


# Fragile Economy Keeps Older Workers From Retirement

by Chris Farrell  
Friday, August 5, 2011

For those in their 50s and early 60s the doubts start after opening the quarterly 401(k) statement. The numbers look small following a decade of measly stock market returns and bear market devastations, including a fresh jolt on Aug. 4, when the S&P 500 index swooned, extending the tumble from its peak in late April to 12 percent. Two-year Treasury note yields hit a record low, while the yield on one-month T-bills slipped into negative territory. Taken together, the economic data are sending an aging, insecure workforce a clear message: Don't retire yet.

"Things are too uncertain," says Richard V. Burkhauser, economist and professor of policy analysis at Cornell University. "There's no way to protect yourself from all unexpected risks except not to retire." 

In the first half of 2011, the U.S. economy grew at a meager 0.8 percent annualized rate; investors appear increasingly nervous that a so-called double-dip recession is becoming more likely. Those worries were exacerbated this week by the debt-ceiling accord reached in Congress, which will seek \$1.5 trillion in deficit cuts by year's end — a particularly rocky period for the recovery.

The long-term trend toward a declining average age of retirement has reversed itself. The decline started in the 1880s and accelerated in the post World War II era, falling for men from an average age of 70 in 1950 to 62 in 1985. Yet since the mid-1980s increasing numbers of older men and women have kept working. The labor force participation rate for men age 65 has risen 43 percent over the past quarter century. For women 65 and older, the participation rate has nearly doubled over the same period, to 13.4 percent in June 2011.

## **On the Positive Side**

Working into the traditional retirement years allows savings to compound longer. Workers are healthier and better educated than earlier generations, and it's easier to toil away in an economy dominated by high-tech gear rather than the assembly line. The financial payoff from staying on the job also comes from higher Social Security benefits. Waiting to file until the full retirement age of 66 increases the benefit by at least a third, compared with taking Social Security at age 62. Wait until age 70 to claim your first benefit check, and it's at least 75 percent larger. "The era of earlier and earlier retirement is over, and it isn't coming back," says Joseph Quinn, an economist at Boston College.

Sounds good. The flaw in the new job-tirement message is that America's Great Job Machine is sputtering. The U.S. economy hasn't done well at creating jobs for young and old workers alike, let alone jobs with decent pay and benefits. Even before the labor market trauma of the Great Recession, private sector job growth was the weakest in half a century during the business cycle expansion of the 2000s. It increased at an annual 0.6 percent rate, according to the Economic Policy Institute, a shadow of the 1.8 percent annual rate of the '90s and the 2 percent yearly pace of the '80s. Jobs remain scarce 26 months after the recession was declared officially over; the U.S. unemployment rate is at 9.2 percent. Much of the work that's available doesn't pay well, and unlike their younger workmates, older workers have little time left to climb the corporate ladder of success (or at least get a pay raise).

It's striking how many older workers are staying on the job. The labor force participation rate — the percentage of the working age population in the labor force — for most middle-aged and younger workers is down since the recession started in December 2007. The same isn't true for older workers. For instance, among men 55 and older, the labor force participation rate was 46.2 percent in June 2011, up from 45.4 percent in December 2007. The comparable figures for women were 34.6 percent and 33.7 percent, respectively. "Older workers feel the need to stick around," says Brad Chambers, assistant vice-president in Aon Hewitt's talent and rewards practice. "Organizations want to retain institutional knowledge and experience."

### **Behind the Trend**

According to Boston College's Quinn, the turn toward delaying retirement reflect a number of factors, including raising the reward for waiting to file for Social Security benefits from 3 percent annually to 8 percent a year in 1983; the end of mandatory retirement; and the decline of the defined benefit pension plan.

Still, the picture for older workers isn't as good as the standard recommendation of "work longer" suggests. Even though older workers are less likely to get a pink slip than their younger colleagues, when they do, it is tougher to find another job. Workers age 62 and older who lost their jobs between mid-2008 and the end of 2009 were only half as likely than those ages 25 to 34 to find work within 12 months, according to Urban Institute scholars Richard W. Johnson and Janice S. Park. The likelihood of a successful job search within a year was only 18 percent for those older than 62. Many laid-off employees at retirement age give up, discouraged. "Many older people would love to have a job, but they can't get one, so we call them 'retired,'" Quinn says.

The outlook for aging workers with education and skill is fine. Scholarly research and anecdotal evidence suggest that chief executives, lawyers, physicians, and other well-paid, high-skill people are in demand even as professionals age. But about 45 percent of jobs are concentrated in the low-wage, low-skill service parts of the economy, including janitors, home health care, and retail sales and clerks, calculates Richard Florida, director of the Martin Prosperity Institute. For a majority of aging workers, the paychecks come from working behind the counter (or in the stockroom) of a retail box store, not in a white-collar cubicle. And these low-wage jobs rarely come with benefits.

The consensus job forecast for the next several years is for workers to see paltry pay gains and little job security. That's tough when you're young and starting out. It's downright scary when you're older and your living standard during the traditional retirement years depends on the quality of your job.

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