



August 2020

The Impact of the Coronavirus Recession on Older Workers

The coronavirus recession poses a unique threat to older workers nearing retirement, many of whom had struggled to save enough for a secure retirement even during the Obama-era economic expansion. Americans over age 55 are now in a doubly precarious position, facing both economic uncertainty and the health risks of a pandemic that is particularly dangerous for their age group.¹

Approximately 60 percent of working-age Americans have no savings in retirement accounts.² One-third of near retirees—those ages 55-64—have neither a defined benefit pension nor a defined contribution plan.³ For those older Americans who are fortunate to have retirement savings, the median value of their accounts is only \$88,000. As a result, many are working beyond the traditional retirement age of 65. These challenges are explored in depth in the recent update of the Joint Economic Committee report, *Retirement Insecurity*.⁴

However, this work is proving more difficult to find. In past recessions, older workers largely fared better than prime-age workers, facing lower unemployment rates than their younger peers. Traditionally, their years of working experience have been valued by employers. But in the first months of the coronavirus recession, the unemployment rate for workers over 65 rose substantially faster than the rate for prime-age workers.

Older workers seeking employment or reemployment face the twin challenges of age discrimination, which becomes more severe during a recession, and higher health care costs associated with older workers, which have risen due to the pandemic. Even among those near retirees who were laid off and then able to find work again, few earn as much as they did in their previous jobs.

Older workers also have been disproportionately impacted by the coronavirus. They are overrepresented in frontline occupations that expose workers to risk of infection as well as occupations that are at risk for mass layoffs. This is especially the case for older Black workers and older women workers. While Black workers make up just 10% of workers over age 50, they account for 18% of those in frontline jobs.⁵

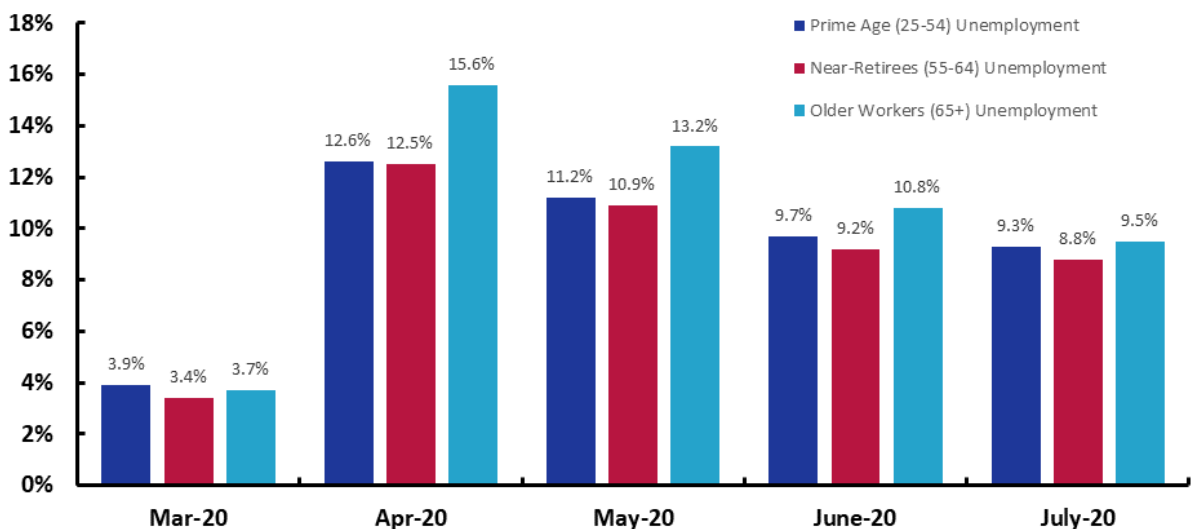
Older workers today face a myriad of challenges—higher unemployment rates, insufficient retirement savings, possible age discrimination, higher health care costs, and greater risk of dying from COVID-19. The economic challenges are made more acute because many older Americans have not been able to save enough money to retire or to maintain their standard of living in retirement. Those who have lost their jobs because of the coronavirus recession may find it difficult or dangerous to get a new job, earn a paycheck and save money—just when they need it most.

