed workers to become unemployed because they have lost their jobs, and in contrast younger workers are three times as likely to be unemployed because they are looking for a first job or reentering the workforce, perhaps after finishing college.

Each group would benefit from public and private policies that take into account the discrete problems that they face. As Senator Corker said, we don't want to pick winners and losers. But public policy responses to an unemployment crisis is not a zero sum game. We can walk and chew gum at the same time.

There are two bills currently pending before Congress that we believe would enhance prospects for older long-term unemployed job-seekers. The first is the Fair Employment Opportunity Act, and I'm sorry that Senator Blumenthal had to step out since he's the chief sponsor of this legislation. It would bar employers and agencies from refusing to consider or hire qualified individuals simply because they are unemployed. It does not promise a job to any candidate. It does not require employers to consider unqualified candidates. It simply opens the doors that are now shut on qualified applicants simply because they are unemployed.

Similar to existing workplace laws it borrows from, it provides a cause of action for job applicants and remedies for applicants, applicants wrongfully denied the opportunity to apply for a job. And it preserves the right of employers to impose an employment restriction where doing so is a legitimate criterion for the job in question.

This legislation is a commonsense solution to a problem that, despite considerable public attention over the last couple of years, has actually persisted. As we've outlined in our testimony today, recent advertisements continue to express restrictions to limiting job openings to those who are currently employed. We hear complaints from unemployed workers like Sheila all the time, who come to us with their accounts of having been approached by a recruiter and then, once the recruiter learns the person is unemployed, the person won't be considered. I've outlined examples of those.

Also in our testimony we cite examples of headhunters, recruiters, and employment agencies that have gone on the record saying that they are told not to refer unemployed job candidates. This is a real problem. I wish we didn't need legislation to correct it, but it is not self-correcting.

Second, Congress should pass the Protecting Older Americans Against Discrimination Act, which has bipartisan sponsorship of Senators Harkin and Grassley, as well as Senator Leahy. The measure was introduced in March of this year. It would reverse the Supreme Court's decision in 2009 in Gross versus FDL Financial, which upended longstanding and established burdens of proof in employment discrimination cases involving mixed motives and held that under the Age Discrimination in Employment Act plaintiffs must show not only that age was a motivating factor for the employment action, but must essentially disprove any other factor the employer may have relied on, whether the plaintiff knows it or not.

This is a radical decision. It rewrote the law. It disregarded interpretations of Title 7, which is a parallel law, and it has created significant mischief. It has created second-class status for ADEA plaintiffs. It essentially gives employers a green light to discriminate if they had another reason in addition to age discrimination. It creates confusion for trial judges and juries that are hearing dual-basis cases involving both age and gender or race discrimination. And it has now been extended to the Americans With Disabilities Act, the Rehab Act, and Title 7 retaliation cases.

The Protecting Older Americans Against Discrimination Act would right this wrong, restore the standards Congress intended. In the words of Senator Grassley, "Older Americans have immense value to our society and our economy and they deserve the protections Congress originally intended."

Our testimony outlines a few other policy solutions that I think Congress should consider. I want to end by quoting that bipartisan op-ed that you opened with, Senator Kohl: "What we can't assume is that these problems will correct themselves. For older unemployed workers, their families and their communities and the Nation, the situation will only get worse as we wait."

As Messrs. Hassett and Baker—and I know them both and they are strange bedfellows—wrote, "Every month of delay is a month in which our unemployed friends and neighbors drift further away."

Thank you very much.

The CHAIRMAN. Thank you very much, Ms. Owens.

Mr. Carbone, will you tell us about the program that you have been operating up in Connecticut with respect to getting older people up to speed and getting them into the workforce?

Mr. CARBONE. Yes. That's actually not just for older people. It covers long-term unemployed people. It's called Platform to Employment. What we did, it was basically a research project. We wanted to learn more about long-term unemployment, so we looked at a two-year study that we had done in-house with our one-stops. It was clear to us that long-term unemployed people were facing a severe loss of confidence. The emotional issues would certainly inhibit their ability to perform well in the job-seeking side of things.

We also had to recognize that it was a buyer's market, that business doesn't have to consider these people. So we had to make it a case in which a program could be offered that would hold business free of any risk.

So we took 100 people that in microcosm looked like our district. In fact, the statistics pretty much mirrored, I think, the national statistics. And they engaged in the first five weeks, which was all about restoring one's confidence and getting emotional support from specialists during that period, then job search, then going into companies where a job was actually open. We would subsidize the wages, actually cover the wages, for a period of up to eight weeks and they would be on my payroll at WorkPlace, Inc.

So the businesses were completely free of risk. Business could have terminated the contract after one day or after eight weeks and not hired the person. We've got 71 percent employment as of today, in full-time jobs that are private sector jobs. These are all people that were two years or longer out of work. They came from all employment disciplines, all walks of life. They came from the Greenwich side of my region and the Bridgeport side of my region. They found life again.

The CHAIRMAN. Now, this is a program that uses the private sector in terms of funding?

Mr. CARBONE. Yes.

The CHAIRMAN. Can we expand the program, should we expand the program? Should we attempt to get some public money involved? How important is it that we try and do everything we can?

Mr. CARBONE. I think you start with the two most essential parts of it and you try to establish them in the American workforce system. Dealing with the issue of self-confidence with long-term unemployment must be addressed. There are 3,000 one-stops coast to coast in America. That's where the rubber meets the road, where your constituents that are unemployed and our friends that are, that's where they interact with the American workforce system.

If you're long-term unemployed, there is very little difference in terms of what's offered for you than if you're unemployed for three days. So I think you take the issue of a program that can restore their self-confidence, you include the kind of programs that can deal with the emotional issues that will inhibit your ability to be successful at this. And you look at the standpoint of business, you know, whether or not old tax credits or OJT programs or things of that sort still have relevance. I question that.

So the program worked out very well and, yes, I did it with private money, and by doing it with private money it opened the doors to a lot of businesses that if it was government money they would have never really let us in.

The CHAIRMAN. Mr. Jeszeck, we've heard about the private sector's ability to have some impact on this issue. What role does the government play? Why hasn't it been effective in getting more older people back to work?

Mr. JESZECK. Well, Senator, I think the first issue is that, as I think the point was made earlier, the economy really needs to create more jobs. That ultimately is going to set the stage for really helping a lot of people.

In our report, we actually were able to identify a large number of proposals that could help workers throughout the country. We had a panel of experts from all different perspectives. We had someone from the Heritage Foundation, American Enterprise Institute. And we had people from the Urban Institute and Wellesley College.

They came up with a lot of different ideas. Each of these has advantages and disadvantages. Some cost significant amounts of money. Some maybe less so, but may be less effective. The issue of helping just older workers or all workers also was an issue that was raised.

There are a lot of things, a lot of thinking that can be done here to identify things that can help workers in the future to obtain reemployment.

The CHAIRMAN. Thank you.

Do you want to ask one question?

Senator CORKER. Sure. I think we have got just a couple minutes left on a vote.

Thank you all for your testimony. It's all very, very compelling. Ms. Whitelaw, especially coming here in your circumstances, I very much appreciate it.

Let me ask you this question. My experience in my previous life was the more senior people in a company, it took longer for them to find equal employment because those positions in many cases are more difficult to find. Is part of the disparity between older workers taking a longer period of time to find employment the fact that in many cases they would have risen to a much higher level as far as the types of positions they held and therefore the length of time in finding a job is more difficult? Is that a factor in any of the stats that any of you are putting forth?

Mr. CARBONE. I can tell you more from the standpoint of the experience that we had with Platform to Employment. I think it takes a while, it takes a long period of time, for people to come to a conclusion that perhaps the level of business responsibility or managerial responsibility I had before is not necessarily in reach at this moment. It takes a while to think in terms of a platform, a way station, a place in which you can get off unemployment and onto employment and then have a chance to kind of get your life back together again. I think it has more to do with that than it does just anything else.

The CHAIRMAN. I want you to continue. Senator Corker and I have to run to a vote. Senator Blumenthal is going to chair the hearing. Keep on talking, please.

Mr. CARBONE. He's a very good guy.

The CHAIRMAN. He's a very good guy.

Senator BLUMENTHAL [presiding]. Continue, please.

Mr. CARBONE. Actually, I think I pretty much answered the question.

Senator BLUMENTHAL. I have a few questions for the panel, and I want to thank you for being here, particularly Mr. Carbone from my State of Connecticut. Thank you for being here. I believe that the chairman has described your experience over many years in trying to promote what I think everyone on the panel shares as a common goal, which is enabling more people to find work.

I know we do not want to pit one generation against each other. I take that point very seriously. But one finding that struck me in the GAO report was the disparity between older jobless people in terms of education. Normally what I gather the common trend is that people with more education tend to have lower unemployment rates. Among older Americans the opposite seems to be true. Do you have an explanation for that?

Mr. JESZECK. Senator, one of the things we found, was that if you just looked at unemployment rates among older Americans, that relationship still held true, that generally more education led to lower unemployment. However, once you were unemployed the likelihood that you would have long-term joblessness was pretty much equal regardless of your level of education; that once you fell into that group of being unemployed it cut across racial differences, gender differences, education differences.

It does seem that there's some other forces at work here. Once you fall into that category, it's either employer perceptions or the fear that older workers may cost more because of their higher health care costs, or unwillingness to invest in older workers because they might not have enough time at your workplace so you can recoup that investment in their training, a number of different things.

But once you fell into that category, it pretty much washed the educational differences out.

Senator BLUMENTHAL. I wonder if you or any of the other members of the panel have reached any conclusions as to which of those factors or others are most important in that trend?

Ms. FURCHTGOTT-ROTH. One important factor, as Senator Corker mentioned, is that the more senior the worker—and people in their 50s are often at the peak earnings of their careers, so there are fewer jobs open to them. And as Mr. Carbone said, they have to face taking a cut in pay, which can psychologically be very difficult.

So if you think about a 25-year-old starting out, there are more jobs open. So that's a factor.

Senator BLUMENTHAL. The smaller number and variety of jobs that are open to people who may be in their 50s as compared to their 20s.

Ms. FURCHTGOTT-ROTH. Right.

Ms. WHITELAW. If I might say something, Senator Blumenthal. One of the other things that I have found in my job search which is sort of alarming to me is when you go for the interview they look at you. If you manage to get even an interview, they look at you and they can sort of figure out your age somewhat. And then what I've encountered is they try to dissuade you in a very clever way of not taking the job, by throwing things at you like: You're going to have to carry 50 pounds in a box; is that okay? You have to climb ladders, you have to work until 11:00 o'clock at night.

I found that to be quite rampant actually. So I realized what they were trying to do. I mean, at least my feeling was that they were trying to dissuade me from even thinking about the job.

Mr. JESZECK. Senator, if I could also comment on that. In our focus groups, which we made clear are not generalizable—we didn't derive any statistical analysis from them, but just at a personal level one of the things we found, that for these older workers, particularly when they were employed for long, extended periods of time, some of them for two years, they would take any job that was available. They had reached points where it didn't matter what they were before in their old company, and some of them had positions that had a lot of responsibility. But at this point they really had reached the point that they needed work and would virtually do pretty much anything for anyone who would hire them.

Senator BLUMENTHAL. That's why I am still somewhat in a quandary as to why—and you put it more precisely and accurately—that once someone is unemployed, then the level of education seems in effect to work against them, not so much as a purposeful disadvantage, but just as a fact of life.

Is that because maybe those with higher educational levels are not willing to take different jobs? Or is it because somehow education is held against them and the employer may feel someone with a college education is not going to do well in certain jobs motivationally?

Mr. CARBONE. Actually, I think it was Pew that did a study, and when you look at long-term unemployed folks by education the numbers are remarkably alike, somewhere 35 percent average. It didn't matter if you had a high school degree or if you had advanced college degrees.

I think it's the case of the fall. I think the fall is hurting more when you're in a higher level position. You were probably at the peak of your earnings or you were doing very well. It takes longer to reach that point. I think it's less education. It's less that. It's not that businesses or industries don't want that. It's that it takes a while for a person to realize that, I've got to do something that is perhaps not at the same level that I was doing before. I think that has a lot to do with the length of the unemployment and how they compete for work.

Senator BLUMENTHAL. Mr. Carbone, you've had such extensive experience with the longer term unemployed. I wonder if you could comment on the evidence, whether it's anecdotal or more systematic, as to discrimination against the longer term unemployed.

Mr. CARBONE. It is there. Just look at the want ads, check out the Craigslists of the world. There has been nothing more disheartening. I spend a lot of my time interacting with long-term unemployed people. And it's bad enough when you go to 3 or 400 different places where you apply for work and you don't get responses, but it's when in earnest you're looking for employment and you'll see as part of the advertisement: If you're unemployed, don't apply. Or if you've been unemployed a year or longer, don't apply.

These folks that issue—I mentioned before about self-confidence. Very important. It's a critical component to getting back on your feet. That just adds another level of: You're done, you're done. It's there.

Many companies are overt about it. We've seen some companies that are icons, that actually put it on their web sites. But a lot of other companies in a much more quiet way will practice it, will practice it. And I worry more about them than I do the ones that put it on the web site, because I think there's a lot more of them out there that do that.

Senator BLUMENTHAL. You may know that I have introduced a bill called the Fair Employment Opportunity Act of 2011, that would prohibit that kind of——

Mr. CARBONE. I do.

Senator BLUMENTHAL [continuing]. Discrimination. But of course, the sort of implicit or implied discrimination, maybe not stated, not overt, is as troubling as the ads you've just described. And I'm not sure how we get at that kind of discrimination.

Mr. CARBONE. I'm not sure that you can. I think what brought this to the surface as far as I was concerned was the added discouragement that it had the effect on long-term unemployed people when they would see it in print. In terms of how internally it's used by a business, I think it would be very difficult to kind of legislate some way to prohibit that.

Senator BLUMENTHAL. In a way the irony is that your program, The WorkPlace, and others like it do such fantastic work in providing the orientation, the attitude, the skills that are necessary for longer term unemployed to reach the point where they really sustain their motivation and their drive, and yet there is the discrimination against them, which in turn adds to their frustration and makes your job all the more different.

Mr. CARBONE. Yes, and it adds this new dimension to our job. 15 years ago when I came to The WorkPlace, if somebody said, "what's long-term unemployment," I would have said 39 weeks. And now it's 99 weeks in Connecticut. It's kind of tapering down. It won't be for long, but it was.

And that changes the way we do our business. So we kind of spent two years as unemployment was surging, preparing the one-stops for this huge increase in the number of participants as the unemployment rate was rising. But while that was happening, it was sort of—kind of almost a silent feature, because I will tell you, and I take a lot of guilt on this, I didn't even notice it until it became a crisis, where one day the acting commissioner of labor sent a letter out saying: On May 15, 12,000 people in Connecticut are going to reach this 99-week of benefit point, be unemployed, and no further benefits.

So you could imagine that you go that period of time and all of a sudden not only don't you have a check coming in, but you don't have a job. There are issues that are facing you that the American workforce system never had to address before, and frankly is not prepared to address, not prepared.

It's not Platform to Employment per se in 50 States everywhere. It's the elements of the program that proved to be essential to enabling long-term unemployed people to gain employment. Putting those elements in the American workforce system is what this is all about. It doesn't take a lot. It doesn't cost a lot. But it's a way of connecting this population.

When I said before that we're losing the battle, more and more of them are lost every single week. And once they're lost, once they start that march to the safety net, they're done, they're done.

So it's looking back at the American workforce system and seeing what's not there that needs to be there.

By the way, Senator, we do it for other groups and we should. We do it for veterans, we do it for dislocated workers, we do it for people with disabilities, and we should. This is a special population whose numbers eclipse all other special populations in our system already, and growing every day, and we're not addressing it. We're basically telling them to walk the plank and get lost.

Senator BLUMENTHAL. I wonder if I could just conclude by asking any of the witnesses whether from your knowledge of the history of unemployment and economic trends in the United States, whether this kind of longer term unemployment in the numbers and the structural effects and qualities is unprecedented or whether you can look back and see times in our history when it has happened similarly?

Ms. FURCHTGOTT-ROTH. We're at an almost record high in terms of the share of the unemployed that is long-term. We were at I think a record high last year something like last year. It's gone down slightly. That's why we really need to focus on economic growth to get rid of this problem.

If you look at North Dakota, for example, it has the lowest unemployment rate in the Nation. Unemployment is 3 percent. It's taking advantage of oil and natural gas exploration. And there are other States, other parts of the country that want to do that, but are impeded by regulation. We can almost call the United States "Saudi America" in terms of the percent of oil that we have that's going to come on line in the next 20 or 30 years, and we need to take advantage of this new American energy revolution to be putting people back to work.

You can't get a motel room in North Dakota. The same with Eagle Ford south of San Antonio in Texas. We need to be encouraging these other kinds of policies to reduce long-term unemployment as well as short-term unemployment.

Senator BLUMENTHAL. I wish we had the oil and gas in Connecticut that North Dakota has. So we are actually relying on different kinds of energy to generate employment, fuel cells and alternative sources of energy, which may not be subject to that kind of regulation, but are equally important to the energy future of the country, I think. But thank you for that comment.

I'd like to thank all of you for being here today. I have to go vote again. I apologize that your testimony has coincided with a series of votes that we have ongoing and that's probably the reason why we don't have more Senators here and why we are going to adjourn now. But I really do appreciate your testimony today.

The record will be kept open for a week—ten days. With that, this hearing is adjourned. Thank you.

[Whereupon, at 3:12 p.m., the hearing was adjourned.]

APPENDIX

Written Testimony of Sheila Whitelaw

U.S. Senate Special Committee on Aging

"Missed by the Recovery: Solving the Long-term Unemployment Crisis for Older Workers."

May 15, 2012

I came to this country in 1960 with a bachelor's degree in English literature. I married in 1962 and promptly had two daughters while we were living in Philadelphia. By 1972, I decided that I needed to go back to work and found a part time job, which turned into a full-time Office Manager position. We moved from the City to the suburbs, so that my daughters could receive a great education, and I found a job locally. I stayed in that position for at least 8 years.

I then worked for three different non-profit art organizations as Executive Director. I never earned a lot of money but really enjoyed working for worthwhile causes. My last position as Executive Director of the Friends of the Free Library was cut short as my daughter was diagnosed with Chronic Mylogenous Leukemia (CML) and was in need of a transplant. Her donor was miraculously a perfect match and we moved to Seattle, Washington for about 5 months. When we returned to Philadelphia I took care of my daughter for about a year, until she could return to work.

I never returned to the Friends of the Free Library as I didn't feel the same about the job because I was in a caregiver mode. So, I found a part-time nanny job. I stayed with the family for 4 years and then decided that I needed to be back in the workforce because I missed interacting with adults. I found a job as a Sales Associate in the women's clothing business and worked my way up to Manager of the store. But unfortunately in January 2010 the store lost its lease and the owner decided not to relocate. I applied for unemployment benefits and was approved.

Then came the hardest job of all - looking for work. At 71 years of age, I didn't know how long it might take to find a job; the economy was in bad shape with millions of people out of work. I started sending out my resume to hundreds of jobs. I have had about 15 interviews, but I rarely even receive a response afterward. It then occurred to me that a potential employee could look me up on the internet and lo and behold there was my age, clearly printed for all to see! I sensed my inability to find work had something to do with age, but I couldn't prove it. Many jobs required me to enter my date of birth to even complete my online application.

On one occasion, I had gone on an interview at Bloomingdales for a British clothing company that was opening a boutique inside Bloomingdales. While I was being interviewed, the potential employer took a call from another person looking for work, he made arrangements to interview her the next day (I could hear the conversation as I was sitting across the desk) and he even mentioned her name! I was not hired. A couple of weeks later my friend and I took a little trip to Bloomingdales to see if indeed this person was hired. And of course she was, and we estimated she was in her mid-20's. It was then obvious to me that age was a huge factor.

Last August I had to put my husband in a nursing home, as he is suffering from Alzheimers. This was a huge decision for me, but after he attacked me I had no choice. In September of 2011 my unemployment ran out and I was desperate. I was offered a position in a gift shop in a hotel in Philadelphia.

I took the job, knowing full well it really was not what I wanted, but felt I had no choice. The conditions of the shop were deplorable. Mice were running around the space, and their droppings were everywhere. I was stationed in an office the size of a closet, and it had no lights. In lieu of a chair, because the space was so small, I was expected to sit on milk crates. I stayed in that position for 5 days and after discovering mice droppings in my bag, I decided to leave. A couple of weeks later, I received a letter from the unemployment compensation department that I was eligible for an extension of benefits. I filled out the forms and had to tell them that I took a position for 5 days and the reason that I left. I was then denied my benefits but could have a hearing to fight it. I had the hearing and the adjudicator turned down my request. I then applied for a second hearing and was told that I was denied.

I moved to a smaller apartment with cheaper rent. I applied for Food Stamps (never thinking in my lifetime that I would have to do this). I receive Social Security and $35 per month in Food Stamps. I look for work every single day, including weekends. I have sent out hundreds and hundreds of resumes and cold called many stores. I have gotten assistance and support from retirementjobs.com, which I am grateful for, but I have not found work as of yet.

I have years of experience, am a loyal employee, have superior customer service skills, and want and need to work. I am sure, although it is hard to prove, that age is a real problem. When people talk about elderly they think 50!! I'd like to be 50 again. Some of the positions I interviewed for are now re-appearing on the job boards. One does wonder of course what happened to my resume, but I guess the days of looking at previous applicants who have applied for jobs doesn't seem to hold out anymore.

At this point, I don't really expect to retire, even if I am able to find a job. I plan to keep working as long as I am physically able, and I am blessed to be in good health. Contrary to what many employers think, age is just a number. My age does not define my ability, negate my work experience, or reduce my dedication to the job at hand.

United States Government Accountability Office

GAO

Testimony

Before the Special Committee on Aging, U.S. Senate

For Release on Delivery
Expected at 2:30 p.m. EDT
Tuesday, May 15, 2012

UNEMPLOYED OLDER WORKERS

Many Face Long-Term Joblessness and Reduced Retirement Security

Statement of Charles A. Jeszeck, Director
Education, Workforce, and Income Security

GAO
Accountability * Integrity * Reliability

GAO-12-724T

Chairman Kohl, Ranking Member Corker, and Members of the Committee:

I am pleased to be here today to discuss the status of unemployed older workers. The most recent recession, which began in 2007 and ended in 2009, was the worst since the Great Depression, and has been characterized by historically high levels of long-term unemployment.[1] While it is crucial that the nation help people of all ages return to work, long-term unemployment has particularly serious implications for older workers (age 55 and over). Job loss for older workers threatens not only their immediate financial security, but also their ability to support themselves during retirement.

My remarks today summarize a report that we prepared for this committee and released today.[2] My testimony will focus on (1) how the employment status of older workers age 55 and over has changed since the recession, (2) older workers' challenges in finding new jobs, (3) how periods of long-term unemployment might affect older workers' retirement income, and (4) what other policies might help unemployed older workers regain employment and what steps the Department of Labor (Labor) has taken to help unemployed older workers.

To examine changes in the employment status of older workers since the start of the recession, we analyzed nationally representative unemployment and demographic data from the Bureau of Labor Statistics (BLS), including January 2007 through April 2012 data from the Current Population Survey (CPS) and the 2008 and 2010 Displaced Worker Supplement (DWS). To learn about older workers' challenges in finding new jobs, we conducted focus groups with unemployed older workers in four metropolitan areas, and interviewed staff at one-stop career centers

[1]The recession of 2007-2009 started in December 2007 and ended in June 2009, according to the Business Cycle Dating Committee of the National Bureau of Economic Research (NBER). According to NBER, "a recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators. A recession begins when the economy reaches a peak of activity and ends when the economy reaches its trough." In addition, this recession occurred in the context of a significant decline in major financial markets, which dramatically reduced the value of major assets.

[2]GAO, *Unemployed Older Workers: Many Experience Challenges Regaining Employment and Face Reduced Retirement Security*, GAO-12-445 (Washington, D.C.: April 25, 2012).

in each of the four areas.[3] (For audio clips from GAO's focus groups with unemployed older workers, use this link: http://www.gao.gov/multimedia/video/#video_id=590295.) Further, we interviewed experts on older workers' issues and reviewed studies. To assess how periods of long-term unemployment might affect older workers' retirement income, we used microsimulation models, and interviewed officials at the Social Security Administration (SSA). To identify what policies might help unemployed older workers regain employment and what Labor has done to help older workers, we interviewed experts on policy proposals previously identified through a review of the literature and interviewed Labor officials.

We conducted this performance audit from October 2010 through April 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Social Security retirement benefits are paid to eligible workers under the Old-Age, Survivors, and Disability Insurance (OASDI) program administered by SSA. The level of monthly retirement benefits an individual will receive depends on factors such as work and earnings history and the age at which the beneficiary chooses to begin receiving benefits.[4] Generally, individuals may begin receiving Social Security retirement benefits at age 62; however, the payments will be lower than if they wait to receive benefits at their full retirement age, which varies from 65 to 67, depending on the individual's birth year.[5] Social Security also provides benefits to eligible workers who become disabled before

[3]The Workforce Investment Act of 1998 provided for the establishment of local one-stop centers to provide access to employment and training services under a number of programs, including those administered by the Departments of Labor, Education, Health and Human Services, and Housing and Urban Development. Pub. L. No. 105-220, § 121, 112 Stat. 936, 963.

[4]42 U.S.C. §§ 402, 415.

[5]42 U.S.C. § 402(q)(1); 20 C.F.R. §§ 404.409 to 404.410.

reaching retirement age, as well as children, spouses, and widow(er)s of eligible workers.

Employer-sponsored retirement plans fall into two broad categories: defined benefit (DB) plans and defined contribution (DC) plans. DB plans promise to provide a benefit that is determined by a formula based on particular factors specified by the plan, such as salary or years of service. Typically, DB plans provide annuity payments to retirees on a monthly basis that continue as long as the recipient lives.[6] Under DC plans, workers and employers may make contributions into individual accounts.[7] At retirement, participants' distribution options vary depending on the plan, but often include leaving their money in the plan or taking a full or partial distribution. In order to preserve the tax benefits from their DC plan savings, many participants choose to roll plan savings into an individual retirement account (IRA). IRAs are personal retirement savings arrangements that allow individuals to make contributions to an individual account and receive favorable tax treatment.[8]

Long-Term Unemployment for Older Workers Has Increased Substantially since the Start of the Recession

Unemployment rates for workers of all ages have risen dramatically since the start of the recent recession in December 2007, and workers age 55 and over have faced particularly long periods of unemployment. As shown in figure 1, the seasonally unadjusted unemployment rate for older workers increased from 3.1 percent in December 2007 to a high of 7.6 percent in February 2010, before it decreased to 6.0 percent in April

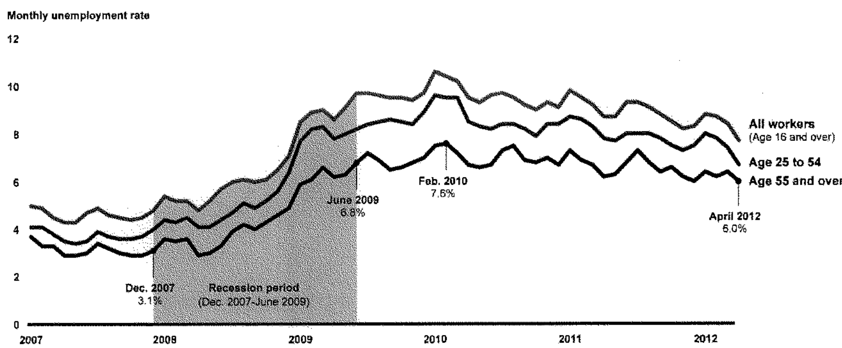
[6]A DB plan may also provide benefits to a surviving spouse, if the plan participant is married and took these benefits.

[7]The most common type of DC plan is the 401(k) plan, which typically allows workers to choose to contribute a portion of their pretax compensation to the plan. Some 401(k) plans may also provide for employer contributions, and Roth 401(k) plans may accept after-tax employee contributions.

[8]The tax treatment differs depending on the type of IRA. For example, with traditional IRAs, individuals who meet certain conditions can take an income tax deduction on some or all of the contributions they make to their IRAs, but they must pay taxes on amounts they withdraw from the IRA. Individuals below certain income limits may also contribute to Roth IRAs, which do not provide an income tax deduction on contributions, but permit tax-free withdrawals.

2012.[9] As in prior recessions, smaller percentages of workers age 55 and over became unemployed in comparison with younger workers. Some researchers attribute older workers' lower unemployment rates to the fact that older workers tend to have longer job tenure, and are consequently less likely to be laid off than younger workers.[10]

Figure 1: Estimated Unemployment Rates by Age, January 2007 to April 2012



Source: GAO analysis of CPS data.

Notes: Estimates have 95 percent confidence intervals within plus or minus 0.5 percentage points of the estimate itself. Recession dates obtained from the NBER estimates are not seasonally adjusted.

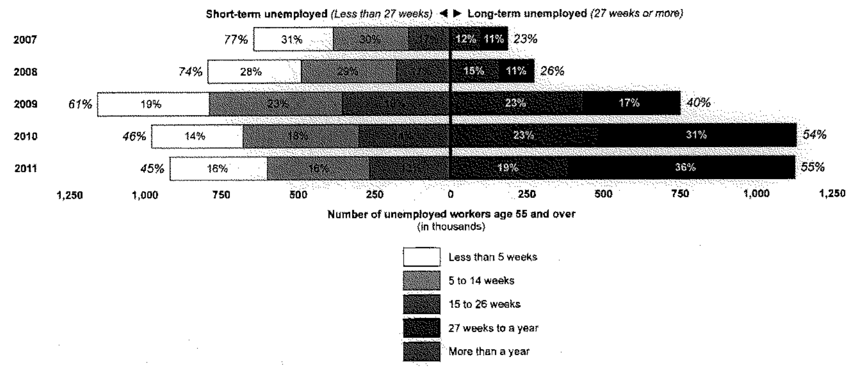
[9]This figure, along with all others describing characteristics of workers, is based on sample data and subject to sampling error. For example, we are 95 percent confident that the unemployment rate for workers age 55 and older was between 5.5 and 6.4 percent in December 2011. Estimated labor force statistics in this report are based on analysis of microdata, which beginning in January 2011 may diverge slightly from BLS published estimates. Because we analyzed a variety of labor force outcomes for several subgroups of the population that had small sample sizes, we did not attempt to seasonally adjust any of the estimates.

[10]A recent study, however, suggests that older workers with less than 4.6 years of tenure are actually more likely to be laid off than their otherwise similar younger counterparts. See Richard Johnson and Corinna Mommaerts, *Age Differences in Job Loss, Job Search, and Reemployment*, the Urban Institute (Washington D.C.: January 2011).

Although older workers are less likely than younger workers to lose their jobs, it generally takes older job seekers longer to find new work. Since 2007, many job seekers of all ages have experienced long-term unemployment, but individuals age 55 and over have consistently experienced longer durations of unemployment than younger workers.[11] Moreover, the median length of unemployment has more than tripled for older workers since the recession started, increasing at a greater rate than that of younger workers. Prior to the recession, the median duration of unemployment for job seekers age 55 and over was 10 weeks compared with 9 weeks for job seekers aged 25-54. By 2011, the median duration of unemployment for older job seekers had increased to 35 weeks compared with 26 weeks for younger job seekers. In 2007, less than a quarter of unemployed older workers were unemployed for longer than 27 weeks, as shown in figure 2. By 2011, this number had increased to 55 percent. Moreover, by 2011 over one-third of all unemployed older workers had been unemployed for over a year.

[11]BLS defines long-term unemployment as being unemployed for more than half a year (27 weeks or more).

Figure 2: Growth in Estimated Long-Term Unemployment of Older Workers (55 and Over), 2007-2011



Source: GAO analysis of CPS data, 2007-2011.

Note: All estimates in this figure have 95 percent confidence intervals within plus or minus 3 percentage points of the estimate itself. There was a statistically significant change between 2007 and 2011 in the proportion of unemployed older workers in each of the categories shown in the figure. Specifically, (1) the proportion of unemployed older workers who were unemployed for under 5 weeks, for 5-14 weeks, and for 15-26 weeks each declined significantly from 2007 to 2011, and (2) the proportion of unemployed older workers who were unemployed for 27 weeks to a year, and for more than 1 year, each increased significantly from 2007 to 2011. Some bars do not sum to 100 percent because of rounding.

Rates of unemployment for older workers varied across demographic groups. Unemployment rates for older men were comparable to those of women in 2007 but were significantly higher for men by 2011.[12] In addition, black and Hispanic older workers had significantly higher unemployment rates than white older workers in both 2007 and 2011. Regarding education level, older workers without a high school diploma were more likely to be unemployed before and after the recession than

[12]One possible explanation for men's greater increase in unemployment since 2007 is the particularly steep increase in unemployment in the manufacturing and construction industries, which tend to employ higher percentages of men than women.

those with a high school diploma.[13] However, the unemployment rate for workers with at least a bachelor's degree approximately doubled by 2011 from its 2007 level, just as it did for those older workers with less education.

Across several different demographic groups, once unemployed, older workers were similarly likely to remain unemployed for more than half a year (27 weeks or more) in 2011. For example, in 2011 older unemployed workers with at least a bachelor's degree were similarly likely to face long-term unemployment as those older workers with less education. In addition, older workers in each racial or ethnic group who became unemployed were equally likely to face long-term unemployment in 2011. Even older women—who in 2007 had lower rates of long-term unemployment than men—were similarly likely to face long-term unemployment after the recession.

We analyzed the earnings of workers who regained employment after being displaced from their jobs from 2007 to 2009 and found that older workers generally sustained greater earnings losses than younger workers.[14] When comparing earnings before and after displacement, the median earnings replacement rate for workers aged 55-64 who were displaced from 2007 to 2009 was only 85 percent, compared with approximately 95 percent for workers aged 25-54 and over 100 percent for workers aged 20-24.[15] Further, an estimated 70 percent of reemployed displaced older workers sustained earnings losses (an earnings

[13]One possible explanation of the increase in unemployment among less educated older workers is that unemployment rates in manufacturing and construction increased dramatically in the recent recession, and these industries tend to employ a higher percentage of less educated workers than do many other industries. Also, a recent study of the long-term unemployed aged 18-64 also found that the long-term unemployed are less likely to hold a college degree. *Kaiser Family Foundation/NPR Long-Term Unemployed Survey.*

[14]Displaced workers are those who indicated that they lost a job for economic reasons (such as plant closures or their position being eliminated) during the previous 3 calendar years. Displaced workers are surveyed by the Census Bureau every 2 years, with the most recent survey interviewing people who lost their jobs during the recession period (January 2007-December 2009), and the previous survey interviewing people who predominantly lost their jobs prior to the recent recession (January 2005-December 2007).

[15]This analysis is restricted to long-tenured displaced workers (workers with 3 or more years of tenure on the job they lost or left) who lost full-time, salaried jobs and were reemployed in full-time, salaried jobs at the time of the survey.

replacement rate of less than 100 percent) compared with 53 percent of reemployed individuals aged 25-54.

Employer Reluctance to Hire Older Workers Is Perceived as One of Several Reemployment Challenges for Older Workers

Focus group participants told us that they believed employer reluctance to hire older workers was their primary reemployment challenge, and several cited job interview experiences that convinced them that age discrimination was limiting their ability to find a new job. Moreover, many experts, one-stop career center staff, and other workforce professionals we interviewed said that some employers are reluctant to hire older workers. Because of legal prohibitions against age discrimination, employers are unlikely to explicitly express a lack of interest in hiring older workers;[16] however, one workforce professional told us that local employers had asked her to screen out all applicants over the age of 40.[17]

According to experts we interviewed, a key reason employers are reluctant to hire older workers is that employers expect providing health benefits to older workers would be costly. Several surveys of employers corroborate this concern.[18] A few focus group participants we spoke to who had handled their previous employer's health insurance or had been involved in hiring decisions said they had seen that older workers substantially increased insurance costs, which provided a disincentive to hire older workers. For example, one focus group participant told us that his prior employer had told him not to hire anyone older than him. In addition to increased health insurance costs, according to experts, workforce professionals, and our focus group participants, some employers may be hesitant to hire older workers because of the higher

[16] The Age Discrimination in Employment Act of 1967, as amended, prohibits employment practices that discriminate against people who are age 40 or older. Pub. L. No. 90-202, 81 Stat. 602, codified at 29 U.S.C. §§ 621-634.

[17] For information about evidence that employers discriminate against older job applicants, see Joanna N. Lahey, "Do Older Workers Face Discrimination?" Center for Retirement Research at Boston College, Issue Brief Number 33, July 2005.

[18] See Marcie Pitt-Catsouphes, Michael A. Smyer, Christina Matz-Costa, and Katherine Kane, "The National Study Report: Phase II of the National Study of Business Strategy and Workforce Development," Center on Aging and Work/Workplace Flexibility at Boston College Research Highlight 04, March, 2007, 21. Also, see *The Real Talent Debate: Will Aging Boomers Deplete the Workforce?* A WorldatWork Research Report, April 2007, 4.

wages that many older workers earned in their previous jobs.[19] Also, according to experts we interviewed, employers may believe that an older worker who previously held a high-level position will be overqualified and therefore unhappy in a lower-level position.

Another challenge that some older workers face in finding new jobs is that they may lack up-to-date computer skills. Some noted that after a long spell of unemployment, even those older workers who had previously been proficient with computer technology might find their technology skills outdated. Some experts we interviewed said that employers might hesitate to hire and retrain older workers because they assume that older workers will not want to work much longer, so the employer would not get a good return on the training investment.

According to workforce professionals, an ongoing trend among employers—to require job seekers to submit all applications and résumés online—creates difficulties for many older workers, particularly those with few or no computer skills. Further, workforce professionals told us that many online job applications require applicants to disclose information that readily reveals the applicant's age—such as the year the job seeker graduated from high school—and that applications cannot be submitted until such fields are completed. Workforce professionals also said that even workers seeking jobs that require little or no computer use could get those jobs only by completing a long online application. For example, workforce professionals told us that individuals seeking positions as maids and janitors in national chain hotels could apply for those positions only online and that the older workers seeking those positions were often unfamiliar with such applications.

[19]A recent study using data from the Survey of Income and Program Participation found that between 1996 and 2007, the median hourly wage for reemployed displaced workers was lower at ages 50 to 61 than at ages 35 to 49. The authors of the study suggest that "concern over the expense of hiring older workers may be overblown." See Johnson and Mommaerts, *Age Differences in Job Loss, Job Search, and Reemployment.*

Job Loss Can Lead to Lower Private Retirement Income, Early Social Security Claims, and Exhaustion of Retirement Savings

Job loss can result in fewer years of work over a worker's lifetime, which can lower the worker's retirement income in several ways. For example, fewer years of work can prevent a worker who is covered by a traditional DB plan from having enough years of work with an employer to vest in (that is, earn a nonforfeitable right to receive) employer-funded retirement benefits.[20] And even if a worker who is covered by a traditional DB plan has enough years of work to earn a right to the benefits, fewer years of work can reduce a worker's final retirement benefit if the number of years worked is used in the formula for calculating retirement benefits. For workers with DC plans, having fewer years of work can limit the amount of yearly employee and employer contributions that accumulate in a worker's account. Moreover, Social Security retirement benefits may be reduced as a result of fewer years of work because the benefits are based, in part, on a calculation of the worker's average monthly earnings over 35 years. The 35 years used for the calculation are those with the worker's highest earnings, adjusted for changes in wage levels. If a worker has less than 35 years of earnings, then zeros would be used for earnings in the missing years, and this will result in a lower calculated benefit.[21]

At the same time, long-term unemployment can motivate older workers to file for early Social Security retirement benefits. Many unemployed older workers in our focus groups said that they were planning to claim Social Security retirement benefits as soon as they were eligible or had already done so because they needed a source of income to help pay for living expenses. Moreover, a 2012 study found that high unemployment increases Social Security retirement claims among men with limited

[20]The terms of an employer-sponsored retirement plan may specify when the employee has earned a nonforfeitable right to employer-funded benefits (called vesting), typically after the employee reaches a certain age or has completed a certain period of service. Federal vesting requirements may apply to some plans. For example, to qualify for favorable tax treatment, private sector DB plans are generally required to vest their employees within a maximum of 7 years if they use graded vesting, in which the employee is vested in an increasing percentage of the benefits over time. If the plan does not use graded vesting, employees must be 100 percent vested within 5 years. In addition, employees must be vested upon reaching retirement age (typically age 65 or earlier, if defined by the plan), and federal law limits the ability of plans to disregard an employee's prior years of service after breaks in service of less than 5 years. 29 U.S.C. § 1053(a)-(b). However, plans sponsored by public sector employers are not generally subject to these requirements, although state laws may apply.

[21]For more information on how Social Security retirement benefits are calculated, see online illustration at http://www.ssa.gov/oact/ProgData/retirebenefit1.html.

education.[22] The spike in claims for Social Security retirement benefits that occurred in 2009 after large increases in unemployment rates offers support for the study's findings. According to estimates from SSA's Office of the Chief Actuary, in fiscal year 2009 about 139,500 (about 6 percent) more older workers applied for Social Security retirement benefits than would have been expected in the absence of a recession.[23] Because Social Security retirement benefits claimed before full retirement age are reduced to account for the longer period of time that the benefits will be received, early claiming will cause individuals and their survivors to have lower monthly retirement benefits for the rest of their lives.

The recession also led to an increase in applications for disability benefits from the Social Security Disability Insurance program. In turn, the percentage of individuals in the population age 50 and over who have been awarded disability benefits has increased since the recession started.[24] Older workers who lost their jobs in the recession and had significant injuries or health problems, and were not old enough to claim Social Security retirement benefits, have strong incentive to apply for Social Security disability benefits. If they are awarded benefits, they will receive monthly payments and, after a 24-month waiting period, they will be eligible for health insurance from the Medicare program.[25] Also,

[22]The researchers estimate that the recession of 2007-2009 increased Social Security retirement claiming for men with limited education by about 40 percent. See Owen Haaga and Richard W. Johnson, *Social Security Claiming: Trends and Business Cycle Effects,* Center for Retirement Research at Boston College (Chestnut Hill, MA: February 2012).

[23]When the Office of the Chief Actuary made estimates in December 2008 for the number of retirement benefit claims SSA would receive in fiscal year 2009, it did not factor recessionary effects into the estimates because, at that time, it did not know if the recession would increase or reduce the number of applications SSA would receive for retirement benefits. Therefore, according to the Office of the Chief Actuary, comparing the estimates for retirement benefits applications for fiscal year 2009 that were made in December 2008 with the actual number of applications received in fiscal year 2009 provides a reasonable estimate of the effect of the recession on Social Security applications in fiscal year 2009.

[24]According to the Office of the Chief Actuary, applications did not increase as a result of the recession for Aged benefits under the Social Security Supplemental Security Income (SSI) program. To be eligible for SSI Aged benefits, individuals must be 65 or over and have very low income and few assets. Such individuals may have already been unemployed before the recession, which could help explain why the recession did not increase applications for SSI Aged benefits.

[25]Receipt of disability benefits is generally subject to a 5-month waiting period beginning with the month the applicant was both insured for disability and disabled, as defined by statute. 42 U.S.C. § 423; 20 C.F.R. § 404.315.

receiving Social Security disability benefits gives unemployed older workers an alternative to claiming Social Security retirement benefits early.

