

**GAO**

Testimony

Before the Special Committee on Aging,  
U.S. Senate

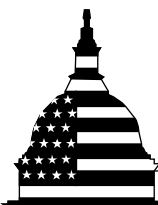
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# UNEMPLOYED OLDER WORKERS

## Many Face Long-Term Joblessness and Reduced Retirement Security

Statement of Charles A. Jeszeck, Director  
Education, Workforce, and Income Security



**G A O**

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Chairman Kohl, Ranking Member Corker, and Members of the Committee:

I am pleased to be here today to discuss the status of unemployed older workers. The most recent recession, which began in 2007 and ended in 2009, was the worst since the Great Depression, and has been characterized by historically high levels of long-term unemployment.<sup>1</sup> While it is crucial that the nation help people of all ages return to work, long-term unemployment has particularly serious implications for older workers (age 55 and over). Job loss for older workers threatens not only their immediate financial security, but also their ability to support themselves during retirement.

My remarks today summarize a report that we prepared for this committee and released today.<sup>2</sup> My testimony will focus on (1) how the employment status of older workers age 55 and over has changed since the recession, (2) older workers' challenges in finding new jobs, (3) how periods of long-term unemployment might affect older workers' retirement income, and (4) what other policies might help unemployed older workers regain employment and what steps the Department of Labor (Labor) has taken to help unemployed older workers.

To examine changes in the employment status of older workers since the start of the recession, we analyzed nationally representative unemployment and demographic data from the Bureau of Labor Statistics (BLS), including January 2007 through April 2012 data from the Current Population Survey (CPS) and the 2008 and 2010 Displaced Worker Supplement (DWS). To learn about older workers' challenges in finding new jobs, we conducted focus groups with unemployed older workers in four metropolitan areas, and interviewed staff at one-stop career centers

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<sup>1</sup>The recession of 2007-2009 started in December 2007 and ended in June 2009, according to the Business Cycle Dating Committee of the National Bureau of Economic Research (NBER). According to NBER, "a recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in production, employment, real income, and other indicators. A recession begins when the economy reaches a peak of activity and ends when the economy reaches its trough." In addition, this recession occurred in the context of a significant decline in major financial markets, which dramatically reduced the value of major assets.

<sup>2</sup>GAO, *Unemployed Older Workers: Many Experience Challenges Regaining Employment and Face Reduced Retirement Security*, [GAO-12-445](#) (Washington, D.C.: April 25, 2012).

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in each of the four areas.<sup>3</sup> (For audio clips from GAO's focus groups with unemployed older workers, use this link: [http://www.gao.gov/multimedia/video/#video\\_id=590295](http://www.gao.gov/multimedia/video/#video_id=590295).) Further, we interviewed experts on older workers' issues and reviewed studies. To assess how periods of long-term unemployment might affect older workers' retirement income, we used microsimulation models, and interviewed officials at the Social Security Administration (SSA). To identify what policies might help unemployed older workers regain employment and what Labor has done to help older workers, we interviewed experts on policy proposals previously identified through a review of the literature and interviewed Labor officials.

We conducted this performance audit from October 2010 through April 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

Social Security retirement benefits are paid to eligible workers under the Old-Age, Survivors, and Disability Insurance (OASDI) program administered by SSA. The level of monthly retirement benefits an individual will receive depends on factors such as work and earnings history and the age at which the beneficiary chooses to begin receiving benefits.<sup>4</sup> Generally, individuals may begin receiving Social Security retirement benefits at age 62; however, the payments will be lower than if they wait to receive benefits at their full retirement age, which varies from 65 to 67, depending on the individual's birth year.<sup>5</sup> Social Security also provides benefits to eligible workers who become disabled before

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<sup>3</sup>The Workforce Investment Act of 1998 provided for the establishment of local one-stop centers to provide access to employment and training services under a number of programs, including those administered by the Departments of Labor, Education, Health and Human Services, and Housing and Urban Development. Pub. L. No. 105-220, § 121, 112 Stat. 936, 963.

<sup>4</sup>42 U.S.C. §§ 402, 415.

<sup>5</sup>42 U.S.C. § 402(q)(1); 20 C.F.R. §§ 404.409 to 404.410.