EMPLOYMENT

Older workers (65+) have been hit harder than prime-age workers

The sharp economic downturn that followed the initial pandemic lockdowns produced historic levels of unemployment for nearly all demographic groups.⁶ Workers approaching retirement age and those beyond it were no exception. Unlike most recessions where older workers are typically shielded from the worst effects of increased unemployment, in April unemployment for older workers (65+) *exceeded* that of prime-aged workers (25-54) by three percentage points—the highest gap in that direction recorded.⁷ This is due, in part, to the fact that older workers are participating in the labor market at higher rates than ever before, signaling the decline of retirement as an institution guaranteed to the American worker after a long career.⁸ This gap has closed somewhat in subsequent months, but the unemployment rate for older workers still exceeds the rate for prime-aged workers.

Older Workers (65+) Experienced Largest Increases in Unemployment in April, Continue to Have Historic Unemployment



Source: Bureau of Labor Statistics/Federal Reserve Bank of St. Louis, FRED

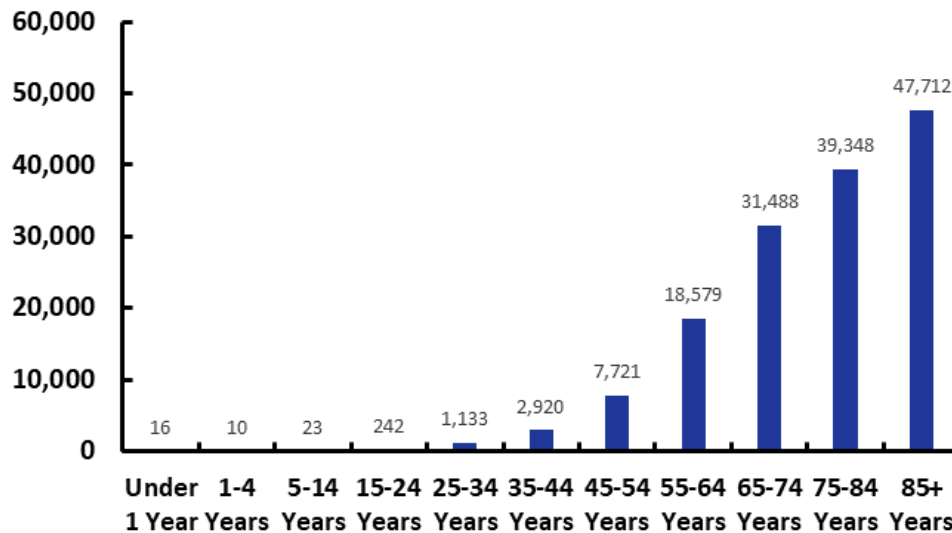
HEALTH RISKS

The risk of dying from COVID-19 increases with age

Older workers and, to a lesser but still significant extent, near-retirees are at a greater health risk from COVID-19 than younger age groups.⁹ Those over the age of 55 are more likely to have pre-existing health conditions, a key factor in determining whether a COVID-19 infection will result in serious complications.¹⁰ This risk increases with age.

The vast majority of deaths associated with COVID-19 in the United States have been among older Americans. Eight out of ten COVID-19 deaths reported in the United States have been in adults 65 and older. There is a strong upward gradient in COVID-19 mortality with respect to age, with more than twice as many deaths among those 55-64 as among those 45-54.