Unemployed older workers who have a retirement account may also end up using some or all of those savings to cover living expenses while unemployed. Indeed, just over half of the older workers in our focus groups who reported having retirement savings in an IRA or a DC plan also reported that they had used some or all of these savings to pay for expenses while they were unemployed. More specifically, focus group participants described using retirement savings to cover expenses such as mortgage and car payments, medical bills, a child's college tuition, and moving to more affordable housing. A survey of unemployed workers conducted in March 2010 also found that a high percentage of individuals 55 and over reported using savings set aside for retirement or other purposes to help make ends meet.[26] In addition, an October 2010 survey of workers age 50 and over found that nearly a quarter reported that they had used all their savings in the previous 3 years.[27]

These recent developments are particularly troubling considering the fact that the earlier a worker stops working and cashes out DC plan savings, the lower the savings will be and the shorter the period that the savings are likely to last. Depending on the level of savings, the length of time the worker spends unemployed, and the worker's other financial resources, a worker may be at risk of using a large percentage of DC plan savings during unemployment. If, however, the worker is fortunate enough to find another job that includes an employer-sponsored retirement plan or pays enough to enable the worker to save some earnings in an IRA, the worker may be able to resume saving for retirement. Figure 3 illustrates how a worker's retirement savings of $70,000 in a 401(k) plan could change after 2 years of unemployment, depending on how much the worker

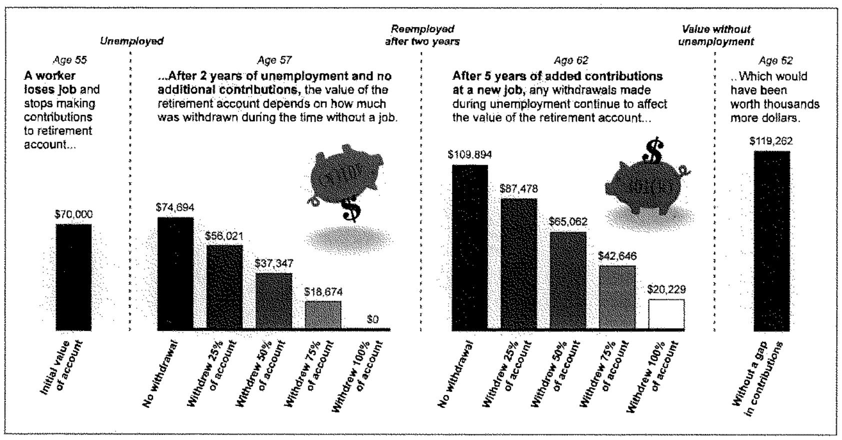
[26]Maria Heidkamp, Nicole Corre, and Carl E. Van Horn, *The "New Unemployables" Older Jobseekers Struggle to Find Work During the Great Recession,* Sloan Center on Aging and Work, Boston College (Chestnut Hill, MA: 2010).

[27]Sara E. Rix, AARP Public Policy Institute, "Recovering from the Great Recession: Long Struggle Ahead for Older Americans" (Washington, D.C.: May 2011). This study surveyed adults aged 50 and over who had been in the labor force at some point during the previous 3 years.

withdrew from the account while unemployed.[28] The figure also shows how the account value could increase if the worker became reemployed and resumed saving for retirement. As shown in figure 3, if the worker did not make any withdrawals during the period of unemployment, savings could have reached nearly $110,000 by age 62, after becoming reemployed. On the other hand, if the worker withdrew 50 percent of the retirement account balance while unemployed and became reemployed at age 57, the worker would need to work past age 62 before the account balance got back to the level it was when the worker was 55.

[28]We used $70,000 as the starting point for this illustration because it is about the median level of DC plan savings for employed workers age 55 and over who have a DC plan account from a current or past employer. For purposes of this illustration, we decided to round this median to the nearest $10,000. Based on 2007 Survey of Consumer Finances data, the estimated median is $70,800 and its 95 percent confidence interval is within plus or minus $13,204, or between $57,596 and $84,004.

Figure 3: How Drawdowns from Retirement Savings during Unemployment Can Affect Amounts Saved at Time of Retirement if a Worker Became Reemployed and Resumed Saving



Source: GAO.

Note: This illustration is based on an individual who was born at the beginning of 1953, turned 55 in 2008, and retires at 62 in 2015. To calculate changes in the account balance over time, we used the interest and rate-of-return assumptions as reported in past and projected under the intermediate cost assumptions in the 2011 *Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (also known as the OASDI Trustees' Report). We used scaled earnings for medium annual earners as reported in past and projected in the 2011 OASDI Trustees' Report. We assumed the employee contributions to the retirement account are 6 percent of the individual's wages and that the individual received a 3 percent employer matching contribution.

Federal Government Policy Options and Actions Labor Has Taken to Help Unemployed Older Workers

Experts GAO interviewed selected various policies that have been proposed to help address unemployed older workers' reemployment challenges. Experts selected these policies from a broad list of policies that GAO compiled from previous academic studies. For example, two of the policies that experts selected would provide incentives such as temporary wage or training subsidies for employers to hire long-term unemployed older workers. Another policy experts selected would require long-term unemployed workers to enroll in training to remain eligible for unemployment insurance benefits. In the current context of high unemployment and slow job creation, the impact of such policies is likely to be muted by limited job openings.

In 2006, Labor convened an interagency Taskforce on the Aging of the American Workforce (the Taskforce), in part, in response to a request from this committee and its current chairman, Senator Herb Kohl.[29] After the Taskforce issued its report in 2008, Labor implemented several strategies the report recommended. For example, in 2008, Labor expanded a demonstration project designed to assist individuals in creating or expanding their own businesses. Also, in 2009, Labor awarded approximately $10 million in grants to 10 organizations to test new ways of providing training and other services to connect older Americans with employment opportunities in high-growth, high-demand industries. According to Labor officials, the onset of the 2007-2009 recession shifted Labor's focus away from implementing strategies recommended in the Taskforce report to responding to greatly increased demand for services.

Concluding Observations

Although long-term unemployment hurts job seekers of all ages, it poses particular challenges for older workers. Older workers tend to be out of work longer than younger workers, threatening their retirement savings during a period of their lives when they have may have less opportunity to rebuild them. Even when they are able to obtain reemployment, they often do so at lower wages, making it even more difficult to replenish the lost earnings and reduced retirement savings that they suffered. For those long term unemployed workers who cannot find work, they may leave the labor market altogether and claim Social Security retirement benefits earlier than they would have otherwise, leaving them with less retirement income each month for the rest of their lives. As such, the effects of the recent recession highlight the limitations of our current retirement security system.

While Labor took steps to implement some of the 2008 Taskforce recommendations, Labor officials understandably shifted their focus away

[29]Labor also convened the Taskforce to respond to GAO recommendations in two reports: GAO, *Older Workers: Demographic Trends Pose Challenges for Employers and Workers*, GAO-02-85 (Washington, D.C.: Nov. 16, 2001), and *Older Workers: Labor Can Help Employers and Employees Plan Better for the Future*, GAO-06-80 (Washington, D.C.: Dec. 5, 2005).

from the report's findings when the recent recession caused a dramatic increase in demand for workforce services. Still, older workers remain a critical and growing segment of the workforce, and a renewed focus is now needed to identify strategies to help address older workers' significant reemployment challenges. In our report, we recommended that Labor consider what strategies are needed to address the unique needs of older job seekers, in light of recent economic and technological changes. In its comments on our draft report, Labor agreed with our recommendation.

Chairman Kohl, Ranking Member Corker, and Members of the Committee, this completes my prepared statement. I would be happy to respond to any questions you may have at this time.

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Statement of Joseph M. Carbone
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Before the Special Committee on Aging
United States Senate
May 15, 2012

Good morning Chairman Kohl, Ranking Member Corker and Members of the Senate Special Committee on Aging. Thank you for inviting me to testify about barriers older workers face in securing gainful employment. My name is Joseph Carbone, and I am CEO of The WorkPlace, a 30-year-old, Fairfield County, Connecticut nonprofit. The WorkPlace acts as the Workforce Investment Board (WIB) for southwestern Connecticut and is responsible for the operation of three One Stop Centers in our region, serving an average of 30,000 individuals each year, including a growing population of mature workers which currently make up 35% of Connecticut's workforce and over 40% of Connecticut's long-term unemployed.[1] I appreciate the opportunity to discuss how existing programs within America's workforce development system can be augmented to address the challenges older, long-term unemployed workers face when seeking employment.

The One Stop system and its network of partners is the foundation of the American workforce development structure. This system is designed to deliver and provide access to a host of services to help people gain employment. Six years ago, The WorkPlace, succeeded in becoming the first WIB in the nation to be designated as a National Operator of a Senior Community Service Employment Program (SCSEP) funded through the United States Department of Labor. The WorkPlace branded its program "MaturityWorks" and successfully integrated the services of its One-Stop Career Centers into the program. Additionally, The WorkPlace has contracted with other Connecticut WIBs to operate the program in their regions. Through the Connecticut One Stop Centers mature workers receive access to a variety of employment readiness workshops, skills training, technology classes, job search, education refreshers and language skills as well as case management and job placement support.

At the WorkPlace, we understand that the needs of the unemployed in today's economy require us to enhance traditional One Stop services to help individuals as they seek employment. The recent recession has affected millions in this country but for those 50 and older, the impact has been greater and the long-term effects may be more daunting. These older Americans, have had the greatest price to pay. This group has experienced unprecedented economic loss, high unemployment and the longest duration of collecting unemployment since the Great Depression. They come from all walks of life and have varying educational backgrounds.

According the Bureau of Labor Statistics, *currently 31.1% of unemployed workers have been without a job for more than 52 weeks*. "Among people without jobs, unemployed, older workers were the most likely to have been jobless for a year or more. For example, in the fourth quarter of 2011, more than 42 percent of unemployed workers older than 55 had been out of work for at least a year, a higher percentage than any other category."[2] By January 2012, more than 3 million people exhausted federally funded

[1] Manisha Srivastava, Economist, Connecticut Department of Labor (2011) "The Face of the Older Long-Term Unemployed"
[2] The Pew Charitable Trusts analysis of Current Population Survey Data, October through December 2011

unemployment benefits across the nation. As these benefits continue to be phased out during 2012, it is estimated that an additional 3 million workers will completely loose the financial support that emergency unemployment compensation and extended benefits provide.

Long-term unemployment has grown markedly over the past few years and the current standard of 27 weeks to define long-term unemployment no longer accurately captures the population of people looking for work. A study by the Hamilton Project in January of this year showed that in 27 states, at least 40% of the unemployed had been out of work for at least 6 months.[3] In order to properly develop workforce solutions that will break down the barriers older workers face in securing employment we must accurately define the problem of long-term unemployment and raise standard used to characterize this population. Our nation faces a higher percentage of older workers who meet a new definition of long-term unemployment and there are fewer of them returning to work.

Businesses continue to adjust to new economic challenges by becoming leaner in an effort to remain competitive. The result is workers watch their skills become less relevant. Many choose to isolate themselves which frequently leads to feelings of hopelessness and despair. Their future looks more daunting. "The risk, economists say, is that the U.S. will develop an underclass of semi permanently unemployed workers, with severe consequences for productivity, public finances and even social stability."[4]

Long-term unemployment militates against ones chances of finding new employment. It is a barrier preventing workers from competing on an even playing field for open positions. Every day in our One Stop Centers we see that it is growing more difficult to get people out of this situation. The challenge facing the country is not just putting people back to work, but helping to retrain and rehabilitate the long-term unemployed.

Bringing the long term unemployed to a platform of readiness, emotionally and professionally, is critical as the job market recovers. It starts by understanding the impact of 99 weeks of unemployment on our workforce. There are several factors contributing to the continued unemployment of a worker after several months without employment including; Employers are in a position to select from a bounty of highly skilled, well-educated, and most cost-effective applicants; Those currently employed or those with short periods of unemployment have an advantage in a competitive marketplace and without ongoing efforts to keep skills current during protracted periods of unemployment, the less marketable a person becomes.

Research has long shown that older workers have suffered negative perceptions of their capabilities and desires for continued work. "Negative perceptions have been particularly pronounced in the area of training, where managers and other employees as well see older workers as slow learners, computer illiterate, as disinterested in training and hankering for retirement. Unfortunately, if negative perceptions persist about older workers' ability to learn their propensity for career development and promotion, and

[3] The Hamilton Project (2012) "Shrinking Job Opportunities: The Challenge of Putting Americans Back to Work"

[4] Ben Casselman, The Wall Street Journal, "Unemployment Scars Likely to Last for Years" January 9, 2012

their general adaptive capacities, then older workers will continue to face obstacles to continued employment."[5]

The long-term unemployed have become the largest demographic utilizing One Stop supports in southwest Connecticut. Our reality is that an entire class of workers have been left behind and calculated out of the workforce with an impenetrable barrier between themselves and employment. As society becomes more comfortable with a slowly improving economy which demands a smaller workforce, they will be forgotten. *99ers are using up savings, retirement plans; personal resources and will eventually create a greater burden on society. Workers exhausting 99 weeks of unemployment fall into the safety net of services such as food stamps and social programs*.

Across the nation millions of people are relinquishing their right to opportunity and America's promise. As a society we must choose if we are going to make an investment in our workforce or make payments to support the social service network.

In an effort to provide value added services in the One Stops, The WorkPlace conceptualized, designed, created and sought private funding to pilot a ground-breaking workforce solution to these issues called Platform to Employment (P2E). P2E is a partnership between investors, community partners, businesses and long-term unemployed workers to help restore careers, dignity – and society as a whole. Funded by concerned citizens, foundations and corporate donors, all P2E participants start with a five-week preparatory program that addresses the social, emotional and skill deficiencies caused by long term employment. Participants are then matched with open positions at local companies on a trial basis, with their compensation paid for by The WorkPlace. P2E minimizes the risks employers typically experiences with new hires and 99ers are given an opportunity to demonstrate they can compete. *More than 70% of the P2E participants have been placed in a job after completing eight-week, P2E work experience program.*

On Sunday, February 19th there was a dramatic shift in the awareness of the long-term unemployed. That night 60 Minutes aired "Trapped in Unemployment" on CBS. 60 Minutes saw the larger picture of how P2E can become a national catalyst for change. They raised awareness on the magnitude of long-term unemployment by moving beyond statistics to focus on the faces and stories behind the emergence of this new dependent class. 60 Minutes documented the emotional impact and dramatic changes that occurred in people.

Supporting the long-term unemployed presents a host of challenges which extend beyoud employment, into emotional, behavioral, and financial issues. Self-confidence falters, particularly among older Americans, concerns (legitimate or not) grow that employment skills have atrophied, and basics such as housing and food hinder progress. Many workers can achieve long-term success returning to employment only after these fundamental needs have been addressed. Transformations to the workforce system such as components of P2E can create a steady flow of 99ers back into the workplace with hope for future job opportunities.

The Senior Community Service Employment Program presents a similar opportunity to keep the skills of mature workers current, enabling them to thrive in a global economy. However the existing system needs

[5] Alfred P. Sloan Foundation (2007) "Generational Differences In Perceptions of Older Workers' Capabilities"

to be modified to help older, long-term unemployed workers access program services. If we do not invest in our workforce we risk allowing this population to slide into an abyss of joblessness. It is essential that we help these workers maintain their skills and remain prepared to compete when the opportunity arises for them to re-enter the workforce. This is our choice and part of the reason we created Platform to Employment as a vehicle for hope.

Society may accept that some workers will not be able to adapt to the structural changes impacting our economy and grant us a "pass" if we chose to do nothing. However, if we do not choose to invest in adapting our workforce solutions we will surely face a commitment to continually support an ever expanding demand on the nation's safety net of social services.

There are three key steps that will significantly enhance the workforce system's capacity to offer coordinated services to mature workers through SCSEP.

- ✓ *SCSEP needs to remain within the U.S. Department of Labor* where the primary focus is employment and more than 3,000 One Stop centers nationwide are available to engage this population. The infrastructure is already in place and available to support the growing population of mature workers who are being left behind.
- ✓ *Long-term unemployment should be added to the "most-in-need" measures which determine SCSEP priority of service.* Currently, priority enrollment in SCSEP is awarded to individuals who face barriers to employment. This priority may be awarded to: veterans, individuals with a disability, homeless or those at risk of becoming homeless and individuals with low literacy skills. Unfortunately SCSEP does not recognize the consequences of long-term unemployment including its debilitating impacts on a workers behavioral health, depreciated skills and negative perceptions as barriers to future employment.
- ✓ Additionally, *to promote the employment of participants, SCSEP should eliminate the need to obtain a waiver in order for program funds to be used for on-the-job-experience (OJE) and training programs*. Our experience with Platform to Employment and MaturityWorks demonstrates that organizations frequently make a commitment to hire workers after the successful completion of OJE.

This recession has been a scourge on the American Workforce. Over 40% of the long-term unemployed are mature workers who have lost touch with a rapidly changing business environment. **The impacts of the recession are moving older workers away from employment and into the safety net of government supported programs. We have an opportunity to leverage existing services, to keep the skills of these workers ready for an improving economy. To achieve this, we must adapt to the post-recessionary economy and modify the tools and services in use for the past 30 years.** This applies to both the U.S. Department of Labor and Department of Health and Human Services. With millions of Americans marginally attached to the labor force we must address the impacts of long-term unemployment and the barriers it creates. Long-term unemployment today is different from any other time, including the Great Depression. It's not just a six-month issue. It is a persistent, debilitating, and dehumanizing experience.

The American workforce system is uniquely positioned to adapt and align its programming to meet the needs of the long-term unemployed and SCSEP can be a vehicle to help older Americans become job ready. Providing a more comprehensive array of programming through the nationwide One Stop infrastructure will create a more streamlined, comprehensive and effective approach to serving mature workers who are overwhelmingly experiencing the chilling effects of long-term unemployment. As a nation we have a moral challenge. Do we acknowledge that the definition of long-term unemployment has changed and a new standard of treatment is required of our workforce system or do we become complicit in dismantling the American promise for millions of workers that have been discarded, relinquishing all hope for opportunity and prosperity? We must choose to do something.

MANHATTAN INSTITUTE FOR POLICY RESEARCH

Solving the Long-Term Unemployment Crisis for Older Workers

Diana Furchtgott-Roth

Senior Fellow, Manhattan Institute

Testimony before the Senate Special Committee on Aging

May 15, 2012

Solving the Long-Term Unemployment Crisis for Older Workers

Chairman Kohl, Ranking Member Corker, members of the Committee, I am honored to be invited to testify before you today on the employment situation of America's senior citizens. The employment problems that senior citizens face are indeed serious, and I thank you for holding this hearing.

I am a senior fellow at the Manhattan Institute. From 2003 until April 2005 I was chief economist at the U.S. Department of Labor. From 2001 until 2002 I served at the White House Council of Economic Advisers as chief of staff. I have served as Deputy Executive Secretary of the Domestic Policy Council under President George H.W. Bush and as an economist on the staff of President Reagan's Council of Economic Advisers.

The new U.S. Government Accountability Office report, entitled "Many Experience Challenges Regaining Employment and Face Reduced Retirement Security," provides sobering data on older workers. More than half of unemployed workers age 55 and over have been unemployed for 27 weeks or longer. The unemployment rate for these workers was 6.6 percent at the end of 2011.

It is especially important to address this problem due to the aging of the workforce and the entry of the Baby Boom generation into retirement. Older workers can expect to live until their mid-80s, sometimes longer, and dropping out of the labor force at 55 could mean 30 years of retirement. Such lengthy retirements mean that a larger older population is supported by a smaller younger population.

More urgently, our economy should be structured so that all those who want to work can find jobs. Millions of Americans are looking for work, and the number in poverty, 46.2 million, is the highest since the Census Bureau began compiling poverty data 52 years ago.

My testimony today is in direct response to the GAO report that has just been laid on the table before the committee. While I agree with the factual findings that older workers face serious difficulties in today's underperforming labor market, I disagree with the report's implication that the problems facing older workers require targeted policies that treat older workers differently than other workers.

Such policies would needlessly set one generation against another. They rest on the false premise that the problems facing older workers are the result of discrimination, or other factors that work specifically against older workers and in favor of younger workers. In fact, the problems facing older workers in today's stagnant labor market are not dissimilar from the problems facing all other workers—the lack of robust job growth. Therefore I will speak about policies that will contribute to more robust job growth broadly -- policies that will benefit both older and younger workers

The GAO report makes it clear that younger workers are also finding a shortage of jobs. Figure 2 of the report, on page 9, shows that, as tough as older workers have it in today's labor market, their unemployment rates are lower than workers aged 25 to 64 and workers aged above 16. And, on page 18 of the report (Figure 9), the authors present evidence that since 2000 the labor force participation rates of workers 55 and over have been rising steadily, whereas the labor force participation rates of workers aged 16 to 24 and workers aged 25 to 54 have been declining. The biggest decline in labor force participation rates, according to GAO, can be observed for workers aged 16 to 24.

Despite the evidence that younger workers are worse off than older workers, the GAO report recommends that Congress offer temporary wage and training subsidies to employers who hire older workers who have experienced long-term unemployment; that Congress eliminate the requirement that Medicare is the secondary payer for workers covered by employer-provided health insurance; that Congress expand job search and training programs for older workers; and that Congress compensate older workers for accepting lower-paying, full-time jobs.

No cost estimate is provided for these programs, although the unnamed experts cited on pages 46 and 47 estimate that they "could be expensive" or "would cost money." Neither is any estimate of benefits provided, such as how much the duration of unemployment would be reduced if these programs were funded.

The GAO study lacks rigor in other ways too. It is filled with anecdotes from "focus groups" and "experts." Only 77 people were used in the focus groups, a remarkably small sample. The focus groups were interviewed in three cities, namely San Jose (California), Baltimore, and St. Louis. These cities are not representative of the United States as a whole.

Furthermore, the selection of the focus groups and experts is undocumented. Were employed seniors as well as unemployed seniors interviewed? The study purports to be a "performance audit" and that it meets "generally accepted government auditing standards," a rather vague term that certainly does not mean that the study was subjected to an outside independent review or audit. All of this effort took 18 months to prepare at taxpayer expense.

According to GAO, the main characteristic of older workers that makes them qualify for extra government help is the share unemployed for 27 weeks or longer, as can be seen in Figure 1 of this testimony. Fifty-five percent are out of work for 27 weeks or longer, compared to 47 percent for workers aged 25 to 54, and 35 percent for young adults ages 20 to 24. Other than that, they are better off than other groups.

What is striking is that over the past ten years employment has increased among Americans 55 and over by 8.9 million. At the same time, it has declined by 3.1 million in the 25 to 54 age group, and by 313,000 among those aged 20 to 24. I show this in Figure 2.

Figure 3 shows how the labor force participation rate of seniors has increased by 5.7 percentage points from 2002 to 2011, yet declined in other age groups.

Compared with those aged 20 to 24 and 25 to 54, unemployment rates are lowest for the 55+ age group and have seen the smallest increase, as can be seen in Figure 4. Older Americans have seen unemployment rates rise by 2.8 percentage points over the past 10 years. Unemployment rates have risen by 4.9 percentage points for the 20 to 24 age group, and by 3.1 percentage points for Americans aged 25 to 54.

During some periods labor force participation rates have risen for older women and declined for older men. This is not true over the past decade, as can be seen from Figure 5. Both men and women ages 55 and over have seen similar increases in labor force participation rates.

This pattern holds for men and women ages 65 and over, and is shown in Figures 6 and 7. Both labor force participation rates and employment levels have risen steadily over the past 10 years.

The unemployment rate in 2011 for newly graduated men and women with bachelor degrees was 9 percent, far higher than the 4.9 percent rate such young adults experienced in 2006. The effects of the recession have fallen most disproportionately on them.

These unemployment rates not only suggest personal disappointment, but also large and lasting implications for them and for society. A recent paper in the American Economic Journal Applied Economics found that graduating in a recession leads to earnings losses that last for 10 years after graduation.[1]

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[1] Philip Oreopoulos and Andrew Heisz, "The Short- and Long-Term Career Effects of Graduating in a Recession: Hysteresis and Heterogeneity in the Market for College Graduates ," *American Economic Journal: Applied Economics*, 2012, Vol. 4, No.1: 1-29.

The authors, University of Toronto economics professor Philip Oreopoulos, Columbia University professor Till von Wachter, and economist Andrew Heisz of Statistics Canada, found that earnings losses are greater for new entrants to the labor force than for existing workers, who might see smaller raises, but who have jobs. In addition, recessions lead workers to accept employment in small firms that pay lower salaries.

In addition to higher unemployment rates, large increases in college tuition in recent decades mean that young people are graduating with substantial debt. According to Howard Dvorkin, founder of Consolidated Credit Counseling in Fort Lauderdale, students who graduated in 2011 left school with almost $23,000 in student loans, the most ever.

That is one reason why rates of recent graduates living at home with either a parent or grandparent have increased. In 2005 the share of 20-24 year olds who had at least a bachelor's degree but were living at home was 36 percent, and it reached 43 percent in 2011.

In November 2011 the Pew Research Center issued a lengthy study entitled "The Rising Age Gap in Economic Well-Being,"[2] which concluded that the gap in well-being between the young and the old is greater than ever before. Older Americans are doing better than in the past and younger ones doing worse. I attach the study, and I respectfully request that it is entered into the record.

Pew concludes that older Americans have benefited from appreciation of their homes, higher incomes, and lower unemployment rates. When these factors are taken into account, older Americans come out ahead of younger Americans. According to Pew, between 1984 and 2009, median net worth fell by 68 percent for households headed by adults younger than 35, and rose by 42 percent for households headed by those over 65. (Net worth is the value of assets less debt.)

The older age group had 47 times the net wealth of the younger group in 2009, compared to a multiple of 10 a quarter century earlier. It's not surprising that older people have more wealth, because they have been saving longer and building the equity in homes they own. That the ratio has risen so much is a result of contraction of net worth among the young and expansion for the seniors.

Older Americans who bought houses or condos have seen their home equity rise because they have held their homes for longer periods of time. The 2009 American

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[2] Richard Fry, D'Vera Cohn, Gretchen Livingston, and Paul Taylor, "The Rising Age Gap in Economic Well-Being: The Old Prosper Relative to the Young," Pew Research Center, November 7, 2011.

Housing Survey reports that 50 percent of older Americans bought their homes before 1986, and 65 percent own their homes free of mortgages.

In contrast, younger Americans who own homes have seen them decline in value, particularly if they bought them during the housing boom of the previous decade.

As well as assets, Pew reports that incomes of older Americans have risen four times as fast as incomes of younger Americans. Compared to 1967, incomes of Americans 65 and older have risen by 109 percent, after adjusting for inflation, but incomes of adult Americans under 35 have risen by a far smaller amount, 27 percent. The inflation-adjusted median income of older Americans rose by 8 percent between 2005 and 2010, but the income of younger Americans declined by 4 percent.

As the GAO report states, the problem not just for senior citizens but for all Americans is too few jobs. The Labor Department issued another disappointing jobs report on May 4, showing that in April only 115,000 jobs were created in the economy, and the unemployment rate declined to 8.1 percent because another 342,000 people left the labor force. One reason that the employment picture is bleak is because it's getting harder to create jobs due to our regulatory environment.

Mr. Obama acknowledged this when, on May 10, 2012, he issued an executive order expanding Executive Order 13563, which was entitled Improving Regulation and Regulatory Review. The May 10 Executive Order asks for public input in reducing regulations, and calls on agencies to prioritize their regulatory reviews to deal with the most burdensome regulations first.

Tougher regulations lead employers to locate elsewhere. Friendlier regulations draw them back home.

One proposed bill that would interfere with job creation is S. 1471, the Fair Employment Opportunity Act of 2011. The bill would set up another protected class of workers, the unemployed. The unemployed would be allowed to sue employers for discrimination, just as women can sue for sex discrimination, older people can sue for age discrimination, and different minorities can sue for racial discrimination.

The bill, sponsored by Connecticut Senator Richard Blumenthal, has two cosponsors. It purports to solve the problem of the long-term unemployed finding jobs, but it would slow job creation and make it harder for everyone, including the long-term unemployed, to find jobs.

Christine Owens, executive director of the National Employment Law Project, has testified that "There is no official data on how frequently unemployed workers are denied consideration for jobs because of their employment status."[3] This so-called problem is just based on anecdotal evidence. Monster.com, an online job search Web site, has stated that fewer than one hundredth of one percent of its job search ads excluded the unemployed.[4]

Penalties that the courts could levy on employers and employment agencies would be heavy, including back-pay, $1,000 per violation per day, and punitive damages.

This would increase the cost of hiring American workers, making it more likely that employers will expand plants offshore. Employers would face more paperwork to show that they are not discriminating against the unemployed, and trial lawyers would target companies with threats of lawsuits.

Already, it is easier to employ workers overseas than in the United States, and the Fair Employment Opportunity Act of 2011 would add to that. *The Wall Street Journal* reported on April 27 that three-quarters of new jobs created by U.S. multinationals were offshore over the past two years.[5]

The GAO report falsely implies a crisis specific to older workers and thus calls for policies that would distort the free market to favor older workers. Such distortion of the market is not needed. While the problems that older workers face are real and serious, their situation is not significantly different from the situation facing workers age 25 to 54 and workers under 25.

The reality is that this administration's policies have failed across the board and resulted in a serious deficit of job opportunities for all workers—old and young alike. The problem will not be solved by special policies that favor one group over another. The GAO report advocates shifting some jobs to older workers but at the expense of younger workers. This sort of redistributionist policy is both unfair and unwise. It amounts to intergenerational class warfare. What we need instead are policies that broadly create more job opportunities for all, with older workers benefitting just as much as younger workers.

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[3] Written testimony of Christine L. Owens, Executive Director, National Employment Law Project, before the U.S. Equal Employment Opportunity Commission, February 16, 2011.

[4] Monster.com, "Updated: Monster Speaks Out Against Employment Discrimination," Monster Thinking, August 31, 2011.

[5] Scott Thurm, "U.S. Firms Add Jobs, But Mostly Overseas," *The Wall Street Journal*, April 27, 2012.

These policies include:

- Add more certainty to the tax system. Rates on income and capital are scheduled to rise dramatically next January 1, creating extensive uncertainty. Older Americans are disproportionately hurt by tax uncertainty because they have fewer options to react to changes in the tax code, particularly those affecting capital gains. They not have the same alternatives to postpone the realization of capital gains into future years.

- Eliminate the Environmental Protection Agency's new regulations on coal, which are affecting the utility sector, which employs a disproportionate number of older workers. Over 100 coal-fired plants have closed since January 2010. Also, the closing of coal-fired plants causes electric utilities to require higher rates which harm older Americans on fixed-income.

- Approve the Keystone XL Pipeline, so that Canadian oil could go to our refiners in the Gulf to be made into gasoline and other products. Millions of older Americans live in the states that will benefit from the construction projects associated with the Pipeline. Even more importantly, the pipeline will help reduce the cost of gasoline and other energy products, to the particular benefit of older Americans on a fixed income.

- Remove the $2,000 worker per year penalty in the new health care law paid by employers with more than 49 full-time workers who don't offer the right kind of health insurance. Going from 49 to 50 workers will cost some employers $40,000 per year beginning in 2014. By discouraging the growth of small businesses, the engine of employment growth in America and a primary source of new employment opportunities for older Americans, the $2,000 penalty harms older Americans.

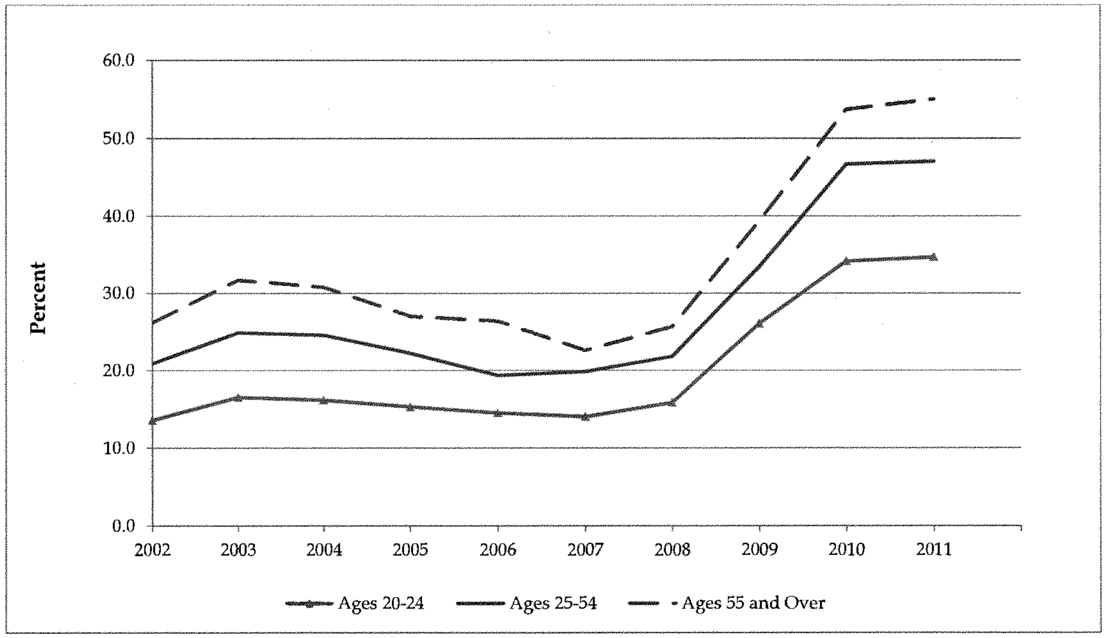
- Extend and expand the EB-5 visa program for foreigners who want to start companies in America, so that innovators can come and create jobs for older and younger workers alike. The program is due to expire in September 2012.

Americans are facing an employment problem on a scale that our government at times seems incapable of grasping. We need to think of ways to turn America around and head all of us in the right direction by generating jobs here at home. That will help older American workers and younger ones at the same time.

Thank you for inviting me to appear here today. I would be glad to answer any questions.

Figure 1

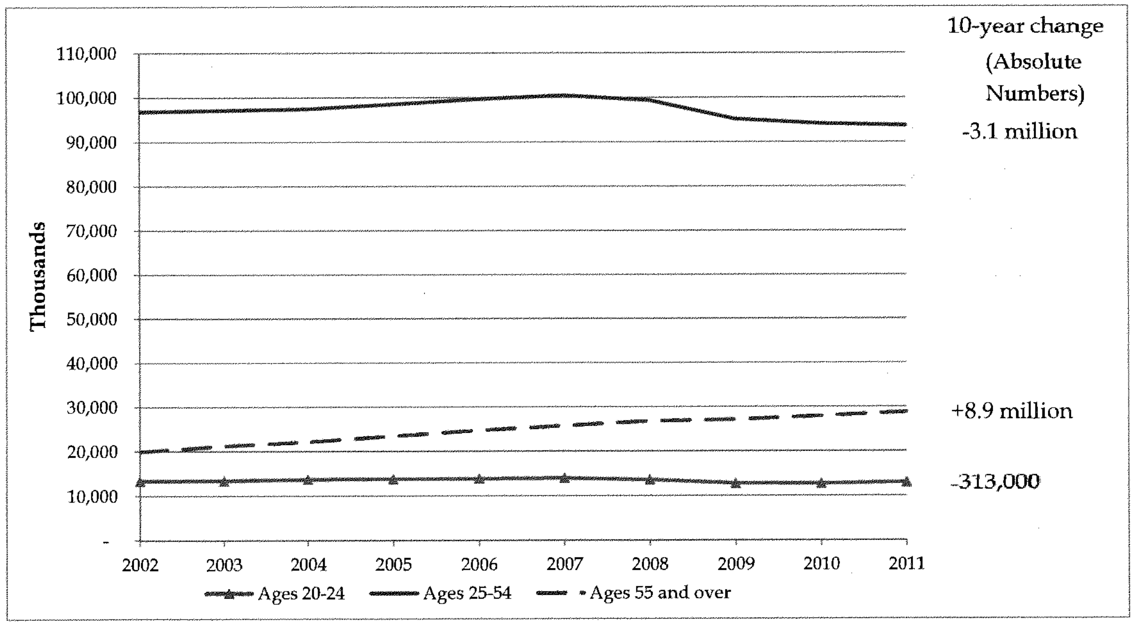
Long-Term Unemployed as Share of Unemployed by Age
2002-2011



Source: U.S. Department of Labor, Bureau of Labor Statistics.

Figure 2

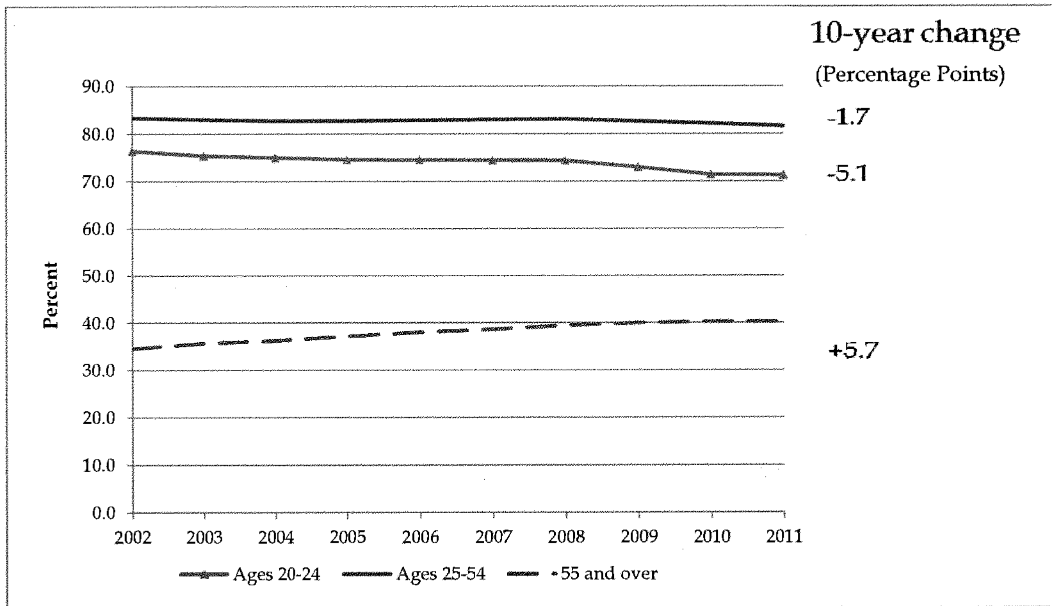
Employment Levels by Age
2002-2011



Source: U.S. Department of Labor, Bureau of Labor Statistics.

Figure 3

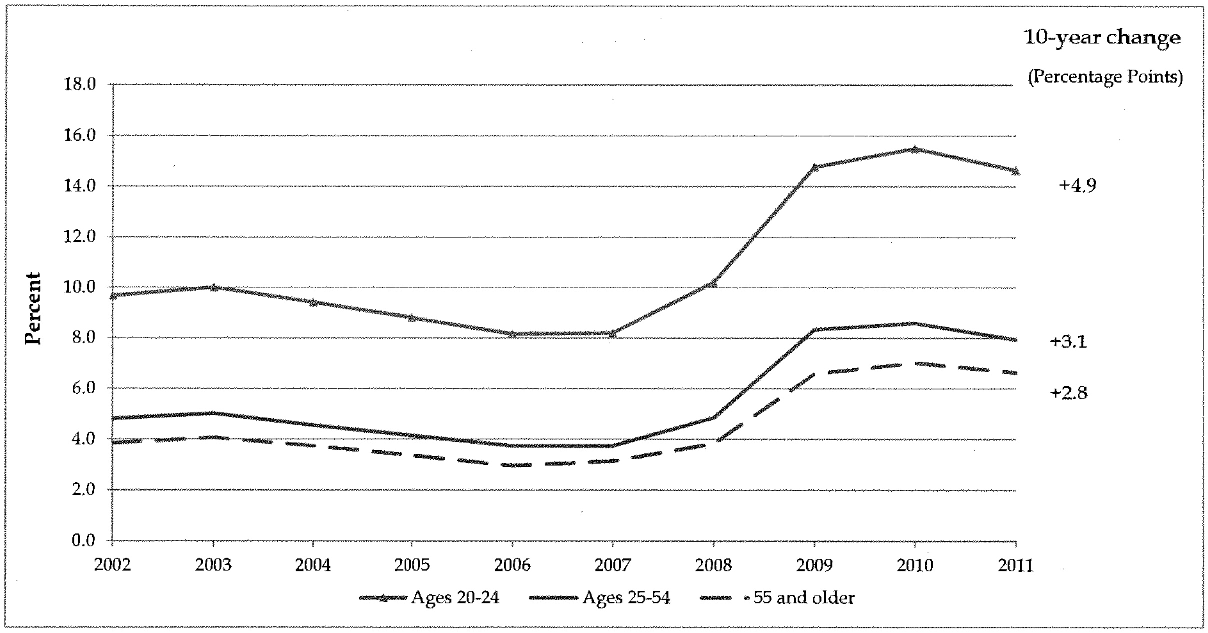
Labor Force Participation Rates by Age
2002-2011



Source: U.S. Department of Labor, Bureau of Labor Statistics.

Figure 4

Unemployment Rates by Age
2002-2011

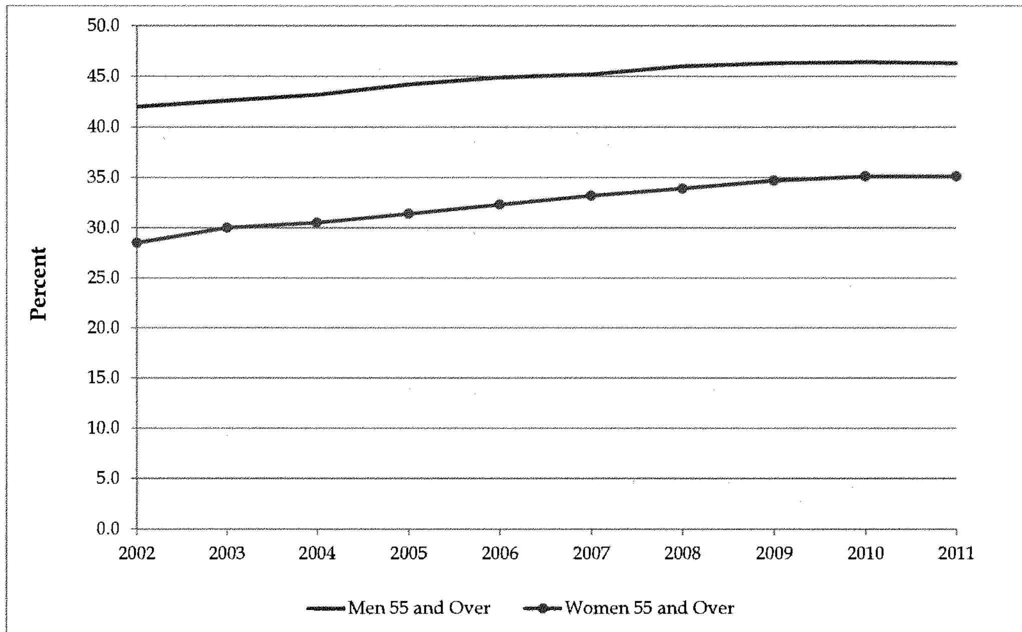


Source: U.S. Department of Labor, Bureau of Labor Statistics.