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reaching retirement age, as well as children, spouses, and widow(er)s of eligible workers.

Employer-sponsored retirement plans fall into two broad categories: defined benefit (DB) plans and defined contribution (DC) plans. DB plans promise to provide a benefit that is determined by a formula based on particular factors specified by the plan, such as salary or years of service. Typically, DB plans provide annuity payments to retirees on a monthly basis that continue as long as the recipient lives.<sup>6</sup> Under DC plans, workers and employers may make contributions into individual accounts.<sup>7</sup> At retirement, participants' distribution options vary depending on the plan, but often include leaving their money in the plan or taking a full or partial distribution. In order to preserve the tax benefits from their DC plan savings, many participants choose to roll plan savings into an individual retirement account (IRA). IRAs are personal retirement savings arrangements that allow individuals to make contributions to an individual account and receive favorable tax treatment.<sup>8</sup>

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## Long-Term Unemployment for Older Workers Has Increased Substantially since the Start of the Recession

Unemployment rates for workers of all ages have risen dramatically since the start of the recent recession in December 2007, and workers age 55 and over have faced particularly long periods of unemployment. As shown in figure 1, the seasonally unadjusted unemployment rate for older workers increased from 3.1 percent in December 2007 to a high of 7.6 percent in February 2010, before it decreased to 6.0 percent in April

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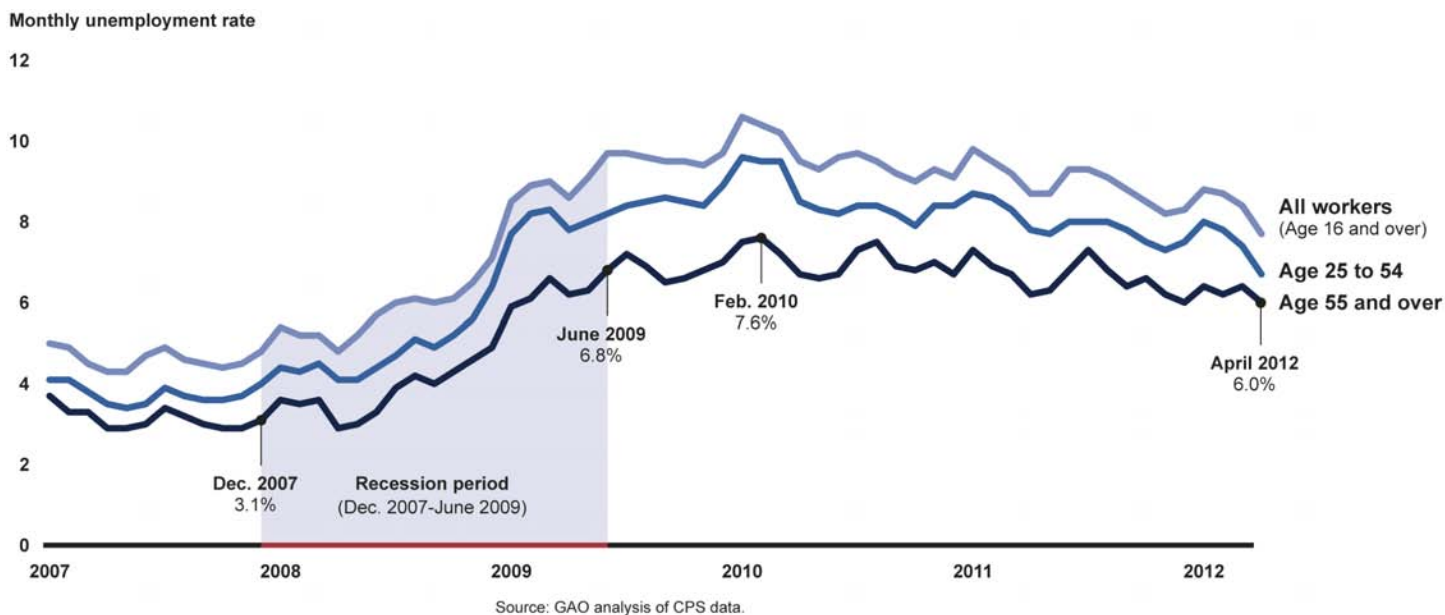
<sup>6</sup>A DB plan may also provide benefits to a surviving spouse, if the plan participant is married and took these benefits.