Provisional COVID-19 Deaths as of 8/12/20



Source: Centers for Disease Control

These death rates are only magnified when race is taken into consideration, with Black, brown, and Native Americans facing the highest death rates from coronavirus by far.¹¹ Though the racial disparities in COVID-19 death rates are highest among prime-age Americans, with Black Americans aged 35-44 dying at 10 times the rate of White Americans the same age, the death rates involved for older Black and brown Americans have been substantially higher than for other groups.¹²

Female and Black older workers and near retirees are concentrated in less safe occupations

Research classifying occupations into “frontline,” “sidelined” and “safe” categories finds that older workers are underrepresented in safe occupations and overrepresented in many frontline and sidelined occupations—those occupations that expose workers to risk of infection and those that are vulnerable to mass layoffs due to the recession. Between 36% and 40% of personal care and home health aide, building and grounds cleaning, and transportation and material moving workers are over the age of 50, though workers in that age group make up only 34% of the labor force.¹³ These frontline occupations are often low-paid and lack essential benefits for the pandemic like paid sick leave or the ability to work from home. Workers over 50 are underrepresented in many of the safest jobs—those that have the lowest risks of both frequent interpersonal contact and layoffs.

Older Black workers and older women workers are overrepresented in frontline jobs and sidelined jobs, respectively. While just 10% of workers over age 50 are Black, Black workers make up 18% of all older workers in frontline jobs, meaning they have a greater risk of exposure to coronavirus. Women make up 46% of the over-50 working population, yet make up 49% of sideline employees, putting them at a higher risk of unemployment and losing employer-based health insurance.¹⁴

JOB PROSPECTS

Losing a job near the end of a typical career trajectory is particularly disruptive because it is difficult for near retirees to find new employment at a similar wage or salary.¹⁵ Over half the workers in a panel study of older Americans were pushed out of their jobs before they left the labor market for good, and just one in ten of those workers ever earned as much as they did before they initially lost their jobs.¹⁶

Age discrimination and health care costs make re-employment difficult

Age discrimination plays a major role in the difficulties workers over 55 face in finding re-employment, with stereotypes about re-training and physical/mental capacities working against older workers and to prime-aged workers' advantage. Recent evidence suggests that age discrimination becomes more severe during recessions: firings and hirings attributed to age-discrimination were found to increase by 4.8% and 3.4%, respectively, for every one percentage point increase in a state and industry's unemployment rate.¹⁷ With the current economic crisis having thrown an unprecedented number of older workers and near retirees into unemployment, prospects for their remaining work years are dim without enactment and enforcement of serious protections against age discrimination.

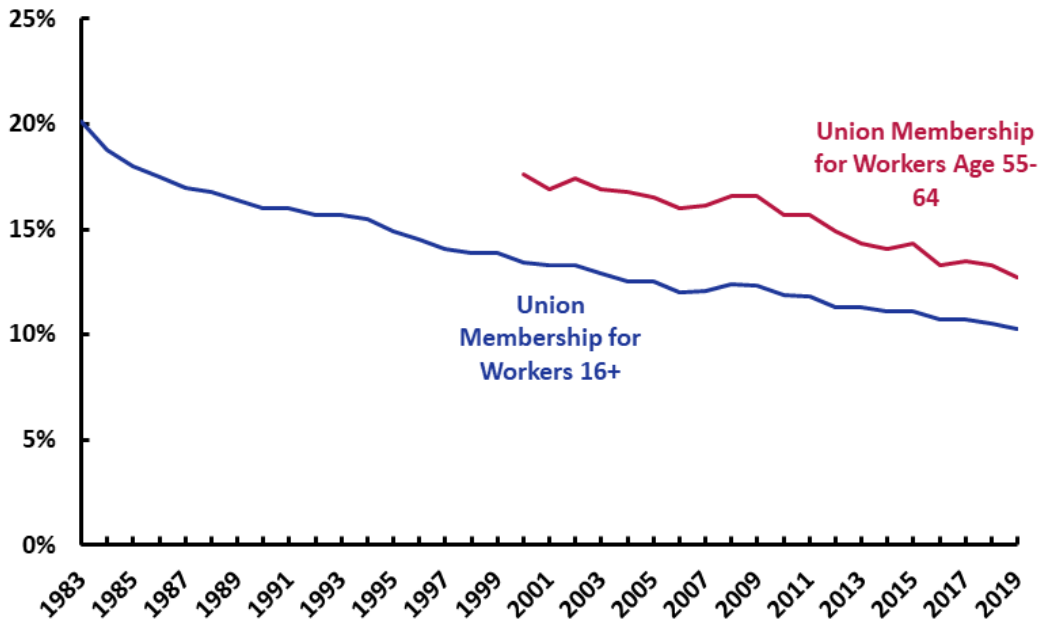
Older workers are also considered more expensive to hire compared to younger workers due to their increased cost of health insurance. Since Medicare operates as a secondary payer, employers are required to pay their older workers' health care costs for the full amount of their coverage, only after which will Medicare funds be accessed. Making Medicare the primary payer would relieve employers of this added cost, improving older workers' chances in the labor market. Lowering the Medicare age to 60 or 55 could further reduce healthcare costs for employers, while ensuring that those near retirees working in low-paid "frontline" occupations have insurance coverage.

