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THE CHANGING CAUSES AND CONSEQUENCES OF NOT WORKING BEFORE AGE 62

BY BARBARA A. BUTRICA AND NADIA KARAMCHEVA

According to recent data from the Bureau of Labor Statistics, more than one in four men between ages 50 and 61 did not work in June 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 one in five older men was not working.

This trend is particularly alarming when one considers that most adults ages 50 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, both at the early entitlement and full retirement ages. Few studies have focused exclusively on nonworking older adults, and none to the best of our knowledge have 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 importantly 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, 3.8 million or 28 percent of adults ages 51 to 61 were not working. By 2008, nonearners grew to represent 5.5 million or 32 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 40 percent among married men, 37 percent among single men, and 15 percent among single women. In contrast, the share of nonearners declined 15 percent among married women.
- In 2008, 40 percent of single men, 23 percent of married men, and about 33 percent of women ages 51 to 61 were not working.

Adults ages 51 to 61 with no earnings have lower socio-economic 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.
- Additionally, nonearners averaged only \$25,000 of total income in 2010 price-adjusted dollars compared with \$48,000 for earners. And although four-fifths of nonearners reported having positive assets, the typical nonearner had \$79,000 in total wealth compared with \$101,000 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, to not 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 SSI benefits. Also common were DI benefits and pension benefits for single men and capital income for single women.
- In 2008, government transfers, DI benefits, and capital income were the most common income sources among single nonworkers. Compared with single nonworkers in 1992, however, those in 2008 were less likely to support themselves with government transfers and more likely to have capital income. Additionally, fewer single nonworkers received SSI benefits and more received Social Security benefits.
- In both 1992 and 2008, the most common income sources among married nonworkers were spouses' earnings and capital income. Also common were own pensions and DI benefits for married men and spouses' pensions for married women. Interestingly, between the two periods, the share of married male nonearners with working wives increased from 47 to 57 percent, while the share of married female nonearners with working husbands declined from 76 to 67 percent.

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 \$13,900 for single women to \$16,900 for single men, \$22,200 for married men, and \$34,700 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 64 percent for married men and 57 percent for single men, but only 33 percent for married women. For single female nonearners, median assets declined 23 percent.

Nonworkers ages 51 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 seven married female nonworkers was poor, poverty rates among married nonworkers are considerably higher than poverty rates among married workers.
- Older adults without earnings in 1992 were 10 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.

Between 2008 and 2010, the share of older adults without earnings climbed sharply and they became relatively worse off.

- After the Great Recession, nearly two-fifths of adults ages 51 to 61 were either unemployed or not in the labor force. Between 2008 and 2010, the share of nonearners increased 22 percent overall, but most pronouncedly for married men. In 2010, 49 percent of single men, 32 percent of married men, and about 40 percent of women ages 51 to 61 were not working.
- The share of nonearners receiving Social Security benefits, unemployment benefits, and government transfers surged. Still, a relatively small share of nonworkers received unemployment benefits, suggesting that the majority of nonworkers were not in the labor force looking for jobs.
- Among nonworkers, average per capita income declined 16 percent for single men, 31 percent for single women, and 18 percent for married men. It remained relatively unchanged for married women. For single nonearners, the decline was driven by a decline in pension benefits and other private income. For married nonearners, the decline was driven by a decline in spouse earnings and own and spouse pension benefits.
- Between 2008 and 2010, the share of nonearners with assets declined. During the same time, median assets declined 25 percent for married male nonearners and 10 percent for single female nonearners, but increased 32 percent for married female nonearners and 5 percent for single male nonearners.
- Although married nonworkers are much less likely than single nonworkers to be poor, their poverty rates increased by more than 10 percentage points between 2008 and 2010. In contrast, poverty rates for single nonearners remained relatively constant.
- Overall, 15 percent of older workers in 2008 were no longer working in 2010. Although poverty rates for these people increased from 13 percent in 2008 to 52 percent in 2010, their median per capita assets also increased.

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 a sizeable and increasing share of poor nonearners has abundant wealth. Among nonearners whose incomes were less than twice the poverty threshold in 2008, 17 percent of married men, 15 percent of single men, 14 percent of married

women, , and 7 percent of single women had the highest assets. Although policymakers do not need to worry about these older adults, they do need to be concerned about the 58 percent of single women, 50 percent of single men, 35 percent of married men, and 28 percent of married women who did not work, were near poor, and had little or no assets to rely on. About 60 percent of these older adults reported being concerned “a lot” about not having enough income in retirement, and when they did retire 48 percent found retirement to be “not at all” satisfying.

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CENTER FOR RETIREMENT RESEARCH AT BOSTON COLLEGE

Hovey House, 140 Commonwealth Avenue, Chestnut Hill, MA 02467-3808

phone 617.552.1762 fax 617.552.0191 crr@bc.edu crr.bc.edu