<sup>7</sup>The most common type of DC plan is the 401(k) plan, which typically allows workers to choose to contribute a portion of their pretax compensation to the plan. Some 401(k) plans may also provide for employer contributions, and Roth 401(k) plans may accept after-tax employee contributions.

<sup>8</sup>The tax treatment differs depending on the type of IRA. For example, with traditional IRAs, individuals who meet certain conditions can take an income tax deduction on some or all of the contributions they make to their IRAs, but they must pay taxes on amounts they withdraw from the IRA. Individuals below certain income limits may also contribute to Roth IRAs, which do not provide an income tax deduction on contributions, but permit tax-free withdrawals.

2012.<sup>9</sup> As in prior recessions, smaller percentages of workers age 55 and over became unemployed in comparison with younger workers. Some researchers attribute older workers' lower unemployment rates to the fact that older workers tend to have longer job tenure, and are consequently less likely to be laid off than younger workers.<sup>10</sup>

**Figure 1: Estimated Unemployment Rates by Age, January 2007 to April 2012**



Notes: Estimates have 95 percent confidence intervals within plus or minus 0.5 percentage points of the estimate itself. Recession dates obtained from the NBER estimates are not seasonally adjusted.

<sup>9</sup>This figure, along with all others describing characteristics of workers, is based on sample data and subject to sampling error. For example, we are 95 percent confident that the unemployment rate for workers age 55 and older was between 5.5 and 6.4 percent in December 2011. Estimated labor force statistics in this report are based on analysis of microdata, which beginning in January 2011 may diverge slightly from BLS published estimates. Because we analyzed a variety of labor force outcomes for several subgroups of the population that had small sample sizes, we did not attempt to seasonally adjust any of the estimates.

<sup>10</sup>A recent study, however, suggests that older workers with less than 4.6 years of tenure are actually more likely to be laid off than their otherwise similar younger counterparts. See Richard Johnson and Corinna Mommaerts, *Age Differences in Job Loss, Job Search, and Reemployment*, the Urban Institute (Washington D.C.: January 2011).

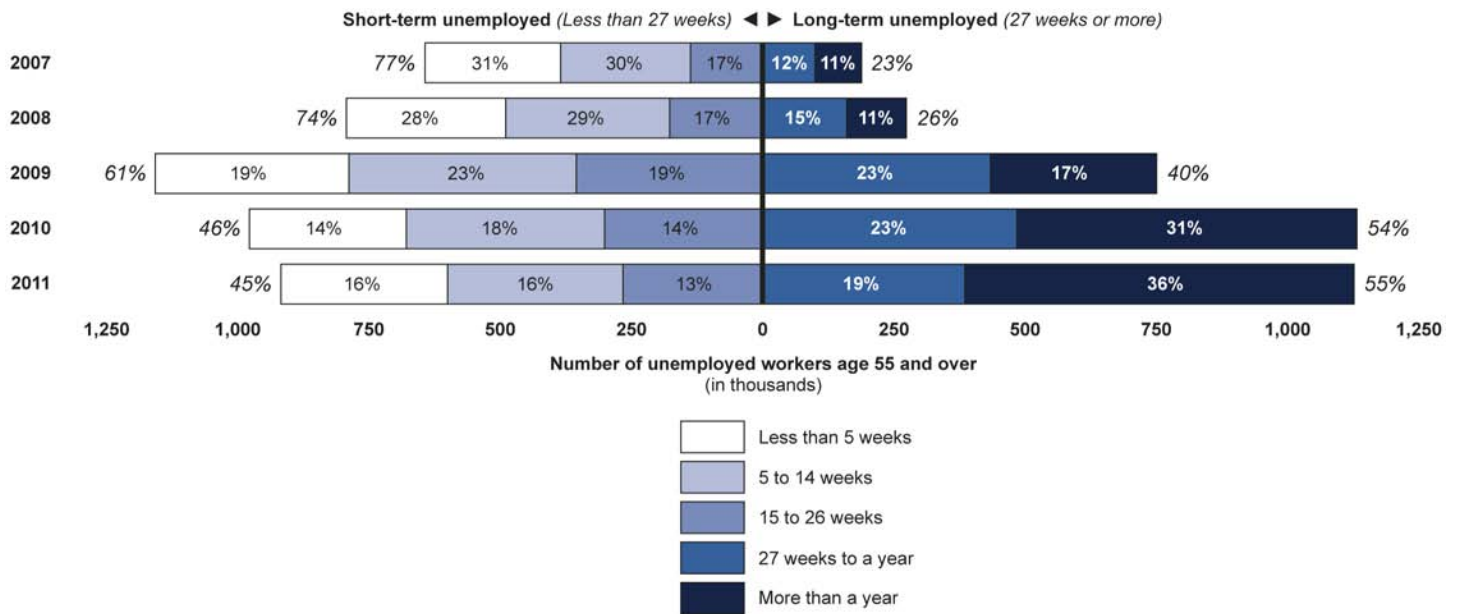
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Although older workers are less likely than younger workers to lose their jobs, it generally takes older job seekers longer to find new work. Since 2007, many job seekers of all ages have experienced long-term unemployment, but individuals age 55 and over have consistently experienced longer durations of unemployment than younger workers.<sup>11</sup> Moreover, the median length of unemployment has more than tripled for older workers since the recession started, increasing at a greater rate than that of younger workers. Prior to the recession, the median duration of unemployment for job seekers age 55 and over was 10 weeks compared with 9 weeks for job seekers aged 25-54. By 2011, the median duration of unemployment for older job seekers had increased to 35 weeks compared with 26 weeks for younger job seekers. In 2007, less than a quarter of unemployed older workers were unemployed for longer than 27 weeks, as shown in figure 2. By 2011, this number had increased to 55 percent. Moreover, by 2011 over one-third of all unemployed older workers had been unemployed for over a year.