Figure 5

Labor Force Participation Rates by Sex, Ages 55 and Over

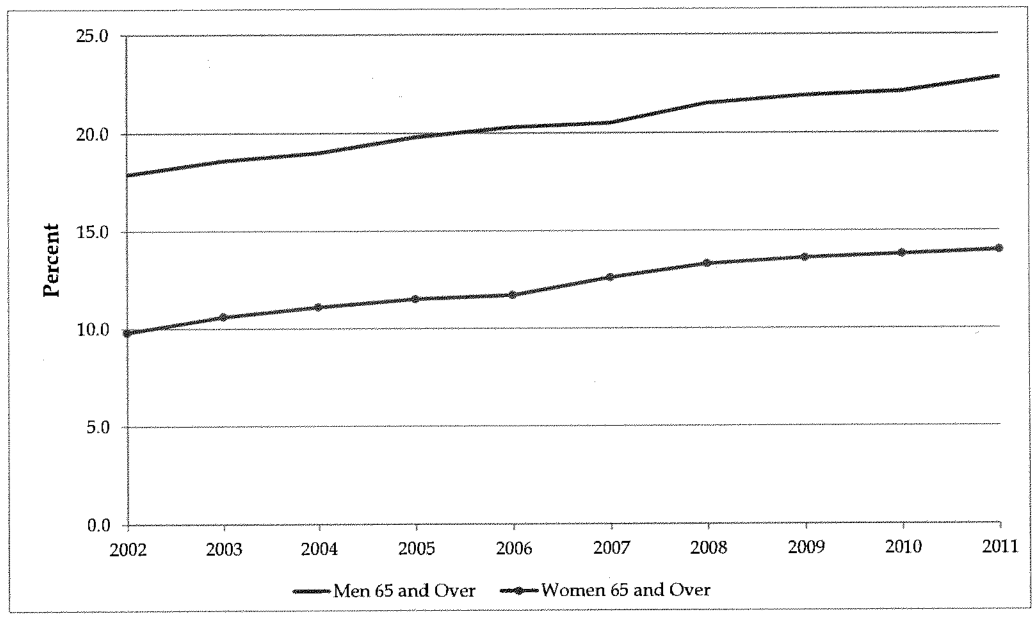
2002-2011



Source: U.S. Department of Labor, Bureau of Labor Statistics.

Figure 6

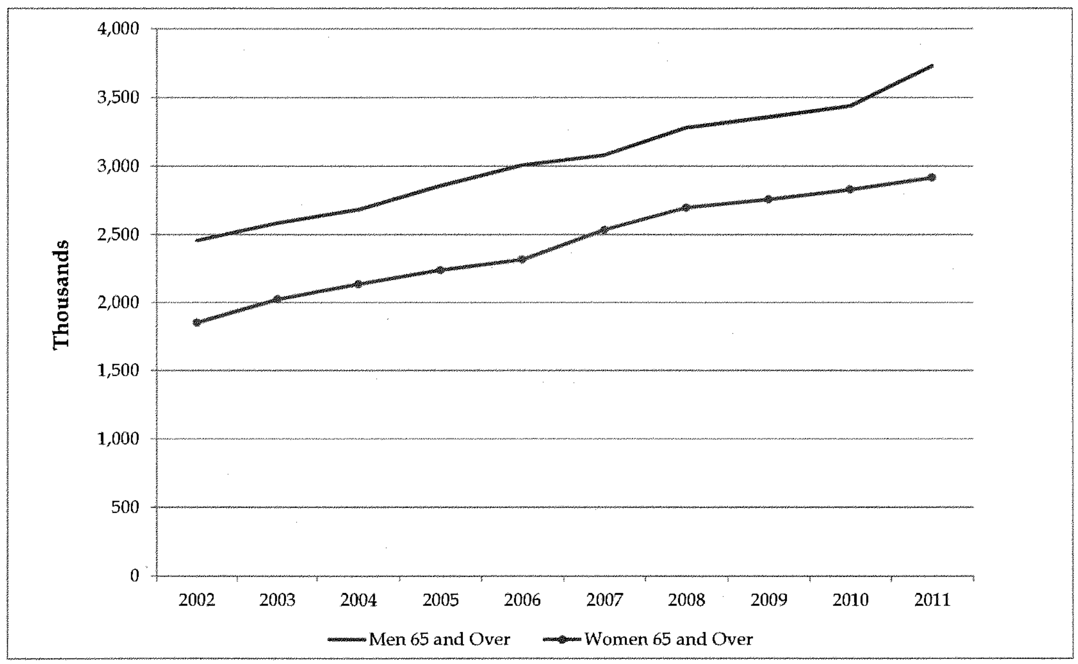
Labor Force Participation Rates by Sex, Ages 65 and Over
2002-2011



Source: U.S. Department of Labor, Bureau of Labor Statistics.

Figure 7

Employment Level by Sex, Ages 65 and Over
2002-2011



Source: U.S. Department of Labor, Bureau of Labor Statistics.

Testimony of Christine L. Owens, Executive Director
National Employment Law Project
Before the U.S. Senate Special Committee on Aging

May 15, 2012

The National Employment Law Project (NELP) is a 501(c)(3) non-profit organization that engages in research, education, litigation support and policy advocacy on issues affecting low wage and unemployed workers. In partnership with national, state and local organizational allies, NELP works to foster the creation of good jobs, remove unfair barriers to employment and maintain strong federal and state programs of unemployment insurance (UI) benefits that provide a lifeline of support for individuals who, through no fault of their own, lose their jobs.

On an ongoing basis, NELP also engages directly with unemployed workers to help them assess and address the problems they are facing in trying to find work in an economy that, though growing, is still not creating enough jobs to meet the employment demand. Through this work, we've had contact with workers from all parts of the country, and from all walks of life. Though there are commonalities that bind all of them, certain groups have been particularly hard-hit by the unemployment crisis.

One might expect that jobless workers with less education are suffering most, and many are. But one trend that surprises some is the fact that older workers, though less likely to become unemployed in the first instance, are overwhelmingly more likely to become long-term unemployed[1] if they do lose their jobs. A combination of economic factors, including the need to pay higher wages for more experienced members of the work force, and various iterations of age discrimination, are all at play in creating this reality. Therefore, we are very pleased that the Select Committee on Aging has chosen to hold this hearing and shine a light on the difficulties that some of the most seasoned members of our workforce are experiencing in our still-struggling economy.

As we address below, older workers are facing increased barriers to full participation in the workforce. Employers' refusals to consider unemployed workers for job openings, especially those with longer durations of unemployment, fall more harshly on older workers. Age discrimination-- some subtle, some not so subtle, some not even intentional, but no less insidious—limits employment and advancement opportunities. Congress has the ability to intervene and prevent and remedy much of this discrimination through passage of the Fair Employment Opportunity Act of 2011 and the Protecting Older Workers Against Discrimination Act, both of which I will discuss in my testimony. Moreover, because they are more likely to have been laid off from industries experiencing structural shifts, many older workers require assistance aligning

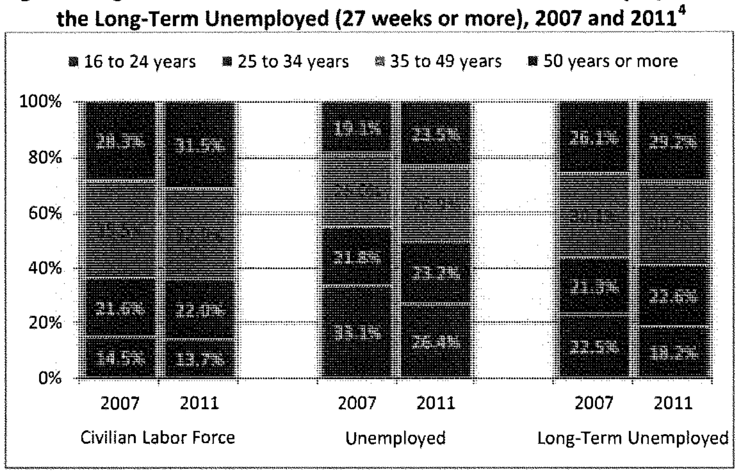
[1] Someone is "long-term unemployed" when they've been out of work for more than six months.

their skills with the needs of today's job market. At a time when older workers are struggling to get back into the workforce and desperately need to do so to make up for retirement account losses they've suffered over the last four years, Congress must take their challenges seriously and work to eradicate the barriers they are facing to getting and keeping gainful employment and regaining economic security.

The Facts and Figures: Older Workers in the Labor Force, the Unemployed, and the Long-Term Unemployed

As described in a recent NELP analysis, workers age 50 and older made up a larger share of the labor force and the unemployed in 2011 than they did before the Recession began in late 2007 (see Figure 1 below).[2] More significantly, while older workers were underrepresented among the unemployed (23.5%) relative to their share of the labor force in 2011 (31.5%), they were *overrepresented* among the long-term unemployed (29.2%) relative to their share of the unemployed. This continues a pattern from before the Great Recession. Furthermore, the share of long-term unemployed workers who were at least 50 years old *increased* from 26.1% in 2007 to 29.2% in 2011. In contrast, shares of long-term unemployed workers between the ages of 25 years and 34 years old and between 35 years and 49 years old stayed virtually the same in 2007 and 2011, while the share of long-term unemployed young workers (16-24 years old) declined.[3]

Figure 1: Age Distribution of the Civilian Labor Force, the Unemployed, and the Long-Term Unemployed (27 weeks or more), 2007 and 2011[4]



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[2] Claire McKenna, "Economy In Focus: Long Road Ahead for Older Unemployed Worker," March 9. 2012, http://www.nelp.org/page/-/UI/2012/NELP.older.workers.3.9.2012.pdf?nocdn=1.

[3] The shares made up of younger workers increased by less (25- to 34-year-olds), stayed flat (35- to 49-year-olds), or decreased (16- to 24-year-olds).

[4] Bureau of Labor Statistics, Current Population Survey. Data are not seasonally adjusted.

Unemployment and Long-Term Unemployment Among Older Workers

Although older workers had the lowest average monthly unemployment rate of any age group in 2011 (6.7%), it is more than double their rate in 2007 (3.1%) (Table 1). Furthermore, older workers experienced the greatest percentage increase in the *size* of their unemployed population. It more than doubled from 1.3 million in 2007 to 3.2 million in 2011. Although younger groups of workers also experienced large increases in the number of unemployed over this period, proportionally the increases were not as great.

Table 1: Unemployment and Long-Term Unemployment (27 weeks or more) by Age Group, 2007 and 2011 (Numbers in millions)

	2007		2011	
	Rate	Number	Rate	Number
Unemployment				
Total: 16+ years	4.6%	7.1	8.9%	13.7
16 to 24 years	10.5%	2.3	17.3%	3.6
25 to 34 years	4.7%	1.5	9.5%	3.2
35 to 49 years	3.4%	1.8	7.3%	3.7
50+ years	3.1%	1.3	6.7%	3.2
Long-term Unemployment[a]				
Total: 16+ years	17.6%	1.2	43.7%	6.0
16 to 24 years	11.5%	0.3	30.0%	1.1
25 to 34 years	17.1%	0.3	42.6%	1.4
35 to 49 years	20.3%	0.4	45.6%	1.8
50+ years	24.1%	0.3	54.3%	1.8

Source: Bureau of Labor Statistics, Current Population Survey. Data are not seasonally adjusted.
[a] The long-term unemployment "rate" refers to the long-term unemployed (27 weeks or more) relative to all unemployed.

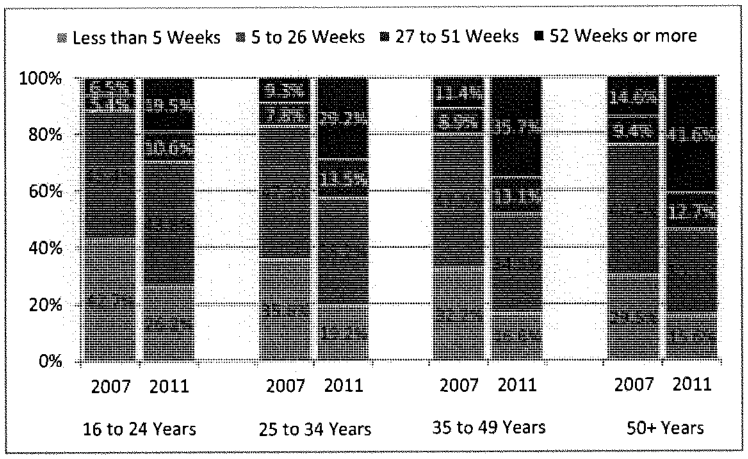
The second part of Table 1 shows the share and the number of unemployed in each age group who were long-term unemployed in 2007 and in 2011. In 2007, older unemployed workers were more likely than younger workers to become long-term unemployed—about one-quarter (24.1%) compared to about one-fifth (20.3%) of jobless 35- to 49-year-olds, and smaller shares of younger unemployed workers. During the recession and its aftermath, the number of long-term unemployed older workers more than quintupled, the greatest percentage increase out of all the age groups, from 0.3 million to 1.8 million. In 2011, more than *half* (54.3%) of older jobless workers were out of work for at least six months.

"Very Long-Term Unemployment" Among Older Workers

Figure 2 (below) shows the distribution of unemployment duration among the age groups in 2007 and in 2011. First, most of the long-term unemployed in 2011 were "very long-term unemployed," or out of work for 52 weeks or more. Older unemployed workers were the *most* likely to be unemployed for one year or longer—about 4 in 10 (41.6%) jobless workers age 50 and older. Again, this continues a pattern from 2007.

Furthermore, during the recession and its aftermath, the share of workers experiencing unemployment lasting for one year or more increased most dramatically (by 27 percentage points) among older workers.

Figure 2: Distribution of the Duration of Unemployment by Age, 2007 and 2011[5]



An update of this analysis covering the first quarter of 2012 shows that even though older workers made up a significant share of employment gains over this period, they remain the most seriously impacted by prolonged joblessness.[6] Workers ages 50 and older made up an even larger share of the long-term unemployed in the first quarter of this year (30.4%) than they did over 2011. Just over half (50.7%) remained long-term unemployed, and approximately four in ten jobless workers 50 and older, or 39.4 percent, had been out of work for at least one year, as opposed to smaller shares of younger groups of workers.

Implications of the Data

As the population ages, so does the labor force. Moreover, decreased values of retirement accounts, as well as changes to Social Security and employee benefit plans are causing many older working adults to delay retirement.[7] However, the historical

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[5] Bureau of Labor Statistics, Current Population Survey. Data are not seasonally adjusted.

[6] For more information about these updated figures, please contact Claire McKenna, Policy Analyst, at cmckenna@nelp.org.

[7] Richard W. Johnson, "The Growing Importance of Older Workers," in *Public Policy & Aging Report*, Volume 21, Number 4, Fall 2011.

protection from lay-offs for older workers is diminishing.[8] Older workers still have relatively low unemployment, but they saw the greatest percentage increase in the number of unemployed from 2007 to 2011

The prospects are dim for older workers who lose their jobs. They have the highest rates of long-term and very long-term unemployment of any age group. Older workers made up larger shares of the long-term unemployed in 2011 and in the first part of 2012, than they did before the recession; these shares are disproportionate relative to their shares of the unemployed over these periods.

Older unemployed workers are more likely to have been laid off from industries undergoing structural shifts that commenced years before the recession, such as manufacturing.[9] This is one reason they fared worse in 2007 with respect to rates of long-term unemployment. As NELP's analysis shows, the recession and its aftermath aggravated their problems.

NELP's conclusions are consistent with research from the Urban Institute finding that although workers age 50 and older were less likely to lose their jobs over the recession, they had a harder time than their younger peers getting back to work. Controlling for select demographic and job characteristics, workers ages 50 to 61 were one-third less likely than workers ages 25 to 34 to find work within 12 months of job loss; workers over 61 were *half* as likely.[10] In April, unemployed workers age 55 and older had an average duration of unemployment of about 60 weeks, or almost 14 months.[11]

Prolonged periods of unemployment may have a severe impact on older workers' retirement prospects and later-life well-being generally. A national survey of workers who lost their jobs during the recession by the Heldrich Center for Workforce Development at Rutgers University found that a majority of respondents age 55 and older experienced a decline in savings while unemployed.[12] Because older workers are nearer to traditional retirement age, they have less time than younger workers to replace lost savings with new wages. There is the option of delaying retirement, but

[8] Alicia H. Munnell, Dan Muldoon, and Steven A. Sass, "Recessions and Older Workers," Center for Retirement Research, Number 9-2, January, 2009.
[9] Maria Heidkamp, Nicole Corre, and Carl E. Van Horn, "The "New Unemployables": Older Job Seekers Struggle to Find Work During the Great Recession," Sloan Center on Aging and Work, Issue Brief 25, November, 2010.
[10] Richard W. Johnson and Janice S. Park, "Can Unemployed Older Workers Find Work?" Urban Institute, Older Americans' Economic Security, Number 25, January, 2011.
[11] National Employment Law Project, "Hiring Discrimination Against the Unemployed," Briefing Paper, July 12, 2011.
[12] Heldrich Center for Workforce Development, "Older Workers, the Great Recession, and the Impact of Long-term Unemployment," February 2011. The survey was conducted over 2009 and 2010. Respondents were a national random sample of 1,200 workers who lost their jobs between September, 2008 and August, 2009.

with such limited job prospects for older unemployed workers, forced early retirement seems a more likely possibility for many. In fact, two-thirds of older respondents had taken up Social Security or planned to do so as soon as they became eligible.[13] Even if older workers find new work, research shows that they are more likely than younger workers to earn less than they did in their previous job, which also has an impact on their retirement plans and financial security.[14]

1. **Congressional Interventions to HELP Older Workers in Today's Job Market Prohibit discrimination against the unemployed**

As explained below in detail, there is a marked national problem of employers openly and/or willingly discriminating against the unemployed when making hiring decisions, often systematically excluding them from any consideration for hire. This is a shameful practice for many reasons, not the least of which is that it betrays an utter disregard for how many deeply qualified and skilled workers are currently unemployed, and the value they would bring to workplaces and the economy overall.

But of particular relevance today's hearing is the fact that any practice that excludes the unemployed from consideration for hire necessarily has a disparate impact on older workers because of their disproportionate representation within the ranks of the long-term unemployed. The courts and the Equal Employment Opportunity Commission (EEOC) have long held that seemingly neutral employment practices can run afoul of the Civil Rights Act's prohibitions against discrimination if they have a disparate impact on a protected class of workers, such as older workers.[15]

Stories suggesting systematic exclusion, often blatant, of unemployed workers from consideration for jobs began to emerge early in the summer of 2010. In May and June 2010, local media in Atlanta along with the *Huffington Post* and *CNNMoney.com* reported that Sony Ericsson, a global phone manufacturer that was expanding operations in Georgia, had posted a job announcement for a marketing position that explicitly said "No Unemployed Candidates Will Be Considered At All."[16] Similar documented accounts of such exclusions reported around the same time included:

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[13] Ibid.
[14] Ibid.
[15] Testimony of Christine L. Owens before the EEOC's hearing to Examine Treatment of Unemployed Job Seekers, February 16, 2011, http://www.eeoc.gov/eeoc/meetings/2-16-11/owens.cfm.
[16] 11Alive.com, "Job Listing: Unemployed Need Not Apply," http://www.11alive.com/rss/rss_story.aspx?storyid=144719, May 31, 2010; Laura Bassett, "Disturbing Job Ads: 'The Unemployed Will Not Be Considered'," *The Huffington Post,*, http://www.huffingtonpost.com/2010/06/04/disturbing-job-ads-the-un_n_600665.html, June 4 2010, updated Aug. 8, 2010; Chris Isidore, "Looking for work? Unemployed need not apply," *CNNMoney.com;*

- An ad posted on **The People Place** (a job recruiting website) by an anonymous Angleton, Texas electronics firm seeking a "quality engineer;" the ad specified the company would "not consider/review anyone NOT currently employed regardless of the reason;"[17]
- A Craigslist posting advertised for assistant restaurant managers in Edgewater, N.J., flatly requiring that applicants "Must be currently employed;"[18]
- Numerous listings for grocery store managers throughout the Southeast posted in the spring by a South Carolina recruiting firm, Latro Consulting, included restrictions against considering unemployed applicants; the restrictions were removed after *CNN Money.com* inquired about the practice.[19]

Subsequent press reports confirmed the practice of ads excluding unemployed workers was continuing.[20] In July 2011, NELP published the results of an informal sampling it undertook over a four-week period in the spring on four job-listing websites: CareerBuilder.com, Indeed.com, Monster.com and Craigslist.com. In that survey, NELP identified roughly 150 job ads that included exclusionary language that implicitly or explicitly barred unemployed candidates, particularly the long-term unemployed, from applying for openings—simply because of their unemployment status and without regard to their qualifications for the position.[21] Indeed.com has since announced that it will not include such restrictions in job postings on its website.

Still, NELP continues to find job ads that explicitly exclude unemployed applicants from being considered:

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http://money.cnn.com/2010/06/16/news/economy/unemployed_need_not_apply/index.htm,, June 16, 2010.

[17] Bassett, "Disturbing Job Ads," op. cit.

[18] Ibid.

[19] Isidore, op. cit.

[20] See, for example, "Outlook poor for long-term unemployed," *The Atlanta Journal Constitution,* October 4, 2010 (http://www.ajc.com/business/outlook-poor-for-long-657702.html); "Employers Continue to Discriminate Against Jobless, Think 'The Best People Are Already Working'," *Huffington Post,* October 8, 2010 (http://www.huffingtonpost.com/2010/10/08/employers-continue-to-dis_n_756136.html); "Long-term unemployed face stigmas in job search," *USA Today,* January 23, 2011 (http://www.usatoday.com/money/economy/employment/2011-01-23-longterm-unemployed_N.htm); "How Employers Weed Out Unemployed Job Applicants, Others, Behind The Scenes," *Huffington Post,* January 14, 2011 (http://www.huffingtonpost.com/2011/01/14/unemployed-job-applicants-discrimination_n_809010.html).

[21] National Employment Law Project, "Hiring Discrimination Against the Unemployed: Federal Bill Outlaws Excluding the Unemployed From Job Opportunities, as Discriminatory Ads Persist," July 12, 2011, p. 2 (url: http://www.nelp.org/page/-/UI/2011/unemployed.discrimination.7.12.2011.pdf?nocdn=1).

- An August 30, 2011 posting on CareerBuilder for a Medical Sales Rep in Wisconsin, required that candidates "must be currently employed" and admonished potential applicants that that "If you are not currently in medical sales and choose to apply you will not be given the opportunity of an interview and your resume will be deleted." (http://www.nelp.org/page/-/UI/2012/MEDICAL-PHARMA-SALES-REP-WI.pdf?nocdn=1)

- A December 2011 CareerBuilder posting for Restaurant Managers in Mississippi required relatively modest relevant past experience (two years of salaried casual dining experience) but stated that candidates "must be currently employed."(http://www.nelp.org/page/-/UI/2012/RESTAURANT-MANAGERS-MS.pdf?nocdn=1)

- And a job ad for an experienced travel agent in the Alamo-East Bay area in California, posted in in March on Craigslist, explicitly states "only those currently employed need apply." (http://www.nelp.org/page/-/UI/2012/CA-TravelAgent-CraigslistSF-03-2012.pdf?nocdn=1)

While refusal to consider or hire applicants due to their unemployment status is sometimes overtly reflected in ads such as those described above, at NELP we also hear regularly from unemployed workers—mostly older workers—who despite years in the labor force and significant relevant experience are nevertheless told they will not be referred or considered for employment, once recruiters or potential employers learn they are not currently working.

That happened to 53-year-old Michelle Chesney-Offutt from Illinois, who earlier wrote NELP that after working successfully for 19 years as an IT help supervisor, she was laid off in 2008 due to the downturn. Many months into her job search, a headhunter contacted her, excited about her qualifications for a position he was retained to fill. The excitement faded, however, when he learned she had been unemployed for more than a year. As Ms. Chesney-Offutt put it, "When he realized this, he was very apologetic, but had to admit to me that he would not be able to present me for an interview due to the 'over 6 month unemployed' policy that his client adhered to." The headhunter, she told NELP, explained to her that his client expressly prohibited him from referring workers who had been unemployed for six months or more. When we last spoke to Chesney-Offutt, she was still unemployed, had exhausted all unemployment benefits, was restructuring her mortgage, and had applied for SNAP (food stamps) and welfare—a first for her.

Similarly, 55-year-old Ginger Reynolds from California wrote to tell us about receiving a call from a recruiter for a six-month contract position as a software systems engineer. The recruiter thought Ms. Reynolds was a good fit for the job but upon learning of her unemployment, told her she could not submit her resume because she had not worked in the past six months.

Ellen Pinney, a 56 year old New Jersey woman, was laid off from a management position she'd had for 17 years. Ms. Pinney has been actively seeking full-time work while caring for an elderly parent and taking a variety of what she calls "handywoman" jobs. With a college degree and 30 years employment history, she writes of her struggle to find work; how her savings have been depleted; and how she has rented out her home and moved in with her father. She reports that she made more as a teenager in 1971 than she did last year. And she says she was stunned when told recently by a representative of a professional staffing firm "the company she was representing WOULD NOT interview any professional NOT PRESENTLY working."

Selena Forte, 56, of Ohio, a commercially-licensed driver with 8 years of experience, wrote to us of being referred to a major delivery company for a position only to be told by the recruiter that they would not consider anyone who had not been employed in the last 6 months.

Theresa Mancusi, 55, from Maryland, lost her compliance administrator job when her employer lost a contract re-bid. She reports recently seeing a job posting for which was well qualified, but that it stated: "Qualified candidates will have previous experience working in an administrative capacity within the past 6 months." And when following up with a recruiter regarding open positions recently, she reports being told that their clients will ask to see resumes only of people currently working.

There is no official data on how frequently unemployed workers are denied consideration for jobs because of their employment status, but the openness of the exclusionary ads noted above and the experiences jobless workers shared with NELP suggest the practice may be fairly common. That suspicion is borne out by comments of human resource consultants and recruiters willing to go on record about the practice. Rich Thompson, vice president of learning and performance for Adecco Group North America, the world's largest staffing firm, told *CNNMoney.com* in June 2010 that companies' interest only in applicants who are currently working "is more prevalent than it used to be...I don't have hard numbers," he said, "but three out of the last four conversations I've had about openings, this requirement was brought up."[22] Similarly, Lisa Chenofsky Singer, a New Jersey human resources consultant specializing in media and publishing jobs, commented that, "Most executive recruiters won't look at a candidate unless they have a job, even if they don't like to admit it." According to Ms. Singer, the first question she is generally asked when recommending a candidate is whether the candidate is currently working—and if the candidate is unemployed, the recruiter is not interested.[23]

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[22] Isidore, op. cit.
[23] Ibid.

A January 2011 article posted on **The Ladders,** an online job search resource site, further corroborates the widespread exclusion of jobless workers from employment opportunities.[24] According to one quoted source, Matt Deutsch, communications coordinator at TopEchelon.com, the tendency to exclude the unemployed is "growing." Deutsch said:

> Not all companies are doing this, but it certainly has become an issue. What's startling are the lengths to which companies and recruiters are going to communicate this, such as including the phrase "Unemployed candidates will not be considered" right in the job posting. [25]

Deutsch speculates that some companies may rationalize the exclusion on the assumption that the best candidates are likely to be those who are currently working. But in an economy with such high unemployment, he notes, it is simply not "100 percent true" that being employed is a proxy for suitability for a position. More likely, Deutsch says firms are inundated with applications and screening out the unemployed is "a pretty simple metric that can easily reduce their workload..."[26]

Other staffing firm industry specialists similarly confirm that the unemployed need not apply. Amherst Healthcare headhunter Isang Inokon told the *Huffington Post* that "he has trouble placing jobless pharmacists because the reality of today's job market is that employers 'want somebody who's wanted'"—that is, already employed.[27] Another executive recruiter who has worked for major staffing firms for 20 years said, "There's a lot of dirty stuff going on, a lot of hush-hush discrimination, I can assure you. As a recruiter," he said, "you get an HR director on the phone, and they tell you point blank, 'We want somebody ... [who] currently has a job. We don't want to see a resume from anyone who's not working.' It happens all the time."[28]

An informal survey reported in October 2011 by SmartRecruiters, which markets free recruiting software, found that "82% of recruiters, hiring managers, and human resources professionals, report the existence of discrimination against the

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[24] "Uninterested in the Unemployed," (https://recruit.theladders.com/recruiter-resource-center/uninterested-in-unemployed)

[25] Sharon L. Florentine, "Uninterested in the Unemployed," ***The Ladders,*** https://recruit.theladders.com/recruiter-resource-center/uninterested-in-unemployed, Jan. 2011.

[26] Ibid.

[27] Laura Bassett, "Employers Won't Hire The Jobless Because of the 'Desperate Vibe'," *The Huffington Post,* http://www.huffingtonpost.com/2010/12/03/employers-wont-hire-the-u_n_791710.html, Dec. 3, 2010, updated Feb. 2, 2011.

[28] Laura Bassett, "How Employers Weed Out Unemployed Job Applicants, Others, Behind the Scenes," *Huffington Post,* http://www.huffingtonpost.com/2011/01/14/unemployed-job-applicants-discrimination_n_809010.html, Jan. 14, 2011.

unemployed." Among those surveyed by the company, "55% of recruiters and HR managers have 'personally experienced resistance when presenting qualified yet unemployed candidates to clients/colleagues.'"[29]

In sum, a review of job postings, press accounts (including interviews with recruiters and HR professionals), and the personal experiences related by jobless workers indicates that discriminatory exclusion of applicants for jobs simply because they are unemployed is a barrier to employment—and may be a significant one—for many older workers. This is why NELP supports the Fair Employment Opportunity Act of 2011 (FEOA),[30] pending in both houses of Congress and introduced in the Senate by Committee Member Senator Blumenthal, and similar legislative efforts throughout the United States. The FEOA would preclude employers and job recruiters from excluding the unemployed from job consideration simply because of their unemployment status

The ban on "unemployment discrimination" contemplated by the FEOA strikes an appropriate balance between the rights and interests of employers and employment agencies, on the one hand, and those of qualified unemployed job seekers. Nothing in the FEOA requires employers or recruiters to hire or refer unqualified job seekers simply because of their unemployment status, nor does the legislation require employers to favor qualified <u>un</u>employed candidates over qualified candidates who are currently working. All the legislation does is preclude employers and employment agencies from using the mere fact of unemployment status as a basis for excluding a candidate from job consideration—and even there, an employer may insist on current employment status where current employment is a *bona fide* occupational qualification.

This common sense response to an unfair employment practice that has continued notwithstanding growing awareness will serve several important functions. First, the act of passing the legislation alone is powerful public education: By raising raise public and employer awareness of the unnecessary and unfair stigmatizing of the unemployed, it will induce more employers voluntarily to change their employment practices and give the unemployed a fair shot in the hiring practice. Second, it will give qualified unemployed workers a means of redress against unlawful conduct. While we do not believe litigation under this statute would be substantial – few unemployed workers have the resources to litigate, and most are busy spending their time looking for work – the availability of a remedy for affected workers will help encourage voluntary compliance with the law. Finally, by promoting greater voluntary compliance and conferring on unemployed workers a right to fair consideration for jobs and power to enforce that right, this legislation will promote greater hiring of the unemployed, helping to stem the decline and loss of human capital our nation is experiencing as millions continue to go without work, while reducing the ongoing toll that

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[29] See http://www.prleap.com/pr/182495/ <u>http://www.prleap.com/pr/182495/</u>

[30] The Fair Employment Opportunity Act of 2011 was introduced in the House of Representatives on July 12, 2011 (H.R. 2501) and in the Senate on August 2, 2011 (S. 1411).

unemployment, and particularly long-term unemployment, takes on these workers and their families and communities. We urge members of this Committee to co-sponsor this legislation and work with Senator Blumenthal towards its passage.

2. Restore long-established standards of proof in cases under the Age Discrimination in Employment Act

Before 2009, an older worker alleging discrimination in employment under the Age Discrimination in Employment Act of 1967 (ADEA), 29 U.S.C. 621 *et seq.*, was required to prove that age was a "motivating factor" in a challenged employment decision. If the plaintiff met that burden through direct or circumstantial evidence of age bias, the employer could avoid liability for its unlawful consideration of age only if it proved—that is, met the burden of persuasion—that the action was motivated by other legitimate reasons: in other words, that the same action would have been taken even if age had not been considered. This "mixed motives" standard and allocation of proof burdens had been followed by lower courts under Title VII of the Civil Rights Act of 1964, 42 U.S.C. 2000e *et seq.*, was upheld by the Supreme Court in *Price Waterhouse v. Hopkins*, 490 U.S. 228 (1989, and was codified by Congressional amendments to Title VII in 1991. Lower courts typically applied this analysis to all cases involving claims of unlawful discrimination under federal employment discrimination statutes.[31]

The Supreme Court upended this long-standing and well established precedent in its 2009 decision in *Gross v. FBL Financial,* 129 S.Ct. 2343 (2009), where it ignored the issues that had actually been presented for review, and, in the words of dissenting Justice Stephens, engaged in "unnecessary lawmaking" to rewrite the standard and burden of proof in cases involving age discrimination. In *Gross,* a five-to-four majority of the Court held that plaintiffs in ADEA cases must prove not only that unlawful age considerations were **a** factor in an employer's action, but that age discrimination was the **deciding** factor in the decision.

The higher standard imposed by *Gross* in age discrimination cases is not only unprecedented under the ADEA and inconsistent with the rules applied under Title VII, but it is also unreasonable, illogical and virtually impossible for plaintiffs to meet. In effect, it requires plaintiffs to show not only that age discrimination was at play in an employer's decision, but also that no other factor could have caused the decision. It presumes that job applicants and current employees alleging age discrimination have access to information about decision-making that only employers possess. And it essentially gives employers a pass to discriminate, so long as another legitimate factor **could** account for the adverse decision. Adding insult to the injury the *Gross* decision has inflicted on victims of age discrimination, lower courts have now extended its

[31] See Statement of Senator Harkin upon introduction of S. 2189, Protecting Older Workers Against Discrimination Act, I Congressional Record, 112th Congress, pp. S. 1615-S. 1617; http://thomas.loc.gov/cgi-bin/query/F?r112:23:./temp/~r112d9JftB:e0:.

holding to cases under other employment discrimination statutes, including the Americans with Disabilities Act, 42 U.S.C. 12101 et seq.

The Court's decision in *Gross* has rightly met with bi-partisan disapproval. On March 13, 2012, Senators Harkin and Grassley, with Senator Leahy as a co-sponsor, introduced S.2189, the Protecting Older Workers Against Discrimination Act (POWADA).[32] A common-sense correction to the Supreme Court's ruling, POWADA affirms that "mixed motive" standards and burdens of proof apply under the ADEA and other federal employment discrimination laws, and expressly repudiates the Supreme Court's contrary holding and analysis. The legislation clarifies that courts may not require workers to prove that age (or another protected characteristic) was the "but for" cause for their adverse treatment as *Gross* demanded, or the *sole* cause of the adverse action, as some courts have since incorrectly ruled.[33]

The POWADA legislation also takes pains to correct additional mischief created by the Court's decision in *Gross*. It answers the actual question presented in the case, i.e., whether proof of age discrimination must be direct, or may be circumstantial. Again following longstanding precedent, POWADA makes clear that *any* evidence that can reasonably convince a trier of fact that discrimination has occurred is acceptable to meet the plaintiff's burden of proof—direct evidence is not required. POWADA also expressly amends other employment discrimination statutes to which lower courts have extended the *Gross* holding.[34]

The legislative fix POWADA provides is urgently needed. As noted, not only has *Gross* significantly narrowed the scope of protections intended to be afforded by the ADEA, it has also been extended to other laws. It places an impossible proof burden on plaintiffs who are seeking remedy for invidious discrimination. As Senator Harkin said in introducing POWADA, "only the employer is in a position to know his own mind and offer an explanation of why a decision that involves discrimination or retaliation was actually motivated by legitimate reasons." [35]

Moreover, POWADA will help reduce the incidence of employment discrimination. In the words of Senator Harkin again, "[b]y putting the entire burden on the worker to demonstrate the absence or insignificance of other factors, the Court has freed employers to discriminate or retaliate."[36] POWADA rights that wrong. The decision has also created extraordinary anomalies in litigation involving claims of dual discrimination—e.g., an older woman denied a promotion must meet differing burdens in establishing the gender and age claims, generating confusion for judges and juries

[32] http://harkin.senate.gov/press/release.cfm?i=336287.
[33] http://thomas.loc.gov/cgi-bin/query/z?c112:S.2189:.
[34] Ibid.
[35] http://thomas.loc.gov/cgi-bin/query/F?r112:23:./temp/~r112d9JftB:e0:.
[36] Ibid.

and creating the potential for skewed and irrational results. By making burdens and standards of proof under similar statutes uniform, POWADA will help streamline litigation, mitigate confusion, and reduce the likelihood of inconsistent and conflicting results.

Reversing the judicial activism of the Supreme Court and restoring the rules that prevailed—successfully—before 2009 should be an area of bi-partisan agreement. None of us believes that invidious discrimination based on age or disability status is any more acceptable than invidious discrimination based on gender, race or ethnicity. None of us feels that it's okay to discriminate "just a little bit"—even where that has an impact on employment decisions—so long as an employee can't prove that the discrimination was the final reason for the employer's action. All of us share a commitment to eliminating unlawful considerations of bias from employment decisions, and to allocating proof burdens in these cases in a manner that is fair, reasonable, and realistic, and that furthers the goal of reaching a just result.

These considerations are particularly important today, when older workers already face such barriers to gaining or regaining employment after losing their jobs. That challenge should not be further complicated by crabbed judicial interpretations of our nation's employment discrimination laws that impose second class status on workers simply because the discrimination they experience is based on age or disability status, and not on gender, race or ethnicity. As Senator Grassley said when POWADA was introduced, "The decision in the *Gross* case has had a major impact on employment discrimination litigation across the country. It's time we clarify the law to ensure that other people like Jack Gross aren't put in similar situations. Older Americans have immense value to our society and our economy and they deserve the protections Congress originally intended."[37]

3. Address the special training needs of older unemployed workers.

Finally, policymakers should ensure that workforce development programs and services are accessible and tailored to the needs of groups that face special workforce challenges, including unemployed older workers. Many older unemployed workers simply need help navigating today's web-based job-search landscape. For other older workers displaced after many years with a single employer or within a single industry, the key to improving employment prospects may be as straightforward as a course in the latest version of Microsoft Office, or as intensive as getting credentialed in a new occupation.

The President's recent proposal for a new *Universal Displaced Worker Program* holds some promise for a more streamlined service delivery system that would offer high-quality job-search assistance, along with access to critical skills training for high-growth

[37] "Bipartisan Legislation Will Protect Older Workers From Discrimination," March 13, 2012, http://harkin.senate.gov/press/release.cfm?i=336287.

and in-demand industries. While the proposal needs refinement, it serves as a starting place for a productive discussion about the ways in which we can better serve those who are struggling to find work. Congress also needs to reauthorize the Workforce Investment Act and protect its funding from the current furor to cut costs at all costs, no matter how great the damage.

Another option is work-sharing, also known as short-time compensation. This program allows employers to avert layoffs by reducing employees' work hours and wages during periods of slack demand; prorated unemployment insurance benefits for those workers help offset wage loss. For older workers in industries with employment cycles vulnerable to shifting customer demand, a layoff aversion program like work-sharing can save jobs while reducing income loss and facilitating a much smoother transition to retirement. The Middle Class Tax Relief and Job Creation Act,[38] signed into law by President Obama in February, provides nearly $500 million in incentive funding to states that adopt or expand work-sharing programs. NELP urges Members of this Committee and this Congress to work with their state Departments of Labor to implement work-sharing programs where they do not already exist.

Conclusion

The challenges that older unemployed workers are facing in this economy are significant. In a time when we are creating too few jobs for too many workers who desperately need them, older workers face a particularly high hurdle in their search for re-employment. Fortunately, there are some relatively simple levers that Congress can push which can immediately reduce unfair barriers to re-employment, keep workers on the job, and help retrain those who need new skills to compete. Each of these policies should enjoy wide bi-partisan support, and we hope that this Committee hearing is the beginning of exactly the type of cooperation that can really make a difference in the lives of older workers who are struggling with unemployment.

[38] Public Law 112-96, February 22, 2012, http://thomas.loc.gov/cgi-bin/query/z?c112:S.2189:.

United States Government Accountability Office

GAO

Report to the Chairman, Special Committee on Aging, U.S. Senate

April 2012

UNEMPLOYED OLDER WORKERS

Many Experience Challenges Regaining Employment and Face Reduced Retirement Security

GAO

Accountability * Integrity * Reliability

GAO-12-445

GAO

Highlights

Why GAO Did This Study

What GAO Recommends

April 2012

UNEMPLOYED OLDER WORKERS

Many Experience Challenges Regaining Employment and Face Reduced Retirement Security

What GAO Found

As with many other demographic groups, older workers' unemployment overall and long-term unemployment rates have increased dramatically since the recession began in 2007. In December 2011, the unemployment rate for older workers was 6.0 percent, up from 3.1 at the start of the recession, but down from its peak of 7.6 percent in February 2010. In particular, long-term unemployment rose substantially, and at a greater rate for older than younger workers. By 2011, 55 percent of unemployed older workers had been actively seeking a job for more than half a year (27 weeks or more). Meanwhile, the long-term trend of rising labor force participation rates among older workers has continued, with the recession possibly amplifying this trend.

Long-term unemployment can put older workers at risk of deferring needed medical care, losing their homes, and accumulating debt. The experts and staff GAO interviewed at some one-stop career centers, as well as the unemployed older workers who participated in GAO's focus groups, identified employer reluctance to hire older workers as a key challenge that older workers face in finding reemployment. They also identified out-of-date skills, discouragement and depression, and inexperience with online applications as reemployment barriers for older workers. Some one-stop staff who serve older workers told GAO that providing the type of assistance some older workers need to address these unique challenges can be very time-consuming. (For audio clips from GAO's focus groups with unemployed older workers, use this link:
http://www.gao.gov/multimedia/video/#video_id=590295)

Long-term unemployment can substantially diminish an older worker's future retirement income in several ways. First, it can force a worker to stop working and stop saving for retirement earlier than the worker had planned. Second, long-term unemployment can lead individuals to draw down their retirement savings to cover living expenses while they are unemployed, which was a common life experience described by GAO's focus group participants. GAO illustrated how a hypothetical worker who had $70,000 in retirement savings at age 55 and withdrew 50 percent of those savings during a 2 year period of unemployment, would need about another 5 ½ years of work and saving to rebuild the retirement account to the level it had been before unemployment began. In addition, long-term unemployment can motivate older workers to claim early Social Security retirement benefits, which will result in lower monthly benefits for workers and their survivors for the rest of their lives.

Experts GAO interviewed selected various policies that have been proposed to help address unemployed older workers' reemployment challenges. Experts selected these policies from a broad list GAO compiled from previous academic studies. For example, two of the policies that experts selected would provide incentives such as temporary wage or training subsidies for employers to hire long-term unemployed older workers. In the current context of high unemployment and slow job creation, the impact of most of these policies is likely to be muted by limited job openings. After an interagency Taskforce issued its report on the aging of the American workforce in 2008, Labor implemented several strategies the report recommended, but since the recession started, Labor shifted focus to responding to increased demand for services. As the economy improves, Labor could refocus on older job seekers and consider what additional strategies would help address their unique reemployment challenges, in light of recent economic and technological changes.

Contents

Abbreviations

AoA	Administration on Aging
BLS	Bureau of Labor Statistics
CMS	Centers for Medicare and Medicaid Services
CPS	Current Population Survey
DB	defined benefit
DC	defined contribution
DWS	Displaced Worker Supplement
EBRI	Employee Benefit Research Institute
GATE	Growing America Through Entrepreneurship
HRS	Health and Retirement Study
IRA	individual retirement account
JOLTS	Job Openings and Labor Turnover Survey
NBER	National Bureau of Economic Research
OASDI	Old-Age, Survivors, and Disability Insurance
SBA	Small Business Administration
SCF	Survey of Consumer Finances
SCSEP	Senior Community Service Employment Program
SSA	Social Security Administration
SSI	Supplemental Security Income
UI	Unemployment Insurance
WIA	Workforce Investment Act of 1998

GAO
Accountability * Integrity * Reliability
United States Government Accountability Office
Washington, DC 20548

April 25, 2012

The Honorable Herb Kohl
Chairman
Special Committee on Aging
United States Senate

Dear Mr. Chairman:

The recent recession in 2007-2009 was the worst since the Great Depression, and has been characterized by historically high levels of long-term unemployment.[1] While it is crucial that the nation help people of all ages return to work, long-term unemployment has particularly serious implications for older Americans (age 55 and over). Older workers' job loss threatens not only their immediate financial security, but their ability to support themselves during retirement. While unemployed, older Americans may stop saving for retirement or tap into retirement savings to pay for critical living expenses. And while working longer may be the best solution for those approaching retirement with exhausted or otherwise inadequate savings, this strategy depends upon older workers being able to find and retain employment. To the extent that unemployed older workers face unique reemployment challenges, their ability to get the jobs they need to support themselves and protect or rebuild their retirement savings could be limited.

