

Fact Sheet

Long-Term Unemployment: Greater Risks and Consequences for Older Workers

Sara E. Rix
AARP Public Policy Institute

Older workers (i.e., ages 50-plus) typically experience longer bouts of unemployment than their younger counterparts. They also more often find themselves among the long-term unemployed (exhibit 1), that is, out of work for at least 27 weeks.¹

Long-Term Unemployment Rose Sharply during the Great Recession

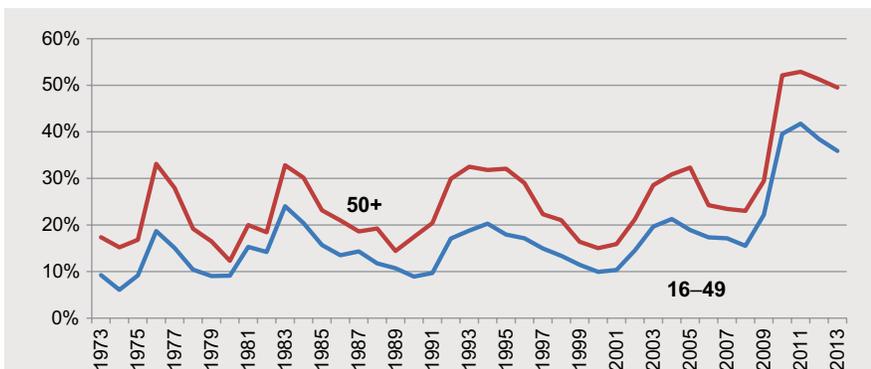
Both older and younger workers experienced sharp increases in long-term unemployment during and after the 2007–09 recession, although the increase was somewhat greater for younger than older workers. In 2010–11, the percentage of long-term unemployed peaked at 53 percent for jobseekers ages 50 and older (up from 25 percent in 2007, a

- ✓ Older workers typically experience longer bouts of unemployment than their younger counterparts.
- ✓ Once among the ranks of the long-term unemployed, the chances a worker will return to work have been slim.
- ✓ Prolonged unemployment has obvious consequences for current financial well-being, but its impact can extend well into the retirement years.

EXHIBIT 1

Long-Term Unemployment by Age, 1973–2013

(Percent of unemployed out of work for 27 or more weeks)*



Source: M. King, S. Ruggles, J. T. Alexander, S. Flood, K. Genadek, M. B. Schroeder, B. Trampe, and R. Vick, Integrated Public Use Microdata Series, Current Population Survey: Version 3.0. [Machine-readable database] (Minneapolis: University of Minnesota, 2010).

*Not seasonally adjusted.



Real Possibilities

**Public Policy
Institute**

112 percent increase). In comparison, the percentage of unemployed for those under age 50 peaked at 42 percent in 2011 (up from 17 percent in 2007, a 147 percent increase).²

Older jobseekers are disproportionately represented among the long-term unemployed. They were, for example, 19 percent of the unemployed but 25 percent of the long-term unemployed in March 2007. By March 2013, they were 24 percent of the unemployed and 31 percent of the long-term unemployed.

Although many dislocated workers drop out of the labor force, especially if they are older, others cannot afford to drop out and continue their search, stretching out their duration of unemployment.

A number of factors contribute to the long duration of unemployment that so many workers have been experiencing. Employers appear to discriminate against the long-term unemployed,³ creating a self-perpetuating cycle: Being out of work for a protracted period leads to even longer unemployment because employers ignore the applications of jobseekers who have been unable to find work. Upon sending out thousands of resumes, researcher Rand Ghayad found that interview callbacks were far less common when applicants were among the long-term than short-term unemployed. In fact, the long-term unemployed received fewer interview requests than jobseekers with less relevant work experience but shorter unemployment.⁴

Once among the ranks of the long-term unemployed, the chances a worker will return to work have been slim. In one study, only about one in nine long-term unemployed workers had steady, full-time jobs 12 months later.⁵ Even those who find a job often end up unemployed again fairly soon after being rehired.

Long-Term Unemployment Remains High for All Older Workers Years after the Recession

As of March 2013, the unemployed ages 50-plus were about equally likely to be long- as short-term unemployed (49 percent versus 51 percent). A sizable proportion of workers is unemployed

far longer than 6 months: fully one-fourth of the younger unemployed and over one-third of the older had been out of work for at least a year in March 2013.

Over most of the past 3 decades, long-term unemployment has been more common among older men than women, occasionally almost twice as high. However, the gap was far narrower during the recent recession, and as of March 2013, men and women ages 50 and older were equally likely to be long-term unemployed (exhibit 2).