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<sup>11</sup>BLS defines long-term unemployment as being unemployed for more than half a year (27 weeks or more).

**Figure 2: Growth in Estimated Long-Term Unemployment of Older Workers (55 and Over), 2007-2011**



Source: GAO analysis of CPS data, 2007-2011.

Note: All estimates in this figure have 95 percent confidence intervals within plus or minus 3 percentage points of the estimate itself. There was a statistically significant change between 2007 and 2011 in the proportion of unemployed older workers in each of the categories shown in the figure. Specifically, (1) the proportion of unemployed older workers who were unemployed for under 5 weeks, for 5-14 weeks, and for 15-26 weeks each declined significantly from 2007 to 2011, and (2) the proportion of unemployed older workers who were unemployed for 27 weeks to a year, and for more than 1 year, each increased significantly from 2007 to 2011. Some bars do not sum to 100 percent because of rounding.

Rates of unemployment for older workers varied across demographic groups. Unemployment rates for older men were comparable to those of women in 2007 but were significantly higher for men by 2011.<sup>12</sup> In addition, black and Hispanic older workers had significantly higher unemployment rates than white older workers in both 2007 and 2011. Regarding education level, older workers without a high school diploma were more likely to be unemployed before and after the recession than

<sup>12</sup>One possible explanation for men's greater increase in unemployment since 2007 is the particularly steep increase in unemployment in the manufacturing and construction industries, which tend to employ higher percentages of men than women.

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those with a high school diploma.<sup>13</sup> However, the unemployment rate for workers with at least a bachelor's degree approximately doubled by 2011 from its 2007 level, just as it did for those older workers with less education.

Across several different demographic groups, once unemployed, older workers were similarly likely to remain unemployed for more than half a year (27 weeks or more) in 2011. For example, in 2011 older unemployed workers with at least a bachelor's degree were similarly likely to face long-term unemployment as those older workers with less education. In addition, older workers in each racial or ethnic group who became unemployed were equally likely to face long-term unemployment in 2011. Even older women—who in 2007 had lower rates of long-term unemployment than men—were similarly likely to face long-term unemployment after the recession.