Given your interest in the employment and retirement prospects of older workers—those aged 55 and over—since the onset of the recession, we examined (1) how the employment status of older workers has changed since the recession, (2) older workers' financial risks from long-term unemployment and challenges in finding new jobs, (3) how periods of long-term unemployment might affect older workers' retirement income, and (4) what other policies might help unemployed older workers regain

[1]The recession of 2007-2009 started in December 2007 and ended in June 2009, according to the Business Cycle Dating Committee of the National Bureau of Economic Research (NBER). According to NBER, "a recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators. A recession begins when the economy reaches a peak of activity and ends when the economy reaches its trough." In addition, this recession occurred in the context of a significant decline in major financial markets, which dramatically reduced the value of major assets.

employment and what steps the Department of Labor (Labor) has taken to help unemployed older workers.

To examine changes in the employment status of older workers since the start of the recession, we analyzed nationally representative unemployment and demographic data from the Bureau of Labor Statistics (BLS), including 2007 through 2011 data from the Current Population Survey (CPS), the Job Openings and Labor Turnover Survey (JOLTS), and the 2008 and 2010 Displaced Worker Supplement (DWS). To learn about older workers' financial risks from long-term unemployment and challenges in finding new jobs, we conducted focus groups with unemployed older workers in four metropolitan areas and also interviewed staff at one-stop career centers in each of the four areas.[2] (For audio clips from GAO's focus groups with unemployed older workers, use this link: http://www.gao.gov/multimedia/video/#video_id=590295.) Further, we interviewed experts on older workers' issues and reviewed studies. To assess how periods of long-term unemployment might affect older workers' retirement income, we used microsimulation models to estimate monthly retirement income for workers who stopped work at different ages.[3] We also analyzed data on retirement savings from the nationally representative 2007 Survey of Consumer Finances and interviewed officials at the Social Security Administration (SSA).[4] To identify what policies might help unemployed older workers regain employment and what Labor has done to help older workers, we interviewed experts on policy proposals previously identified through a review of the literature and interviewed Labor officials.

[2]The Workforce Investment Act of 1998 provided for the establishment of local one-stop centers to provide access to employment and training services under a number of programs, including those administered by the Departments of Labor, Education, Health and Human Services, and Housing and Urban Development. Pub. L. No. 105-220, § 121, 112 Stat. 936, 963.

[3]Our simulations of retirement income include income from employer-sponsored retirement plans and Social Security retirement benefits. We used microsimulation models under license from the Policy Simulation Group, a private contractor. More information about these microsimulation models is at www.polsim.com.

[4]For our analysis of retirement savings using the 2007 Survey of Consumer Finances, we counted participation in a defined benefit or defined contribution plan at a current employer, earned benefits from a defined benefit plan from a past employer, a defined contribution account from a past employer, a Keogh account, or an individual retirement account.

We conducted this performance audit from October 2010 through April 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. For more information on our scope and methodology, see appendix I.

Background

Unemployment Insurance and Employment and Training Programs Serving Unemployed Older Workers

Several different programs, including the federal-state Unemployment Insurance (UI) program and employment and training programs administered by Labor, help unemployed workers, and one program is specifically for low-income individuals 55 and over. First, the UI program provides eligible unemployed individuals temporary benefits that partially replace their lost wages. The UI program is a federal-state program that is generally funded through taxes on employers and, in some states, employee contributions. Eligibility requirements and benefit levels vary by state within federal guidelines, but a recently enacted federal law will require individuals to be able, available, and actively looking for work as a condition of eligibility for unemployment benefits.[5] UI benefits are generally available to eligible unemployed workers for up to 26 weeks,[6]

[5]This requirement, added by the Middle Class Tax Relief and Job Creation Act of 2012, Pub. L. No. 112-96, § 2101, 126 Stat. 156, 159, will take effect after the end of the first session of each state legislature that begins after the date of enactment, February 22, 2012.

[6]For evidence that unemployment benefits are generally available for up to 26 weeks, see David Bradley, Benjamin Collins, Katelin Isaacs, Janemarie Mulvey, *Federal Programs Available to Unemployed Workers*. Congressional Research Service, RL34251 (Washington D.C., January 2012). However, the actual duration of UI benefits will vary by state and by individual. See GAO, *Unemployment Insurance: Economic Circumstances of Individuals Who Exhausted Benefits,* GAO-12-408 (Washington, D.C.: Feb. 17, 2012).

but extended benefits are sometimes made available to those who exhaust these benefits, as has occurred during the recent recession.[7]

Second, the Workforce Investment Act of 1998 (WIA) established the adult and dislocated worker programs, which authorize grants to states for a broad range of employment and training activities, including job search assistance, assessment, and training for eligible individuals.[8] States that receive funds under WIA must report on the performance of these programs using performance measures that gauge program results for participants in the areas of job placement, retention, and earnings, among others.[9] States are held accountable by Labor for their performance and may receive incentive funds or financial sanctions based on whether they meet expected performance levels for each measure.[10]

Last, the Senior Community Service Employment Program (SCSEP) provides subsidized, community service-based on-the-job training for low-income individuals age 55 and over who are unemployed, with an

[7]Congress has extended the maximum period for receiving UI benefits through temporary federal programs during a number of economic downturns, including the recent recession. Congress also provided for increased weekly UI benefit amounts and increased federal support to states to finance extended UI benefits under the American Reinvestment and Recovery Act of 2009 (Recovery Act). Pub. L. No. 111-5, §§ 2002-05, 123 Stat. 115, 437-44. During the recession of 2007-2009, Congress increased the maximum period for receipt of UI benefits; as a result, some long-term unemployed workers in certain states may be eligible to receive UI benefits for up to 99 weeks. The Middle Class Tax Relief and Job Creation Act of 2012, enacted on February 22, 2012, will reduce this maximum to 93 from 99. The reduction will be phased in between May and September 2012. Pub. L. No. 112-96, § 2122, 126 Stat. 156, 163-66 (2012). For more information on UI and the Recovery Act, see GAO, *Worker and Family Assistance: Unemployment Insurance Measures Included in the American Recovery and Reinvestment Act of 2009, as of July 2009,* GAO-09-942R (Washington, D.C.: July 27, 2009).

[8]Under WIA, dislocated workers include, among others, individuals who (1) have been terminated or laid off or who have received a notice of termination or layoff, (2) are eligible for or have exhausted UI benefits or have demonstrated attachment to the workforce but are ineligible for UI benefits because of insufficient earnings or having worked for a noncovered employer, and (3) are unlikely to return to a previous industry or occupation. Dislocated workers also include individuals who were self-employed but are unemployed as a result of general economic conditions or natural disasters. For the complete definition, see 29 U.S.C. § 2801(9).

[9]29 U.S.C. § 2871(b),(d).

[10]29 U.S.C. § 2871(g); 20 U.S.C. § 9273.

emphasis on those who have poor employment prospects.[11] Labor evaluates the performance of state and local areas receiving SCSEP funds using performance measures similar to those used for the WIA adult and dislocated worker programs.[12]

Structural versus Cyclical Unemployment

Economists often classify involuntary unemployment as either structural or cyclical.[13] Structural unemployment arises when barriers—such as skills or geographical mismatches—prevent workers from matching their skills to available jobs. In contrast, cyclical unemployment arises when there is a decrease in the overall demand for goods and services in an economy. As a result of such decreases, employers may temporarily lay off workers or cut back their employees' hours until the economy improves. Research suggests that much of the increase in unemployment since 2007 has been cyclical rather than structural.[14]

[11]To be eligible to participate in SCSEP, individuals must have a family income of no more than 125 percent of the federal poverty guidelines prepared by the Department of Health and Human Services and approved by the Office of Management and Budget. 42 U.S.C. § 3056p(a)(3), 20 C.F.R. § 641.500. In 2012, an individual living in the 48 contiguous states and D.C. must have an income of not more than $13,963 to be eligible to participate in SCSEP. Household income for an individual in a household of two must not be more than $18,913 in order for the individual to be eligible to participate in the program.

[12]42 U.S.C. § 3056k.

[13]Another type of unemployment—frictional unemployment—is generally due to voluntary job shifts and typically involves shorter unemployment spells.

[14]Linda Levine, *The Increase in Unemployment since 2007: Is it Cyclical or Structural?* Congressional Research Service, R41785 (Washington, D.C.: November 2011).

Labor's Taskforce Report on the Aging of the American Workforce

In 2006, Labor convened an interagency[15] Taskforce on the Aging of the American Workforce (the Taskforce)[16] and issued a report in 2008 highlighting strategies for increasing older Americans' workforce participation.[17] The Taskforce considered a broad range of issues concerning the aging of the American workforce, including legal and regulatory barriers that could prevent older workers from participating in the workforce, flexible work arrangements, and tools and technical assistance to support older workers' employment. The Taskforce report recommended that Taskforce agencies continue to work together to implement strategies it had identified, such as to coordinate research and demonstration agendas and inventory legal and regulatory barriers that could limit older workers' employment. The Taskforce's recommendations mainly dealt with potential actions Taskforce agencies could undertake to help older Americans remain in or reenter the workforce or pursue self-employment.

Sources of Retirement Income

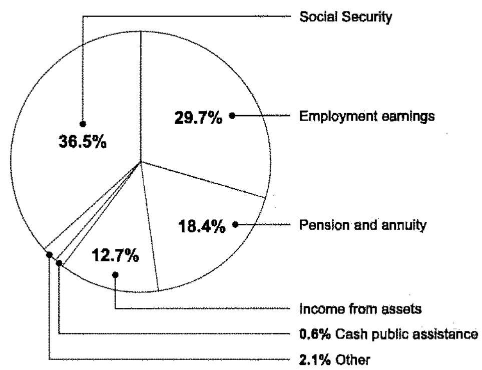
While income in retirement comes from a variety of sources, in the aggregate, Social Security retirement benefits are the largest source of retirement income for households with someone aged 65 or older. Other financial assets such as income from employer-sponsored retirement plans, private savings, and assets such as home equity are important sources of retirement income for many. (See fig. 1.)

[15]The Taskforce included senior representatives from nine federal agencies whose activities affect the lives of older Americans. These agencies were the Departments of Commerce, Education, Health and Human Services, Labor, Transportation, and the Treasury, along with the Equal Employment Opportunity Commission, the Small Business Administration, and SSA.

[16]Labor officials convened this task force to respond to a request from the U.S. Senate Special Committee on Aging and GAO recommendations in two reports: GAO, *Older Workers: Demographic Trends Pose Challenges for Employers and Workers*, GAO-02-85 (Washington, D.C.: Nov. 16, 2001), and *Older Workers: Labor Can Help Employers and Employees Plan Better for the Future*, GAO-06-80 (Washington, D.C.: Dec. 5, 2005).

[17]In 2008, this task force published its final report, *Report of the Taskforce on the Aging of the American Workforce* (Washington, D.C.: February 2008) http://www.doleta.gov/reports/FINAL_Taskforce_Report_2-11-08.pdf.

Figure 1: Sources of Aggregate Income for Households with Someone Aged 65 or Older, 2008



Source: SSA, Office of Retirement and Disability Policy, Income of the Population 55 or Older, 2008.

Note: "Household" here refers to what SSA identifies as aged units—either a married couple living together or an unmarried person. The age of a married couple is the age of the husband if he is 55 or older; if the husband is younger than 55, the age of the married couple is the age of the wife. Thus a married couple is considered to be 65 or older if the husband is 65 or older or if the husband is younger than 55 and his wife is 65 or older. Data reported by SSA for pension income includes regular payments from defined benefit and defined contribution plans and from individual retirement accounts (IRA) and Keogh accounts, but nonregular (nonannuitized or lump sum) withdrawals from IRA, Keogh, and defined contribution plans are not included. Social Security income includes retirement, auxiliary (such as spousal), survivors, and disability benefits. Data reported for income from assets include interest income; income from dividends, rents, or royalties; and estates or trusts. Other income includes noncash benefits, veterans' benefits, UI benefits, workers' compensation, and personal contributions. Income from others is excluded. The 95 percent confidence intervals for the share of aggregate income are 35.9 to 37.1 percent for Social Security, 29.1 to 30.3 for employment earnings, 17.9 to 18.9 for pension and annuity income, 12.3 to 13.1 for income from assets, 1.9 to 2.3 for other, and 0.5 to 0.7 for cash public assistance.

Social Security retirement benefits are paid to eligible workers under the Old-Age, Survivors, and Disability Insurance (OASDI) program administered by SSA. The level of monthly retirement benefits an individual will receive depends on factors such as work and earnings history and the age at which the beneficiary chooses to begin receiving benefits.[18] Generally, individuals may begin receiving Social Security retirement benefits at age 62; however, the payments will be lower than if they wait to receive benefits at their full retirement age, which varies from 65 to 67, depending on the individual's birth year.[19] In contrast, the monthly benefit is increased for workers who delay receiving benefits beyond their full retirement age up to age 70.[20] Employees and employers pay payroll taxes that finance Social Security benefits. Social Security also provides benefits to eligible workers who become disabled before reaching retirement age, as well as children, spouses, and widow(er)s of eligible workers. Benefits are based upon a common formula but are calculated differently for the different beneficiary types.[21]

Employer-sponsored retirement plans fall into two broad categories: defined benefit (DB) plans and defined contribution (DC) plans. DB plans promise to provide a benefit that is determined by a formula based on particular factors specified by the plan, such as salary or years of service. Typically, DB plans provide annuity payments to retirees on a monthly basis that continue as long as the recipient lives.[22] Under DC plans, workers and employers may make contributions into individual accounts.[23] At retirement, participants' distribution options vary depending on the plan, but often include leaving their money in the plan, taking a full or partial distribution, or purchasing an annuity. In order to preserve the tax benefits from their DC plan savings, many participants chose to roll plan savings into an individual retirement account (IRA). IRAs are personal retirement savings arrangements that allow individuals to make

[18]42 U.S.C. §§ 402, 415.

[19]42 U.S.C. § 402(q)(1); 20 C.F.R. §§ 404.409 to 404.410.

[20]42 U.S.C. § 402(w); 20 C.F.R. § 404.313.

[21]In this report we use the term "Social Security retirement benefits" to refer to an individual's retirement (old-age) benefits, and not other Social Security benefits such as spousal benefits or disability benefits, unless otherwise noted.

[22]A DB plan may also provide benefits to a surviving spouse, if the plan participant is married and took these benefits.

[23]The most common type of DC plan is the 401(k) plan, which typically allows workers to choose to contribute a portion of their pretax compensation to the plan. Some 401(k) plans may also provide for employer contributions, and Roth 401(k) plans may accept after-tax employee contributions.

contributions to an individual account and receive favorable tax treatment.[24]

Older Workers' Employment Prospects Have Deteriorated

Like many other demographic groups, older workers have faced dramatic increases in unemployment and long-term unemployment since the recession began in 2007. For example, only about a third of older workers displaced from 2007 to 2009 had found full-time work by 2010, and those who did sustained greater earnings losses than did reemployed younger workers. Nonetheless, older workers' labor force participation has continued to increase despite the worst labor market in decades. For example, the proportion of displaced workers age 65 or over who retired was substantially lower among those displaced during the recession than among those displaced prior to the recession.[25]

Multiple Measures Show Unemployment among Older Workers Rose Dramatically after 2007

Unemployment rates for workers of all ages, including those 55 and over, have risen dramatically since the start of the recent recession in December 2007. As shown in figure 2, the seasonally unadjusted unemployment rate for older workers increased from 3.1 percent in December 2007 to a high of 7.6 percent in February 2010, before it

[24]The tax treatment differs depending on the type of IRA. For example, with traditional IRAs, individuals who meet certain conditions can take an income tax deduction on some or all of the contributions they make to their IRAs, but they must pay taxes on amounts they withdraw from the IRA. Individuals below certain income limits may also contribute to Roth IRAs, which do not provide an income tax deduction on contributions, but permit tax-free withdrawals.

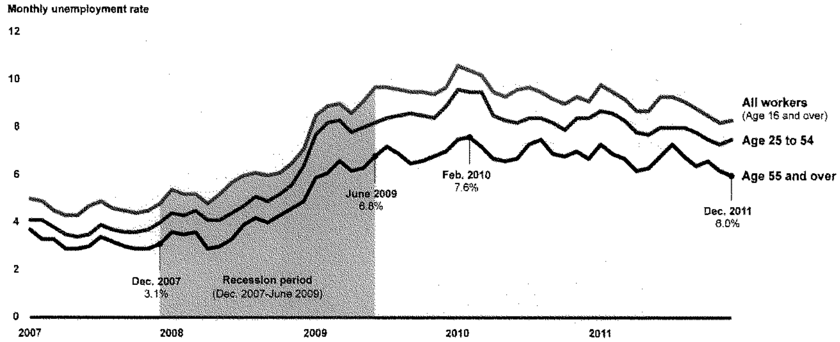
[25]In this report, displaced workers are defined as persons 20 years or older who lost or left jobs because their plant or company closed or moved, there was insufficient work for them to do, or their position or shift was abolished. We analyzed displaced workers using the CPS Displaced Worker Supplement (DWS). Displaced workers have lost a job in the past 3 years; however, they may be unemployed, employed, or not in the labor market at the time of the survey. See appendix I for more information about displaced workers and the DWS. In our analysis of displaced workers, "retired" is defined to include only people who are no longer in the labor force. Therefore, this definition does not include retired persons who have part-time work. See appendix II for more data on the labor force status of displaced workers in 2008 and 2010.

decreased to 6.0 percent in December 2011.[26] Further, as shown in figure 3, the seasonally unadjusted number of unemployed older workers peaked at 2.3 million in February 2010 and decreased to approximately 1.9 million by December 2011, compared with around 839,000 when the recession began in December 2007. As in prior recessions, smaller percentages of workers age 55 and over became unemployed. Some researchers attribute older workers' lower unemployment rates to the fact that older workers tend to have longer job tenure and are consequently less likely to be laid off than younger workers.[27]

[26]This figure, along with all others describing characteristics of workers, is based on sample data and subject to sampling error. For example, we are 95 percent confident that the unemployment rate for workers age 55 and older was between 5.5 and 6.4 percent in December 2011. See appendix I for a description of sampling error and the surveys relied upon. In this report, confidence intervals for estimates and statistical tests for differences between estimates are presented in graphs, tables, or footnotes in the more detailed sections presenting the estimates, or in appendix III when indicated. Estimated labor force statistics in this report are based on analysis of microdata, which beginning in January 2011 may diverge slightly from BLS published estimates; see appendix I for more information. Because we analyze a variety of labor force outcomes for several subgroups of the population in this report, we did not attempt to seasonally adjust any of the estimates. See appendix I for more information about seasonally unadjusted data.

[27]A recent study, however, suggests that older workers with less than 4.6 years of tenure are actually more likely to be laid off than their otherwise similar younger counterparts. See Richard Johnson and Corinna Mommaerts, *Age Differences in Job Loss, Job Search, and Reemployment*, the Urban Institute (Washington D.C.: January 2011).

Figure 2: Estimated Unemployment Rates by Age, 2007-2011



Source: GAO analysis of CPS data, 2007-2011.

Note: Estimates have 95 percent confidence intervals within plus or minus 0.5 percentage points of the estimate itself. Recession dates obtained from NBER. Estimates are not seasonally adjusted.

Alternative measures show that the number of discouraged and underemployed older workers has also increased dramatically since the start of the 2007-2009 recession. According to the broadest measure, approximately 4.2 million older workers were unemployed or underemployed in January 2011, and approximately 3.65 million remained unemployed or underemployed in December 2011 (see fig. 3). In addition to the officially unemployed, this measure includes individuals who wanted to work and were available for work but did not actively seek employment in the last month for various reasons,[28] such as believing no

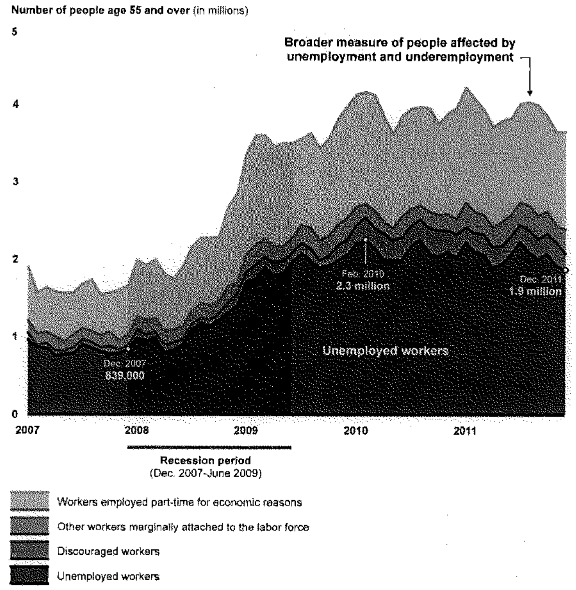
[28]BLS considers workers who want work and are available for work but who did not actively seek work in the past month as "marginally attached to the labor force." BLS records the reason given for not actively seeking work in the past month: for example, some marginally attached workers indicate family obligations, such as caring for an aging parent or a sick child as the reason they did not look for work.

jobs were available.[29] It also includes part-time workers who would prefer full-time work.[30]

[29]BLS defines workers who want work and are available for work, but did not actively seek work in the past month because they thought no jobs were available, as "discouraged workers." Discouraged workers are a subset of those marginally attached to the labor force.

[30]BLS identifies such workers as part-time for economic reasons, defined as those employed less than 35 hours per week who want and are available for, but are unable to find, full-time work, as well as people who prefer full-time hours of work but had their hours reduced by their employer. In this report GAO includes these workers in the term "underemployed," along with marginally attached workers.

Figure 3: Estimated Number of Unemployed and Underemployed Older Workers (55 and Over), 2007-2011



Source: GAO analysis of 2007-2011 CPS data.

Note: (1) Estimates have 95 percent confidence intervals within plus or minus 12 percent of the estimate itself. (2) See appendix II for BLS's definitions of unemployed workers, discouraged workers, workers marginally attached to the labor force, and part-time for economic reasons. Our "broader measure of people affected by unemployment and underemployment" is the same as measure U-6 in BLS's alternative measures of labor underutilization. Estimates are not seasonally adjusted.

Long-Term Unemployment for Older Workers Has Increased Substantially since the Start of the Recession

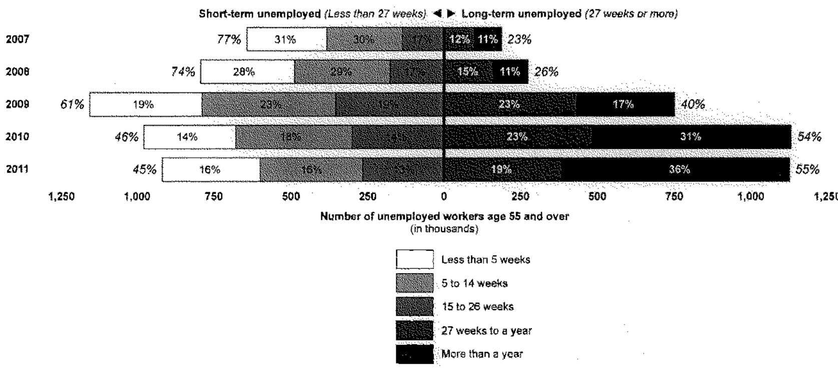
Although older workers are less likely than younger workers to lose their jobs, it generally takes older job seekers longer to find new work.[31] Since 2007, many job seekers of all ages have experienced long-term unemployment,[32] but individuals age 55 and over have consistently experienced longer durations of unemployment than younger workers. Moreover, the median length of unemployment has more than tripled for older workers since the recession started, increasing at a greater rate than that of younger workers. Prior to the recession, the median duration of unemployment for job seekers age 55 and over was 10 weeks compared with 9 weeks for job seekers aged 25-54. By 2011, the median duration of unemployment for older job seekers had increased to 35 weeks compared with 26 weeks for younger job seekers.

Since 2007, the number and percentage of long-term unemployed older workers—those out of work for more than half a year (27 weeks or more)—has increased substantially. In 2007, less than a quarter of unemployed older workers were unemployed for longer than 27 weeks, as shown in figure 4. By 2011, this number had increased to 55 percent. Moreover, by 2011 over one-third of all unemployed older workers had been unemployed for over a year. Data from the Displaced Worker Supplement of the CPS corroborate that many older workers who lose their jobs struggle to regain employment. Specifically, the data show that only 31 percent of those older workers age 55-64 who were displaced between 2007 and 2009 had regained full-time employment by January 2010 (see app. II).

[31]In this report, we use the phrase "job seekers" to refer to the unemployed.

[32]BLS defines long-term unemployment as being unemployed for more than half a year (27 weeks or more).

Figure 4: Growth in Estimated Long-Term Unemployment of Older Workers (55 and Over), 2007-2011



Source: GAO analysis of CPS data, 2007-2011.

Note: All estimates in this figure have 95 percent confidence intervals within plus or minus 3 percentage points of the estimate itself. See appendix III for statistical comparisons of estimates across years. Some bars do not sum to 100 percent because of rounding.

The dramatic increase in long-term unemployment bodes poorly for the reemployment prospects of older workers; several studies suggest that unemployment erodes workers' skills and reemployment prospects,[33] and several experts we interviewed said long-term unemployment diminishes the likelihood older workers will ever be reemployed.[34] Thus, older workers who lose their jobs may face both immediate and long-term financial challenges. Long-term unemployed older workers who exhaust unemployment benefits before turning 62 are particularly at risk of

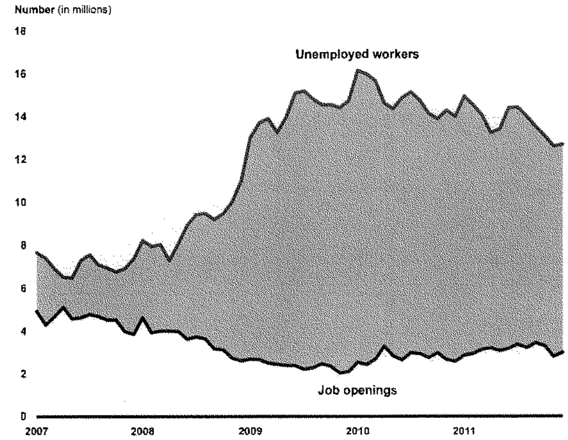
[33]Rob Valetta and Katherine Kuang. *Why is Unemployment Duration So Long?* Federal Reserve Bank of San Francisco Economic Letter 2012-03 (San Francisco, CA, January 2012), 1, and Linda Levine, *The Increase in Unemployment since 2007: Is it Cyclical or Structural?* Linda Levine and Gerald Meyer, *Long-term Unemployment and Recessions* (Washington, D.C.: May 2010).

[34]One expert believed that many older workers "face the real prospect of never working again, certainly not at their former wage levels." See *What to do about the New Unemployment*, Urban Institute (Washington, D.C.: June 2011).

compromising their future retirement security. (For some potential causes of long-term unemployment, see fig. 5.)

Figure 5: Difference between the Estimated Number of Unemployed of All Ages and the Estimated Number of Available Jobs, 2007-2011, and Various Explanations for High Unemployment

Estimated total number of job openings compared to estimated total number of unemployed, 2007-2011



■ **Magnitude of the recession:** Some researchers primarily blame the large number of jobs lost during the recession on weak aggregate demand and slow job creation.

■ **Structural unemployment:** The media sometimes highlight individual employers who lack qualified applicants for job openings, which would suggest structural unemployment; however, unemployment rates have risen across a wide range of industries during the recession, suggesting that an overall decline in demand caused much of the recent unemployment increases.

■ **Other causes less likely:** Studies suggest that other possible explanations, such as the extended availability of UI benefits or a geographical mismatch between available jobs and job seekers, have only modestly affected long-term unemployment rates.

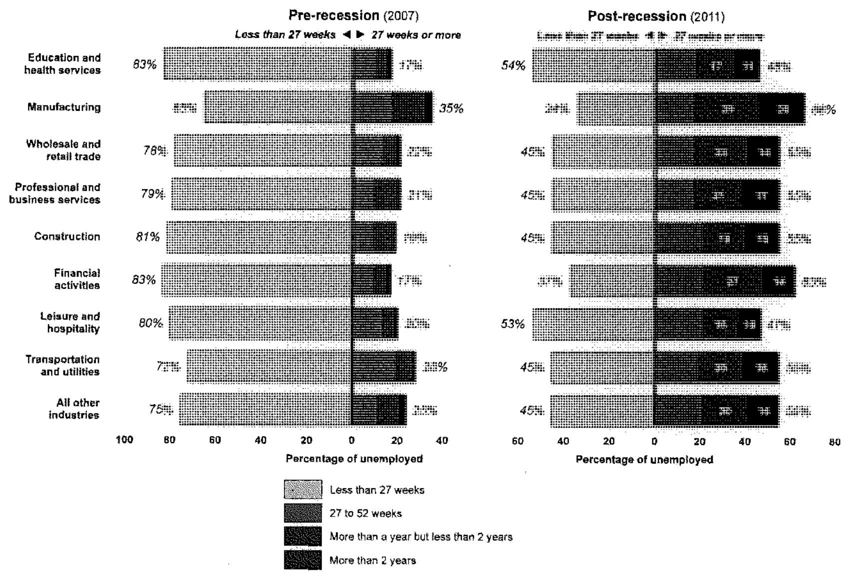
Source: GAO analysis of JOLTS survey and CPS data.

Note: Estimates for the number of unemployed workers have 95 percent confidence intervals within plus or minus 5 percent of the estimate itself. Estimates for the number of job openings have confidence intervals within plus or minus 10 percent of the estimate itself.

Some Subgroups of Older Workers Continue to Face Longer Spells of Unemployment than Others

The length of time older workers remained unemployed varied across industries (see fig. 6). Nearly two-thirds of unemployed older workers in the manufacturing and financial service industries were out of work for 27 or more weeks in 2011. In fact, in 2011, 20 percent of unemployed older workers within manufacturing had been out of work for more than 2 years. In contrast, less than half of unemployed older workers in the education and health services or leisure and hospitality industries had been out of work for 27 weeks or more. Even though the education and health services and leisure and hospitality industries had lower levels of long-term unemployment, the percentage of older workers in these industries who experienced long-term unemployment also grew significantly from 2007 to 2011.

Figure 6: Estimated Duration of Unemployment for Older Workers (55 and Over) by Industry, 2007 and 2011



Source: GAO analysis of 2007 and 2011 CPS data.

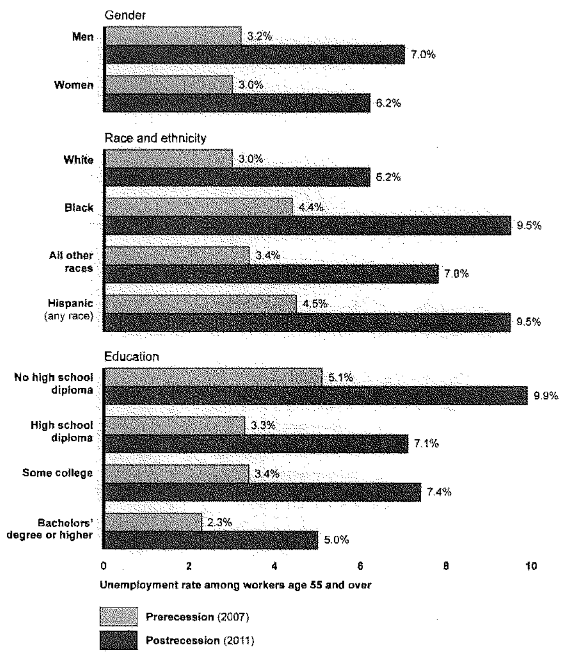
Note: The "all other industries" category includes public administration; "other services"; agriculture, forestry, fishing and mining; and information and a small number of civilians employed in the armed forces. All estimates in this figure have 95 percent confidence intervals within plus or minus 11 percentage points of the estimate itself. For information about the reliability of estimate and statistical comparisons of the estimates across different groups and years, see appendix III.

Rates of unemployment differed across demographic groups. For example, as shown in figure 7, unemployment rates for older men and women were comparable in 2007 but increased more for men than women after 2007, and were significantly higher for men than women by 2011.[35] In addition, older workers who were black or Hispanic had significantly higher unemployment rates than white older workers in both 2007 and 2011. Regarding education level, older workers without a high school diploma were more likely to be unemployed before and after the recession than those with a high school diploma.[36] However, the unemployment rate for workers with at least a bachelor's degree approximately doubled by 2011 from its 2007 level, just as it did for those older workers with less education.

[35]One possible explanation for men's greater increase in unemployment since 2007 is the particularly steep increase in unemployment in the manufacturing and construction industries, which tend to employ higher percentages of men than women.

[36]One possible explanation of the unemployment increase among less educated older workers is that unemployment rates in manufacturing and construction increased dramatically in the recent recession, and these industries tend to employ a higher percentage of less educated workers than do many other industries. Also, a recent study of the long-term unemployed aged 18-64 also found that the long-term unemployed are less likely to hold a college degree. *Kaiser Family Foundation/NPR Long-Term Unemployed Survey.*

Figure 7: Estimated Unemployment Rates by Demographic Group for Older Workers (55 and Over), 2007 and 2011

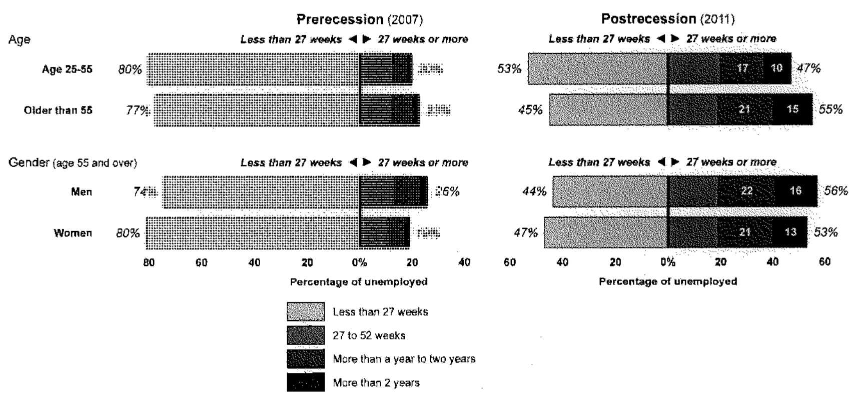


Source: GAO analysis of 2007 and 2011 CPS data.

Note: All estimates in this figure have 95 percent confidence intervals within plus or minus 1 percentage point of the estimate itself. For statistical comparisons of the estimates across different groups and years, see appendix III.

Across several different demographic groups, once unemployed, older workers were similarly likely to remain unemployed for more than half a year (27 weeks or more) in 2011. For example, in 2011, older unemployed workers with at least a bachelor's degree were similarly likely to face long-term unemployment as those older workers with less education. In addition, older workers in each racial or ethnic group who became unemployed were equally likely to face long-term unemployment in 2011. Even older women—who in 2007 had lower rates of long-term unemployment than men—were similarly likely to face long-term unemployment after the recession, as shown in figure 8. Finally, while long-term unemployment increased for both younger and older workers, a higher percentage of older workers were long-term unemployed—approximately 55 percent of unemployed older workers were out of work for over half a year, compared with approximately 47 percent of workers age 25-54 in 2011.

Figure 8: Estimated Duration of Unemployment by Age and by Gender, 2007 and 2011



Source: GAO analysis of 2007 and 2011 CPS data.

Note: Estimates in this figure have 95 percent confidence intervals within plus or minus 3 percentage points of the estimate itself. For statistical comparisons of the estimates across different groups and years, see appendix III.

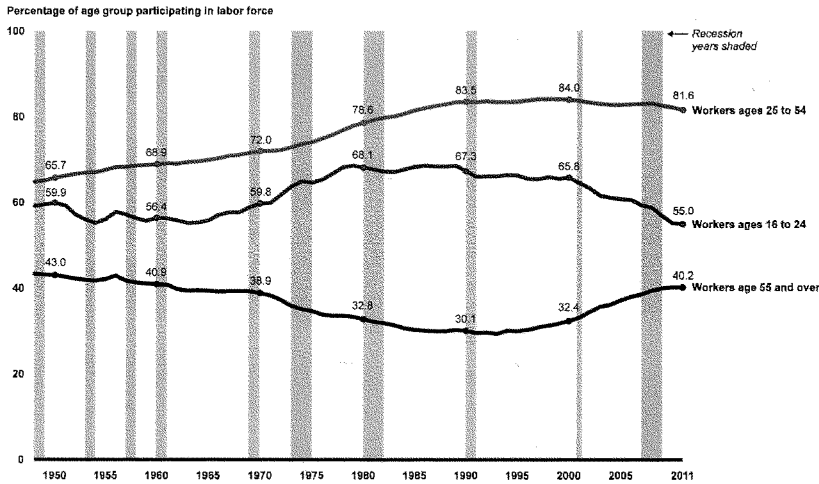
Older Workers' Labor Force Participation Nonetheless Continued to Rise

Despite high levels of unemployment and longer spells of unemployment, older workers' labor force participation rate—the proportion of the population that is employed or actively seeking employment—increased throughout the 2007-2009 recession, continuing historic trends. In contrast, as shown in figure 9, the labor force participation rate for younger workers aged 16-24 has decreased since the recession began in 2007, while the participation of workers aged 25-54 generally decreased, but to a lesser degree.[37] Older workers' increased labor force participation during the recession continued a long-term trend that began in the 1990s, and thus cannot be attributed solely to the 2007-2009 recession or declines in financial markets. Researchers have identified a number of factors contributing to this historic increase. For example, research indicates that improved health and longer life expectancies could increase older workers' labor force participation. Researchers also note that rising labor force participation among older women is an important factor in the increase in labor force participation among older workers in recent years. In addition, researchers have noted that some older workers may remain in the labor force to retain health care benefits until they become eligible for Medicare at age 65—particularly since fewer employers now provide retiree health care coverage.[38]

[37]Research suggests the long-term decline in young adults' (aged 20-24) labor force participation is associated with increased school enrollment. Regarding individuals aged 25-54, the decline in labor force participation is driven by men, particularly those with less education. The demand for less educated workers has fallen significantly over the past three decades. Similarly, inflation-adjusted wages for men with less than a high school diploma have also fallen. Some studies have suggested that increased access to Social Security disability benefits might also explain some of the historic decline in the labor force participation of men aged 25-54. See Abraham Mosisa and Steven Hipple, "Trends in Labor Force Participation in the United States," *Monthly Labor Review*, October 2006, 35-57. Also, Chinhui Juhn and Simon Potter, "Changes in Labor Force Participation in the United States," *Journal of Economic Perspectives*, Vol. 20, No. 3, Summer 2006, 27-46.

[38]Mosisa and Hipple, "Trends in Labor Force Participation in the United States," 35-57; Craig Copeland, *Labor-Force Participation Rates of the Population Age 55 and Older: What did the Recession Do to the Trends? EBRI Notes* Vol. 32, No. 2, Employee Benefit Research Institute (Washington, D.C.: February 2011), and Murray Gendell, "Older Workers: Increasing Their Labor Force Participation and Hours of Work," Bureau of Labor Statistics, *Monthly Labor Review*, January 2008.

Figure 9: Estimated Labor Force Participation Rates by Age, 1948-2011



Source: GAO analysis of BLS and NBER data.

Note: All estimates in this figure have 95 percent confidence intervals within plus or minus 0.7 percentage points of the estimate itself.

One recent report found that as a result of the recession, some older workers decided to remain in the labor force longer than previously planned, while others reentered the labor force, likely to bolster their income after the financial crisis.[39] In fact, several one-stop career center staff we interviewed told us that they were serving increasing numbers of older individuals who had reentered the workforce from retirement. (For

[39]Kristie M. Engemann and Howard J. Wall, "The Effects of Recessions Across Demographic Groups," *Federal Reserve Bank of St. Louis Review*, St. Louis, MO, January/February 2010, *92*(1), 1-26.

more information on the potential implications of older workers' increased labor force participation on younger workers, see the following text box.)

Does Labor Force Participation by Older Workers Diminish Employment Opportunities for Younger Workers?

Results of recent academic studies contradict a popular notion that labor force participation by older workers diminishes employment opportunities for younger workers. This notion assumes a zero sum game with regard to employment; that is, that there are a fixed number of jobs available at any given time and employment of one group results in unemployment for another group. However, according to a recent study of employment data from numerous countries over several decades,[a] increased employment of older workers has not been associated with decreased employment of younger workers. The study found that when employment of older workers increased, employment of younger workers also increased, and this relationship remained even when the researchers took account of overall economic growth. The study also analyzed what happened to younger workers' employment rates in some European countries during specific time periods after increased numbers of older workers retired early, not because of changes in the economy, but because of changes in national retirement policies. The researchers found the opposite of what the popular notion of a zero sum game would assume; they found that when more older workers left their jobs to retire early, more younger workers became unemployed. The researchers concluded that "the evidence suggests that greater labor force participation of older persons is associated with greater youth employment and with reduced youth unemployment."[b] An additional study of multiple countries' economic data also found that employment of older workers does not adversely affect the employment of younger workers.[c] Two possible explanations for the results of these studies are that (1) over time, entire economies grow as more workers enter the workforce, increasing the demand for all goods and services and also for workers, and (2) some jobs held by younger workers complement jobs held by older workers so that having one position filled leads to hiring for another position. For example, having a senior researcher may create the need for research assistants.

[a]Jonathan Gruber, Kevin Milligan, and David A. Wise, *Social Security Programs and Retirement Around the World: The Relationship to Youth Employment, Introduction and Summary*, Working Paper 14647, http://www.nber.org/papers/w14647, NBER (Cambridge, MA: 2009). The 12 countries covered in this study were Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Spain, Sweden, the United Kingdom, and the United States.

[b]For more information on this research, see Jonathan Gruber and David A. Wise, eds., *Social Security Programs and Retirement Around the World: The Relationship to Youth Employment*, University of Chicago Press, February 2010.

[c]Adriaan Kalwij, Arie Kapteyn, and Klaas De Vos, "Retirement of Older Workers and Employment of the Young" *De Economist* (2010) 158:341-359. The 22 countries covered by this study were Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

Among displaced workers[40] aged 65 and over, a significantly larger fraction of those who lost their job during the recession years chose to remain in the workforce, compared with those who lost their jobs during the prerecession period. Specifically, the percentage of displaced workers aged 65 and over who retired and left the labor force declined from 61 percent in the prerecession period to 35 percent in the recession years. At the same time, the percentage of displaced workers age 65 and over who chose to remain in the workforce but were unemployed increased from 15 percent prior to the recession to 33 percent during the recession (see app. II).[41] This could indicate that increasing numbers of older workers recognize that they are not well positioned for retirement. In addition, the increased availability of extended UI benefits could have caused some workers to remain in the labor force,[42] although several researchers estimate this has had only a modest effect.[43]

Those older workers displaced from 2007 to 2009 who successfully regained employment by January 2010 generally sustained greater

[40]Displaced workers are those who indicated that they lost a job for economic reasons (such as plant closures or their position being eliminated) during the previous 3 calendar years. Displaced workers are surveyed by the Census Bureau every 2 years, with the most recent survey interviewing people who lost their job during the recession period (January 2007-December 2009), and the previous survey interviewing people who predominantly lost their jobs prior to the recent recession (January 2005-December 2007). Older displaced workers may choose to stay in the workforce—becoming either employed or unemployed—or to exit the workforce, possibly into retirement.

[41]One study indicates this increase suggests that growing concerns about the adequacy of retirement savings and the 2008 stock market collapse may have discouraged early retirement and prompted more older workers to remain in the labor force after losing their jobs. Richard Johnson, *Rising Senior Unemployment and the Need to Work at Older Ages*, Urban Institute (Washington, D.C.: September 2009).

