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Executive Summary

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AGE DIFFERENCES IN JOB DISPLACEMENT, JOB SEARCH, AND REEMPLOYMENT

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Job loss is an inevitable consequence of a dynamic economy. Employers must be able to shed jobs in response to changing market conditions, and their ability to do so at relatively low cost encourages them to hire more employees. Although job creation and destruction help distribute resources efficiently and promote economic growth, job loss can impose significant costs on displaced workers, who often forfeit wages for extended periods.

The consequences of job loss may be especially serious for older workers, who may encounter more difficulty finding jobs than their younger counterparts. As the population ages, the employability of older adults is becoming increasingly important. Adults age 50 and older made up 31 percent of the labor force in 2010, up from 20 percent in 1995. Working longer is often hailed as the best way to increase retirement incomes, yet this strategy depends crucially on seniors' ability to find work and hold on to their jobs. Being out of work is especially serious for older workers who are too young to qualify for Social Security retirement benefits, which provides an important lifeline for nonworking adults age 62 and older.

This study examines how the incidence and consequences of job loss vary by age. Data come primarily from the 1996, 2001, and 2004 panels of the *Survey of Income and Program Participation*, a nationally representative longitudinal household survey conducted by the U.S. Census Bureau. The panels follow respondents for up to 48 months, and our data span the years 1996 to 2007, covering the 2001 recession but not the 2007-2009 recession. Respondents are classified as displaced workers if they report separating from their employer because of layoff, slack work, or employer bankruptcy, or because the employer sold the business. Discrete-time hazard models estimate the likelihood that men and women lose their jobs and the likelihood that displaced workers become reemployed. We also compare earnings and other job characteristics before and after job loss for displaced workers who become reemployed. Final tabulations compare job search activities by age, sex, and education for unemployed workers in the March, April, May, and June 2010 *Current Population Surveys*.

Key Results

Our results show that older workers are less likely than younger workers to lose their jobs, but only because they generally have spent more time with their employers.

- Between 1996 and 2007, men ages 50 to 61 are 21 percent less likely than those ages 25 to 34 to become displaced from their jobs each month, and men age 62 or older are 23 percent less likely.
- The story is similar for women: compared with those ages 25 to 34, women ages 50 to 61 are 30 percent less likely to lose their jobs, and those age 62 or older are 13 percent less likely.
- The protective effects of age, however, derive solely from older workers' seniority with their employers. When we hold job tenure and other characteristics constant, we find that older workers are just as likely as younger workers to lose their jobs. In fact, men ages 50 to 61 are significantly more likely to become displaced from their jobs than men ages 25 to 34 with the same length of service with the employer.
- As long-term employment relationships become less common at older ages, the existing layoff advantage for older workers may erode further.

When older workers lose their jobs, they appear to have more trouble than their younger counterparts finding work.

- Displaced men ages 50 to 61 are 39 percent less likely to become reemployed each month than otherwise identical men ages 25 to 34, and men age 62 or older are 51 percent less likely.
- Displaced women are 18 percent less likely to find a new job at ages 50 to 61 than at ages 25 to 34 (when personal and job characteristics are held constant), and 50 percent less likely at age 62 or older.

When older displaced workers find jobs, they typically experience sharp wage declines.

- For displaced men who become reemployed, the median hourly wage on the new job falls 20 percent below the median wage on the old job at ages 50 to 61. For those reemployed at age 62 or older, the new median wage falls 36 percent below the old median wage.
- By contrast, men's median wages fall only 4 percent at ages 35 to 49 and 2 percent at ages 25 to 34.
- Older displaced women who become reemployed also suffer sizeable wage losses, but the differences between older and younger workers are not as dramatic as for men.

Implications

Although more research is needed to understand why older displaced workers are less likely to become reemployed than younger workers, these findings suggest that employers are reluctant to hire workers age 50 and older. Employers may fear that they will not have time to recoup hiring and training costs before older new hires retire, or they may worry that older workers are less productive than younger workers. For example, surveys reveal that many employers believe that older workers lack creativity and are generally unwilling to learn new things. Many employers also express concern that older workers are more expensive than younger workers, because of rigid seniority wage structures or because health and pension benefits are more expensive at older ages.

The employment challenges facing older workers have important implications for retirement policy. For example, the debate over increasing Social Security's retirement age is intensifying. This policy option becomes less desirable when the employment prospects for older Americans are poor. As concern over retirement income security mounts, the option to delay retirement is increasingly viewed as the best way to increase retirement income. This strategy, of course, depends crucially on older adults' ability to find work. Although many employed seniors may be able to work longer on their existing jobs, our results highlight the difficulty that older Americans without jobs face finding work.

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