We analyzed the earnings of workers who regained employment after being displaced from their jobs from 2007 to 2009 and found that older workers generally sustained greater earnings losses than younger workers.<sup>14</sup> When comparing earnings before and after displacement, the median earnings replacement rate for workers aged 55-64 who were displaced from 2007 to 2009 was only 85 percent, compared with approximately 95 percent for workers aged 25-54 and over 100 percent for workers aged 20-24.<sup>15</sup> Further, an estimated 70 percent of reemployed displaced older workers sustained earnings losses (an earnings

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<sup>13</sup>One possible explanation of the increase in unemployment among less educated older workers is that unemployment rates in manufacturing and construction increased dramatically in the recent recession, and these industries tend to employ a higher percentage of less educated workers than do many other industries. Also, a recent study of the long-term unemployed aged 18-64 also found that the long-term unemployed are less likely to hold a college degree. *Kaiser Family Foundation/NPR Long-Term Unemployed Survey*.

<sup>14</sup>Displaced workers are those who indicated that they lost a job for economic reasons (such as plant closures or their position being eliminated) during the previous 3 calendar years. Displaced workers are surveyed by the Census Bureau every 2 years, with the most recent survey interviewing people who lost their jobs during the recession period (January 2007-December 2009), and the previous survey interviewing people who predominantly lost their jobs prior to the recent recession (January 2005-December 2007).

<sup>15</sup>This analysis is restricted to long-tenured displaced workers (workers with 3 or more years of tenure on the job they lost or left) who lost full-time, salaried jobs and were reemployed in full-time, salaried jobs at the time of the survey.



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replacement rate of less than 100 percent) compared with 53 percent of reemployed individuals aged 25-54.

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## Employer Reluctance to Hire Older Workers Is Perceived as One of Several Reemployment Challenges for Older Workers

Focus group participants told us that they believed employer reluctance to hire older workers was their primary reemployment challenge, and several cited job interview experiences that convinced them that age discrimination was limiting their ability to find a new job. Moreover, many experts, one-stop career center staff, and other workforce professionals we interviewed said that some employers are reluctant to hire older workers. Because of legal prohibitions against age discrimination, employers are unlikely to explicitly express a lack of interest in hiring older workers;<sup>16</sup> however, one workforce professional told us that local employers had asked her to screen out all applicants over the age of 40.<sup>17</sup>

According to experts we interviewed, a key reason employers are reluctant to hire older workers is that employers expect providing health benefits to older workers would be costly. Several surveys of employers corroborate this concern.<sup>18</sup> A few focus group participants we spoke to who had handled their previous employer's health insurance or had been involved in hiring decisions said they had seen that older workers substantially increased insurance costs, which provided a disincentive to hire older workers. For example, one focus group participant told us that his prior employer had told him not to hire anyone older than him. In addition to increased health insurance costs, according to experts, workforce professionals, and our focus group participants, some employers may be hesitant to hire older workers because of the higher

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<sup>16</sup>The Age Discrimination in Employment Act of 1967, as amended, prohibits employment practices that discriminate against people who are age 40 or older. Pub. L. No. 90-202, 81 Stat. 602, codified at 29 U.S.C. §§ 621-634.

<sup>17</sup>For information about evidence that employers discriminate against older job applicants, see Joanna N. Lahey, "Do Older Workers Face Discrimination?" Center for Retirement Research at Boston College, Issue Brief Number 33, July 2005.

<sup>18</sup>See Marcie Pitt-Catsouphes, Michael A. Smyer, Christina Matz-Costa, and Katherine Kane, "The National Study Report: Phase II of the National Study of Business Strategy and Workforce Development," Center on Aging and Work/Workplace Flexibility at Boston College Research Highlight 04, March, 2007, 21. Also, see *The Real Talent Debate: Will Aging Boomers Deplete the Workforce?* A WorldatWork Research Report, April 2007, 4.

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wages that many older workers earned in their previous jobs.<sup>19</sup> Also, according to experts we interviewed, employers may believe that an older worker who previously held a high-level position will be overqualified and therefore unhappy in a lower-level position.

Another challenge that some older workers face in finding new jobs is that they may lack up-to-date computer skills. Some noted that after a long spell of unemployment, even those older workers who had previously been proficient with computer technology might find their technology skills outdated. Some experts we interviewed said that employers might hesitate to hire and retrain older workers because they assume that older workers will not want to work much longer, so the employer would not get a good return on the training investment.

