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THE CHANGING CAUSES AND CONSEQUENCES OF NOT WORKING BEFORE AGE 62

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According to data from the Bureau of Labor Statistics, nearly one in three men between ages 55 and 61 did not work in January 2011. This statistic includes men who were unemployed and looking for work, as well as those who were no longer in the labor force or never worked. Although the share of nonworking older men increased dramatically because of job losses created by the Great Recession, it has been steadily on the rise since 1990, when only around one in four older men was not working.

This trend is particularly alarming when one considers that most adults ages 55 to 61 are not yet eligible for Social Security or pension benefits, and most do not qualify for disability benefits. So who is in this growing group of older nonworkers, and how are they supporting themselves? Prior research is concentrated on issues related to labor force retirement, both voluntary and involuntary, as well as Social Security benefit claiming at both the early entitlement and full retirement ages. Few studies have focused exclusively on nonworking older adults, and none to the best of our knowledge has explored changes over time.

This study attempts to deepen our understanding of nonworking older adults and how they support themselves before qualifying for Social Security benefits. Using 18 years of data from the *Health and Retirement Study*, the analysis examines nonearners' characteristics, including their demographics, health status, and lifetime labor force attachment. It also considers their level of income and assets, but more important, their sources of income and assets. The study also assesses the effects of various factors on the likelihood of being a nonearner, and explores the consequences of not working during one's 50s with regard to poverty, age of claiming Social Security benefits, and overall retirement satisfaction later in life. An important goal of the study is to understand how these relationships have changed over time, particularly after the Great Recession.

The results show that older adults' likelihood of not working increased over time, particularly for certain groups.

- In 1992, 2.8 million or 29 percent of adults ages 55 to 61 were not working. By 2008, nonearners grew to represent 5.6 million or 30 percent of adults in this age group.
- The overall trend masks some important and dramatic findings. Between 1992 and 2008, the share of nonworkers increased 25 percent among married men, 9 percent among single men, and 4 percent among single women. In contrast, the share of nonearners declined 22 percent among married women.

- In 2008, 39 percent of single men, 23 percent of married men, and about a third of women ages 55 to 61 were not working.

Adults ages 55 to 61 with no earnings have lower socioeconomic characteristics, income, and assets than their counterparts with earnings.

- In 1992, nonearners were more likely than earners to be non-Hispanic blacks, Hispanics, high school dropouts, in fair or poor health, and to have work-limiting health problems. They also had significantly less lifetime work experience than those with earnings. Somewhat surprising is that nonearners were also less likely than earners to have working spouses.
- Nonearners averaged only \$24,000 of per capita total income in 2010 price-adjusted dollars compared with \$46,900 for earners. And although more than four-fifths of nonearners reported having positive assets, the typical nonearner had \$82,600 in per capita total wealth compared with \$103,300 for the typical earner.
- Sixteen years later, nonearners and earners continued to differ along many of these same dimensions, but often to a larger degree. Even more so in 2008 than in 1992, nonearners were more likely than earners to be minorities, not to have completed high school, and to have work-limiting health conditions.

Between 1992 and 2008, the income sources of older nonworking adults changed for single nonearners, but not for married nonearners.

- The most common income sources among single nonworkers in 1992 were government transfers and Social Security/Disability Insurance (DI) benefits. Also common were capital income, Supplemental Security Income (SSI), and pension benefits for both single men and single women.
- In 2008, Social Security/DI benefits and capital income were the most common income sources among single nonworkers. Compared with single nonworkers in 1992, those in 2008 were more likely to report both Social Security/DI benefits and capital income. And they were less likely to support themselves with government transfers, SSI benefits, and pensions.
- In both 1992 and 2008, the most common income sources among married nonworkers were spouses' earnings and capital income. Between the two periods, the share of married male nonearners with working wives increased from 48 to 61 percent, while the share of married female nonearners with working husbands declined from 73 to 68 percent. Also, the share of married nonearners with capital income increased for both men and women. Finally, the Social Security/DI benefit receipt increased dramatically for married nonearners between 1992 and 2008.

In general, single nonearners had significantly less income and lower accumulated assets than did married nonearners.

- In 1992, average per capita income among nonworkers ranged from \$14,800 for single women to \$15,100 for single men, \$22,800 for married men, and \$34,600 for married women. Although average incomes increased between 1992 and 2008 for all nonearners, they increased most dramatically for married men and women.
- Compared with married nonearners, single nonearners were significantly less likely to own assets, and those with assets had considerably less. Between 1992 and 2008, median assets among nonworkers increased 52 percent for single men and 44 percent for married men, but only 19 percent for married women. For single female nonearners, median assets declined 44 percent.

Nonworkers ages 55 to 61 experienced short- and long-term negative financial and emotional consequences of not working.

- Close to one-half of single male nonearners and two-thirds of single female nonearners were poor in 1992 and 2008. And although only one in five married male nonworkers and one in nine married female nonworkers was poor, poverty rates are considerably higher among married nonworkers than among married workers.
- Older adults without earnings in 1992 were 11 percentage points more likely than their counterparts with earnings to be concerned "a lot" about not having enough retirement income. Once in retirement, older nonworkers claimed Social Security benefits sooner and were less likely to report being very satisfied than older workers.

After the Great Recession, older nonworkers were relatively worse off with lower incomes, higher poverty rates, and fewer assets.

- Although the overall share of older nonworkers remained relatively constant between 2008 and 2010, the share of single male nonworkers increased 5 percentage points or 12 percent. In 2010, nearly half of single men ages 57 to 61 was not working.
- Not surprisingly, the share of nonearners receiving unemployment benefits increased after the recession. Still, a relatively small share of nonworkers reported unemployment benefits, suggesting that the majority of nonworkers were not in the labor force looking for jobs or that their unemployment benefits had run out.
- Among nonworkers, average per capita income declined 24 percent for single women, 14 percent for single men, and 8 percent for married men. It remained relatively unchanged for married women. The declines were driven by a decline in other private income for single men, a decline in pension benefits for single women, and declines in spouse earnings, spouse pension benefits, and government transfers for married men.
- Between 2008 and 2010, the share of most nonearners with assets declined. During the same time, median assets declined 36 percent for married male nonearners, 5 percent for single male nonearners, and 3 percent for single female nonearners, but increased 21 percent for married female nonearners.
- Although married nonworkers were much less likely than single nonworkers to be poor, between 2008 and 2010 their poverty rates increased 42 percent for married men and 32 percent for married women. In contrast, poverty rates for single nonearners remained relatively constant.
- Overall, 12 percent of older workers in 2008 were no longer working in 2010. Poverty rates for these people increased from 13 percent in 2008 to 44 percent in 2010. Over the same time, their median per capita assets declined significantly.

These statistics are undoubtedly alarming. However, our analysis shows that nonworkers are a heterogeneous group. In general, we find that married nonearners are significantly better off than single nonearners, in large part because of their working spouses. We also find that among all nonearners, married women fare the best and single women fare the worst. Finally, we find that a sizeable share of poor nonearners has abundant wealth—even after the Great Recession. Among nonearners who were near poor in 2010, 20 percent of single men, 15 percent of single women, 22 percent of married men, and 34 percent of married women had assets that were higher than 60 percent of all nonearners and earners in this age group. Although policymakers do not need to worry about these older adults, they do need to be concerned about the 47 percent of single men, 50 percent of single women, 37 percent of married men, and 31 percent of married women who did not work, were near poor, and had few or no assets to rely on.

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