Declining worker power makes workplaces less safe

Declining union membership for those nearing retirement has eroded workers' bargaining power at the end of their careers.¹⁸ Since the 1980s, union membership has fallen for all workers, including near-retirees. As a result of the decline in labor bargaining power this brought about, the wage premium and job security typically associated with seniority and experience has also decreased.¹⁹ Weaker bargaining power for workers has also made it more difficult for workers in general to demand benefits, flexibility and protections at work—protections that are all the more important during a pandemic. Virus spread and deaths at meatpacking plants across the country

are one example of the results of declining unionization.²⁰ The AFL-CIO has been a powerful advocate for establishing an infectious disease standard for workplaces that takes COVID-19 into account, along with pushing for federal assistance to state and local governments as they manage the crisis.²¹

Union Membership Has Declined for All Workers, Including Near-Retirees



Source: U.S. Department of Labor, Bureau of Labor Statistics. Union affiliation data from the Current Population Survey 1983-2019.

RETIREMENT PROSPECTS

Since the 1980s, the loss of worker bargaining power and the rise of both government and corporate austerity have made it more difficult for Americans to achieve a secure retirement.²² Private corporations have sought to shift the burden of providing their employees with a secure retirement through pensions back onto the workers themselves. At the same time, many policymakers sought to erode Social Security’s ability to secure retirement through increasing the claim age. The “three-legged stool” of private savings, pensions and employer-based retirement plans, and Social Security and Medicare benefits has been worn down on each side.

Employers shifted the burden of securing retirement onto employees

There has been a marked reversal in employer-provided retirement plans from defined benefit pensions to defined contribution 401(k) type plans, shifting the burden of providing for retirement security off of employers and towards employees. The share of workers participating

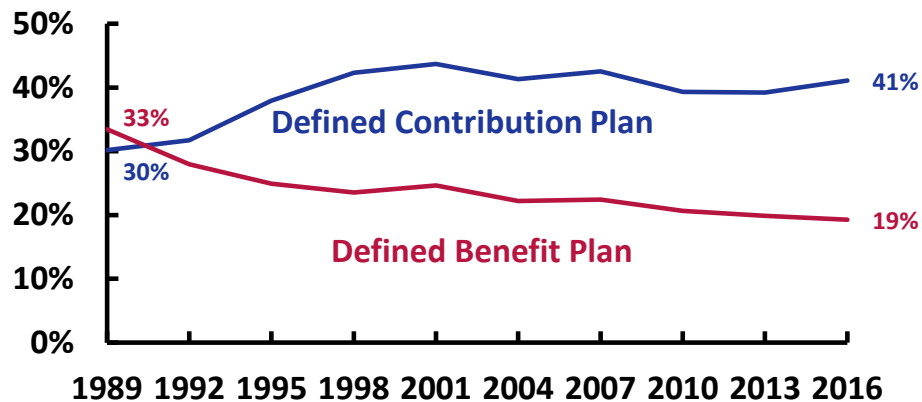
in a defined benefit plan has been cut in almost half since 1989. Higher-income workers have traditionally been more likely to have access to retirement plans at work, and therefore are more likely to have some amount saved for retirement.