[42]Research indicates extended UI benefits could increase the unemployment rate in two ways: (1) by keeping older workers who would otherwise have dropped out of the labor force attached to the labor market or (2) by allowing the unemployed to turn down job offers they would have accepted had UI benefits not been available. See Jesse Rothstein, *Unemployment and Job Search in the Great Recession*, NBER (Cambridge, MA: October 2011).

[43]See Gary Burtless and Adam Looney, *Growth through Innovation: The Immediate Jobs Crisis and Our Long-Run Labor Market Problem*. Brookings Institution (Washington, D.C.: January 2012); Jesse Rothstein, *Unemployment and Job Search in the Great Recession NBER* (Cambridge, MA: October 2111); and Rob Valetta and Katherine Kuang, *Why is Unemployment Duration So Long?* Federal Reserve Bank of San Francisco, (San Francisco, CA: January 2012); *The Increase in Unemployment since 2007: Is it Cyclical or Structural?* Levine and Meyer, *Long-term Unemployment and Recessions.*

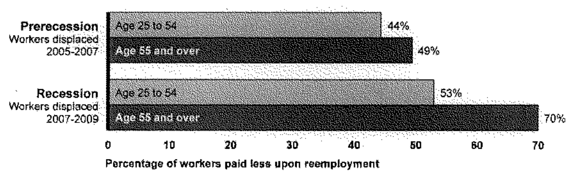
earnings losses than did younger workers. When comparing earnings before and after displacement, the median earnings replacement rate for workers aged 55-64 who were displaced from 2007 to 2009 was only 85 percent, compared with approximately 95 percent for workers aged 25-54 and over 100 percent for workers aged 20-24.[44] Indeed, as shown in figure 10, an estimated 70 percent of reemployed displaced older workers sustained earnings losses (an earnings replacement rate of less than 100 percent) compared with 53 percent of reemployed individuals aged 25-54. Other researchers have also found that displaced older workers suffer greater wage losses than younger workers,[45] and that the effects of job loss are likely to be long-lasting—including being more likely to lose subsequent jobs and experience additional unemployment spells.[46]

[44]This analysis is restricted to long-tenured displaced workers (workers with 3 or more years of tenure on the job they lost or left) who lost full-time, salaried jobs and were reemployed in full-time, salaried jobs at the time of the survey.

[45]A recent study using data from the Survey of Income and Program Participation found that between 1996 and 2007, the median hourly wage earned by displaced men aged 50 to 61 who become reemployed at ages 50 to 61 was 20 percent lower than the median wage on the prior job. For those reemployed at age 62 or older, the median wage for the new job was 36 percent below the median wage for the prior job. In contrast, the study found that younger men's median wages fell by only 4 percent for men aged 35 to 49 and 2 percent for those aged 25 to 34. The study found that reemployed older displaced women also suffered wage losses, but these differences were not as significant as those for men. See Johnson and Mommaerts, "Age Differences in Job Loss, Job Search, and Reemployment."

[46]A recent study using data from the Health and Retirement Study (HRS) found that individuals who lost a job between ages 50 and 56 had "messy post-displacement employment histories." Specifically, such workers were "more likely to job-hop, to suffer further involuntary job losses, and to experience subsequent unemployment than those who were still working for their age-50 employer at age 56." See Steven A. Sass and Anthony Webb, *Is the Reduction in Older Workers' Job Tenure a Cause for Concern?* Center for Retirement Research at Boston College (December 2010).

Figure 10: Estimated Percentage of Reemployed Displaced Workers Who Earned Less on Their New Full-Time Jobs than on Their Previous Jobs, January 2010



Source: GAO analysis of CPS Displaced Worker Supplement 2008 and 2010.

Note: Estimates in this figure have 95 percent confidence intervals within plus or minus 7 percentage points of the estimate itself. Analysis is restricted to long-tenured displaced workers (workers with 3 or more years of tenure on the job they lost or left) who lost full-time, salaried jobs and were reemployed in full-time, salaried jobs at the time of the survey. For statistical comparisons of the estimates across different groups and years, see appendix III.

Unemployed Older Workers Face Many Challenges Coping with Unemployment and Regaining Employment

Since the start of the recession, workers of all ages have struggled to cope with unemployment. However, older workers generally face longer periods of unemployment than do younger workers and may face unique reemployment challenges. According to experts and one-stop career center staff we interviewed, such challenges include employer reluctance to hire older workers, out-of-date skills, and unfamiliarity with online applications, which can be particularly common for older workers with limited technological skills.

Unemployed Older Workers Have Difficulty Meeting Financial Obligations

Unemployed older workers in our focus groups wanted to return to work so they could pay for critical living expenses and contribute to their families and communities.[47] They told us that losing their jobs had taken a toll on their sense of self-worth, reduced their standard of living, and put them at risk of long-term financial hardship.

Older workers cited difficulty paying for health care and health insurance as a key financial challenge since they lost their jobs.[48] Specifically, many focus group participants described struggling to pay health insurance premiums and some said they had found it difficult to secure private insurance because of high costs or preexisting conditions. Many focus group participants said they had forgone seeking medical care or taking prescribed medications because they could not afford them. See appendix IV for examples of specific quotes from focus group participants regarding risks associated with long-term unemployment.

[illegible]

Many focus group participants said that being unemployed had made it difficult to afford mortgage or rent payments.[49] In addition, some focus group participants told us they had lost or were at risk of losing their homes. Others had taken in roommates, moved in with friends or family,

[47] GAO conducted focus groups in Baltimore, Maryland; Falls Church, Virginia; San Jose, California; and St. Louis, Missouri. GAO selected these locations based on metropolitan areas' unemployment rates, geographic diversity, and the estimated costs for travel and securing focus group facilities. In total GAO conducted 10 focus group sessions. Methodologically, focus groups are not designed to (1) demonstrate the extent of a problem or to generalize results to a larger population, (2) develop a consensus to arrive at an agreed-upon plan or make decisions about what actions to take, or (3) provide statistically representative samples or reliable quantitative estimates. Instead, they are intended to generate in-depth information about the reasons for the focus group participants' attitudes on specific topics and to offer insights into their concerns about and support for an issue. Please see appendix I for further details on our focus group methodology.

[48] A survey of workers unemployed during the recession also found that some unemployed individuals age 55 and over had no health insurance or had gone without medical care. See M. Heidkamp, N. Corre, and C. Van Horn, *The "New Unemployables" Older Jobseekers Struggle to Find Work During the Great Recession,* Sloan Center on Aging and Work, Boston College (Chestnut Hill, MA: 2010). A recent survey of long-term unemployed and underemployed individuals age 18-64 also found that many of the long-term unemployed individuals reported difficulty paying for health insurance or health care. See *Kaiser Family Foundation/ NPR Long-Term Unemployed Survey.*

[49] A recent survey of long-term unemployed and underemployed individuals aged 18-64 also found that many long-term unemployed individuals reported difficulty paying for housing. See *Kaiser Family Foundation/ NPR Long-Term Unemployed Survey.*

or moved to a more affordable apartment to reduce their housing expenses. For example, one focus group participant told us his son had moved back home so that he could give his parents money for rent.

Most of our focus group participants had relied on UI benefits to help pay for critical living expenses while they were unemployed, and many said that without UI benefits they would have been in much greater financial jeopardy. Specifically, many focus group participants said that without UI benefits they would have lost their homes or even become homeless. However, some participants said they had already exhausted their UI benefits or would soon exhaust their benefits. Some focus group participants indicated that, since losing their jobs, they had received public assistance, such as through the Supplemental Nutrition Assistance Program (formerly known as food stamps).[50]

Even with UI, many focus group participants said they had drawn down retirement savings, increased their credit card debt, or tapped into their home equity to cover living expenses while unemployed. Others reported borrowing money from family or friends or selling possessions to meet their financial needs.[51] A majority of those who were old enough to claim early Social Security retirement benefits had already done so.

In addition, focus group participants said they had struggled to fulfill family financial obligations they had been able to meet in the past. Several mentioned that they were attempting to pay their children's college tuition

[50]A recent GAO report examines how many workers who lost their jobs during the recent recession received and exhausted UI benefits, the economic circumstances of those UI recipients who exhausted their benefits and whether they received support from other government programs, and the extent to which UI agencies refer those exhausting UI to other support programs. According to the report, 15 percent of these UI exhaustees had received benefits through the Supplemental Nutrition Assistance Program. See GAO, *Unemployment Insurance: Economic Circumstances of Individuals Who Exhausted Benefits,* GAO-12-408 (Washington, D.C.: Feb. 17, 2012).

[51]A survey of unemployed older workers age 55 and over also found that unemployed older workers have increased credit card debt; sold possessions; borrowed money from family, friends, or adult children; or moved to a different house or apartment. See Heidkamp, M., Corre, and Van Horn, *The "New Unemployables:" Older Jobseekers Struggle to Find Work During the Great Recession.* Another survey of long-term unemployed and underemployed individuals ages 18-64 also found that many had taken money out of savings or retirement funds to pay bills, sold personal belongings, or borrowed money from relatives and friends. See *Kaiser Family Foundation/ NPR Long-Term Unemployed Survey.*

or were helping to pay unemployed adult children's living expenses. They also frequently expressed general concern about high unemployment among younger generations. Some said they were supporting their children's employment by taking care of their grandchildren during the workday. Others mentioned that they were caring for their aging parents.

Unemployed Older Workers Face Many Challenges in Becoming Reemployed

Perceived Employer Reluctance to Hire Older Workers

Many experts, one-stop career center staff, and other workforce professionals we interviewed said that some employers are reluctant to hire older workers.[52] Because of legal prohibitions against age discrimination, employers are unlikely to explicitly express a lack of interest in hiring older workers;[53] however, one workforce professional told us that local employers had asked her to screen out all applicants over the age of 40.[54] Focus group participants perceived employer reluctance to hire older workers as their primary reemployment challenge, and several cited job interview experiences that had convinced them that age discrimination was limiting their ability to find a new job.

According to experts we interviewed, a key reason employers are reluctant to hire older workers is that they expect providing health benefits to older workers would be costly. Several employer surveys corroborate

[52]In some cases, our interviews with one-stop career center staff also included individuals who worked for other organizations, such as nonprofits, to help older workers overcome their employment challenges. In this report, we refer to these individuals and the one-stop career center staff as "workforce professionals."

[53]The Age Discrimination in Employment Act of 1967, as amended, prohibits employment practices that discriminate against people who are age 40 or older. Pub. L. No. 90-202, 81 Stat. 602, codified at 29 U.S.C. §§ 621-634.

[54]For information about evidence that employers discriminate against older job applicants, see Joanna N. Lahey, "Do Older Workers Face Discrimination?" Center for Retirement Research at Boston College, Issue Brief Number 33, July 2005.

this concern.[55] In addition, a few focus group participants who had handled their previous employer's health insurance or had been involved in hiring decisions said they had seen that older workers substantially increased insurance costs, which provided a disincentive to hire older workers. For example, one focus group participant told us that his prior employer had told him not to hire anyone older than him.

The higher wages that older workers previously earned also make some employers hesitant to hire them, according to experts, workforce professionals, and our focus group participants.[56] For example, employers may expect that an older worker who accepts a job paying significantly less than the worker had previously earned might continue to search for a higher-paying job and might leave the job if a better offer became available. Also, according to experts we interviewed, employers may believe that an older worker who previously held a high-level position will be overqualified and therefore unhappy in a lower-level position. Further, some experts we interviewed said employers may believe that an older worker may not be happy working for a younger, less experienced supervisor, which could cause interpersonal conflicts. Some focus group participants said potential employers had specifically mentioned these concerns during job interviews. Many of our focus group participants said they had great financial need for a new job and expected to take a significant pay cut to get one. See appendix IV for examples of specific quotes from focus group participants regarding challenges they experienced in becoming reemployed.

Lack of Up-to-Date Skills and Diminished Skills

Workforce professionals we interviewed said that many older workers lack up-to-date skills with computers and other technology, and this puts them at a disadvantage in becoming reemployed. Some noted that after a long spell of unemployment, even those older workers who had previously been proficient with computer technology might find their

[55]See Marcie Pitt-Catsouphes, Michael A. Smyer, Christina Matz-Costa, and Katherine Kane, "The National Study Report: Phase II of the National Study of Business Strategy and Workforce Development," Center on Aging and Work/Workplace Flexibility at Boston College Research Highlight 04, March, 2007, 21. Also, see *The Real Talent Debate: Will Aging Boomers Deplete the Workforce?* A WorldatWork Research Report, April 2007, 4.

[56]A recent study using data from the Survey of Income and Program Participation found that between 1996 and 2007, the median hourly wage for reemployed displaced workers was lower at ages 50 to 61 than at ages 35 to 49. The authors of the study suggest that "concern over the expense of hiring older workers may be overblown." See Johnson and Mommaerts, *Age Differences in Job Loss, Job Search, and Reemployment.*

technology skills outdated. Some experts we interviewed said that employers might hesitate to hire and retrain older workers because they assume that older workers will not want to work much longer, so the employer would not get a good return on the training investment. Some workforce professionals also said that, according to their observations, employers have increased the number of skills they require applicants to possess, even for low-level positions. For example, a workforce professional told us one job posting for a receptionist stated that the applicant needed to be able to manage the employer's website in addition to completing more typical administrative duties. Some focus group participants said that they were at a disadvantage in finding new jobs because injuries or other health problems prevented them from performing the type of work they had done in the past or meeting requirements of available jobs in other fields.

Challenges in the Online Job Application Process

According to workforce professionals, an ongoing trend among employers—to require job seekers to submit all applications and résumés online—creates difficulties for many older workers, particularly those with few or no computer skills. Further, workforce professionals told us that many online job applications require applicants to disclose information that readily reveals the applicant's age, such as the year the job seeker graduated from high school, and that applications cannot be submitted until such fields are completed. Such information would make it possible for employers to screen out older workers, if the employer wanted to do so. Workforce professionals also said that even workers seeking jobs that require little or no computer use could get those jobs only by completing a long online application. For example, workforce professionals in two locations told us that individuals seeking positions as maids and janitors in national chain hotels could apply for these positions only online and that the older workers seeking these positions often were unfamiliar with such applications.

Moreover, workforce professionals and focus group participants noted that online applications can vary widely among employers, cutting and pasting is sometimes not an option, and each application can take hours to complete. They also told us that many online applications cut off if an applicant has not completed or saved the work within a certain amount of time. This makes applying for jobs more difficult for workers with limited computer skills.

Emotional Challenges That Result from Long-Term Unemployment

Workforce professionals at the four one-stop career centers we visited and some other experts said that some older workers experience depression and discouragement because of their long-term

[illegible]

unemployment. While this challenge is not limited to older workers, depressed and discouraged older workers may not search for jobs as intensely as they might have otherwise and their performance in interviews may also be compromised.[57] For example, workforce professionals said that depressed or discouraged job seekers may show up at interviews looking disheveled or may become short-tempered during interviews. A workforce professional in Falls Church, Virginia, said that employers have told him they had decided against hiring an older job applicant because the applicant had appeared too desperate for a job. Many of our focus group participants said they had been discouraged or depressed because of their continued unemployment.

Older Workers Need Reemployment Services That Address Their Unique Challenges

Workforce professionals identified different types of services that older workers need from the workforce system to help address their reemployment challenges, such as employers' reluctance to hire them. For example, workforce professionals said older workers need services that help them

- learn how to present their skills and experiences to potential employers in a way that does not draw attention to their age, extensive years of experience, and past high-level positions;
- develop interview responses that can diffuse employer concerns about hiring older workers, such as whether the job seeker would be a good fit, be willing to work for less pay, or be okay with reporting to a younger manager;
- understand how to adjust their physical appearance to make a better impression on prospective employers;
- develop skills, including technological skills, that employers currently expect their employees to possess; and
- complete and submit online job applications.

[57] A recent survey of long-term unemployed and underemployed individuals ages 18-64 also found that many of these long-term unemployed individuals reported negative impacts on their mental and physical health. See *Kaiser Family Foundation/ NPR Long-Term Unemployed Survey.*

One-stop career center staff told us they offer classes and other support for workers to help with résumé writing, job interviewing, and computer skills. Some one-stop career center staff members told us that they perform mock interviews to help older job seekers learn how to gracefully respond to blunt questions that employers may ask older job applicants. Staff at two of the one-stop career centers we visited told us they had studied the details of some large employers' online applications to help job seekers avoid having their applications automatically rejected because of blank fields or inappropriate responses.

One-stop career center staff also told us that providing the type of assistance that some older workers need can be very time-consuming. For example, one-stop career center staff said that helping some older workers understand that their physical appearance or discouraged demeanor hurts their reemployment prospects usually requires sensitive one-on-one discussions. Also, one-stop career center staff told us they sometimes have to work individually with older workers for long periods of time to help them complete online applications.

Job Loss Can Diminish Retirement Income Prospects

Older workers who saved for retirement but lost their jobs following the recession could face reduced retirement security because of long-term unemployment, in part because they have fewer years to accrue additional benefits or make additional contributions, and they might rely upon their retirement savings to cover expenses incurred while they are unemployed. Furthermore, a long period of unemployment could lead older workers to claim early Social Security retirement benefits, which would reduce their monthly benefits for the rest of their lives.

Job Loss Can Lead to Lower Private Retirement Income, Early Social Security Claims, and Exhaustion of Retirement Savings

Long-term unemployment can reduce an older worker's future monthly retirement income in numerous ways, such as by reducing the number of years the worker can accumulate DB plan retirement benefits or DC plan savings, by motivating Social Security claims at an earlier age than the worker otherwise would have chosen, and by leading workers to draw down retirement savings to pay for expenses during unemployment.

Fewer Years of Work Can Lower Retirement Income

Job loss can result in fewer years of work over a worker's lifetime, which can lower the worker's retirement income in several ways. For example, fewer years of work can prevent a worker covered by a traditional DB plan from having enough years of work with an employer to vest in (that is, earn a nonforfeitable right to receive) employer-funded retirement benefits, thus preventing the worker from having any retirement benefits from the employer.[58] Fewer years of work can also reduce a worker's final retirement benefit from a traditional DB plan if the number of years worked is used in the formula for calculating retirement benefits. For workers with DC plans, having fewer years of work can limit the amount of yearly employee and employer contributions that accumulate in a worker's account and reduce the earnings from those contributions. Further, having fewer years of work gives a worker less time to move up the salary ladder and achieve higher levels of pay. For a worker with a traditional DB plan, this will result in lower benefits if salary levels are included in the formula for calculating benefits, and, for a worker with a DC plan, this can reduce the worker's ability to increase contributions to the plan over time. Social Security retirement benefits may be reduced as a result of fewer years of work because the benefits are based, in part, on a calculation of the worker's average monthly earnings over 35 years. The 35 years used for the calculation are the worker's highest earnings years, adjusted for changes in wage levels. If a worker has less than 35 years of earnings, then zeros would be used for earnings in the missing years, and this will result in a lower calculated benefit. Even if the worker had already worked for 35 years, losing work could reduce the worker's Social Security retirement benefits because the worker did not have the opportunity to achieve higher earnings to replace low-earnings years in the benefit calculation.[59]

Our simulations of how job loss and a forced early retirement would affect an older worker's retirement income show that workers who had been participating in an employer-sponsored retirement plan would lose more retirement income because of job loss than workers who relied

[58]The terms of an employer-sponsored retirement plan may specify when the employee has earned a nonforfeitable right to employer-funded benefits (called vesting), typically after the employee reaches a certain age or has completed a certain period of service. Federal vesting requirements may apply to some plans. For example, to qualify for favorable tax treatment, private sector DB plans are generally required to vest within a maximum of 7 years if they use graded vesting, in which the employee is vested in an increasing percentage of the benefits over time. If the plan does not use graded vesting, employees must be 100 percent vested within 5 years. In addition, employees must be vested upon reaching retirement age (typically age 65 or earlier, if defined by the plan), and federal law limits the ability of plans to disregard an employee's prior years of service after breaks in service of less than 5 years. 29 U.S.C. § 1053(a)-(b). However, plans sponsored by public sector employers are not generally subject to these requirements, although state laws may apply.

[59]For more information on how Social Security retirement benefits are calculated, see online illustration at http://www.ssa.gov/oact/ProgData/retirebenefit1.html.

exclusively on Social Security retirement benefits.[60] Workers with employer-sponsored retirement plans are in the best position to save for retirement because their retirement saving is facilitated and may be supplemented by their employers. Also, workers with access to employer-sponsored plans typically have higher average earnings than workers without access to such plans, and higher earnings will generally result in higher Social Security retirement benefits and generally in a greater ability to save for retirement. These workers also have the most retirement income to lose by becoming unemployed.

We simulated how losing years of work as well as losing coverage by an employer-sponsored retirement plan between ages 55 and 62 could affect retirement income. Specifically our simulation estimated pretax monthly retirement income beginning at age 62 for groups forced to leave work at ages 55 and 58, and we compared future retirement income of these groups with our simulation results for a group who stopped work at age 62. The simulations show that retirement benefits from employer-sponsored plans are reduced much more than Social Security retirement benefits as a result of having fewer years of work. For example, median-level retirement benefits from employer-sponsored plans are 39 percent lower—$500 compared with $817—for workers with a DC plan (and no DB plan) who leave work at age 55 compared with similar workers who work until age 62. For these same groups of workers, median Social Security retirement benefits are only 13 percent lower—$1,273 compared with $1,467—for those who stopped working at age 55. Also, according to our simulations, the median Social Security retirement benefit for workers who leave work at age 55 or 58 with only a DC or a DB plan (but not both) is higher than the median benefits for such workers from an employer-sponsored retirement plan.[61]

[60]Our simulations of how job loss and a forced early retirement would affect an older worker's retirement income cover retirement income from employer-sponsored retirement plans and Social Security retirement benefits but not retirement income from other sources.

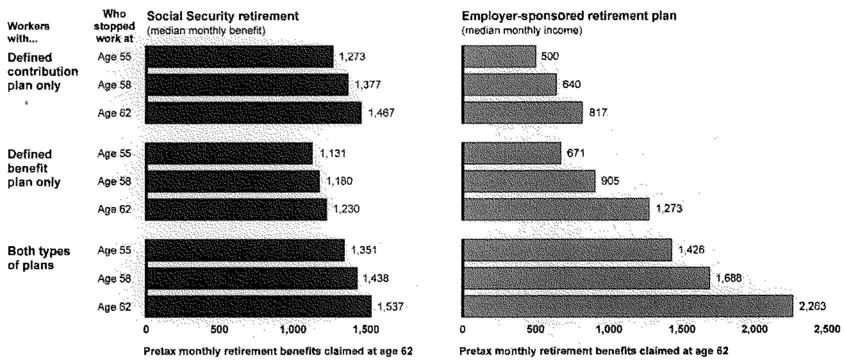
[61]Over time, the percentage of a worker's retirement income coming from Social Security compared with private sources may increase because Social Security retirement benefits are subject to cost-of-living adjustments based on the Consumer Price Index for Urban Wage Earners and Clerical Workers published by the Bureau of Labor Statistics; however, retirement benefits from private sources may not be inflation-adjusted.

The simulations also show that some workers with employer-sponsored retirement plans who lose their jobs in their 50s are likely to end up either not vesting in the plans or cashing out their savings when they lose their jobs. On the other hand, the simulations demonstrate that workers who have benefits from both a DB and a DC plan are in the best financial position for retirement. At the median level of benefits, even those who were forced to retire at age 55 would have higher monthly retirement income than workers with only a DB or DC plan who worked until age 62. Figure 11 shows the simulations' results at the median level (middle value in distribution) of benefits for workers who had been participating in employer-sponsored plans.

The older workers from our simulations in figure 11 are better positioned for retirement than many other older workers because (1) they were fortunate enough to be working for an employer that offered a retirement plan before they lost their job, and (2) their retirement benefits are at the median level, which means their benefits are higher than those of almost half of the other workers in their group with similar retirement plans. Workers with benefits in the lower range (25th percentile) have substantially lower benefits. For example, a worker with benefits from a DC plan at the 25th percentile level will receive only about $136 per month from the DC plan at age 62 if the worker stops working at age 58, and such a worker will receive only $239 if he or she stops working at age 62. The results of our simulation show a best-case scenario for workers with DC plans because the simulation assumes the workers do not draw down any DC plan savings before age 62.

Finally, the simulations demonstrate that workers with both a DB and DC plan are in the best financial position for retirement. At the median level of benefits, even those who were forced to retire at age 55 would have higher monthly retirement income than workers with only a DB or DC plan who worked until age 62.

Figure 11: Potential Effect That Fewer Years of Work Can Have on Retirement Benefits for Workers with Median-Level Retirement Benefits from Employer-Sponsored Plans and Median-Level Retirement Benefits from Social Security

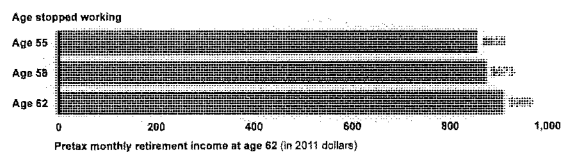


Source: GAO analysis using the Policy Simulation Group's microsimulation models.

Note: The cohort used from the simulation models comprises individuals who were age 55 in 2010 and were participating in a retirement plan at their current employer. The models simulated retirement benefits at age 62 after all individuals in the cohort stopped working at ages 55, 58, and 62. The graphic shows the median level of benefits from employer-sponsored plans (including benefits from prior employers) based on the type of plan the individuals were participating in at the time of job loss. The medians for private retirement benefits and for Social Security retirement benefits were calculated separately and cannot be combined to get a median for total retirement income. The models assumed that all participants who vested in benefits and did not cash out their benefits when they left the job before age 62 used DC plan savings to purchase an annuity at age 62.

Our simulations showed that workers with only Social Security retirement benefits have a comparatively small reduction in retirement income because of job loss, but, given their low monthly retirement income levels, the approximately $30 to $60 reduction could become problematic as retirees age and if health care costs and premiums continue to increase. Also, these workers may have great difficulty paying for living expenses while they are unemployed before they are old enough to claim Social Security retirement benefits because, if they do not have retirement savings, they may not have other savings to help them through a period of long-term unemployment. Figure 12 shows the simulations' results at the median level of benefits for workers who stopped working at different ages and had only Social Security retirement benefits.

Figure 12: Potential Effect That Fewer Years of Work Can Have on Social Security Retirement Benefits of Workers without Employer-Sponsored Retirement Plans



Source: GAO analysis using the Policy Simulation Group's microsimulation models.

Note: Benefit amounts shown are for claims filed at age 62. The cohort used from the simulation models comprises individuals who were age 55 in 2010 and did not have retirement benefits from an employer-sponsored plan or IRA at age 62.

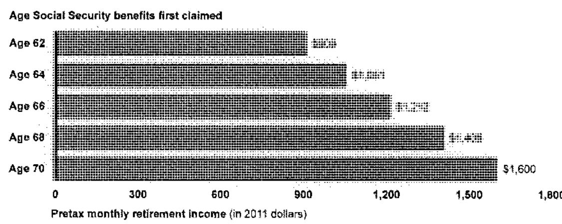
Unemployment Can Motivate Older Workers to Claim Social Security Retirement Benefits Early

The responses of our focus group participants, academic research, and a recent spike in Social Security claims indicate that long-term unemployment can motivate older workers to file for early Social Security retirement benefits, which will result in those workers and their survivors receiving lower monthly retirement benefits for the rest of their lives than if the workers had waited to claim benefits at full retirement age.[62] Many unemployed older workers in our focus groups said that they were planning to claim Social Security retirement benefits as soon as they were eligible or had already done so. They said that they could not find a job and needed a source of income to help pay for living expenses, and therefore decided to claim Social Security retirement benefits early. Some focus group participants also expressed the notion that they needed to claim Social Security retirement benefits as soon as possible because they were afraid of changes Congress might make in Social Security benefits and wanted to ensure they were grandfathered into the program before the changes were made. A few older workers in our focus groups who were too young to claim Social Security retirement benefits but had health problems that affected their ability to work said they applied for Social Security disability benefits to help pay for living expenses after they became unemployed.

[62]The full retirement age is the age at which an individual is eligible to receive unreduced retirement benefits. This age ranges from 65 to 67 depending on the year the recipient was born. 42 U.S.C. § 416(l); 20 C.F.R. § 404.409(a).

Claiming Social Security retirement benefits at age 62 will cause an older worker to receive lower monthly benefits than if the worker had waited until full retirement age to claim benefits. Because Social Security retirement benefits are adjusted to provide approximately the same estimated value of lifetime benefits regardless of when the benefits are claimed, claiming benefits early results in a reduction to the monthly benefit amount because the benefits are paid out over a longer period of time. Therefore, older workers who claim Social Security retirement benefits early will have less income from Social Security each month to pay for living expenses for the rest of their lives. Figure 13 shows how an older worker's monthly Social Security retirement benefit would differ depending on the age at which the worker claimed the benefits.

Figure 13: Example of the Effect of Early Claiming on Monthly Social Security Retirement Benefits



Source: GAO.

Note: For this analysis, GAO applied Social Security retirement benefit formulas for delayed and early claiming to the age 62 benefit amount derived from the analysis used in the preceding figure (fig. 12). The illustration is based on an individual who worked until age 62. The individual used in the illustration (1) is from a subset of the cohort used in the simulation models comprising individuals who were age 55 in 2010 and did not have retirement benefits from an employer-sponsored plan at age 62, and (2) had Social Security retirement benefits at the median level for the subset.

Academic studies have found that unemployment can lead workers to retire. A study published in 2009 covering 30 years of data on employment and retirement decisions found that during times when obtaining a new job is difficult, older workers were likely to retire in response to becoming unemployed.[63] Regarding the then-ongoing recession of 2007-2009, the study estimated that more older workers would retire early because of unemployment than would delay retirement in an attempt to rebuild savings after the downturn in the financial market. Also, a 2012 study found that high unemployment increases Social Security retirement claims among men with limited education.[64] The spike in claims for Social Security retirement benefits that occurred in 2009 after large increases in unemployment rates offers support for the study's findings. According to estimates from SSA's Office of the Chief Actuary, in fiscal year 2009 about 139,500 (about 6 percent) more older workers applied for Social Security retirement benefits than would have been expected in the absence of a recession.[65]

The recession also led to an increase in applications for disability benefits from the Social Security Disability Insurance program. In 2009, SSA received approximately 205,000 (12 percent) more applications for disability benefits because of the recession, and applications also rose in 2010 because of the recession, according to estimates by the Office of the Chief Actuary.[66] While we do not know the percentage of these

[63]Courtney Coile and Phillip B. Levine, *The Market Crash and Mass Layoffs: How the Current Economic Crisis May Affect Retirement*, Working Paper 15395, http://www.nber.org/papers/w15395, NBER (Cambridge, MA: 2009).

[64]The researchers estimate that the recession of 2007-2009 increased Social Security retirement claiming for men with limited education by about 40 percent. See Owen Haaga and Richard W. Johnson, *Social Security Claiming: Trends and Business Cycle Effects*, Center for Retirement Research at Boston College (Chestnut Hill, MA: February 2012).

[65]When the Office of the Chief Actuary made estimates in December 2008 for the number of retirement benefit claims SSA would receive in fiscal year 2009, it did not factor recessionary effects into the estimates because, at that time, it did not know if the recession would increase or reduce the number of applications SSA would receive for retirement benefits. Therefore, according to the Office of the Chief Actuary, comparing the estimates for retirement benefits applications for fiscal year 2009 that were made in December 2008 with the actual number of applications received in fiscal year 2009 provides a reasonable estimate of the effect of the recession on Social Security applications in fiscal year 2009.

[66]When the Office of the Chief Actuary made estimates in April 2008 for the number of OASDI disability applications SSA would receive in fiscal year 2009, it was not recognized within the United States that the economy was in recession, and a recession was not expected. Therefore, the Office of the Chief Actuary did not factor recessionary effects into the April 2008 estimates. According to the Office of the Chief Actuary, comparing the estimates for OASDI disability benefits applications for fiscal year 2009 that were made in April 2008 with the actual number of applications received provides a reasonable estimate of the increase in applications due to the recession.

additional applications that were filed by older workers, the majority of disability awards (approved applications) are for individuals age 50 and over. Also, for individuals age 50 and over, awards for disability benefits, as well as the percentage of individuals in the population who have been awarded disability benefits have increased since the recession started.[67] (See app. V for information on the increase in disability benefit awards.)

Older workers who lost their jobs in the recession had significant injuries or health problems, and were not old enough to claim Social Security retirement benefits have strong incentive to apply for Social Security disability benefits. If they are awarded benefits, they will receive monthly payments and, after a 24-month waiting period, they will be eligible for health insurance from the Medicare program.[68] Also, receiving Social Security disability benefits gives unemployed older workers an alternative to claiming Social Security retirement benefits early. This is because individuals who are awarded Social Security disability benefits and remain eligible for those benefits can continue receiving them up until full retirement age, when they can begin receiving full retirement benefits.

An increase in the number of individuals receiving disability benefits is costly for the OASDI trust funds.[69] According to the Office of the Chief Actuary, some workers who applied for disability benefits as a result of the recession probably would have applied eventually, but job loss or other effects of the recession motivated them to apply earlier. However, other workers may never have applied for disability benefits if they had not lost their jobs, and the trust fund would not have made disability payments to those workers.

[67]According to the Office of the Chief Actuary, applications did not increase as a result of the recession for Aged benefits under the Social Security Supplemental Security Income (SSI) program. To be eligible for SSI Aged benefits, individuals must be 65 or over and have very low income and few assets. Such individuals may have already been unemployed before the recession, which could help explain why the recession did not increase applications for SSI Aged benefits.

[68] Receipt of disability benefits is generally subject to a 5-month waiting period beginning with the month the applicant was both insured for disability and disabled, as defined by statute. 42 U.S.C. § 423, 20 C.F.R. § 404.315.

[69]Unlike Social Security disability benefits, early Social Security retirement benefits do not increase expenditures from the OASDI trust funds. This is because retirement benefits are actuarially adjusted based on the age the benefits are claimed.

Unemployment Can Lead Older Workers to Use Their Private Retirement Savings Early

Unemployment can also lead an older worker who has a retirement account to use some or all of those savings to cover living expenses while unemployed. Slightly over half of the older workers in our focus groups who reported having retirement savings in an IRA or DC plan also reported that they had used some or all of these savings to pay for expenses while they were unemployed. For example, focus group participants described using retirement savings to cover expenses such as mortgage and car payments, medical bills, a child's college tuition, and moving to more affordable housing. A survey of unemployed workers conducted in March 2010 also found that a high percentage reported using savings set aside for retirement or other purposes to help make ends meet.[70] In addition, an October 2010 survey of workers age 50 and over found that nearly a quarter reported that they had used all their savings during the past 3 years.[71]

The earlier a worker stops working and cashes out DC plan savings, the lower the savings will be and the shorter the period that the savings are likely to last. Depending on the level of savings, the length of time the worker spends unemployed, and the worker's other financial resources, a worker may be at risk of using a large percentage of DC savings during unemployment. If the worker is fortunate enough to find another job that includes an employer-sponsored retirement plan or pays enough to enable the worker to save some earnings in an IRA, the worker will be able to resume saving for retirement. Figure 14 illustrates how a worker's retirement savings of $70,000 in a 401(k) plan could change after 2 years of unemployment, depending on how much the worker withdrew from the account while unemployed.[72] The figure also shows how the account value could increase if the worker became reemployed and resumed

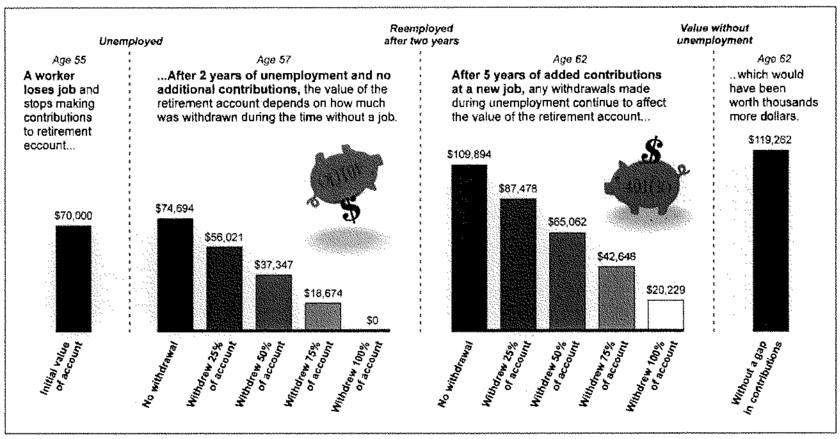
[70]Heidkamp, Corre, and Van Horn, *The "New Unemployables", Older Job Seekers Struggle to Find Work During the Great Recession.*

[71]Sara E. Rix, AARP Public Policy Institute, "Recovering from the Great Recession: Long Struggle Ahead for Older Americans" (Washington, D.C.: May 2011). This study surveyed adults aged 50 and over who had been in the labor force at some point during the previous 3 years.

[72]We used $70,000 as the starting point for this illustration because it is about the median level of DC plan savings for employed workers age 55 and over who have a DC plan account from a current or past employer. For purposes of this illustration, we decided to round this median to the nearest $10,000. Based on 2007 Survey of Consumer Finances data, the estimated median is $70,800 and its 95 percent confidence interval is within plus or minus $13,204, or between $57,596 and $84,004.

saving for retirement. As shown in figure 14, if the worker did not make any withdrawals during the period of unemployment, savings could have reached nearly $110,000 by age 62, after becoming reemployed. On the other hand, if the worker withdrew 50 percent of the retirement account balance while unemployed but then found a job and saved for another 5 years, the worker would still have less savings than before unemployment began.

Figure 14: How Drawdowns from Retirement Savings during Unemployment Can Affect Amounts Saved at Time of Retirement if a Worker Became Reemployed and Resumed Saving



Source: GAO.

Note: This illustration is based on an individual who was born at the beginning of 1953, turns 55 in 2008, and retires at age 62 in 2015. To calculate changes in the account balance over time, we used the interest and rate-of-return assumptions as reported in past and projected under the intermediate cost assumptions in the *2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (also known as the OASDI Trustees' Report). We used scaled earnings for medium annual earners as reported in past and projected in the 2011 OASDI Trustees' Report. We assumed the employee contributions to the retirement account are 6 percent of the individual's wages and received a 3 percent employer matching contribution.

If the individual shown in figure 14 worked beyond the age of 62, the worker could continue to increase the savings and postpone the time when the savings would need to be used. If the worker worked until age 65, savings could reach about $139,500, if no withdrawals were made while unemployed. But, if substantial withdrawals were made while unemployed, the worker would need to work past age 62 just to get back to the level of savings in the account before the unemployment began. On the basis of our estimates, if the worker withdrew 50 percent of the retirement account balance while unemployed and became reemployed at age 57, it would take about 5 ½ more years of saving (age 62 ½) until the account balance got back to the level it was when the worker was 55.

Before the Recession, Many Older Workers Had Little or No Retirement Savings

In the period shortly before the recession started, we estimate that 40 percent of employed individuals age 55 and over had no DB plan and no retirement savings or savings below $50,000.[73] Specifically, we estimate that 22 percent of older workers had no private retirement savings and did not participate in a retirement plan, and an additional 18 percent only had retirement savings of less than $50,000 in a DC plan or IRA. Another 23 percent had total retirement savings of $50,000 or more in a DC plan or IRA and did not participate in a DB plan. We estimate that 37 percent of older workers were participating in a DB plan at their current employer or had earned the right to receive benefits from a past employer's DB plan, and about half of these (19 percent of all older workers) had both a DB and a DC plan.[74] See figure 15 for the results of our analysis, based on data from the 2007 Survey of Consumer Finances.

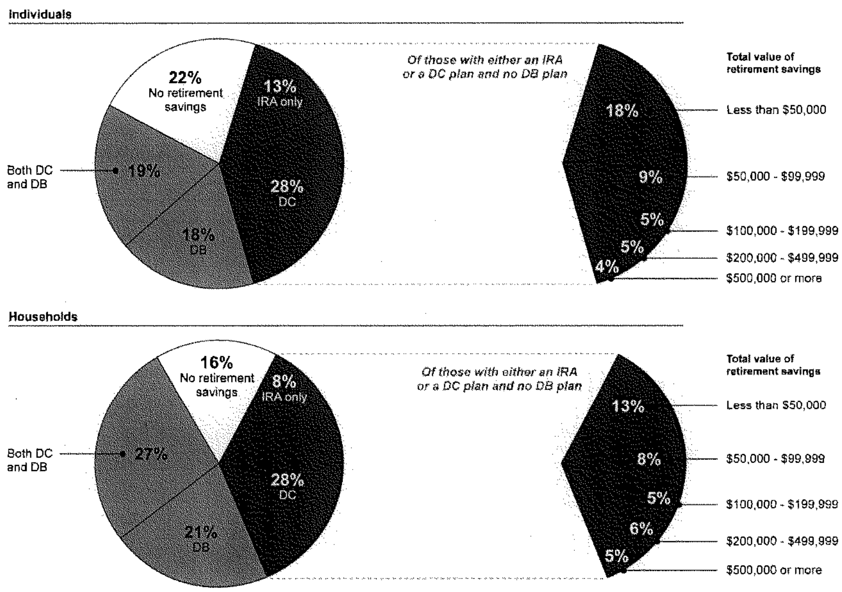
When older workers' retirement plans and retirement savings are combined with those of their spouses, the resulting estimates indicate that more households than individuals have private retirement savings or plan participation. For households with at least one spouse over age 55, an estimated 16 percent had no retirement savings or plan participation, and an additional 13 percent had savings of less than $50,000. Figure 15 shows the estimated percentage of part- or full-time employed individuals

[73]Percentage estimates based on the 2007 Survey of Consumer Finances have 95 percent confidence intervals of within plus or minus 3.4 percentage points of the estimate itself. See appendix I for additional information about this survey and estimates.

[74]Our analysis does not cover the dollar value of benefits that individuals expect to receive from DB plans because these data are not collected in the Survey of Consumer Finances.

age 55 and older and their households according to the type of retirement plans or savings they had at the time of the 2007 survey. The percentage of those shown as participating in a DC or DB plan includes those who were participating at their current employers or who had accumulated benefits from a prior employer.

Figure 15: Estimated Levels of Retirement Savings and Types of Plan Participation for Employed Workers 55 and Over and Their Households, 2007



Source: GAO analysis of 2007 Survey of Consumer Finances data.

Note: For the purpose of this figure, retirement savings are considered to be participation in a DB or DC plan at a current employer, earned DB benefits from a past employer, a DC account from a past employer, a Keogh account, or an IRA. In this figure, rollover IRAs—IRAs that were started with funds rolled over from a DC plan account—are counted as DC savings, not IRAs. Also, Keogh accounts are counted as IRAs. Our analysis of households only includes the retirement savings and plan participation of the head of household and the spouse and does not include the retirement savings or retirement plan participation of additional family members. Percentage estimates in this figure have 95 percent confidence intervals that are within plus or minus 3.2 percent of the estimate itself. Because of rounding, percentages for "total value of retirement savings" for households does not sum to the corresponding combined value for categories "IRA only" and "DC."