According to workforce professionals, an ongoing trend among employers—to require job seekers to submit all applications and résumés online—creates difficulties for many older workers, particularly those with few or no computer skills. Further, workforce professionals told us that many online job applications require applicants to disclose information that readily reveals the applicant’s age—such as the year the job seeker graduated from high school—and that applications cannot be submitted until such fields are completed. Workforce professionals also said that even workers seeking jobs that require little or no computer use could get those jobs only by completing a long online application. For example, workforce professionals told us that individuals seeking positions as maids and janitors in national chain hotels could apply for those positions only online and that the older workers seeking those positions were often unfamiliar with such applications.

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<sup>19</sup>A recent study using data from the Survey of Income and Program Participation found that between 1996 and 2007, the median hourly wage for reemployed displaced workers was lower at ages 50 to 61 than at ages 35 to 49. The authors of the study suggest that “concern over the expense of hiring older workers may be overblown.” See Johnson and Mommaerts, *Age Differences in Job Loss, Job Search, and Reemployment*.

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## Job Loss Can Lead to Lower Private Retirement Income, Early Social Security Claims, and Exhaustion of Retirement Savings

Job loss can result in fewer years of work over a worker's lifetime, which can lower the worker's retirement income in several ways. For example, fewer years of work can prevent a worker who is covered by a traditional DB plan from having enough years of work with an employer to vest in (that is, earn a nonforfeitable right to receive) employer-funded retirement benefits.<sup>20</sup> And even if a worker who is covered by a traditional DB plan has enough years of work to earn a right to the benefits, fewer years of work can reduce a worker's final retirement benefit if the number of years worked is used in the formula for calculating retirement benefits. For workers with DC plans, having fewer years of work can limit the amount of yearly employee and employer contributions that accumulate in a worker's account. Moreover, Social Security retirement benefits may be reduced as a result of fewer years of work because the benefits are based, in part, on a calculation of the worker's average monthly earnings over 35 years. The 35 years used for the calculation are those with the worker's highest earnings, adjusted for changes in wage levels. If a worker has less than 35 years of earnings, then zeros would be used for earnings in the missing years, and this will result in a lower calculated benefit.<sup>21</sup>

At the same time, long-term unemployment can motivate older workers to file for early Social Security retirement benefits. Many unemployed older workers in our focus groups said that they were planning to claim Social Security retirement benefits as soon as they were eligible or had already done so because they needed a source of income to help pay for living expenses. Moreover, a 2012 study found that high unemployment increases Social Security retirement claims among men with limited

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<sup>20</sup>The terms of an employer-sponsored retirement plan may specify when the employee has earned a nonforfeitable right to employer-funded benefits (called vesting), typically after the employee reaches a certain age or has completed a certain period of service. Federal vesting requirements may apply to some plans. For example, to qualify for favorable tax treatment, private sector DB plans are generally required to vest their employees within a maximum of 7 years if they use graded vesting, in which the employee is vested in an increasing percentage of the benefits over time. If the plan does not use graded vesting, employees must be 100 percent vested within 5 years. In addition, employees must be vested upon reaching retirement age (typically age 65 or earlier, if defined by the plan), and federal law limits the ability of plans to disregard an employee's prior years of service after breaks in service of less than 5 years. 29 U.S.C. § 1053(a)-(b). However, plans sponsored by public sector employers are not generally subject to these requirements, although state laws may apply.

<sup>21</sup>For more information on how Social Security retirement benefits are calculated, see online illustration at <http://www.ssa.gov/oact/ProgData/retirebenefit1.html>.

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education.<sup>22</sup> The spike in claims for Social Security retirement benefits that occurred in 2009 after large increases in unemployment rates offers support for the study's findings. According to estimates from SSA's Office of the Chief Actuary, in fiscal year 2009 about 139,500 (about 6 percent) more older workers applied for Social Security retirement benefits than would have been expected in the absence of a recession.<sup>23</sup> Because Social Security retirement benefits claimed before full retirement age are reduced to account for the longer period of time that the benefits will be received, early claiming will cause individuals and their survivors to have lower monthly retirement benefits for the rest of their lives.