Whereas defined benefit plans guarantee workers a steady stream of income throughout retirement (typically based on salary history), defined-contribution plans and individual retirement accounts are managed assets that shrink and grow along with financial markets, and require no obligation on the part of employers beyond matching contributions (often at modest rates the employer determines) throughout a career.

The employer-provided 401(k) system has proven ineffective at assisting workers in saving for their retirement, particularly for those workers who lose their jobs. Providing all workers with the option to save in a government-provided, low-fee savings vehicle like the Thrift-Savings Plan—the retirement plan offered to federal employees and members of the uniformed services—could work as an alternative to our current patchwork system of employer-provided and individually-purchased retirement savings accounts.

Share of Workers Participating in Defined Contribution vs. Defined Benefit Plans

U.S. Workers Ages 21-64, 1989 to 2016



Source: JEC Democratic staff analysis of Survey of Consumer Finance

Delinking retirement and healthcare benefits from employers altogether makes sense for both workers and employers. The current recession exposes the dangers of tying health care and retirement to employment. One analysis finds that nearly 27 million people could lose their employer-sponsored health insurance as a result of the recession.²³ Though many near retirees who lose their jobs can rely on their spouse's health insurance if married, or purchase insurance in the marketplace established by the Affordable Care Act, spouses do not usually increase their retirement contributions when their partner loses a job. As a result individual retirement contributions more often than not stop altogether upon job loss.²⁴

Income and wealth inequality concentrates employment and retirement risk among the poorest

From 1970 to 2018, the share of aggregate income going to middle class households fell from 62% to 43%, while the share going to upper-income households increased from 29% to 48%.²⁵ The growth in low-wage employment since the end of the Great Recession created millions of economically precarious “sideline” jobs, many of which disappeared at the onset of the coronavirus recession.²⁶ This rising income inequality has led to a severe concentration of wealth among upper-income families and a further concentration of economic precarity among those with less income. At the end of 2019, most non-retirees did not feel as though their retirement savings were on track, and a quarter reported having no retirement savings at all.²⁷

Near retirees in these occupations face a harsh and potentially dangerous labor market, and therefore have little recourse beyond retiring early and claiming Social Security before their “full retirement age.” This locks those older retirees into a lower monthly Social Security benefit than they would have received had they delayed retirement further: early retirees face a benefit reduction compared to those who wait until their full retirement age (67 for those born 1960 and later) for the entirety of their retirement.²⁸

Social Security keeps retirees out of poverty

Social Security has faced numerous attacks in recent years, including calls to privatize the program, to increase the retirement age and most recently to allow workers to borrow against their future benefits in times of crisis.²⁹ These proposed changes would weaken the program’s ability to provide workers with a secure retirement—and in the case of high mortality groups, with any retirement at all. Social Security is a necessary component of many retirees’ well-being and economic security, especially those who worked in low-wage occupations throughout their careers. In fact, for most elderly Americans, Social Security provides at least half of all income in retirement.³⁰

Strengthening Social Security by increasing either the special minimum benefit for low-income beneficiaries or for beneficiaries more generally would decrease the risk of economic insecurity associated with early retirement, making exiting the labor force a more viable option for older workers.³¹ Lifting or removing the cap on taxable earnings for Social Security could further strengthen the program by ensuring the program has adequate funding into the future.

CONCLUSION

In light of the severity of the current public health and economic crises, the policy response needs to be swift and comprehensive. As the Committee has learned through its series of calls with prominent economists from across the country, the most important thing to do for both the safety of the American people and the health of the economy is to stop the spread of the virus. Beyond this, policymakers must ensure that all American workers have the financial cushion to weather times of labor market uncertainty and that workplaces are safe to return to when jobs do become available. Extending unemployment insurance until the health crisis is completely under control and mandating that employers follow all necessary safety precautions once businesses re-open are both critical steps towards keeping workers healthy and economically stable, especially

near-retirees and older workers.³² These policy priorities will best protect near retirees and older workers, along with the rest of the workforce.

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