Changes that have occurred since 2007, including job losses and financial market declines, have likely reduced retirement savings for some older workers.[75] Also, after the start of the recession in 2007, to cut costs, some employers suspended contributions to their employees' DC accounts, which will ultimately reduce employees' retirement income. According to the Employee Benefit Research Institute's (EBRI) annual Retirement Confidence Survey, workers' confidence in being able to afford a comfortable retirement has eroded since 2007.[76] For example, in 2007, according to EBRI estimates, 11 percent of workers age 55 and over said they were not at all confident about having enough money to live comfortably in retirement. By 2011, that percentage had increased to 22 percent. In addition to the impact of the 2007-2009 recession and ensuing financial downturn, these changes may indicate that more older workers are becoming aware that they do not have enough savings to retire and need to keep working to increase their income or save more for retirement. This may help explain why the proportion of older workers participating in the workforce has continued to increase. Also, since the onset of the recession, more workers have reported that they expect to retire at older ages than in the past. EBRI conducted an analysis of expected retirement ages of workers age 50 and over using 2006, 2008, and 2010 data from the University of Michigan's Health and Retirement Study. EBRI found increases from 2006 to 2010 in the percentage of

[75]According to a recent study using data from the Health and Retirement Study, "The retirement wealth held by those ages 53 to 58 before the onset of the recession in 2006 declined by a relatively modest 2.8 percentage points by 2010. In more normal times, their wealth would have increased over these 4 years." See Alan L. Gustman, Thomas L. Steinmeier, and Nahid Tabatabai, "How Did the Recession of 2007-2009 Affect the Wealth and Retirement of the Near Retirement Age Population in the Health and Retirement Study?" NBER Working Paper 17547, http://www.nber.org/papers/w17547 (Cambridge, MA: October 2011).

[76]Ruth Helman, Craig Copeland, and Jack VanDerhei, *Issue Brief No. 355: The 2011 Retirement Confidence Survey: Confidence Drops to Record Lows, Reflecting "the New Normal,"* Employee Benefit Research Institute (Washington, D.C.: 2011).

workers age 50 and over who expected to retire after age 65.[77] However, workers' reports about plans to delay retirement should be considered with some skepticism because EBRI has found that a large percentage of workers retire earlier than they expected for various reasons, including health problems, downsizing or closure of their company, and having to care for a spouse or other family member.

Experts Selected Policies to Consider as the Economy Recovers, and Labor Has Taken Some Steps to Help Older Workers

Experts we interviewed most frequently selected a range of policy proposals that could potentially help unemployed older workers regain employment as the economy improves.[78] In the current context of high unemployment and slow job creation, the impact of such policies is likely to be muted by limited job openings. Nonetheless, experts we spoke to said these policies could potentially help some older workers obtain reemployment. Labor has taken some steps to help older workers by implementing several strategies proposed in its 2008 Taskforce report.

[77] Sudipto Banerjee, "Retirement Age Expectations of Older Americans Between 2006 and 2010," Employee Benefit Research Institute, *Notes* Vol. 32, No. 12, Dec. 2011, 2-12.

[78] The 12 experts we interviewed primarily work in academia and think tanks, and were selected based on their expertise on older workers, workforce development, or retirement policy. We selected a group of experts to help ensure a range of viewpoints. We asked these experts if they would be willing to assess the strengths and weaknesses of policy proposals to help long-term unemployed older workers regain employment. Prior to interviewing the experts, we sent them a list of the 21 policy proposals we had compiled from previously published studies and reports. We asked the experts to select those 5 policies they believed merited serious consideration. The 8 policies addressed in this section are those that received votes from 4 or more of the 12 experts we interviewed. The expert discussion cited in this report should be interpreted in the context of two key limitations and qualifications. First, although we were able to secure the participation of a balanced, highly qualified group of experts, other experts in this field could not be included because we needed to limit the size of the panel. Second, although many points of view were represented, the panel was not representative of all potential views.

Proposed Policies to Help Older Workers as the Economy Recovers

Experts we interviewed most frequently selected a variety of policy options that could help address unemployed older workers' reemployment challenges. Experts selected these policies from a broader list of proposals we compiled from previous studies,[79] many of which were conducted before the recession. (For a complete list of the proposals we presented to experts, see app. VI.) While there was no consensus among experts and each proposal had advantages and disadvantages, several experts we spoke to said implementing several policies in combination would likely improve older workers' employment levels more than implementing any of the policies in isolation. Experts differed on whether they believed the policies should be narrowly targeted at older workers or more broadly applied to all long-term unemployed workers. Some experts suggested all long-term unemployed workers—not just those who are older—should qualify to receive assistance under some proposed policies. Others said that policies specifically targeted to older workers could help "level the playing field" and contain federal costs. Finally, experts said that implementing many of the policies would increase federal spending and involve legislative changes, and would therefore need to be considered carefully in the context of our nation's current long-term fiscal challenges.

The eight policy proposals experts most frequently selected fall into three categories, organized by the underlying issue they are meant to address: (1) employer reluctance to hire older workers, (2) the need to enhance reemployment assistance targeted specifically to older workers, and (3) the need to encourage older workers to obtain reemployment as quickly as possible. However, some of the policy proposals experts selected will be of limited effectiveness as long as the number of job seekers greatly outnumbers the number of available jobs. Further, the effectiveness of some proposed policies could be limited if older workers' unemployment is caused by structural rather than cyclical changes. However, experts we spoke to said these policies could potentially help older workers obtain reemployment.

[79]Before interviewing experts, we reviewed the literature, including past GAO reports, academic studies, and federal agency reports, to identify policies that have been proposed to help unemployed older workers regain employment. The eight policies that received votes from at least 4 of the 12 experts are listed in tables 1 to 3 along with experts' comments on the policies' strengths and limitations.

Of the eight proposed policies most frequently selected, three aim to address employer reluctance to hire older workers (see table 1). As discussed previously, almost all of the experts and workforce professionals we interviewed said that some employers are reluctant to hire older workers. When explaining why this might be the case, many experts cited older workers' higher health care costs and salary expectations. Many experts we interviewed said that eliminating the requirement that Medicare generally be the secondary payer for benefits for workers age 65 and over covered by an employer group health plan could improve employers' willingness to hire older workers.[80] However, the experts also acknowledged that implementing such a policy would shift health insurance costs from employers to the public system and exacerbate Medicare's current financial challenges. Two of the other proposed policies experts most frequently selected would provide incentives to employers to encourage them to hire long-term unemployed older workers, such as by offering temporary wage or training subsidies.

Table 1: Experts' Views on Key Strengths and Limitations of Selected Policy Proposals to Help Address Perceived Employer Reluctance to Hire Older Workers

Experts' favored policy proposals to help address perceived employer reluctance to hire older workers	
Eliminate the requirement that Medicare generally be the secondary payer for workers covered by an employer group health plan.[a]	**Key strengths as identified by experts**
	Could minimize younger workers' cost advantage to employers because of their lower health care costs, and by doing so would make hiring older workers more attractive to employers.
	Could be justified on the grounds of fairness, since working individuals 65 and over have paid their Medicare taxes and are entitled to the benefit.
	Key weaknesses as identified by experts
	Might not help that many older workers, or the neediest among them, because it would apply only to those 65 and over, who can typically collect Social Security retirement benefits, and not those 55-64.
	This would represent a cost to the government and exacerbate Medicare's financial challenges, although it is unclear by how much. The cost might be limited because workers 65 and over tend to be in better health—and therefore less expensive to cover—than nonworkers 65 and over.

[80]For workers aged 65 or over and covered by their own or their spouse's employer's group health plan, federal law generally requires that the employer's group health plan be the primary payer and Medicare be the secondary payer for benefits. 42 U.S.C. § 1395y(b)(2)(A); 42 C.F.R. §§ 411.170, .172, .175.

	May not increase the employment rate of those 65 and over very much, since many work part-time and are not covered by their employers' health insurance plans.
Congress could offer temporary wage subsidies to employers that hire older workers who have experienced long-term unemployment (27 or more weeks).	**Key strengths as identified by experts**
	Could influence employers' behavior to make them more likely to hire older workers.
	Limiting eligibility to older workers makes the policy more efficient by reducing the likelihood that the government would be subsidizing individuals that employers would have hired anyway.
	Could be cost-effective when the costs of long-term unemployment and entitlement programs are taken into account.
	Key weaknesses as identified by experts
	May lead some employers to postpone hiring to get the benefit, because it would make older workers unemployed for 27 or more weeks cheaper than those unemployed for a shorter period.
	May influence the type of workers employers hire, rather than increasing overall employment levels.
	May want to expand eligibility to all unemployed older workers, not just those unemployed for 27 or more weeks, because evidence indicates that unemployed older workers tend to remain unemployed for long periods of time.
	Potential for employer windfalls if employers would have hired the older worker even without the subsidies.
Congress could offer training subsidies to employers that hire older workers who experienced long-term unemployment (27 weeks or more). To be eligible for the training subsidy, employers would have to commit to retaining these workers for a certain amount of time (e.g., 6 months to a year).	**Key strengths as identified by experts**
	May increase older workers' employment levels because the training subsidies would be led by employer demand and tied to an actual job.
	Could help prevent older workers' skills from atrophying because of prolonged unemployment and help return them to their pre-unemployment productivity levels.
	Limiting eligibility to older workers makes the policy more efficient by reducing the likelihood that the government would be subsidizing individuals that employers would have hired anyway.
	Key weaknesses as identified by experts
	Would need to ensure that current employees of organizations receiving subsidies are given comparable levels of training so they are not at risk of subsequent displacement.
	Could pose equity issues, since workers of all ages have been affected by increased long-term unemployment.
	Potential for employer windfalls if employers would have provided this training even without the subsidies.

Source: GAO summary of experts' views on policy proposals selected by four or more experts.

[a] For workers aged 65 or over and covered by their own or their spouse's employer's group health plan, federal law generally requires that the employer's group health plan be the primary payer and Medicare be the secondary payer for benefits. 42 U.S.C. § 1395y(b)(2)(A); 42 C.F.R. §§ 411.170, .172, .175.

Experts most frequently selected three proposed policies to enhance the reemployment assistance the federal workforce development system currently provides to older workers (see table 2). One of these policies proposes that Labor develop a job search assistance program specifically targeted to older workers to provide training in basic computer skills, résumé writing, and online application filing. The second proposed policy would involve changing the WIA and SCSEP performance measures to remove a potential disincentive for serving older workers.[81] The third policy proposes increasing funding for the SCSEP program to reflect increases in the older worker population.

Table 2: Experts' Views on the Strengths and Limitations of Selected Policy Proposals to Enhance Reemployment Assistance Specifically Targeted to Older Workers

Experts' favored policy proposals to help enhance reemployment assistance specifically targeted to older workers	
Labor could develop a job search assistance program specifically targeted to older workers that provides training in basic computer skills, résumé writing, online application filing, and other areas where older workers may require specialized assistance.	**Key strengths as identified by experts**
	Could help older workers navigate the new, more advanced job search technologies that may be unfamiliar to them because they have not searched for a job in many years.
	Job search assistance has proven beneficial to older workers and is generally more valuable to them than training, given their time left in the labor force.
	Could be efficient because of a potentially large take-up rate, ease of program development and implementation, and low costs.

[81]Each state receiving funds under WIA is required to report annually the state's and local areas' progress on several performance measures based on indicators such as participants' earnings, and Labor uses these measures to determine fiscal incentives and sanctions. 29 U.S.C. § 2871, 20 U.S.C. § 9273. The SCSEP program is subject to similar performance measures, 42 U.S.C. § 3056k, but does take the unique characteristics of the SCSEP population into account when setting performance goals for SCSEP grantees, according to Labor officials. For example, Labor officials said the average earnings performance goals set for SCSEP grantees reflects average earnings that result from more likely part-time work. In a previous GAO report, we found that Labor's calculation of the earnings measure, which compares pre- and post enrollment earnings for participants in WIA adult and dislocated worker programs, could be a barrier to enrolling older workers because older workers' high prior wages and their tendency to work part-time could negatively affect a local area's performance on the earnings measure. Although Labor has changed the earnings measure so it no longer compares pre- and post enrollment earnings, the measure could still provide a disincentive for serving older workers because older workers may be more likely to work part-time and could still have lower earnings after exiting the program than other adults, since older dislocated workers generally suffer greater earnings losses than do younger workers. See GAO, *Older Workers: Employment Assistance Focuses on Subsidized Jobs and Job Search, but Revised Performance Measures Could Improve Access to Other Services,* GAO-03-350 (Washington, D.C.: Jan. 24, 2003).

	Key weaknesses as identified by experts
	May overlap somewhat with services already offered to the general unemployed population.
	Does not address what is perceived as employers' reluctance to hire older workers, which likely affects their reemployment prospects more than whether their job search skills are up to date.
Congress could change WIA and SCSEP performance measures to eliminate any disincentives to placing older workers in part-time employment.	**Key strengths as identified by experts**
	Could level the playing field for older workers, who may be penalized by the current measures, and make it easier to serve older workers through the one-stop career center system, especially those seeking part-time work.
	Could be implemented at a low cost because it primarily involves an administrative or technical change.
	Key weaknesses as identified by experts
	Unlikely to reduce unemployment by very much, since WIA and SCSEP serve only a fraction of eligible individuals in need of job search assistance.
	Could mean fewer younger workers will get services at one-stop career centers if funding levels do not increase; however, this is not a serious limitation if current measures unfairly penalize older workers.
Congress could expand funding for SCSEP to take into account increases in the older worker population.	**Key strengths as identified by experts**
	Increased funding could help meet the employment needs of a very disadvantaged and underserved population that many employers are unlikely to employ in the absence of severe labor shortages.
	Only a small percentage of eligible individuals are currently served by SCSEP; expanding funding to keep up with the aging population could help keep this percentage from declining.
	Research has shown that SCSEP has done a reasonably good job at accomplishing its goals.
	Key weaknesses as identified by experts
	Expanding the SCSEP program would cost money and could be difficult given the current budget environment.
	SCSEP is designed to serve the neediest older workers, and as a result, other subgroups of older workers that have been negatively affected by the recession would not benefit from this policy option.

Source: GAO summary of experts' views on policy proposals selected by four or more experts.

Finally, as previously discussed, the longer older workers remain unemployed, the greater their risk of losing relevant skills or of dropping out of the labor force. Consequently, several proposed policies aim to encourage older workers to obtain reemployment as quickly as possible or build their job skills to better position them for reemployment. Experts we interviewed most frequently selected two such policy proposals (see table 3). Specifically, a number of experts we interviewed believed that implementing a wage insurance program could help unemployed older workers accept new full-time jobs that pay less than they had previously earned. In addition, a number of experts favored a policy that would require the long-term unemployed to enroll in training to remain eligible for UI benefits.

Table 3: Experts' Views on the Strengths and Limitations of Selected Policy Proposals to Encourage Older Workers to Obtain Reemployment as Quickly as Possible

Experts' favored policy proposals to encourage older workers to regain employment as quickly as possible	
Congress could enact a wage insurance program that temporarily compensates older workers—up to a specified maximum benefit—for accepting new full-time jobs that pay less than their previous jobs within a given time frame.	**Key strengths as identified by experts**
	Could help older workers transition to the lower wages they will likely receive upon becoming reemployed and reduce the likelihood of premature withdrawal from the labor force.
	Could help protect older workers' retirement security and lessen their reliance on government assistance by reducing the likelihood that they will use retirement savings to replace lost income because of lower wages.
	Could result in less spending on UI for older workers, and those savings could help fund the wage insurance program.
	Key weaknesses as identified by experts
	Could be expensive for the government, since unemployed older workers almost always take a pay cut when they become reemployed.
	Might not affect older workers' reemployment significantly, since the problem may be that they are unable to find work at any wage.
	May encourage older workers to settle for low-wage, less promising employment that increases the probability of a subsequent period of unemployment.
	May stigmatize unemployed older workers by putting them in a separate class of workers than everyone else.
Congress could require long-term unemployed individuals (27 or more weeks) to enroll in publicly funded retraining programs or publicly subsidized on-the-job training programs as a condition of receiving UI benefits. Some of the training funds could be obtained by redirecting a portion of individuals' UI benefits for these purposes.	**Key strengths as identified by experts**
	Could help prevent older workers' skills from eroding because of long-term unemployment and alleviate concerns that UI benefits are simply a government handout.
	Could potentially be less expensive for the government in the long run than providing UI benefits without conditions for retraining.
	Could help older workers adjust to the fact that today many job losses are permanent rather than temporary and that they may need to obtain new skills to become reemployed.

Key weaknesses as identified by experts
The United States may lack the necessary training infrastructure and funding to launch a major training program that sufficiently prepares workers for jobs that pay decent wages and benefits.
Would require an enhanced understanding of reemployment barriers and employers' training needs before the policy could be implemented.
Would need to ensure that the training provided is linked to actual employment opportunities to justify the financial investment in training.
Requiring all long-term unemployed older workers to enroll in training may not make sense financially, particularly for those with a short remaining work life.

Source: GAO summary of experts' views on policy proposals selected by four or more experts.

Labor Implemented Some Proposed Strategies to Help Older Workers, but Has Shifted Priorities since the Recession

Labor officials told us that Labor has taken several steps to implement selected strategies recommended in 2008 by the Taskforce on the Aging of the American Workforce. These steps included awarding approximately $10 million in grants to 10 organizations in 2009 through the Aging Worker Initiative demonstration project to test new ways of providing training and other services to connect older Americans with employment opportunities in high-growth, high-demand industries. Labor is currently in the process of evaluating these grants.[82] Also, in 2008, Labor expanded a demonstration project designed to assist individuals in creating or expanding their own businesses, which addresses the Taskforce's recommendation to facilitate self-employment for older workers. Specifically, Labor awarded a second round of grants to four demonstration sites through this project—Project GATE (Growing America Through Entrepreneurship). In addition, Labor officials told us that they had taken steps to connect one-stop career centers to Aging and Disability Resource Centers (which serve adults with disabilities,

[82]According to Labor officials, the evaluation examines the implementation of the grants, documents the various types of interventions, assesses attributes of the treatments, estimates how successful they were in assisting aging workers in becoming employed or reemployed, and determines the potential for implementation of various methods in the broader workforce system. The final report is expected in December 2012, according to Labor officials.

including the elderly) to enhance communication.[83] In addition, Labor officials told us that since the recession began, the department has taken various steps to help the long-term unemployed, many of whom are older job seekers. Labor also continues to sponsor National Employ Older Workers Week, an event held annually in September in localities throughout the country.[84]

As Labor officials we interviewed noted, the Taskforce conducted its work under different economic circumstances, when the workforce community was primarily focused on avoiding potential labor shortages. Since then, the number of unemployed individuals per job opening has greatly increased and technology has continued to change the job search and application process. Consequently, some issues may have assumed greater importance since the Taskforce issued its report, especially employer reluctance to hire older workers and the prevalence of online applications.

According to Labor officials, the onset of the 2007-2009 recession shifted Labor's focus away from implementing strategies recommended in the Taskforce report to responding to greatly increased demand for services. As more Americans lost jobs and struggled to find reemployment, increasing numbers sought reemployment services through the one-stop career center system, according to Labor officials. Administrative data Labor provided show that from 2007 to 2010 the overall number of all WIA adult and dislocated worker program participants the one-stop career centers served nearly tripled—from over a million participants in 2007 to

[83]Aging and Disability Resource Centers are designed to serve as "one-stop shops" for individuals and their families who need information about or access to long-term support services. The centers are part of a collaborative effort led by the Administration on Aging (AoA) and Centers for Medicare and Medicaid Services (CMS). Other Aging and Disability Resource Center partners include the Department of Health and Human Services Office on Disability, the Administration for Developmental Disabilities, the Department of Education, and the Veterans Administration.

[84]According to Labor officials, National Employ Older Workers Week "provides Senior Community Service Employment Program grantees with an opportunity to reach out to employers and the whole community as they recognize the vital role of older workers and their employers in the workforce."

over 3 million in 2010.[85] The number of older workers served by these programs from 2007 to 2010 increased at an even greater rate—over 3.5 times—from approximately 124,000 in 2007 to around 441,000 in 2010.

Conclusions

Although long-term unemployment hurts job seekers of all ages, it poses some greater challenges for older workers. Specifically, once unemployed, older workers tend to stay unemployed longer, and those who regain employment generally sustain greater wage losses than do younger workers. The challenges older workers face once they lose their jobs also highlight the increased fragility of retirement security in this country. Long-term unemployment can reduce retirement income, and older Americans have fewer years to recover from such losses. A long spell of unemployment may even force some older Americans to leave the labor market and retire earlier than they had hoped. The high costs of long-term unemployment—overlaid upon the retirement insecurity facing so many workers—explain the different paths older workers are taking. Thus, some are using their retirement savings and taking Social Security retirement benefits early in response to this extended joblessness. Yet it is striking that other older workers are choosing to remain in the labor force longer as older workers' labor force participation continues to rise despite the worst labor market in generations. At least part of this trend may be due to inadequate retirement savings or accounts that suffered losses from the financial crisis.

According to experts we interviewed, some proposed policy options could help older workers regain employment as the economy continues to improve. In addition, a renewed focus by Labor on older workers' needs could help workforce professionals better address the unique needs of older job seekers. While Labor took steps to implement some of the 2008 Taskforce recommendations, Labor officials understandably shifted their focus away from the report's findings when the recent recession caused a dramatic increase in demand for workforce services. Now, a renewed

[85]The administrative data from Labor for WIA adult and dislocated worker program participation is for program year 2007, starting April 1, 2007, through program year 2010, ending on March 31, 2011. In addition to increased demand for services, additional funding provided under the Recovery Act contributed to this increase in the number of individuals the programs served. Specifically, the Recovery Act provided an additional $500 million in funding for grants to the states for adult employment and training activities, and $1.25 billion for grants to the states for dislocated worker employment and training activities. Pub. L.No. 111-5, tit. VIII, 123 Stat. 115, 172-73 (2009).

focus on the needs of unemployed older workers is needed to identify strategies to help address older workers' significant reemployment challenges because older workers remain a critical and growing segment of the workforce. This effort could include examining what has been learned since 2008 about addressing older workers' employment needs in light of a changed economy, the shift to online employment applications, and employers' altered expectations. Without a renewed focus on the unique needs of older job seekers, many unemployed older Americans may face difficulty regaining the employment they need to support themselves and their families in the short term, while also facing long-term financial hardship in retirement.

Recommendation

To foster the employment of older workers, we recommend that the Secretary of Labor consider what strategies are needed to address the unique needs of older job seekers, in light of recent economic and technological changes.

Agency Comments and Our Evaluation

We provided a draft of this report to the Department of Labor and the Social Security Administration. Labor provided a written response (see app. VII). Both agencies provided technical comments, which we incorporated as appropriate. Labor agreed with our recommendation and noted a couple of its initiatives focused on the employment of older workers. Specifically, Labor cited its current evaluation of the Aging Worker Initiative demonstration project, which will assess the success of new interventions used by 10 local grantees to help connect aging workers with employment opportunities. In addition, Labor cited its sponsorship of the annual National Employ Older Workers Week that provides outreach opportunities for SCSEP grantees.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution until 30 days after the date of this letter. At that time, we will send copies of this report to the Secretary of Labor and the Commissioner of Social Security, and other interested parties. In addition, this report will be available at no charge on GAO's website at http://www.gao.gov. If you or your staff have any questions concerning this report, please contact me at (202) 512-7215 or jeszeckc@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VIII.

Sincerely yours,

Charles Jeszeck

Charles Jeszeck
Director, Education, Workforce, and Income Security

Appendix I: Objectives, Scope, and Methodology

The objectives of this study were to examine (1) how the employment status of older workers has changed since the recession, (2) older workers' financial risks from long-term unemployment and challenges in finding new jobs, (3) how periods of long-term unemployment might affect older workers' retirement income, and (4) what other policies might help unemployed older workers regain employment and what steps the Department of Labor (Labor) has taken to help unemployed older workers. We conducted this performance audit from October 2010 through April 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We determined that the data that we analyzed were sufficiently reliable for the purposes of this report.

To obtain background information on older workers' employment and retirement prospects, we reviewed numerous studies, reports, and surveys of older workers. We interviewed officials from Labor and the Social Security Administration (SSA) and reviewed relevant data from those agencies.

Analysis of Employment Data on Older Workers

To examine changes in the employment prospects of older workers since the start of the recession, we analyzed monthly data for 2007 through 2011 from the Current Population Survey (CPS) produced by the Bureau of Labor Statistics (BLS). We also analyzed data from the 2008 and 2010 Displaced Worker Supplement to the CPS.

We selected the CPS mainly because it is nationally representative and contains large sample sizes, demographic and industry information, and data directly relevant to unemployment and underemployment.

Similarly, we analyzed the 2008 and 2010 Displaced Worker Supplement to the CPS because this supplement contains data on the employment and earnings status of displaced workers before and after their job loss. Displaced workers are defined as persons 20 years or older who lost or left jobs within the past 3 years for the following reasons: because their plant or company closed or moved, there was insufficient work for them to do, their position or shift was abolished, or similar economic reasons. The Displaced Worker Survey (DWS) is administered every 2 years as a supplement to the CPS. In the 2008 DWS, people are identified as displaced if they lost or left their jobs for one of the specified reasons between January 2005 and December 2007. In the 2010 DWS, people are identified as displaced if they lost or left their jobs for one of the specified reasons between January 2007 and December 2009. Displaced workers have lost a job in the past 3 years; however, they may be unemployed, employed, or not in the labor market at the time of the survey.

We use the following labor force definitions in this report:

- Unemployed workers are all jobless persons who are available to take a job and have actively sought work in the past 4 weeks.
- Marginally attached workers are persons who are not in the labor force, who want and are available for work, and have looked for work in the past 12 months. They are not counted as unemployed because they had not searched for work in the prior 4 weeks.
- Discouraged workers are a subset of the marginally attached who indicate that they have not searched for work in the prior 4 weeks for the specific reason that they believed no jobs were available for them.
- Workers employed part-time for economic reasons are those employed less than 35 hours per week who want and are available for, but are unable to find, full-time work, and those who prefer full-time work but had their hours reduced by their employer because of business conditions.

We assessed the reliability of the CPS generally and of data elements that were critical to our analyses and determined that they were sufficiently reliable for our analyses. Specifically, we

- reviewed documentation on the general design and methods of the CPS and on the specific elements of the CPS data that were used in our analyses,
- interviewed BLS officials knowledgeable about the CPS data and consulted these officials periodically throughout the course of our study, and
- completed our own electronic data testing to assess the accuracy and completeness of the data used in our analyses. To the extent

possible, we compared our estimates against published reports using the CPS data, such as BLS reports.

As a result of our assessment, we identified a limitation with the CPS basic monthly data. Specifically, beginning in January 2011, labor force estimates based on microdata diverge slightly from BLS published labor force estimates. According to Census Bureau officials, these discrepancies result from new steps that CPS implemented in 2011 to help prevent the inadvertent disclosure of individuals in the public use files. While some primary topside labor force estimates will agree, all others will be slightly off. This is solely the result of these disclosure protection procedures. Census Bureau officials told us that the masking procedures implemented in 2011 are random and are applied to all records on the file identically; they do not create any systematic biases that would affect our analysis of older workers.

Throughout this report, when monthly data are presented, the estimates are not seasonally adjusted. We were advised by Census Bureau officials not to attempt to seasonally adjust our analyses of CPS microdata, because the sample sizes in the age groups we present are relatively small. Most of the data in this report are annual averages, for which seasonal adjustments are irrelevant. Where monthly data are presented, unadjusted estimates and seasonally adjusted estimates do not necessarily diverge by a large amount. For example, this table shows seasonally adjusted data for figure 2, compared with the unadjusted data shown in table 4.

Table 4: Comparison of Seasonally Adjusted and Unadjusted Unemployment Rates for Workers Age 55 and Older, Selected Months

	Unemployment rate, age 55 and older, unadjusted	Unemployment rate, age 55 and older, seasonally adjusted
December 2007	3.1%	3.2%
June 2009	6.8%	7.0%
February 2010	7.6%	7.2%
December 2011	6.0%	6.2%

Source: GAO analysis of CPS public use microdata and published data series downloaded from BLS website.

Note: Estimates of unadjusted unemployment rates calculated by GAO using CPS public use microdata. These estimates are identical to BLS's published unadjusted unemployment rates for workers age 55 and older. Estimates of seasonally adjusted unemployment rates for workers age 55 and older are downloaded from BLS's website.

We also use nationally representative data from the Job Openings and Labor Turnover Survey (JOLTS), a monthly survey developed by BLS to address the need for data on job openings, hires, and separations. We use the JOLTS data to present a comparison of the number of unemployed persons with the number of job openings over the period January 2007 to December 2011. This is the only national data source available to measure job openings in the United States.

Focus Groups with Older Workers and Interviews with One-Stop Staff and Other Experts

To learn about older workers' financial risks from long-term unemployment and challenges in finding new jobs, we conducted 10 focus group sessions with a total of 77 long-term unemployed older workers aged 55 or over at four locations. These sessions involved structured small-group discussions designed to gain more in-depth information about specific issues that cannot easily be obtained from another method, such as a survey or individual interviews. Consistent with typical focus group methodologies, our design included multiple groups with varying characteristics but some similarity on one or two homogeneous characteristics. All but one of the groups involved 8 to 10 participants; the remaining group had only 5 participants because of poor attendance.

Our overall objective in using a focus group approach was to obtain views, insights, and feelings of older workers who had been looking for a job for more than half a year. Specifically, we wanted to learn what challenges they had faced since becoming unemployed, what barriers they perceived as hindering their ability to become reemployed, and their views on how their spell of unemployment had affected or would likely affect their retirement income and decisions. By including long-term unemployed older workers with and without employer-sponsored retirement plans, we intended to gather a range of perspectives regarding how unemployment might affect retirement prospects.

We conducted 10 separate focus group sessions with long-term unemployed older workers. Specifically, focus group participation was limited to individuals 55 or older who had been unemployed for 27 weeks or more and who had worked for their previous employer for at least 3 years before losing their job. We held three sessions with individuals aged 55-61 who did not have an employer-sponsored retirement plan at the job they lost, three sessions with individuals aged 55-61 who did have an employer-sponsored retirement plan at the job they lost, and three sessions with individuals aged 62-67 regardless of their retirement plan coverage. We also conducted one focus group session in Falls Church, Virginia. We conducted this session as a pretest, but because we did not need to significantly change our focus group guide after the session, we decided to include the results of the pretest in our focus group analysis.

We selected three cities—in addition to our pretest location in Falls Church, Virginia—in which to conduct focus groups. We selected these locations based on metropolitan areas' unemployment rates, geographic diversity, and the estimated costs for travel and securing focus group facilities. We conducted three sessions in each of the following three cities—Baltimore, Maryland; San Jose, California; and St. Louis, Missouri. Additionally, we used criteria in selecting participants that ensured a mix of gender and that accounted for the race and ethnicity of the area in which the focus groups were located.

Discussions were structured, guided by a moderator who used a standardized list of questions to encourage participants to share their thoughts and experiences. During the sessions, we informed participants that their names would not be used in the published report. We conducted one pretest focus group session prior to beginning our travel for the sessions.

Each of the 10 focus groups was recorded and transcriptions were created, which served as the record for each group. Those transcripts were then evaluated using content analysis to develop our findings. The analysis was conducted in two steps. In the first step, three analysts jointly developed a set of codes to track the incidence of various responses and themes during focus group sessions. In the second step, each transcript was coded by an analyst and then those codes were verified by a second analyst. Any coding discrepancies were resolved by both analysts agreeing on what the codes should be. In addition to focus group sessions, we conducted one-on-one interviews with selected long-term unemployed individuals in three of our four focus group locations.

Methodologically, focus groups are not designed to (1) demonstrate the extent of a problem or to generalize results to a larger population, (2) develop a consensus to arrive at an agreed-upon plan or make decisions about what actions to take, or (3) provide statistically representative samples or reliable quantitative estimates. Instead, they are intended to generate in-depth information about the reasons for the focus group participants' attitudes on specific topics and to offer insights into their concerns about and support for an issue. The projectability of the information produced by our focus groups is limited for several reasons. First, the information includes only the responses from long-term unemployed older workers from the 10 selected groups. Second, while the composition of the groups was designed to ensure a range of age, retirement plan coverage, and racial background, the groups were not randomly sampled. Third, participants were asked questions about their experiences or expectations, and other long-term unemployed older workers not in the focus groups may have had other experiences or expectations. Because of these limitations, we did not rely entirely on focus groups, but rather used several different methods to corroborate and support our conclusions.

We also interviewed staff at one-stop career centers in each of the locations where we conducted focus groups to learn more about challenges unemployed older workers face in finding employment. Further, we interviewed experts about older workers' reemployment challenges. We selected these experts based on their knowledge of older workers' issues, labor economics, and the workforce development system. Specifically, we used several criteria to select experts to interview, such as (1) having conducted research and published studies on relevant topics (including older workers, the workforce development system, labor economics, or retirement issues) or (2) representing associations with highly established awareness or knowledge of issues relevant to the employment and retirement prospects of older workers.

How Unemployment Might Affect Retirement Income

To assess how periods of long-term unemployment might affect older workers' retirement income, we used the Policy Simulation Group's (PSG) microsimulation models to simulate Social Security benefits and retirement plan income. For our simulations, we used PSG's Social Security and Accounts Simulator (SSASIM), Genuine Microsimulation of Social Security Acounts (GEMINI), and Pension Simulator (PENSIM) simulation models. GEMINI simulates Social Security benefits and taxes for large, representative samples of people born in the same year. GEMINI simulates all types of Social Security benefits, including retired workers', spouses', survivors', and disability benefits. It can be used to model a variety of changes to Social Security. GEMINI uses inputs from SSASIM, which has been used in numerous GAO reports, and PENSIM, which was developed for the Department of Labor. GEMINI relies on SSASIM for economic and demographic projections and relies on PENSIM for simulated life histories of large, representative samples of people born in the same year and their spouses.[1] Life histories include educational attainment, labor force participation, earnings, job mobility, marriage, disability, childbirth, retirement, and death. Life histories are validated against data from the Survey of Income and Program Participation, the Current Population Survey, Modeling Income in the Near Term (MINT3),[2] and the Panel Study of Income Dynamics. Additionally, any projected statistics (such as life expectancy, employment patterns, and marital status at age 60) are, where possible, consistent with intermediate cost projections from the Social Security Administration's Office of the Chief Actuary. At their best, such models can provide only very rough estimates of future incomes. However, these estimates may be useful for comparing future incomes across alternative policy scenarios and over time.

In order to compare pretax retirement benefits accumulated at different ages, we simulated and analyzed retirement benefits for three cohorts of individuals born in 1955. For the first cohort, we conducted the simulation to have all individuals stop work at age 55 and estimated the retirement benefits earned by that age for each individual in the cohort. Similarly, for the second and third cohorts, we simulated that all individuals in the cohort stopped working at ages 58 and 62, respectively, and estimated pretax retirement benefits earned by those ages. In the simulations, for each cohort, we had all individuals claim their benefits at age 62, regardless of when they stopped working. We determined the median level of benefits from employer-sponsored retirement plans and Social Security using all individuals in each cohort, including those who would have had no retirement benefits from an employer-sponsored plan because they did not vest in benefits or they cashed out of their retirement plan when they stopped working. To compare how job loss at different ages may affect retirement benefits, we compared the retirement benefits for the individual at the median level of retirement benefits in each cohort. For our analysis of how job loss might affect retirement benefits for those participating in employer-sponsored plans, we only

[1]While these models use sample data, our report, like others using these models, does not address the issue of sampling errors. The results of the analysis reflect outcomes for individuals in the simulated populations and do not attempt to estimate outcomes for an actual population.

[2]MINT3 is a detailed microsimulation model developed jointly by SSA, the Brookings Institution, RAND, and the Urban Institute to project the distribution of income in retirement for the 1931 to 1960 birth cohorts.

included individuals who were participating in an employer-sponsored retirement plan at the job they had when they stopped working. Our analysis took into consideration retirement benefits earned by individuals in the cohort and retirement benefits for the surviving spouse of someone who vested in a DB plan. Our analysis includes retirement income from employer-sponsored retirement plans and Social Security retirement benefits and does not include retirement income from other sources.

PENSIM uses several different asset allocations for defined contribution (DC) accounts and assigns each type of allocation to a portion of individuals in the cohort, based on existing research on actual use of different asset allocations. For our analysis, the PENSIM model used the assumption that all individuals who vested in employer-sponsored retirement benefits and did not cash out their benefits when they left the job before age 62 used DC plan savings to purchase an annuity at age 62. In the model the annuity prices are based on projected mortality and interest rates using annuity price loading factors that ensure that the cost of providing these annuities equals the revenue generated by selling them at those prices.

We used nationally representative 2007 Survey of Consumer Finances (SCF) data from the Board of Governors of the Federal Reserve to estimate the percentage of employed individuals age 55 and older (working full- or part-time) who were participating in employer-sponsored retirement plans or had private retirement savings before the recession caused substantial job losses.[3] In addition to providing household-level data, the SCF also provides detailed individual-level economic information about an economically dominant single individual or couple in the household. To estimate the percentage of older workers with defined benefit (DB) plans, we included in our analysis any employed older worker who (1) was participating in an employer-sponsored DB plan at a current job, (2) had participated in an employer-sponsored DB plan at a past job and was expecting to receive retirement benefits from the plan, or (3) was already receiving payments from an employer-sponsored DB plan. Similarly, to estimate the percentage of older workers with a DC plan, we included any older workers with an account from a DC plan from

[3]The Survey of Consumer Finances data that we used were collected from May 2007 to March 2008. The collection period includes a few months of the recession that started in December 2007; however, the significant increases in unemployment that followed the onset of the recession had not yet occurred.

a current or past employer, and we counted rollover individual retirement accounts (IRA) as DC accounts. We produced analogous estimates for households with an employed head of household or spouse age 55 or over. Our estimates for households only include retirement benefits and savings of the head of household and a spouse or partner and do not include retirement benefits or savings held by additional family members.

We assessed the reliability of the SCF generally and of data elements that were critical to our analyses and determined that they were sufficiently reliable for our analyses. Specifically, we reviewed documentation on the general design and methods of the SCF and on the specific elements of the SCF data that were used in our analyses and completed our own electronic data testing to assess the accuracy and completeness of the data used in our analyses.

To illustrate how drawdowns from retirement savings before retirement can affect amounts saved by the time of retirement, we developed a model to tabulate retirement account balances for a hypothetical individual. For this, we used an individual who was born at the beginning of 1953, turns 55 in 2008, and retires at age 62 in 2015. We used $70,000 as the starting point for this illustration because it is about the median level of DC plan savings for employed workers age 55 and over who have a DC plan account from a current or past employer, based on 2007 SCF data. To calculate changes in the account balance over time, we used the intermediate interest and rate-of-return assumptions as reported in past and projected under the intermediate cost assumptions in Social Security's *2011 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (also known as the OASDI [Old-Age, Survivors, and Disability] Trustees' Report). We used scaled earnings for medium annual earners as reported in past and projected in the 2011 OASDI Trustees' Report.[4] We assumed the employee's contributions to the retirement account to be 6 percent of the individual's wages and the employee received a 3 percent employer matching contribution.

[4]Scaled earnings are earnings levels that have been scaled up or down to reflect the average patterns of work and earnings of actual insured workers over their careers.

Experts' Views on Policies to Help Unemployed Older Workers and Steps Taken by Labor to Help Unemployed Older Workers

The 12 experts we interviewed primarily work in academia and think tanks, and were selected based on their expertise on older workers, workforce development, or retirement policy. We selected a group of experts to help ensure a range of viewpoints. To identify policies that could help unemployed older workers become reemployed, we compiled a list of 21 proposed policy options from the relevant literature. (See app. VI for the list of 21 policy options.) In many cases, the policy options on the list we compiled were proposed before the recession started in 2007. Prior to interviewing the experts, we sent them a list of the 21 policy proposals we had compiled and asked them to select the five policies that merited the most serious consideration because they were either relevant in the current economy or could be relevant as the economy recovers. We also asked these experts to assess the strengths and weaknesses of policy proposals to help long-term unemployed older workers regain employment.

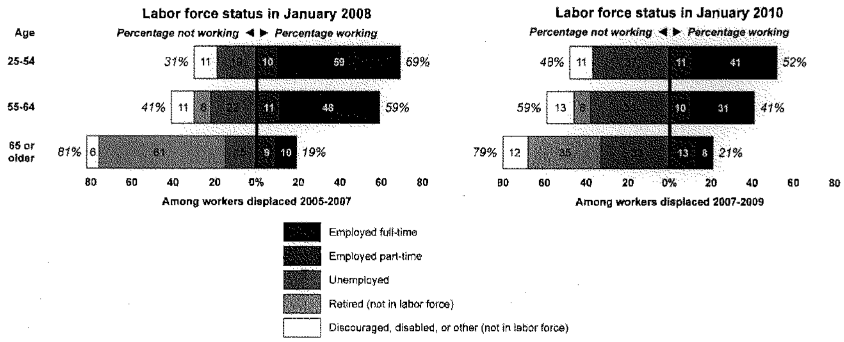
After interviewing all 12 experts, we tallied the number of votes each policy proposal had received. The 8 proposed policies addressed in the body of the report are those that received votes from 4 or more of the 12 experts we interviewed. The expert discussion cited in this report should be interpreted in the context of two key limitations and qualifications. First, although we were able to secure the participation of a balanced, highly qualified group of experts, other experts in this field could not be included because we needed to limit the size of the group. Although many points of view were represented, the group of experts we interviewed was not representative of all potential views. While we conducted preliminary research and heard from national experts in their fields by conducting these expert interviews, these discussions cannot represent the full variety of opinions on the policy proposals. More thought, discussion, and research must be done to develop greater agreement on what we really know, what needs to be done, and how to do it. These two key limitations and qualifications provide contextual boundaries. Nevertheless, the experts we interviewed provided insightful comments in responding to the questions they were asked.

To identify what steps Labor has taken to help unemployed older workers, we interviewed Labor officials.

Sampling Variability

As noted above, we relied on estimates from several surveys, including the CPS, the Displaced Worker Supplement to the CPS, SCF, and JOLTS. Because these surveys are probability samples based on random selections, the specific sample selected is only one of a large number of samples that might have been drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval (for example, plus or minus 7 percentage points). This is the interval that would contain the actual population value for 95 percent of the samples that could have been selected. In this report, 95 percent confidence intervals are provided along with sample-based estimates where used. We calculated standard errors for estimates from the CPS using the Census generalized variance functions, as published in the BLS technical notes to the household survey data published in the *Employment and Earnings* monthly publication.

Appendix II: Workforce Status of Workers Displaced between 2005-2007 and 2007-2009 in January 2008 and January 2010



Source: GAO analysis of CPS Displaced Worker Supplement, 2008 and 2010.

Note: (1) Estimates for 25- to 54-year-olds and 55- to 64-year-olds have 95 percent confidence intervals within 5 percentage points of the estimate itself; estimates for people 65 and older have confidence intervals within 10 percentage points of the estimate itself. The following estimates have margins of error greater than or equal to 30 percent of the estimates: for people 55-64, the "percentage retired" in 2008, for people 65 and older, the percentage employed full-time, percentage employed part-time, and percentage not in the labor force (other) in both 2008 and 2010. For statistical comparisons of the estimates across different groups and years, see appendix III.

Appendix III: Additional Figure Notes for Employment Figures, Including Statistical Significance Tests

Figure 3: Estimated Number of Unemployed and Underemployed Older Workers (55 and Over), 2007-2011

- Appendix I includes the definitions used in the report of unemployed workers, marginally attached workers, discouraged workers, and workers employed part-time for economic reasons.

Figure 4: Growth in Estimated Long-Term Unemployment of Older Workers (55 and Over), 2007-2011

- There was a statistically significant change in the proportion of unemployed older workers in each of the categories shown in the figure between 2007 and 2011. Specifically:
- The proportion of unemployed older workers who were unemployed for under 5 weeks, for 5-14 weeks, and for 15-26 weeks each declined significantly from 2007 to 2011.
- The proportion of unemployed older workers who were unemployed for 27 weeks to a year, and for more than 1 year, each increased significantly from 2007 to 2011.

