Why GAO Did This Study

The number of workers age 55 and over experiencing long-term unemployment has grown substantially since the recession began in 2007. This raises concerns about how long-term unemployment will affect older workers’ reemployment prospects and future retirement income.

In light of these developments, GAO examined (1) how older workers’ employment status has changed since the recession, (2) what risks unemployed older workers face and what challenges they experience in finding reemployment, (3) how long-term unemployment could affect older workers’ retirement income, and (4) what other policies might help them return to work and what steps the Department of Labor (Labor) has taken to help unemployed older workers.

To conduct this work, GAO analyzed nationally representative datasets, led focus groups of unemployed older workers, modeled how job loss affects retirement income, and interviewed experts and federal and local officials.

What GAO Found

As with many other demographic groups, older workers’ unemployment overall and long-term unemployment rates have increased dramatically since the recession began in 2007. In December 2011, the unemployment rate for older workers was 6.0 percent, up from 3.1 at the start of the recession, but down from its peak of 7.6 percent in February 2010. In particular, long-term unemployment rose substantially, and at a greater rate for older than younger workers. By 2011, 55 percent of unemployed older workers had been actively seeking a job for more than half a year (27 weeks or more). Meanwhile, the long-term trend of rising labor force participation rates among older workers has continued, with the recession possibly amplifying this trend.

Long-term unemployment can put older workers at risk of deferring needed medical care, losing their homes, and accumulating debt. The experts and staff GAO interviewed at some one-stop career centers, as well as the unemployed older workers who participated in GAO’s focus groups, identified employer reluctance to hire older workers as a key challenge that older workers face in finding reemployment. They also identified out-of-date skills, discouragement and depression, and inexperience with online applications as reemployment barriers for older workers. Some one-stop staff who serve older workers told GAO that providing the type of assistance some older workers need to address these unique challenges can be very time-consuming. (For audio clips from GAO’s focus groups with unemployed older workers, use this link: http://www.gao.gov/multimedia/video/#video_id=590295)

Long-term unemployment can substantially diminish an older worker’s future retirement income in several ways. First, it can force a worker to stop working and stop saving for retirement earlier than the worker had planned. Second, long-term unemployment can lead individuals to draw down their retirement savings to cover living expenses while they are unemployed, which was a common life experience described by GAO’s focus group participants. GAO illustrated how a hypothetical worker who had $70,000 in retirement savings at age 55 and withdrew 50 percent of those savings during a 2 year period of unemployment, would need about another 5 ½ years of work and saving to rebuild the retirement account to the level it had been before unemployment began. In addition, long-term unemployment can motivate older workers to claim early Social Security retirement benefits, which will result in lower monthly benefits for workers and their survivors for the rest of their lives.

Experts GAO interviewed selected various policies that have been proposed to help address unemployed older workers’ reemployment challenges. Experts selected these policies from a broad list GAO compiled from previous academic studies. For example, two of the policies that experts selected would provide incentives such as temporary wage or training subsidies for employers to hire long-term unemployed older workers. In the current context of high unemployment and slow job creation, the impact of most of these policies is likely to be muted by limited job openings. After an interagency Taskforce issued its report on the aging of the American workforce in 2008, Labor implemented several strategies the report recommended, but since the recession started, Labor shifted focus to responding to increased demand for services. As the economy improves, Labor could refocus on older job seekers and consider what additional strategies would help address their unique reemployment challenges, in light of recent economic and technological changes.

What GAO Recommends

To foster the employment of older workers, we recommend that the Secretary of Labor consider what strategies are needed to address the unique needs of older job seekers, in light of recent economic and technological changes.

Labor agreed with our recommendation. GAO received technical comments on a draft of this report from Labor and the Social Security Administration, and incorporated them as appropriate.

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