Racial differences emerge among the older long-term unemployed, with older non-Hispanic blacks having the highest rate of long-term unemployment (57 percent) in March 2013, followed by Hispanics and other non-Hispanics (53 percent each) and non-Hispanic whites (47 percent) (exhibit 2). Each of these groups has experienced sharp increases in long-term unemployment in recent years.

At the onset of the recession, unemployed white-collar and blue-collar workers were about equally likely to be long-term unemployed. Both types of occupations have seen sizable increases in long-term unemployment since then, but the increase has been greater for older workers in white-collar occupations.

Long-Term Unemployment Has Far-Reaching Consequences

Prolonged unemployment has obvious consequences for current financial well-being, but its impact can extend well into the retirement years. This is especially likely if the unemployed never become reemployed or can only find work that pays less or has fewer benefits. The unemployed often exhaust their savings and accumulate more debt; they may stop saving for retirement and borrow or take an early distribution from their retirement accounts; some begin to collect early, reduced Social Security benefits; and some drop out of the labor force. Although these outcomes may also be a response to short-term unemployment, the longer workers are unemployed, the more dire their financial situations become.

Long-term unemployment may leave many older unemployed workers ill-prepared for a long

retirement. Those who permanently leave the labor force at a young age and who tap retirement savings soon after risk depleting their resources early and having little left later in life. Even those who manage to find work after an extended period of unemployment or retirement may have depleted their savings and have little time to recover any losses.

EXHIBIT 2

Percent of Unemployed People Ages 50-Plus Who Are Long-Term Unemployed, 2007 and 2013

Indicator	Descriptor	2007	2013
Age	50-64	24.3%	49.3%
	65+	18.0%	50.6%
	Total 50+	23.5%	49.5%
Sex	Men	24.7%	49.6%
	Women	21.7%	49.4%
Race/ ethnicity*	White, non-Hispanic	21.8%	46.5%
	Black, non-Hispanic	26.7%	57.4%
	Other, non-Hispanic	24.2%	52.5%
	Hispanic	28.7%	53.2%
Education	Less than high school	19.0%	55.4%
	High school graduate	19.9%	47.6%
	Some post-college	31.6%	47.6%
	Bachelor's degree or higher	20.9%	51.0%
Industry**	Agriculture, mining, construction, manufacturing	22.2%	46.3%
	Trade, transportation, information, financial	26.0%	52.0%
	Services, public administration	22.8%	49.9%
Occupation**	White-collar	23.1%	51.4%
	Blue-collar	23.9%	45.1%

Source: AARP Public Policy Institute analyses of the Current Population Survey, March 2007 and March 2013 supplements.

*Not seasonally adjusted.

**Industry and occupational categories were combined because of small cell sizes for some industries and occupations in the Current Population Survey; armed forces excluded. White-collar occupations include management, business, and financial; professional; service; sales; office and administrative. Blue-collar occupations include farming, forestry, and fishing; construction and extraction; installation, maintenance and repair; production; transportation and material moving.

- 1 This Fact Sheet uses the Bureau of Labor Statistics definition of long-term unemployment: 27 or more weeks.
- 2 147 percent for younger jobseekers versus 212 percent for older jobseekers.
- 3 See C. S. Fitzpatrick, *Discrimination against the Unemployed*, Fact Sheet No. 312 (Washington, DC: AARP, 2014) at <http://www.aarp.org/content/dam/aarp/ppi/2014-10/unemployed-discrimination-fact-sheet-aarp.pdf>.
- 4 R. Ghayad, *The Jobless Trap* (Boston, MA: Northeastern University, 2013) at http://media.wix.com/ugd/576e9a_f7ade4b6632949349fd75921699294fa.pdf.
- 5 A. B. Kruger, J. Cramer, and D. Cho, *Are the Long-Term Unemployed on the Margins of the Labor Market?* (Washington, DC: Brookings Panel on Economic Activity, March 20-21, 2014) at http://www.brookings.edu/~media/projects/bpea/spring%202014/2014a_krueger.pdf.

Fact Sheet 319, February 2015

© AARP PUBLIC POLICY INSTITUTE
601 E Street, NW
Washington DC 20049

Follow us on Twitter @AARPolicy
on facebook.com/AARPolicy
www.aarp.org/ppi

For more reports from the Public Policy Institute, visit <http://www.aarp.org/ppi/>.



Real Possibilities

**Public Policy
Institute**