Figure 6: Estimated Duration of Unemployment for Older Workers (55 and Over) by Industry, 2007 and 2011

- Because of the smaller number of persons with long durations of unemployment in 2007, some of the estimates for duration of unemployment by industry are unreliable in 2007 (the margins of error for the estimates are high relative to the value of the estimates.) For 2007, the following estimates have margins of error that exceed 30 percent of the estimate itself: the percentage unemployed for 27 weeks or more for all industries except wholesale and retail trade, manufacturing, and "all other industries"; and for the percentage employed for 27-52 weeks, 53-104 weeks, and 105 or more weeks for all industries. In 2011 the following estimates in the figure have margins of error that exceed 30 percent of the estimate itself: the percentage unemployed for 53-104 weeks in leisure and hospitality, and the percentage unemployed for 105 or more weeks in: transportation and utilities, financial activities, and leisure and hospitality.

- For each industry in the figure, the percentage of unemployed workers who have been unemployed for 27 weeks or more is significantly higher in 2011 than in 2007.

Figure 7: Estimated Unemployment Rates by Demographic Group for Older Workers (55 and Over), 2007 and 2011

- Differences in unemployment rates between 2007 and 2011 are statistically significant for all groups in this figure.
- Differences in unemployment rates between men and women are statistically significant in 2011, but not in 2007.
- Differences in unemployment rates between whites and blacks, and between whites and Hispanics, are statistically significant in both 2007 and 2011; however, differences between whites and the "all other races" group are significant only in 2011.
- Differences in unemployment rates between those with no high school diploma and each of the other education groups are statistically significant in both 2007 and 2011.

Figure 8: Estimated Duration of Unemployment by Age and by Gender, 2007 and 2011

- Differences between younger and older workers in the percentage unemployed for 27 weeks or longer were significant in both 2007 and 2011.
- Differences between men and women in the percentage unemployed for 27 weeks or longer were statistically significant in 2007, but not in 2011.

Figure 10: Estimated Percentage of Reemployed Displaced Workers Who Earned Less on Their New Full-Time Jobs than on Their Previous Jobs, January 2010

- Differences between younger workers and older workers are statistically significant in the 2010 survey, but not in the 2008 survey.

- For both younger workers and older workers, there was a statistically significant increase in the percentage of workers with earnings replacement rates less than 100 percent between the 2008 survey and the 2010 survey.

Appendix II: Workforce Status of Workers Displaced between 2005-2007 and 2007-2009 in January 2008 and January 2010

- For 25- to 54-year-olds and 55- to 64-year-olds, the following estimates are significantly different between 2008 and 2010:
  - the percentage unemployed,
  - the percentage working full-time, and
  - the overall percentage working/not working.
- For people 65 and older, the following estimates are significantly different between 2008 and 2010:
  - the percentage unemployed,
  - the percentage retired, and
  - the percentage not in the labor force (other).

Appendix IV: Quotes from Focus Groups with Long-Term Unemployed Older Workers

The following table provides examples of specific focus group quotes organized by topic. These selected quotes further exemplify our findings on the risks long-term unemployed older workers face, the challenges they experience becoming reemployed, and how long-term unemployment has affected their plans for retirement. (For audio clips from GAO's focus groups with unemployed older workers, use this http://www.gao.gov/multimedia/video/#video_id=590295:)

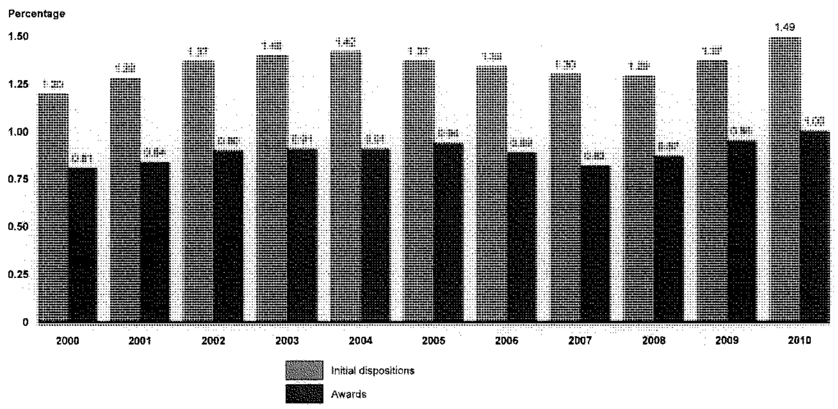
Table 5: Selected Quotes from Focus Groups with Long-Term Unemployed Older Workers

Topic/quotes	Focus group participant characteristics
Some unemployed older workers want to work and have difficulty meeting financial obligations	
That's our culture. We want to work. We need to work.	56-year-old man
You've got to support a family, so you're still out there on the pavement or the Internet looking for a job.	55-year-old man
I was used to a 70-hour week, and then to go from that to nothing, your sense of self-worth isn't there.	58-year-old woman
Medical can cost you $1,000 a month. When you think about Social Security at my age group—my Social Security is $1,300 a month. Medical is $1,000, where is my mortgage and food?	64-year-old woman
I don't have medical insurance right now. Any medical insurance. Because it is too expensive.	63-year-old woman
I'll never retire. I still have a kid in college. My son lost his job about 6 months after I did, so my wife and I are paying his mortgage, his car insurance, and everything he has, electric, all that stuff.	55-year-old man
Perceived employer reluctance to hire older workers	
The interview was going really, really well and ... she went, "Oh no!" and I said, "What is it?" [And she said], "Oh nothing, nothing, I just noticed what year you graduated high school."	59-year-old man
They asked me one question that always knocked me out of the game—they're not allowed to ask how old you are, but they wanted to know when I graduated from college.	62-year-old man
I would sacrifice pay to start somewhere else. I say, "I'll start at rock bottom . . . whatever it takes."	59-year-old man
I need a job. I have to pay insurance for me and my wife. I have seven kids. I'm trying to get them through college. I'll take that $10 job. I need a job that bad.	64-year-old man
Emotional challenges that result from long-term unemployment	
When you're not working, you don't feel very good, you are depressed. You feel discouraged. Your self-esteem is about an inch high.	62-year-old woman
One of the most devastating things with becoming unemployed was with losing my identity. I was one thing and then I was nothing.	58-year-old woman
Claiming Social Security retirement benefits as soon as possible	
I'm turning 62 in a few days, and I'm like "What am I going to do?" You can't find a job out there so I might as well retire.	61-year-old man
I just turned 62 in January, and I just filed for my Social Security so that I would have some kind of income to fall back on, because unemployment was exhausted.	62-year-old woman
If I don't find a job, I'll claim at 62 because of, you know, unemployment will be long gone by then. And if I do sell that house, anything I have left after the sale will be gone by then, too. So, if I find a job, I won't claim unless or until I have to for health reasons or whatever.	59-year-old woman

Topic/quotes	Focus group participant characteristics
I want to secure my place because if the eligibility requirement on that changed, then you're out of luck, too. It's scary.	58-year-old woman
They're talking about cutting it off, so I think anybody that's eligible for it, they need to try and go and apply for it.	66-year-old woman
Using retirement savings to cover expenses during long-term unemployment	
Coping financially has been really rough, because even though I had a retirement plan, it's not enough to pay my mortgage and my car payment. . . . So then you tap into what you have saved . . . you see that dwindle down to nothing and then you still got to make it to 62, and you don't have enough to make it to 62.	59-year-old woman
When I got laid off . . . my daughter was in college at the time . . . I wanted her to finish school so, of course, I depleted all of my savings, my 401(k).	55-year-old woman

Source: Transcripts of focus groups GAO conducted with long-term unemployed older workers.

Appendix V: Percentage of the Population 50 and Older, but Less than Full Retirement Age, with Initial Dispositions and Awards of Social Security Disability Insurance, 2000-2010



Source: Social Security Administration.

Appendix VI: Proposed Policies Presented to External Experts

Policy option	Selected by at least four experts
Policies to help address perceived employer reluctance to hire older workers	
1. Labor could develop a comprehensive and highly visible campaign to educate employers on the strengths of older workers as potential employees and their important role in the 21st century economy.	NO
2. Congress could offer temporary wage subsidies to employers that hire older workers who have experienced long-term unemployment (27 or more weeks).	YES
3. Congress could offer training subsidies to employers that hire older workers who experienced long-term unemployment (27 weeks or more). To be eligible for the training subsidy, employers would have to commit to retaining these workers for a certain amount of time, for example, 6 months to a year.	YES
4. Congress could offer a tax credit—that applies to the first year of employment—to employers that hire older workers who experienced long-term unemployment (27 weeks or more).	NO
5. To reduce the potentially high cost to employers of providing health insurance benefits to older workers, Congress could eliminate the requirement that Medicare generally be the secondary payer for workers 65 and over who are covered by an employer group health plan.	YES
6. Congress could allow older workers and their employers to opt out of paying the Social Security payroll tax once the worker has accumulated 35 years of covered earnings.	NO
7. Congress could provide tax credits to new small businesses that are owned by older workers and employ a high percentage of older workers (such as 50 percent or more).	NO
8. Congress could pass legislation (such as the proposed Fair Employment Opportunity Act of 2011) that prohibits employers and employment agencies from screening workers out of the candidate pool solely because they are unemployed.	NO
9. To alleviate employer concerns about declining productivity and increased health care costs at older ages (at or near Social Security's full retirement age), Congress could allow employers to set a mandatory retirement age (of 66 or greater) for new hires who were within 10 years of reaching this age (e.g., 56 or older).	NO
10. In partnership with other federal agencies, Labor could identify the legal and regulatory barriers to the employment of older workers and determine (1) whether legal and regulatory changes are needed and (2) the impact of potential changes.	NO
Policies to help enhance reemployment assistance specifically targeted to older workers	
11. Labor could collect and disseminate information on the most effective strategies for serving older workers through the workforce investment system.	NO
12. Labor could develop job search assistance programs that address skill deficiencies common among seniors, such as deficiencies in basic computer skills, résumé writing, and online application filing.	YES
13. Labor could encourage partnerships between one-stop career centers and the Small Business Administration (SBA) to provide entrepreneurial development services to older job seekers. As part of this effort to link older workers with SBA's programs and services, SBA could provide targeted information to older workers regarding entrepreneurial resources, counseling, and training on its website.	NO
14. To directly assist older workers who wish to start their own businesses, Labor could replicate Project GATE (Growing America Through Entrepreneurship) at one-stop career centers, targeted specifically to older workers.	NO
15. Labor could direct the Bureau of Labor Statistics to work with the Census Bureau to (1) add specific questions to the CPS about older workers and their labor force participation, and (2) request a special tabulation of census data on older workers designed to match workforce investment areas. These data would allow one-stop staff to better target services to the different types of older workers within their jurisdiction.	NO

Policy option	Selected by at least four experts
16. Congress could change Workforce Investment Act of 1998 (WIA) and Senior Community Service Employment Program (SCSEP) performance measures to eliminate any disincentives to placing older workers in part-time employment.	YES
17. Congress could expand funding for SCSEP to take into account increases in the older worker population.	YES
Policies to help encourage older workers to obtain reemployment as quickly as possible	
18. Congress could enact a reemployment bonus program that provides a low-value bonus (for example, approximately $1,000) to Unemployment Insurance (UI) claimants who accept new jobs within a given time period (for example, 3-6 months). The program could target UI claimants with an above average likelihood of exhausting their UI benefits.	NO
19. Congress could enact a wage insurance program that temporarily compensates older workers for accepting new full-time jobs that pay less than their previous jobs within a specified time frame. For example, the program could pay older workers 50 percent of the difference between their old and new wages over a period of 2 years (up to a specified maximum benefit). The subsidy could be limited to individuals making less than $50,000 at their new jobs and who accepted their new jobs within 27 weeks of filing for UI.	YES
20. Labor could encourage one-stop career centers to prioritize job-matching services (i.e., matching older workers' existing skills with available jobs) rather than training or retraining services.	NO
21. Congress could require long-term unemployed individuals (those unemployed for 27 or more weeks) to enroll in publicly funded retraining programs or publicly subsidized on-the-job-training programs as a condition of receiving Unemployment Insurance. Some of the training funds could be obtained by redirecting a portion of individuals' unemployment benefits for these purposes.	YES

Source: GAO.

Note: To compile this list of policy options, we reviewed the literature, including academic studies, past GAO reports, and federal agency reports, to identify policies that have been proposed to help unemployed older workers regain employment. We presented these options to 12 experts in areas such as older workers' issues, labor economics, and the workforce development system, and asked the experts to select the five policies that they believed merited serious consideration. Policies that were selected by 4 or more experts are described in more detail in the body of the report.

Appendix VII: Comments from the Department of Labor

U.S. Department of Labor

Assistant Secretary for
Employment and Training
Washington, D.C. 20210

APR 17 2012

Mr. Charles A. Jeszeck
Director
Education, Workforce, and Income Security Issues
U.S. Government Accountability Office
441 G. Street, N.W.
Washington, D.C. 20548

Dear Mr. Jeszeck:

Thank you for the opportunity to review the Government Accountability Office (GAO) draft report entitled: *Unemployed Older Workers: Many Experience Challenges Regaining Employment and Face Reduced Retirement Security (GAO-12-445).* The report is both important and timely considering the many unique challenges faced by older workers, the impact that the recession has had on them, and the longer term implications for the older workers and the overall economy.

The Department of Labor (Department) agrees with the report's recommendation to the Secretary of Labor to consider what strategies are needed to address the unique needs of older jobseekers, in light of recent economic and technological changes and to foster the employment of older workers, and will be considering the various strategies articulated in the report.

The Department continues to work on a number of initiatives focused on the employment of older workers. For example, we are currently in the process of evaluating the Aging Worker Initiative demonstration project, a multi-site project designed to create new approaches to helping workers aged 55 and older in preparing for and accessing jobs in high-growth, high-demand industries. In July 2009, the Department's Employment and Training Administration awarded $10 million in grants to ten local organizations to test new ways of providing training and other services to connect older Americans with employment opportunities. The evaluation examines implementation of the grants, documents the various types of interventions, assesses attributes of the treatments, estimates how successful they were in assisting aging workers in becoming employed or re-employed, and determines the potential for implementation of various methods in the broader workforce system. The final report is expected in December 2012, and we would be more than happy to provide it to you when it becomes available.

The Department also continues to sponsor National Employ Older Workers Week, an event held annually in September in localities throughout the country. It provides Senior Community Service Employment Program grantees with an opportunity to reach out to employers and the whole community as they recognize the vital role of older workers and their employers in the workforce.

Again, thank you for the opportunity to review the draft report. Please find enclosed technical comments for your reference. If you would like additional information, please do not hesitate to call me at (202) 693-2700.

Sincerely,

Jane Oates

Jane Oates
Assistant Secretary

Enclosure

Appendix VIII: GAO Contact and Staff Acknowledgments

GAO contact	Charles Jeszeck, (202) 512-7215 or jeszeckc@gao.gov
Staff Acknowledgments	In addition to the contact named above, Laura J. Heald, Assistant Director; Lucas Alvarez; Laurel E. Beedon; James E. Bennett; Amy Buck; David M. Chrisinger; William Colvin; Sarah C. Cornetto; Cynthia L. Grant; Gene G. Kuehneman Jr.; Kathy D. Leslie; Douglas A. Manor; Jaclyn Nidoh; Rhiannon Patterson; Kathy Peyman; Mark F. Ramage; David M. Reed; Nyree M. Ryder Tee; Aron E. Szapiro, Frank Todisco; and Walter Vance made key contributions to this report.

Related GAO Products

Income Security: Older Adults and the 2007-2009 Recession. GAO-12-76. Washington, D.C.: October 17, 2011.

Retirement Income: Ensuring Income throughout Retirement Requires Difficult Choices. GAO-11-400. Washington, D.C.: June 7, 2011.

Private Pensions: Some Key Features Lead to an Uneven Distribution of Benefits. GAO-11-333. Washington, D.C.: March 30, 2011.

Social Security Reform: Raising the Retirement Ages Would Have Implications for Older Workers and SSA Disability Rolls. GAO-11-125. Washington, D.C.: November 18, 2010.

Private Pensions: Alternative Approaches Could Address Retirement Risks Faced by Workers but Pose Trade-Offs. GAO-09-642. Washington, D.C.: July 24, 2009.

Employment and Training: Most One-Stop Career Centers Are Taking Multiple Actions to Link Employers and Older Workers. GAO-08-548. Washington, D.C.: April 21, 2008.

401(k) Plans: Policy Changes Could Reduce the Long-term Effects of Leakage on Workers' Retirement Savings. GAO-09-715. Washington, D.C.: August 28, 2009.

Private Pensions: Low Defined Contribution Plan Savings May Pose Challenges to Retirement Security, Especially for Many Low-Income Workers. GAO-08-8. Washington, D.C.: November 29, 2007.

Retirement Security: Women Face Challenges in Ensuring Financial Security in Retirement. GAO-08-105. Washington, D.C.: October 11, 2007.

Highlights of a GAO Forum: Engaging and Retaining Older Workers. GAO-07-438SP. Washington, D.C.: February 28, 2007.

Senior Community Service Employment Program: Labor Has Made Progress Implementing Older Americans Act Amendments of 2000, but Challenges Remain. GAO-06-549T. Washington, D.C.: April 6, 2006.

Older Workers: Employment Assistance Focuses on Subsidized Jobs and Job Search, but Revised Performance Measures Could Improve Access to Other Services. GAO-03-350. Washington, D.C.: January 24, 2003.

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Monday, November 7, 2011

The Old Prosper Relative to the Young

The Rising Age Gap in Economic Well-being

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The Old Prosper Relative to the Young

The Rising Age Gap in Economic Well-being

By Richard Fry, D'Vera Cohn, Gretchen Livingston and Paul Taylor

OVERVIEW

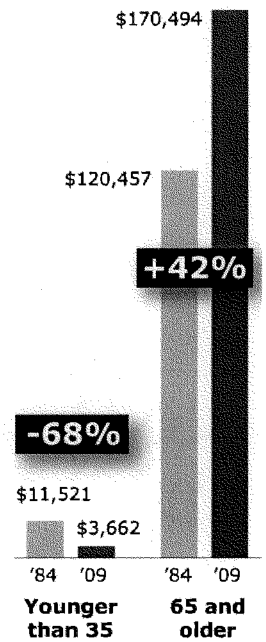
Households headed by older adults have made dramatic gains relative to those headed by younger adults in their economic well-being over the past quarter of a century, according to a new Pew Research Center analysis of a wide array of government data.

In 2009, households headed by adults ages 65 and older possessed 42% more median[1] net worth (assets minus debt) than households headed by their same-aged counterparts had in 1984. During this same period, the wealth of households headed by younger adults moved in the opposite direction. In 2009, households headed by adults younger than 35 had 68% less wealth than households of their same-aged counterparts had in 1984.

As a result of these divergent trends, in 2009 the typical household headed by someone in the older age group had 47 times as much net wealth as the typical household headed by someone in the younger age group—$170,494 versus $3,662 (all figures expressed in 2010 dollars). Back in 1984, this had been a less lopsided ten-to-one ratio. In absolute terms, the oldest households in 1984 had median net wealth $108,936 higher than that of the youngest households. In 2009, the gap had widened to $166,832.

Median Net Worth by Age of Householder, 1984 and 2009

in 2010 dollars



Source: Pew Research Center tabulations of Survey of Income and Program Participation data and U.S. Census Bureau P-70, No. 7; *Household Wealth and Asset Ownership: 1984: data from the Survey of Income and Program Participation*, Table E

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[1] Median denotes the midpoint of a group—in this case the point at which 50% of the households have more wealth and 50% have less. Unlike averages, medians are not sensitive to extreme values of wealth. The median describes the experience of those "in the middle of the pack."

Housing has been the main driver of these divergent wealth trends. Rising home equity has been the linchpin of the higher wealth of older households in 2009 compared with their counterparts in 1984. Declining home equity has been one factor in the lower wealth held by young households in 2009 compared with their counterparts in 1984.

Median Net Worth by Age of Householder, 1984 and 2009

in 2010 dollars

	1984	2009	Change
All	$65,293	$71,635	10%
Younger than 35	$11,521	$3,662	-68%
35-44	$71,118	$39,601	-44%
45-54	$113,511	$101,651	-10%
55-64	$147,236	$162,065	10%
65 and older	$120,457	$170,494	42%

Source: Pew Research Center tabulations of Survey of Income and Program Participation data and U.S. Census Bureau P-70, No. 7; *Household Wealth and Asset Ownership: 1984: data from the Survey of Income and Program Participation*, Table E

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Trends over the same period in other key measures of economic well-being—including annual income, poverty, homeownership, and home equity—all follow a similar pattern of older adult households making larger gains, compared with households headed by their same-aged counterparts in earlier decades, than younger adult households, according to the Pew Research analysis.

These age-based divergences of households widened substantially with the housing market collapse of 2006, the Great Recession of 2007-2009 and the ensuing jobless recovery. But they all began appearing decades earlier, suggesting they are as much linked to long-term demographic and social changes as they are to the sour economy of recent years.

For the young, these long-term changes include delayed entry into the labor market and delays in marriage—two markers of adulthood traditionally linked to income growth and wealth accumulation.[2] Today's young adults also start out in life more burdened by college loans than their same-aged peers were in past decades, as documented in a recent Pew Research report.[3] At the same time, growing numbers are in college, and college education has been found to confer a significant financial payoff over the course of a lifetime.[4]

[2] For more information on delayed entry into the labor market see http://www.pewsocialtrends.org/2009/09/03/recession-turns-a-graying-office-grayer/. For further information on marriage trends, see http://www.pewsocialtrends.org/2010/11/18/the-decline-of-marriage-and-rise-of-new-families/.
[3] Graduates who received a bachelor's degree in 2008 borrowed on average 50% more (in inflation-adjusted dollars) than their counterparts in 1996. See http://www.pewsocialtrends.org/2010/11/23/the-rise-of-college-student-borrowing/.
[4] Even after accounting for college costs and foregone earnings, the typical college graduate earns $550,000 more than the typical high school graduate over a 40-year career, according to a Pew Research Center analysis. See http://www.pewsocialtrends.org/2011/05/15/is-college-worth-it/.

Another change is that, compared with young adults in the past, today's young adults are more likely to be minorities and more likely to be single parents. These characteristics have been linked with lower economic well-being. However, more young women are working than used to be the case, and many young women are postponing childbearing, with its associated costs.

For older Americans, one key change over the past quarter century has been an increase in the share who are employed. The share of adults ages 65 and older who are employed reached an historic low of 10% in 1985 but has since risen to 16% in 2010. Meantime, older adults continue to have the advantage of inflation-indexed Social Security as the anchor of their annual income streams. Today, as in 1984, on average Social Security accounts for 55% of the annual income of households headed by adults ages 65 and older.

Economic Well-being over Time

The report does not track the well-being of the same set of households as they age over time. Thus, the analysis does not shed light on the economic mobility or progress of any particular group of households as their heads of household aged.

The major findings of this report provide estimates of the wealth of U.S. households in 1984, 2005 and 2009 and income of U.S. households in 1967 to 2010. Households are grouped by the age of the head of the household in the survey year. The wealth of households headed, for example, by adults younger than 35 in 2009 (born in 1975 or later) are then compared with the wealth and income of households headed by adults younger than 35 in 1984 (born in 1950 or later). Similarly, the wealth and income of households headed by adults 65 and older in 2009 (born in 1944 or earlier) are compared with the wealth and income of households headed by adults 65 and older in 1984 (born in 1919 or earlier). The composition of the households being compared over time may differ on other demographic characteristics of the household head, such as race, ethnicity, nativity and education level.

Older Americans also have been the beneficiaries of good timing, in the form of the long run-up in home values that enabled them to accumulate wealth via home equity. Most of today's older homeowners got into the housing market long ago, at "pre-bubble" prices—half purchased their present homes before 1986, according to the 2009 American Housing Survey.[5] Along with everyone else, they've been hurt by the housing market collapse of recent years, but over the long haul, most have seen their home equity rise. Moreover, most older homeowners (65%) do not have a mortgage to pay.

For young adults who are in the beginning stages of wealth accumulation, there has been no such luck, at least so far. Among those who are homeowners, many bought as the bubble was inflating. When the bubble burst, many were left with negative equity in their homes.

[5] Among all homeowners, half purchased their current residence before 2000, according to American Housing Survey data.

Wealth Trends

Household wealth is the sum of all assets (house, car, savings account, 401(k) account, etc.) minus the sum of all debts (home mortgages, car loan, student loan, credit card debt, etc.) of everyone living in the household. People typically accumulate wealth as they age, so large age-based disparities on this measure are to be expected. However, the current gap is the largest in the 25 years that the government has been collecting this data.

The widening of the age-based wealth gap hinges mainly on housing, which is the cornerstone of most households' wealth.

Compared with their same-aged counterparts a quarter-century ago, today's households headed by adults ages 65 and older are more likely to own a home (79% in 2009 versus 73% in 1984). Overall, older households had 57% more median equity in their homes in 2009 than did households headed by older adults in 1984. Home equity represented a larger share of mean total wealth for older households in 2009 (44%) than for older households in 1984 (39%).

By contrast, households headed by adults younger than 35 had less housing wealth in 2009 than did households headed by younger adults in 1984. These household heads are slightly less likely to be homeowners (38% in 2009 versus 40% in 1984), and home equity plays a smaller role in their overall wealth (31% in 2009 versus 46% in 1984).

The importance of home equity in pushing up the net worth of older American households can be demonstrated by analyzing trends for net worth other than home equity. If it had not been for home equity, the median net worth of older American households in 2009 would have been 33% *lower* than that of older households in 1984, instead of 42% higher. For young households, there is no such difference: Median net worth in 2009 would be 66% lower than their counterparts in 1984 if home equity is excluded, compared with 68% lower if equity is included.

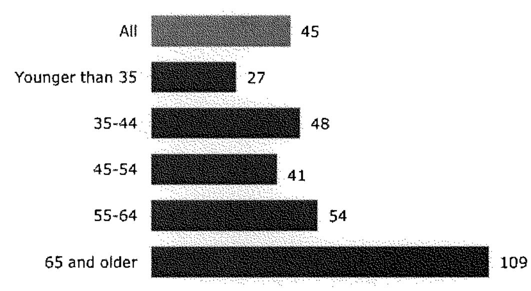
Income Trends

On another measure of economic well-being—household income—the numbers are less dramatic, but the pattern shows older households again doing better than younger ones, relative to comparable households in earlier years.

Households in all age groups have made gains compared with their predecessors over the course of many decades, but the incomes of the oldest households have risen four times as sharply as those of the youngest ones. As a result, incomes of the oldest households, which have been lower than those of younger households, are catching up.

Change in Median Adjusted Household Income by Age of Householder, 1967-2010

%



Note: Standardized to 2010 dollars and a household size of three. See appendix for details.

Source: Pew Research Center tabulations of the Current Population Survey Annual Social and Economic Supplement (IPUMS)

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In households headed by adults younger than 35, the median adjusted annual income in 1967 was $38,555, compared with $49,145 in 2010, an increase of 27% (all figures are expressed in 2010 dollars and standardized to a household size of three). By contrast, in households headed by adults ages 65 and older, the median adjusted annual income in 1967 was $20,804, compared with $43,401 in 2010, an increase of 109%.

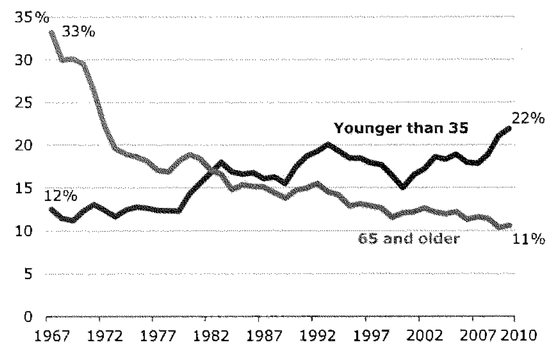
The sources of income for households headed by adults ages 65 and older include a steady share of total income, about 55%, from Social Security over the past three decades. Older households also have a rising share of income from wages and salaries, while households headed by young adults have lower shares from wages and salaries, compared with similar households a decade ago.

Poverty

Median income is a measure of what is happening in the middle of the population. Poverty statistics reflect what is happening at the bottom, and they tell a familiar story of changes in economic status for young and old.

Among households headed by adults younger than 35, the share with income below the poverty line has jumped since 1967. Among households headed by adults ages 65 and older, the share living below the poverty line declined.

Share of Households in Poverty by Age of Householder, 1967-2010



Source: Pew Research Center tabulations of the Current Population Survey Annual Social and Economic Supplement (IPUMS)

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In 2010 11% of households headed by adults ages 65 and older were in poverty, compared with 33% in 1967.

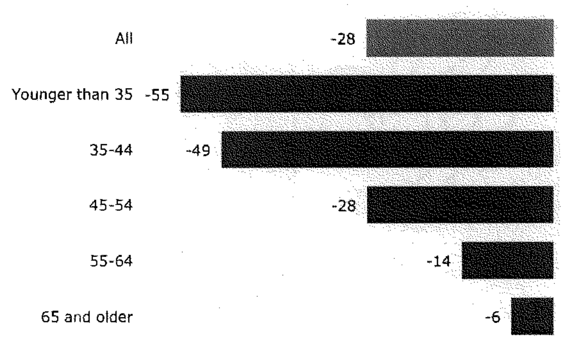
Poverty rates for households headed by adults younger than 35, meanwhile, began climbing in the 1980s and today are nearly 10 percentage points higher than what they were in 1967. Among households headed by an adult younger than 35, 22% were in poverty in 2010, compared with 12% in 1967.

The Great Recession

Although the economic well-being gap between young and old has been widening for decades, the economic turbulence of recent years has accelerated these trends.

Change in Median Net Worth by Age of Householder, 2005-2009

%



Note: Standardized to 2010 dollars.

Source: Pew Research Center tabulations of Survey of Income and Program Participation data

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Looking at changes from 2005 to 2009, all households had lower median net worth. But the decline for households headed by younger adults was much steeper.

For households headed by adults ages 65 and older, median net worth in 2009 was 6% below that of the oldest households in 2005. For households headed by adults younger than 35, median net worth was 55% less than that of the youngest households in 2005. (Of course, the 2005 wealth base of young households was so small that even a small decline would have a large percentage impact.) Another notable change for younger households during this period is that the share with negative or no net worth rose from 30% in 2005 to 37% in 2009.

The same pattern holds for household income, for which data are available through 2010. In 2010, the adjusted median income of the oldest households was 8% greater than that of the oldest households in 2005. For the youngest households, however, adjusted median income was 4% less than it had been for the youngest households in 2005.

About this Report

The report describes trends over time for households headed by different age groups in wealth, housing, income and other measures of economic well-being. The two main data sources for this report are both from the U.S. Census Bureau.

The wealth data, including homeownership trends, are drawn from the Survey of Income and Program Participation (SIPP), a panel survey that began in 1984 and for which the most recently published data are from 2009. The report includes some comparisons from 2005 to 2009, a period that approximately reflects the impact of the Great Recession. The national economic downturn, according to the National Bureau of Economic Research, ran from December 2007 to June 2009. SIPP has periodically collected wealth data since 1984 and is considered an authoritative source on the wealth of American households. As with any survey, SIPP estimates are subject to sampling and nonsampling errors.

The income and poverty data for 1967-2010 (reflecting responses from survey years 1968-2011) are drawn from the Annual Social and Economic Supplements to the Census Bureau's Current Population Survey.

Dollar amounts are adjusted for inflation and reported in 2010 dollars.

Following convention, this report's wealth figures are measured at the household level and do not reflect any adjustments for the size of the household.

The household income figures are adjusted for the size of the household, details of which are explained in the appendix.

The poverty measure is the official federal poverty measure, and as such takes into account not only the size of the household but also the nature of the family members (the number of children and age of the householder). Poverty is typically reported for individuals. Since most of the report focuses on the economic well-being of households, the report presents the poverty status of households based on the status of the household head. So, for example, the report shows the poverty rate of households headed by adults ages 65 and older, not the poverty rate of adults ages 65 and older.

The trends in wealth begin with 1984 simply because that is when the SIPP wealth data collection began. In terms of the business cycle, 1984 was a recovery year following the 1981-82 recession, while 2009 could be construed as a recession year because the recession officially ended in June 2009 according to the NBER business cycle dating committee. While recognizing that 1984 and 2009 are at different points in the business cycle, the trends observed in economic well-being across age groups are also apparent between 1984 and 2005 (two years that are more similar in terms of the business cycle).

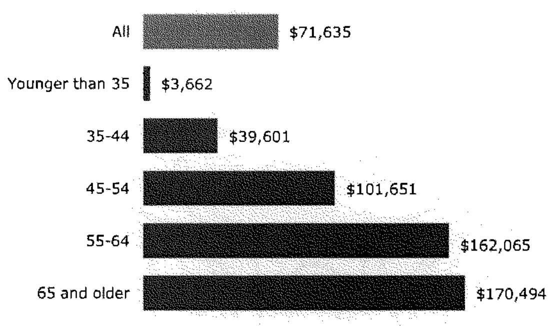
See the appendix for additional details on data sources and methodology.

This report was conceived and researched by Richard Fry, senior economist with the Pew Research Center's Social & Demographic Trends project. The report was written by D'Vera Cohn, senior writer; Gretchen Livingston, senior researcher; and Paul Taylor, executive vice president of the Pew Research Center and director of the Social & Demographic Trends project. Seth Motel, research assistant, produced the charts. The charts were number-checked by Eileen Patten, research assistant; she and Motel number-checked the text. The report was copy-edited by Marcia Kramer. Editorial guidance was provided by Rakesh Kochhar, senior researcher with the Pew Research Center.

CHAPTER 1: WEALTH GAPS BY AGE

Median Net Worth by Age of Householder, 2009

in 2010 dollars



Source: Pew Research Center tabulations of Survey of Income and Program Participation data

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Household median net worth in the U.S. stood at $71,635 in 2009. Across age groups, net worth varied from just $3,662 for households headed by adults younger than 35 to $170,494 for households headed by adults ages 65 and older.

Net worth was $39,601 for households headed by 35- to 44-year-olds, $101,651 for households headed by 45- to 54-year-olds and $162,065 for households headed by 55- to 64-year-olds. Not only are there stark differences in current net worth by householder age, but the trends in wealth holdings over time also diverge dramatically for households headed by younger and older adults.

Younger households in 2009 had sharply lower wealth than did younger households in 1984, while older households had notably more wealth than did older households in 1984.[6]

Households with heads younger than 35 had household wealth in 2009 that was 68% lower than households with same-age heads in 1984.

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[6] An alternative nationally representative source of data on the wealth of U.S. families, the Survey of Consumer Finances (SCF) shows similar changes in the median net worth of families across age groups that were found in this analysis using the Survey of Income and Program Participation. The SCF is conducted triennially by the Board of Governors of the Federal Reserve System. SIPP estimates of median net worth generally are below those estimated in the SCF, but the SIPP shortfall is of similar magnitude across different kinds of households (Orzechowski and Sepielli, 2003). The difference is in part due to the fact that SIPP is not as comprehensive as the SCF in the assets it covers. In 1989 (the first year for which SCF data are comparable to data for later years), the SCF median net worth of families headed by adults younger than 35 was $13,100 (in 2007 dollars). By 2007 (the latest year available), the median net worth of families headed by those younger than 35 was $11,700 in the SCF. According to the SCF, the median net worth of families headed by adults ages 65 and older was greater in 2007 compared with 1989. The median net worth of families with heads ages 65 to 74 rose from $124,900 in 1989 to $239,400 in 2007, and the median net worth of families with heads older than 74 rose from $116,800 to $213,200.

For households with heads ages 35 to 44, wealth was 44% less in 2009 than it had been for same-age households in 1984. For households headed by 45- to 54-year-olds in 2009, net worth was 10% lower than for comparable households in 1984. This pattern reversed for households headed by adults ages 55 and older. Among households with heads ages 55 to 64, wealth was 10% higher in 2009 than it was for comparable households in 1984. Among households headed by adults ages 65 and older, those in 2009 had 42% more wealth than their counterparts in 1984.

Median Net Worth by Age of Householder, 1984 and 2009

in 2010 dollars

	1984	2009	Change
All	$65,293	$71,635	10%
Younger than 35	$11,521	$3,662	-68%
35-44	$71,118	$39,601	-44%
45-54	$113,511	$101,651	-10%
55-64	$147,236	$162,065	10%
65 and older	$120,457	$170,494	42%

Source: Pew Research Center tabulations of Survey of Income and Program Participation data and U.S. Census Bureau P-70, No. 7; *Household Wealth and Asset Ownership: 1984: data from the Survey of Income and Program Participation*, Table E

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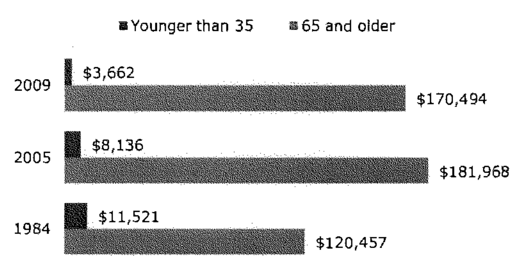
These age-specific trends in net worth mean that the gap between older and younger American households increased dramatically from 1984 to 2009.

In 1984, households headed by adults ages 65 and older already had median net worth that was 10 times the wealth of households headed by adults younger than 35 (or $108,936 more, in absolute terms). In 2009, households headed by the oldest adults had median net worth that was 47 times that of households headed by the youngest adults (or $166,832 in absolute terms).

Median Net Worth by Age of Householder, 1984, 2005 and 2009

in 2010 dollars



Source: Pew Research Center tabulations of Survey of Income and Program Participation data and U.S. Census Bureau P-70, No. 7; *Household Wealth and Asset Ownership: 1984: data from the Survey of Income and Program Participation*, Table E

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The wealth gap between younger and older households was expanding even before the national recession began in December 2007. Even then, older households had more wealth than their counterpart households in previous decades, while younger households had less wealth than comparable households did in 1984.

The divergence of wealth was intensified by the recent economic crisis. The youngest households had the largest losses during this time, down 55% by 2009 compared with same-aged households in 2005. Households headed by adults ages 35 to 44 had net worth in 2009 that was 49% less than same-aged households in 2005.

Wealth losses were proportionally smaller for each subsequent age group, with households headed by adults ages 65 and older in 2009 having 6% less net worth than the oldest households in 2005.

Households with No or Negative Net Worth

While median household net worth has increased 10% from 1984 to 2009, the share of households that have zero net worth or negative net worth has also increased.

In 1984, 11% of all households fell into this category, and by 2009, fully one-fifth (20%) of households reported having no positive net worth.

Younger households were far more likely than older households to lack positive net worth. More than one-third (37%) of households headed by people younger than 35 fell into this category in 2009, as did 23% of households headed by adults ages 35 to 44.

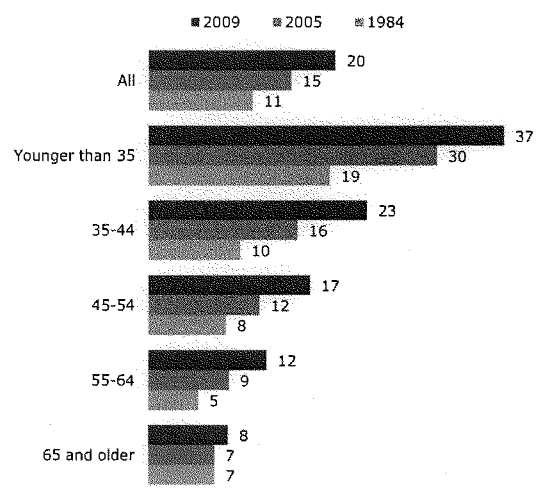
Some 17% of households headed by 45- to 54-year-olds had either no wealth or had negative wealth, as did 12% of households headed by 55- to 64-year-olds. Eight percent of households headed by adults ages 65 and older fell into this category.

The gap between young and old on this measure grew markedly from 1984 to 2009, due primarily to the growing share of young households with zero or negative net worth. The share among households headed by adults younger than 35 was 18 percentage points higher in 2009 than it had been in 1984. By comparison, this share was 2 percentage points higher in 2009 among households headed by adults ages 65 and older than it had been in 1984.

While the divergence in the share of younger and older households with no positive net worth was already well under way by 2005, the onset of the recession sped up the process. Among households headed by people younger than 35, the share with negative or no wealth was seven percentage points higher in 2009 than it had been in 2005. By comparison, the share of households headed by adults ages 65 and older with no wealth or negative wealth was only one percentage point higher in 2009 than in 2005.

Share of Householders with No Net Worth or Negative Net Worth by Age of Householder, 1984, 2005 and 2009

%



Source: Pew Research Center tabulations of Survey of Income and Program Participation data and U.S. Census Bureau P-70, No. 7; *Household Wealth and Asset Ownership: 1984: data from the Survey of Income and Program Participation*, Table 4

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Growing Wealth Inequality

Although this report does not delve deeply into how wealth is distributed overall, it is notable that the share of households at the top and bottom of the wealth curve has grown. As shown above, a growing share of all households (and shares of all age groups) has no wealth or negative wealth.

A growing share of households also is at the top of the wealth distribution. In 1984, 6% of households had net worth in that year's dollars of at least $250,000; in 2009, 13% of households had equivalent net worth in current dollars ($491,572).

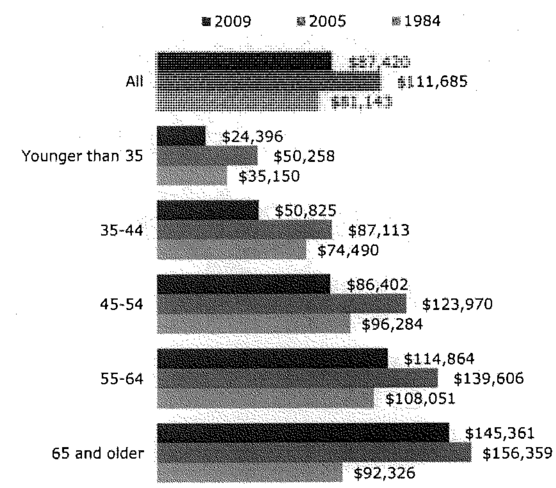
In 1984, 1% of households headed by adults younger than 35 had net worth of at least $250,000 in 1984 dollars; in 2009, 2% had equivalent net worth in 2009 dollars. In 1984, 8%

of households headed by adults ages 65 and older had a net worth of at least $250,000 in 1984 dollars; in 2009, 20% had equivalent net worth in 2009 dollars.

Housing Component of Wealth

Median Home Equity by Age of Householder, 1984, 2005 and 2009

in 2010 dollars



Source: Pew Research Center tabulations of Survey of Income and Program Participation data and U.S. Census Bureau P-70, No. 7; *Household Wealth and Asset Ownership: 1984: data from the Survey of Income and Program Participation*, Table 5

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For most Americans, the most important component of wealth is home equity, the difference between the value of a home and the amount owed on its mortgage(s). In 2009, home equity represented 39% of mean total net worth of U.S. households.[7] The second most important component, stocks and mutual funds, accounted for a distant 16%.

Because home equity is such a crucial underpinning of wealth for the typical American household, any change in the value of homes has a major impact on net worth. The U.S. housing crisis that began in 2006 and drove down home values was the largest contributor to changes in wealth of the typical household in the past half-decade. Declines in equity were steepest for young homeowners.

The median net worth of all U.S. households increased to $71,635 in 2009 from $65,293 in 1984, a gain of 10%. However, if home equity is excluded, median net worth shows an 11% decline. Median net worth excluding home equity decreased to $13,899 in 2009 from $15,556 in 1984.

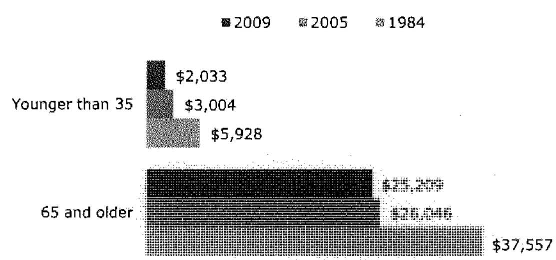
[7] Mean net worth is used here because median net worth, the statistic reported through the rest of this report, cannot be distributed across individual components.

The impact of home equity on wealth is even more decisive for older households. Americans ages 65 and older had a 42% gain in net worth from 1984 to 2009, but if home equity is excluded, their net worth veers into negative territory, declining by 33%. The median net worth of young households, on the other hand, is little affected by excluding home equity—it still drops 66% from 1984 to 2009 (rather than 68% if home equity is included).

The pattern for households headed by adults ages 55 to 64 resembles that of the oldest adults—an overall 10% gain in median net worth from 1984 to 2009 becomes a 6% loss without home equity. Among households headed by adults ages 45 to 54, median net worth does not change from 1984 to 2009 if home equity is excluded. Among households headed by adults ages 35 to 44, a 44% loss becomes a 24% loss if home equity is excluded from net worth.

Median Net Worth Excluding Home Equity by Age of Householder, 1984, 2005 and 2009

in 2010 dollars



Source: Pew Research Center tabulations of Survey of Income and Program Participation data and U.S. Census Bureau P-70, No. 7; *Household Wealth and Asset Ownership: 1984: data from the Survey of Income and Program Participation*, Table E

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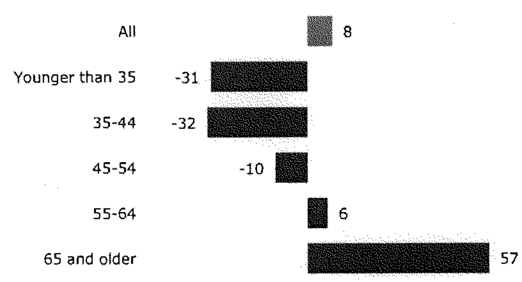
Home Equity

The recent nationwide plunge in housing values affected homeowners in all age groups, but older Americans experienced markedly smaller losses in home equity than younger ones. Older homeowners also had more good fortune over the longer term. Compared with their counterparts in 1984, older homeowners in 2009 had a substantial increase in median value of their home equity while younger ones had a notable loss.

From 2005 to 2009, American households' median level of home equity dropped by 22%, from $111,685 to $87,420. It dropped most sharply for homeowners younger than 35, whose median equity plunged 51%, to $24,396 in 2009 from $50,258 in 2005. Households with homeowners ages 65 and older were relatively untouched: Their median home equity level declined only 7%, to $145,361 from $156,359. For the age groups in between, change followed a stair-step pattern of larger percentage losses for the younger groups than for the older ones.

Change in Median Home Equity by Age of Householder, 1984-2009

%



Note: Standardized to 2010 dollars.

Source: Pew Research Center tabulations of Survey of Income and Program Participation data and U.S. Census Bureau P-70, No. 7; *Household Wealth and Asset Ownership: 1984: data from the Survey of Income and Program Participation*, Table 5

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Over the longer term, too, the oldest homeowner households have experienced the largest rises in home equity compared with their same-age counterparts in earlier decades, while younger householders have had the largest losses. Overall, the median equity level of owned homes rose 8% from 1984 to 2009. For households with homeowners younger than 35, though, equity was 31% less in 2009 than 1984. For households with owners ages 65 and older, the median equity value rose 57% during this period.

As the accompanying chart shows, the only other group with a gain in median equity from 1984 to 2009 was households with homeowners ages 55 to 64, who gained 6%. Householders ages 35 to 44 experienced a loss of 32% over the 1984-2009 period; those ages 45 to 54 experienced a 10% loss.

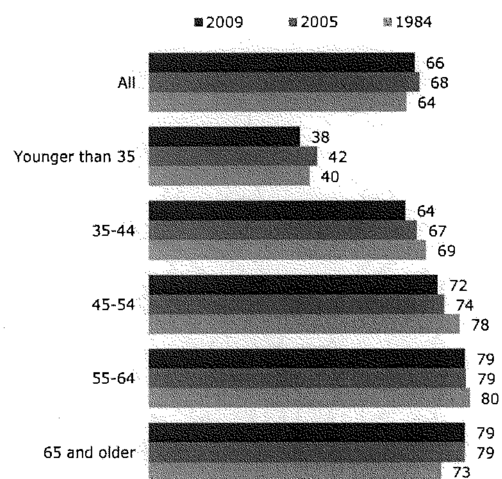
Homeownership Rates

Two-thirds of American householders (66%) owned their homes in 2009.[8] As might be expected, older households are more likely than younger ones to own a home, which helps account for their greater wealth.

Although home equity is the largest source of American household wealth, other types of assets are more widely owned. They include motor vehicles (84%) as well as savings accounts and other interest-earning assets at financial institutions (65%).

Homeownership Rate by Age of Householder, 1984, 2005 and 2009

%



Source: Pew Research Center tabulations of Survey of Income and Program Participation data and U.S. Census Bureau P-70, No. 7; *Household Wealth and Asset Ownership: 1984: data from the Survey of Income and Program Participation*, Table 1

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The U.S. homeownership rate has declined since 2005, when it was 68%, but has risen since 1984, when it was 64%. Only one group had higher homeownership rates in 2009 than in 1984—households headed by adults ages 65 and older. These older householders, as well as householders ages 55 to 64, also had no decline in homeownership from 2005 to 2009.

[8] Homeownership rates are from the Survey of Income and Program Participation, so they may differ from other homeowner statistics published by the Census Bureau.

By contrast, the share of householders younger than 35 who own homes fell to 38% in 2009 from 42% in 2005, the largest percentage point decline among age groups. In 1984, 40% of householders in this age group owned their own homes.

The share of owners in 2009 was lower than in both 2005 and 1984 for householders ages 35 to 44 and householders ages 45 to 54. Among 55- to 64-year-olds, homeownership was steady from 2005 to 2009 but has edged downward since 1984.

Portfolio Value of Homes

Among all households, both renters and owners, owned homes represented 39% of mean total net worth in 2009. The share of wealth represented by a home depends on the home's value and on the value of other assets in a household's portfolio, offset by debt.

Among households headed by adults ages 65 and older, 44% of mean total wealth in 2009 was in the value of their home. For the comparable age group in 1984, the home represented just 39% of total wealth.

For households headed by adults younger than 35, an owned home accounted for 31% of mean net worth in 2009, down from 46% in 1984. The share of mean total net worth accounted for by home equity among these young adults had been 52% in 2005, before the national fall in housing prices.

This decline in housing's share of mean net worth for young households—from 52% of net worth in 2005 to 31% of net worth in 2009—was much steeper than the decline for the oldest households. For households headed by adults ages 65 and older, housing represented 51% of mean net worth in 2005 and 44% in 2009.

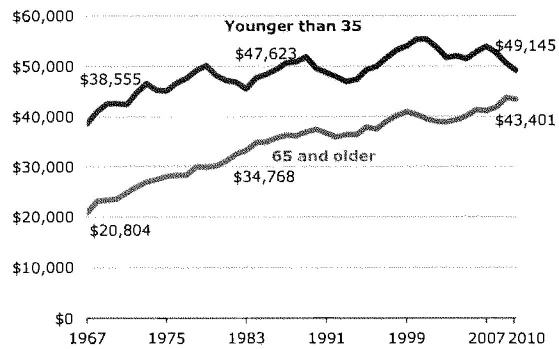
CHAPTER 2: INCOME, POVERTY, EMPLOYMENT

In 2010, the median adjusted household income in the U.S. was $57,297.[9]

Across age groups, this measure of economic well-being is lowest for the oldest households and highest for those in late middle age. Median adjusted 2010 household income was $49,145 among households headed by adults younger than age 35 and $70,118 in households headed by adults ages 45 to 54. Adjusted income was virtually identical ($69,847) in households headed by adults ages 55 to 64. In households where the head of household is age 65 and older, income drops to $43,401.

Median Adjusted Household Income by Age of Householder, 1967-2010

in 2010 dollars



Notes: Standardized to a household size of three. See appendix for details. Middle data label is 1984.

Source: Pew Research Center tabulations of the Current Population Survey Annual Social and Economic Supplement (IPUMS)

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These values reflect marked increases for all groups since 1967, even controlling for inflation. Median adjusted household income increased by 45% during this 43-year period. Increases were smallest for households headed by adults younger than age 35, where incomes rose 27%. Conversely, the income of households headed by adults ages 65 and older more than doubled from 1967 to 2010. Incomes increased by 48% for households headed by 35- to 44-year-olds, by 41% for households headed by 45- to 54-year-olds, and by 54% for households headed by 55- to 64-year-olds.

Changes in household income from 1984 to 2010 are far smaller in magnitude but follow a similar pattern across age groups. Younger households experienced relatively small income

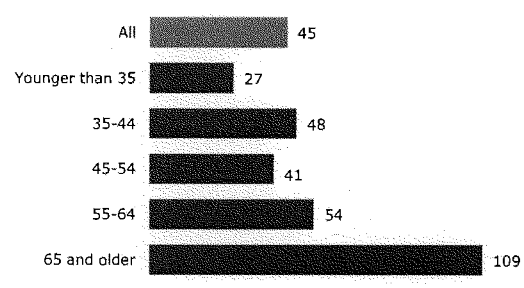
[9] Income figures are standardized to household size of three; see appendix for details.

increases of 3% over the 26-year period. Income in households headed by adults ages 35 to 44 increased 9%, and the increase was 7% for households headed by adults ages 45 to 54. Older households experienced larger increases—23% in households headed by 55- to 64-year-olds and 25% for households headed by adults ages 65 or older.

The wide variance in income changes across age groups has produced a dramatic narrowing of the adjusted income gap between younger and older households.

Change in Median Adjusted Household Income by Age of Householder, 1967-2010

%



Note: Standardized to 2010 dollars and a household size of three. See appendix for details.

Source: Pew Research Center tabulations of the Current Population Survey Annual Social and Economic Supplement (IPUMS)

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In 1967, households headed by adults ages 65 or older had median adjusted household incomes of $20,804—a number that was roughly half (54%) the income of households headed by adults younger than 35 ($38,555). By 1984, household incomes among the oldest adults had risen markedly to $34,768 and incomes for households headed by adults younger than 35 had increased to $47,623.

Flash forward to 2010, and the incomes of older and younger households have converged even more, to $49,145 among those younger than 35 and $43,401 among those ages 65 and older.

Even prior to the recession, the incomes of older households were catching up to those of younger households, but the onset of the recession accelerated this trend. Overall, adjusted household incomes have taken a hit in the period that included the 2007-2009 recession and the following year; this is the case for all households headed by people younger than 65. Losses in median adjusted household income from 2005 to 2010 ranged from 4 percent (for households headed by adults younger than 35) to 10 percent (for households headed by adults ages 45 to 54). Among households headed by people ages 65 and older, however, adjusted household income increased 8 percent above its pre-recession value.

The sources of income for households headed by adults ages 65 and older include a steady share of total income, about 55%, from Social Security over more than the past three decades. Consistent with the rising share of older adults who are employed, the share of income in their households from wages and salaries has increased somewhat, from 14% in 2000 to 17% in 2010.

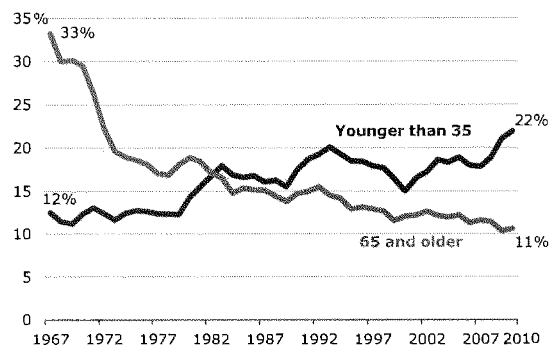
Among households headed by young adults, wages and salaries have dipped as a share of all income, from 87% in 2000 to 82% in 2010. More information on the sources of income in older and younger households can be found in the appendix tables.

Poverty

Across time, the share of households in poverty veers in opposite directions for households headed by older and younger adults.

Poverty rates for households headed by adults ages 65 and older dropped dramatically from 1967 to 1980, then continued to decline, albeit more slowly, to the present day. In 2010, 11% of households headed by adults ages 65 and older were in poverty, compared with 33% in 1967.

Share of Households in Poverty by Age of Householder, 1967-2010



Source: Pew Research Center tabulations of the Current Population Survey Annual Social and Economic Supplement (IPUMS)

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Poverty rates for households headed by adults younger than 35, meanwhile, began climbing in the 1980s and today are notably higher than they were in 1967. Among households headed by an adult younger than 35, 22% were in poverty in 2010, compared with 12% in 1967.

Among households headed by 35- to 44-year-olds, 9% were in poverty in 1967 and 14% in 2010. Among households headed by 45- to 54-year-olds, 8% were in poverty in 1967 and 12%

in 2010. Among households headed by 55- to 64-year-olds, 14% were in poverty in 1967 and 12% in 2010.

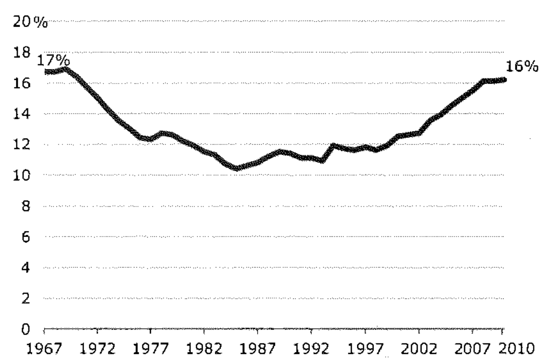
In keeping with this report's focus on households, the analysis of poverty has been computed at the household level. The official U.S. government poverty statistics come from the same data source, the Current Population Survey, but are computed for individuals. Both the household measures and the individual measures show a long-term decline in poverty rates for older Americans.

Employment

The share of older adults who are employed has been growing, while the share of younger adults who are employed has been shrinking. (This section is based on analysis of statistics for people, which differs from the household focus of this report overall.)

As the accompanying chart shows, the employment rate of the population ages 65 and older, while still less than 20%, has risen over the past decade; the share of 20- to 34-year-olds who are employed has declined over the same period.

Share of Population Employed, Ages 65 and Older, 1967-2010



Source: Bureau of Labor Statistics
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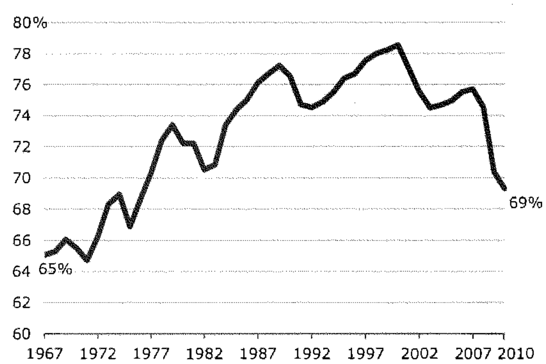
The motivation of workers ages 65 and older was explored in a 2009 Pew Research Center survey, which found that 54% say they work because they want to, 17% because they need the money and 27% for a mix of both reasons.[10] One reason for the decline in the employment rate

[10] See "Recession Turns a Graying Office Grayer," Pew Research Center's Social & Demographic Trends project, Sept. 3, 2009, http://www.pewsocialtrends.org/2009/09/03/recession-turns-a-graying-office-grayer/.

among the young is that a growing share are in school, forgoing wages now for potential higher earnings later.[11]

Unemployment rates for young adults also are higher than for the oldest adults (11.7% compared with 6.7% in 2010), which has been true for many years, according to data from the Bureau of Labor Statistics.

Share of Population Employed, Ages 20-34, 1967-2010



Source: Bureau of Labor Statistics

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[11] For more information on rising college enrollments, see http://www.pewsocialtrends.org/2009/10/29/college-enrollment-hits-all-time-high-fueled-by-community-college-surge/.

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APPENDIX A: DATA SOURCES AND METHODOLOGY

Survey of Income and Program Participation

The figures on the wealth of households are derived from the U.S. Census Bureau's Survey of Income and Program Participation (SIPP). SIPP is one of the few nationally representative data sources on the assets and liabilities of households. SIPP has periodically asked a detailed set of questions on assets and liabilities, and SIPP is the basis for the Census Bureau's P-70 series of reports on household wealth. The 1984 figures come directly from the Census Bureau's 1986 P-70 report *Household Wealth and Asset Ownership: 1984: Data from the Survey of Income and Program Participation*.

SIPP is nationally representative of the civilian non-institutionalized population in the United States. The 1984 figures exclude persons in group quarters and, for the sake of comparability, the 2009 tabulations do as well.

The 2009 asset and liability figures derive from wave 4 of the 2008 SIPP panel. The household interviews were conducted from September to December 2009. Each month, one-quarter of the households were asked about their household net worth as of the last day of the prior month. So the 2009 net worth figures are a composite of the assets and liabilities of households as of August to November 2009.

SIPP Net Worth

SIPP data include the following assets and liabilities:

Assets

- Financial institution accounts
  - Passbook savings accounts
  - Money market deposit accounts
  - Certificates of deposit
  - Interest-earning checking accounts
- Other interest-earning assets
  - U.S. government securities
  - Municipal or corporate bonds
- Regular checking accounts
- Stocks and mutual funds
- Business equity
- Vehicles
- Own home
- Rental property
- Other real estate
- U.S. savings bonds
- IRA and Keogh accounts
- 401(k) and Thrift Savings Plans
- Other financial assets
  - Mortgages held for sale of real estate
  - Amount due from sale of business or property

Liabilities

- Secured liabilities
  - Margin and broker accounts
  - Mortgages on own home
  - Mortgages on rental property
  - Mortgages on other real estate
  - Debt on business or profession
  - Vehicle loans
- Unsecured liabilities
  - Credit card and store bills
  - Doctor, dentist, hospital and nursing home bills
  - Loans from individuals
  - Loans from financial institutions
  - Educational loans
  - Other unsecured liabilities

One of the advantages of the SIPP over other data sources on wealth is the large sample of households that it interviews. The 2009 figures are based on more than 36,000 households (unweighted), including 6,513 households headed by persons younger than 35 and nearly 8,500 headed by adults ages 65 and older.

SIPP has consistently asked a detailed set of questions on the assets and liabilities of all household members. Although most of the major forms of asset ownership are included, SIPP does not attempt to measure the value of defined benefit retirement assets, the cash value of life insurance policies, the value of home furnishings and jewelry or the present value of future claims on the Social Security system ("Social Security wealth)." Nor does it look at the value of health insurance.

Current Population Survey

The report presents the conventional data source for the trends in household income and poverty, the U.S. Census Bureau Current Population Survey Annual Social and Economic Supplements (CPS ASEC). The CPS is perhaps best known as the source for the nation's unemployment rate, as reported on the first Friday of each month by the U.S. Bureau of Labor Statistics. The ASEC is a supplementary survey to the March Current Population Survey and has been collected in a consistent fashion since 1968. The ASEC is the basis for the Census Bureau's annual household income and poverty report. The CPS is nationally representative, and the ASEC has an unweighted sample size of at least 44,000 households each year (about 75,000 households in more recent years). The report's tabulations utilized the University of Minnesota Population Center's integrated public use micro series (IPUMS) version of the ASEC. Further documentation can be found at http://cps.ipums.org/cps/.

Household income refers to the household's total money income and includes cash income received (exclusive of certain money receipts such as capital gains) before payments for such things as personal income taxes, Social Security, union dues and Medicare deductions. Therefore, money income does not reflect the fact that some families receive non-cash benefits, such as food stamps, health benefits, subsidized housing, and goods produced and consumed on the farm (DeNavas-Walt, Proctor and Smith, 2011).

All monetary values in the report are in 2010 dollars. Following Census Bureau practice, the research series of the consumer price index (CPI-U-RS) is used to inflate earlier years' nominal dollar amounts to 2010 dollars.

Household income data reported in this study are adjusted for the number of people in a household. That is done because a four-person household with an income of, say, $50,000 faces a tighter budget constraint than a two-person household with the same income. At its simplest, adjusting for household size could mean converting household income into per capita income. Thus, a two-person household with an income of $50,000 would have a per capita income of $25,000, double the per capita income of a four-person household with the same total income.

A more sophisticated framework for household size adjustment recognizes that there are economies of scale in consumer expenditures. For example, a two-bedroom apartment may not cost twice as much to rent as a one-bedroom apartment. Two household members could carpool to work for the same cost as a single household member, and so on. For that reason, most researchers make adjustments for household size using the method of "equivalence scales" (Garner, Ruiz-Castillo and Sastre, 2003, and Short, Garner, Johnson and Doyle, 1999).

A common equivalence-scale adjustment is defined as follows:
Adjusted household income = Household income / (Household size)^N

By this method, household income is divided by household size exponentiated by "N," where N is a number between 0 and 1.

Note that if N = 0, the denominator equals 1. In that case, no adjustment is made for household size. If N = 1, the denominator equals household size, and that is the same as converting household income into per capita income. The usual approach is to let N be some number between 0 and 1. Following other researchers, this study uses N = 0.5 (for example, see Johnson, Smeeding and Torrey, 2005). In practical terms, this means that household income is divided by the square root of household size—1.41 for a two-person household, 1.73 for a three-person household, 2.00 for a four-person household, and so on.

Once household incomes have been converted to a "uniform" household size, they can be scaled to reflect any household size. The income data reported in this study are computed for three-person households. That is done as follows:

Three-person household income = Adjusted household income * $[(3)^{0.5}]$

APPENDIX B: ADDITIONAL TABLES

Median Net Worth by Type of Asset and Age of Householder, 2009

in 2010 dollars

	All	Younger than 35	35-44	45-54	55-64	65 and older
Own home	$87,420	$24,396	$50,825	$86,402	$114,864	$145,361
Rental property	$121,981	$71,156	$101,651	$111,308	$152,476	$172,806
Other real estate	$81,321	$30,495	$76,238	$76,238	$101,651	$91,486
Stocks and mutual funds	$26,226	$6,099	$20,330	$23,380	$40,660	$54,282
IRA and Keogh accounts	$30,119	$8,132	$20,330	$30,495	$41,575	$50,825
401(k) and thrift accounts	$28,462	$10,165	$24,396	$39,136	$44,320	$50,825
Financial institution accounts	$3,863	$1,525	$2,440	$3,863	$6,201	$8,132
U.S. savings bonds	$1,017	$508	$813	$1,017	$1,017	$1,169
Other interest-earning assets	$32,528	$16,801	$10,416	$20,330	$40,660	$50,825
Regular checking accounts	$813	$712	$712	$813	$1,017	$1,017
Business equity	$25,413	$15,248	$20,737	$25,413	$30,495	$28,666
Vehicles	$5,301	$3,154	$4,778	$6,353	$6,793	$6,277
Other assets	$32,528	$2,033	$23,380	$26,480	$45,743	$50,825
Unsecured liabilities	$8,132	$9,713	$9,555	$9,149	$7,116	$3,304

Note: Based on households that own a given asset. Other assets include mortgages held for sale of real estate, amount due from sale of business property and other financial assets.

Source: Pew Research Center tabulations of Survey of Income and Program Participation data

PEW RESEARCH CENTER

Median Net Worth by Type of Asset and Age of Householder, 1984

in 2010 dollars

	All	Younger than 35	35-44	45-54	55-64	65 and older
Own home	$81,143	$35,150	$74,490	$96,284	$108,051	$92,326
Rental property	$69,069	$34,942	$63,293	$68,285	$85,627	$85,001
Other real estate	$29,564	$20,437	$28,630	$37,686	$35,474	$34,636
Stocks and mutual funds	$7,779	$2,434	$6,390	$8,091	$11,317	$13,755
IRA and Keogh accounts	$9,604	$4,965	$8,870	$10,695	$12,772	$12,730
Financial institution accounts	$6,128	$1,801	$3,786	$6,770	$14,671	$26,493
U.S. savings bonds	$600	$352	$474	$690	$1,459	$2,225
Other interest-earning assets	$18,930	$4,633	$10,513	$15,522	$27,101	$36,265
Regular checking accounts	$897	$654	$819	$1,075	$1,135	$1,301
Business equity	$12,588	$5,283	$12,272	$26,525	$21,265	$10,032
Vehicles	$8,203	$6,638	$8,992	$10,837	$9,736	$6,740
Other assets	$25,562	$8,419	$20,537	$30,537	$49,557	$39,090

Note: Based on households that own a given asset. Other assets include mortgages held for sale of real estate, amount due from sale of business property, unit trusts and other financial investments.

Source: U.S. Census Bureau P-70, No. 7; *Household Wealth and Asset Ownership: 1984: data from the Survey of Income and Program Participation*, Table 5

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Asset Ownership Rates by Type of Asset and Age of Householder, 2009

	All	Younger than 35	35-44	45-54	55-64	65 and older
Own home	66%	38%	64%	72%	79%	79%
Rental property	6%	2%	4%	7%	8%	6%
Other real estate	6%	2%	4%	7%	9%	8%
Stocks and mutual funds	22%	13%	19%	23%	28%	27%
IRA and Keogh accounts	29%	17%	27%	31%	37%	32%
401(k) and thrift accounts	40%	38%	51%	51%	46%	17%
Financial institution accounts	65%	58%	64%	65%	69%	68%
U.S. savings bonds	11%	8%	12%	14%	13%	10%
Other interest-earning assets	3%	1%	1%	2%	4%	5%
Regular checking accounts	32%	32%	32%	34%	33%	29%
Business equity	11%	7%	12%	15%	13%	5%
Vehicles	84%	81%	86%	87%	88%	80%
Other assets	3%	1%	2%	2%	4%	5%
Unsecured liabilities	52%	59%	59%	58%	53%	32%

Note: Other assets include mortgages held for sale of real estate, amount due from sale of business property and other financial assets.

Source: Pew Research Center tabulations of Survey of Income and Program Participation data

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Asset Ownership Rates by Type of Asset and Age of Householder, 1984

	All	Younger than 35	35-44	45-54	55-64	65 and older
Own home	64%	40%	69%	78%	80%	73%
Rental property	10%	4%	10%	14%	15%	11%
Other real estate	10%	5%	10%	15%	16%	8%
Stocks and mutual funds	20%	13%	23%	23%	26%	21%
IRA and Keogh accounts	20%	10%	22%	31%	39%	9%
Financial institution accounts	72%	65%	72%	73%	76%	78%
U.S. savings bonds	15%	13%	18%	18%	18%	11%
Other interest-earning assets	9%	5%	8%	9%	12%	12%
Regular checking accounts	54%	51%	59%	60%	55%	49%
Business equity	13%	10%	18%	20%	15%	5%
Vehicles	86%	88%	92%	92%	89%	71%
Other assets	4%	2%	4%	6%	5%	3%

Note: Other assets include unit trusts and other financial investments.

Source: U.S. Census Bureau P-70, No. 7; *Household Wealth and Asset Ownership: 1984: data from the Survey of Income and Program Participation*, Table 1

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Percent Distribution of Net Worth by Type of Asset and Age of Householder, 2009

	All	Younger than 35	35-44	45-54	55-64	65 and older
Own home	39%	31%	38%	39%	36%	44%
Rental property	6%	5%	5%	6%	6%	5%
Other real estate	4%	2%	3%	4%	4%	4%
Stocks and mutual funds	16%	26%	8%	10%	19%	19%
IRA and Keogh accounts	9%	8%	9%	9%	10%	9%
401(k) and thrift accounts	12%	20%	20%	17%	11%	4%
Financial institution accounts	6%	9%	6%	5%	5%	6%
Other interest-earning assets	1%	0%	0%	1%	2%	2%
Business equity	7%	15%	13%	10%	6%	3%
Vehicles	3%	6%	4%	3%	2%	2%
Other assets	3%	3%	2%	2%	3%	3%
Unsecured liabilities	-5%	-27%	-10%	-6%	-4%	-1%

Notes: Numbers may not add to 100% because of rounding. Other assets include regular checking accounts, U.S. saving bonds, mortgages held for sale of real estate, amount due from sale of business property and other financial assets.

Source: Pew Research Center tabulations of Survey of Income and Program Participation data

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Percent Distribution of Net Worth by Type of Asset and Age of Householder, 1984

	All	Younger than 35	35-44	45-54	55-64	65 and older
Own home	41%	46%	47%	42%	41%	39%
Rental property	9%	5%	8%	11%	11%	8%
Other real estate	4%	5%	5%	5%	5%	3%
Stocks and mutual funds	7%	5%	5%	5%	9%	9%
IRA and Keogh accounts	2%	2%	2%	3%	3%	3%
Financial institution accounts	14%	12%	8%	9%	13%	25%
Other interest-earning assets	3%	2%	2%	2%	4%	5%
Business equity	10%	17%	14%	16%	8%	5%
Vehicles	6%	17%	7%	6%	5%	3%
Other assets	1%	2%	1%	1%	1%	1%

Notes: Numbers may not add to 100% because of rounding. Other assets include regular checking accounts and U.S. savings bonds.

Source: U.S. Census Bureau P-70, No. 7; *Household Wealth and Asset Ownership: 1984: data from the Survey of Income and Program Participation*, Table F

PEW RESEARCH CENTER

Median Net Worth of Households by Age of Householder, 1984 to 2009

in 2010 dollars

	1984	1988	1991	1993	1995	1998	2000	2002	2004	2009
All	$65,293	$63,317	$57,206	$56,240	$57,107	$63,220	$71,492	$71,391	$92,113	$71,635
Younger than 35	$11,521	$10,764	$8,756	$8,657	$10,552	$8,349	$9,411	$6,591	$8,051	$3,662
35-44	$71,118	$58,768	$49,074	$43,694	$45,019	$48,399	$57,551	$49,922	$73,731	$39,601
45-54	$113,511	$101,773	$91,428	$86,418	$87,007	$95,609	$108,081	$99,909	$136,207	$101,651
55-64	$147,236	$141,738	$130,864	$136,881	$129,741	$130,831	$145,644	$160,708	$195,077	$162,065
65 and older	$120,457	$130,119	$139,781	$129,164	$131,259	$133,466	$141,533	$158,162	$177,185	$170,494
Ratio of 65 and older to younger than 35	10	12	16	15	12	16	15	24	22	47

Note: The Survey of Income and Program Participation was redesigned for the 1996 panel. The redesign may have affected the comparability of the data from 1998 and later years with the data from earlier panels.

Sources: For 2009: Pew Research Center tabulations of Survey of Income and Program Participation data from the 2008 panel; for 1984 to 2004: various U.S. Census Bureau P-70 *Current Population Reports*

PEW RESEARCH CENTER

Composition of Household Income among Households Headed by Those Younger than 35, 1967-2010

	Wages and salaries	Business income	Farm income	Social Security income	Welfare income	Other income sources
2010	82%	3%	0%	2%	2%	10%
2009	83%	4%	0%	2%	2%	10%
2008	86%	3%	0%	2%	2%	7%
2007	86%	3%	0%	2%	2%	7%
2006	86%	3%	0%	1%	2%	7%
2005	85%	3%	0%	2%	2%	8%
2004	85%	3%	0%	1%	2%	8%
2003	84%	3%	0%	1%	2%	9%
2002	85%	3%	0%	1%	2%	8%
2001	86%	0%	0%	1%	2%	10%
2000	87%	3%	0%	1%	2%	7%
1999	86%	3%	0%	1%	3%	7%
1998	85%	3%	0%	1%	3%	7%
1997	84%	3%	0%	1%	4%	7%
1996	84%	3%	0%	1%	5%	7%
1995	83%	3%	0%	1%	5%	7%
1994	82%	2%	0%	1%	6%	8%
1993	81%	3%	0%	1%	7%	8%
1992	81%	4%	0%	1%	7%	7%
1991	82%	4%	0%	1%	6%	7%
1990	82%	4%	0%	1%	6%	7%
1989	83%	3%	0%	1%	5%	7%
1988	83%	4%	0%	1%	6%	6%
1987	82%	5%	0%	1%	6%	6%
1986	83%	4%	0%	1%	6%	6%
1985	83%	4%	0%	1%	6%	6%
1984	83%	4%	0%	1%	6%	6%
1983	81%	4%	1%	1%	6%	8%
1982	81%	4%	1%	1%	6%	8%
1981	83%	4%	-1%	1%	5%	9%
1980	84%	3%	0%	1%	5%	7%
1979	84%	4%	1%	1%	4%	6%
1978	85%	3%	1%	1%	4%	6%
1977	85%	4%	1%	1%	5%	6%
1976	84%	3%	1%	1%	5%	6%
1975	82%	4%	1%	1%	5%	7%
1974	85%	3%	1%	1%	5%	5%
1973	85%	5%	1%	1%	4%	4%
1972	86%	3%	1%	1%	5%	5%
1971	86%	3%	1%	1%	4%	5%
1970	88%	3%	1%	1%	4%	4%
1969	88%	5%	1%	1%	3%	4%
1968	89%	3%	1%	1%	2%	4%
1967	90%	3%	1%	1%	2%	3%

Notes: Numbers may not add to 100% because of rounding. The share reported is the mean fraction of household income derived from the income source. Hence, the top left figure shows that in 2010 the average household headed by adults younger than 35 received 82% of its income from wages and salaries. "Other income sources" includes income received from interest, dividends, rents and trusts. "Social Security income" refers to income the household received from Social Security or U.S. government Railroad Retirement insurance payments (1967-1978) or from Social Security payments exclusively (1979 forward). It does not include income from federal/state Supplemental Security Income (SSI) payments to older (age 65+), blind or disabled persons with low incomes. In regard to "welfare income," the degree of detail about sources of public assistance included on the ASEC changed over time, and the presence or absence of specific prompts may affect the completeness of reporting.

Source: Pew Research Center tabulations of the Current Population Survey Annual Social and Economic Supplement (IPUMS)

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Composition of Household Income among Households Headed by Those 65 and Older, 1967-2010

	Wages and salaries	Business income	Farm income	Social Security income	Welfare income	Other income sources
2010	17%	1%	0%	55%	2%	25%
2009	16%	2%	0%	55%	2%	25%
2008	16%	1%	0%	55%	2%	25%
2007	16%	2%	0%	55%	2%	26%
2006	15%	2%	0%	54%	2%	27%
2005	15%	1%	0%	56%	2%	26%
2004	14%	1%	0%	57%	2%	26%
2003	14%	1%	0%	57%	2%	26%
2002	14%	1%	0%	56%	2%	26%
2001	14%	1%	0%	56%	2%	27%
2000	14%	1%	0%	55%	2%	28%
1999	14%	1%	0%	54%	2%	29%
1998	13%	1%	8%	46%	2%	30%
1997	12%	1%	0%	55%	2%	29%
1996	13%	1%	0%	56%	2%	28%
1995	13%	1%	0%	55%	2%	28%
1994	12%	1%	0%	56%	2%	28%
1993	12%	1%	0%	54%	2%	30%
1992	12%	0%	0%	55%	2%	31%
1991	12%	1%	1%	51%	3%	32%
1990	12%	2%	0%	51%	2%	33%
1989	12%	1%	0%	51%	3%	32%
1988	12%	1%	0%	52%	2%	32%
1987	12%	-1%	0%	53%	3%	32%
1986	12%	1%	0%	54%	3%	31%
1985	12%	1%	3%	51%	3%	29%
1984	12%	1%	-4%	55%	3%	33%
1983	12%	1%	0%	54%	3%	30%
1982	12%	1%	0%	55%	3%	28%
1981	12%	1%	0%	56%	3%	27%
1980	13%	1%	0%	54%	4%	27%
1979	13%	1%	1%	54%	4%	27%
1978	14%	1%	1%	55%	4%	26%
1977	13%	1%	1%	55%	4%	25%
1976	14%	2%	1%	54%	4%	25%
1975	15%	2%	1%	53%	5%	25%
1974	16%	2%	1%	52%	5%	24%
1973	16%	-6%	1%	61%	4%	24%
1972	18%	2%	1%	51%	4%	24%
1971	13%	7%	2%	48%	5%	25%
1970	19%	3%	1%	47%	5%	25%
1969	21%	3%	2%	44%	6%	25%
1968	22%	3%	2%	45%	5%	23%
1967	22%	4%	2%	46%	5%	21%

Notes: Numbers may not add to 100% because of rounding. The share reported is the mean fraction of household income derived from the income source. Hence, the top left figure shows that in 2010 the average household headed by adults ages 65 and older received 17% of its income from wages and salaries. "Other income sources" includes income received from interest, dividends, rents and trusts. "Social Security income" refers to income the household received from Social Security or U.S. government Railroad Retirement insurance payments (1967-1978) or from Social Security payments exclusively (1979 forward). It does not include income from federal/state Supplemental Security Income (SSI) payments to older (age 65+), blind or disabled persons with low incomes. In regard to "welfare income," the degree of detail about sources of public assistance included on the ASEC changed over time, and the presence or absence of specific prompts may affect the completeness of reporting.

Source: Pew Research Center tabulations of the Current Population Survey Annual Social and Economic Supplement (IPUMS)

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Testimony of

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Senior Vice President, Government Relations
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Easter Seals, Inc.

Before the

Special Committee on Aging
United States Senate

on

"Missed by the Recovery: Solving the Long-Term Unemployment Crisis for Older Workers" Hearing

May 15, 2012

Chairman Kohl, Ranking Member Corker and Members of the Committee,

My name is Katy Beh Neas. I am Senior Vice President for Government Relations at Easter Seals, Inc., a leading nonprofit provider of employment and other services for individuals with disabilities, older adults, and veterans. Thank you for holding this hearing to examine the impact the recession has had on older Americans and their ability to return to the workplace after a job loss. I am pleased to provide you with perspective based on Easter Seals' extensive work to help unemployed older adults receive the training and skills they need to succeed in the job market.

More than 50 Easter Seals affiliates serving 40 states provide skills training, job search and development, placement and other employment supports and services to people with disabilities and other jobs seekers who need help getting back into the workplace. Last year, Easter Seals helped more than 86,000 individuals develop new skills and find meaningful work. Easter Seals also specializes in helping low-income, unemployed older adults develop new skills and find jobs through the Senior Community Service Employment Program (SCSEP) at the U.S. Department of Labor. Easter Seals operates SCSEP in seven states, including Alabama, Connecticut, Illinois, New Jersey, New York, Oregon and Utah. Through SCSEP, Easter Seals has helped more than 3,000 older adults return to work in nearly every industry from banking and manufacturing to electronics and retail. My testimony is guided by the knowledge and experience we've developed through these employment programs.

The General Accountability Office confirmed in its April 2012 study (GAO-12-445) what Easter Seals and our employment specialists have seen first-hand in communities across the country: the recession has hit older Americans particularly hard. For example, Terence came to Easter Seals in 2008 in an unusual circumstance: he was unemployed. He had lost his job due to business downsizing related to the recession. Having worked his entire life, Terence was not accustomed to being unemployed. His independent job search was unsuccessful. So he enrolled in Easter Seals' SCSEP program which matches low-income, unemployed older adults with paid community service work opportunities that help participants build new job skills and work experience that can lead to permanent employment. Terence told his Easter Seals employment specialist during the initial assessment meeting that he enjoyed physical work but would "try anything" to get back into the workforce. Terence trained at a local host agency as a custodial trainee, a position he excelled in. He soon asked for a more challenging position that could help make him more competitive in the job market. His next work assignment allowed him to increase his office skills, including filing, and to improve his computer proficiency.

While Terence was successful in these work settings, he was unable to find a permanent job. Terence faced many of the same challenges identified in the GAO study. The GAO found that workers age 55 and over have faced particularly long periods of unemployment. The GAO said it took an older worker, on average, 35 weeks to find a job during the recession compared to 26 weeks for younger job seekers. Terence didn't give up. And neither did Easter Seals. His employment specialist found a new assignment at a community nonprofit and Terence remained positive and focused. He completed job club training and participated in several new employment classes, including resume writing and interview skills, to give him any extra advantage in his job hunt. More than two years after first becoming unemployed, Terence was hired at a regional supermarket chain working nearly full-time and earning a good wage. His supervisor told Easter Seals that "Terence exemplifies all that her company looks for in an employee."

Easter Seals has seen a significant jump in demand for employment services from individuals 55 years old and older since the recession. In addition, our programs are seeing a new population of individuals seeking services: older adults with college experience and degrees. Easter Seals New York provides SCSEP service to low-income, unemployed adults living in New York City. Fourteen percent of their SCSEP population has at least a bachelor's degree and 31 percent have some post secondary education. Easter Seals' program staff in New York said many of their new participants are dealing with being unemployed or poor for the first time in their lives. Some were at the height of their careers and now find themselves without a job, having depleted their savings and having fallen behind on payments and rent. Easter Seals' New York SCSEP director said it is a complete and total shock to their systems. They have a hard time coping with their new circumstance. One current participant said "I worked my whole life, I paid taxes, did everything right. But now I am homeless. How could this happen to me?" Some unemployed older adults have a difficult time seeking help. They aren't accustomed to it. Those who do seek assistance feel humiliated and demoralized by the experience, which creates a whole new level of anxiety and depression. The GAO study examined the toll unemployment has had on previously successful older adults and the unique reemployment challenges they may face, such as employer reluctance to hire older workers, out-of-date skills and unfamiliarity with online applications. Easter Seals regularly works with participants who can identify with the challenges and findings raised by the GAO.

A recent SCSEP participant came to Easter Seals after spending two decades working in various administrative positions in the entertainment industry, including as a personal assistant for renowned figures in music, dance, and theater. When the New York University alumni lost her job, she started her job hunt by reaching out to contacts and relationships she had built over the years. She found her job hunt very difficult and disheartening. "They would look at my resume and call me in. As soon as I walked in it was clear that they were looking for someone who was straight out of college and not me." Having no success in obtaining a full time position, she began freelancing as a personal secretary. Through the Easter Seals program, she is improving her work skills and taking computer courses to become more marketable. She continues to reach out to her personal network for job opportunities and leads.

Another of our SCSEP participants found herself in need of help after spending five years providing help and care for her ailing mother. She graduated from the University of Wisconsin with a Masters in Business Administration. She left her job in marketing and event planning to care for her mother. Once her mother was situated in a nursing home with a diagnosis of Alzheimer's disease, she attempted to return to work, but without success. She ran through her savings and decided to seek jobs well below her previous salary of $60,000. She interviewed for several jobs but in the end received no offers. Many interviewers said she was overqualified. With no savings or job prospects, she turned to Easter Seals and, at tbe age of 55, enrolled in SCSEP. She is training and aggressively pursuing open positions.

Long-term unemployment creates immediate and long-term financial challenges as these two stories demonstrate. Unemployed older workers have a hard time meeting their mortgages and other financial obligations and have fewer years to make up the lost earnings and savings as a result of job loss. The GAO study found that out-of-work older adults faced reduced retirement security and often claimed earlier Social Security retirement benefits, which reduces their monthly benefits for the rest of their lives. Despite the increased need for older adult employment services, less than one percent of those eligible for SCSEP are served due to federal funding constraints. The program, for example, gives priority first to special populations, including veterans, individuals with disabilities, and older adults who are at risk of homelessness. Others are placed on program waiting lists. Easter Seals greatly supports the GAO's policy recommendation in its April 2012 report that proposed increased funding for SCSEP to take into account increases in the older worker population. The GAO noted that "increased funding could help meet the employment needs of a very disadvantaged and underserved population that many employers are unlikely to employ in the absence of severe labor shortages." SCSEP is the only federal job training program targeted at older adults. The GAO said that "research has shown that SCSEP has done a reasonably good job at accomplishing its goals." Easter Seals urges Congress to reauthorize SCSEP as a separate program within the workforce system and to maintain its dual focus on both employment and community service and its dual structure of funding state and national grants. Easter Seals seeks at least $600 million annually to start to address the growing wait lists of SCSEP eligible participants across the country.

Easter Seals thanks the Committee for focusing its attention on the important and very real challenges facing older workers who experience long-term joblessness. Easter Seals appreciates the opportunity to share with you our experience in serving unemployed older adults and we look forward to your continued support of SCSEP. Together, we can help provide individuals like Terence with the hope, skills and tools they need to put their talents and experiences back to work for this country. Thank you for the opportunity to share with you this testimony.