The recession also led to an increase in applications for disability benefits from the Social Security Disability Insurance program. In turn, the percentage of individuals in the population age 50 and over who have been awarded disability benefits has increased since the recession started.<sup>24</sup> Older workers who lost their jobs in the recession and had significant injuries or health problems, and were not old enough to claim Social Security retirement benefits, have strong incentive to apply for Social Security disability benefits. If they are awarded benefits, they will receive monthly payments and, after a 24-month waiting period, they will be eligible for health insurance from the Medicare program.<sup>25</sup> Also,

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<sup>22</sup>The researchers estimate that the recession of 2007-2009 increased Social Security retirement claiming for men with limited education by about 40 percent. See Owen Haaga and Richard W. Johnson, *Social Security Claiming: Trends and Business Cycle Effects*, Center for Retirement Research at Boston College (Chestnut Hill, MA: February 2012).

<sup>23</sup>When the Office of the Chief Actuary made estimates in December 2008 for the number of retirement benefit claims SSA would receive in fiscal year 2009, it did not factor recessionary effects into the estimates because, at that time, it did not know if the recession would increase or reduce the number of applications SSA would receive for retirement benefits. Therefore, according to the Office of the Chief Actuary, comparing the estimates for retirement benefits applications for fiscal year 2009 that were made in December 2008 with the actual number of applications received in fiscal year 2009 provides a reasonable estimate of the effect of the recession on Social Security applications in fiscal year 2009.

<sup>24</sup>According to the Office of the Chief Actuary, applications did not increase as a result of the recession for Aged benefits under the Social Security Supplemental Security Income (SSI) program. To be eligible for SSI Aged benefits, individuals must be 65 or over and have very low income and few assets. Such individuals may have already been unemployed before the recession, which could help explain why the recession did not increase applications for SSI Aged benefits.

<sup>25</sup>Receipt of disability benefits is generally subject to a 5-month waiting period beginning with the month the applicant was both insured for disability and disabled, as defined by statute. 42 U.S.C. § 423, 20 C.F.R. § 404.315.

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receiving Social Security disability benefits gives unemployed older workers an alternative to claiming Social Security retirement benefits early.

Unemployed older workers who have a retirement account may also end up using some or all of those savings to cover living expenses while unemployed. Indeed, just over half of the older workers in our focus groups who reported having retirement savings in an IRA or a DC plan also reported that they had used some or all of these savings to pay for expenses while they were unemployed. More specifically, focus group participants described using retirement savings to cover expenses such as mortgage and car payments, medical bills, a child's college tuition, and moving to more affordable housing. A survey of unemployed workers conducted in March 2010 also found that a high percentage of individuals 55 and over reported using savings set aside for retirement or other purposes to help make ends meet.<sup>26</sup> In addition, an October 2010 survey of workers age 50 and over found that nearly a quarter reported that they had used all their savings in the previous 3 years.<sup>27</sup>

These recent developments are particularly troubling considering the fact that the earlier a worker stops working and cashes out DC plan savings, the lower the savings will be and the shorter the period that the savings are likely to last. Depending on the level of savings, the length of time the worker spends unemployed, and the worker's other financial resources, a worker may be at risk of using a large percentage of DC plan savings during unemployment. If, however, the worker is fortunate enough to find another job that includes an employer-sponsored retirement plan or pays enough to enable the worker to save some earnings in an IRA, the worker may be able to resume saving for retirement. Figure 3 illustrates how a worker's retirement savings of \$70,000 in a 401(k) plan could change after 2 years of unemployment, depending on how much the worker

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<sup>26</sup>Maria Heidkamp, Nicole Corre, and Carl E. Van Horn, *The "New Unemployables" Older Jobseekers Struggle to Find Work During the Great Recession*, Sloan Center on Aging and Work, Boston College (Chestnut Hill, MA: 2010).

<sup>27</sup>Sara E. Rix, AARP Public Policy Institute, "Recovering from the Great Recession: Long Struggle Ahead for Older Americans" (Washington, D.C.: May 2011). This study surveyed adults aged 50 and over who had been in the labor force at some point during the previous 3 years.

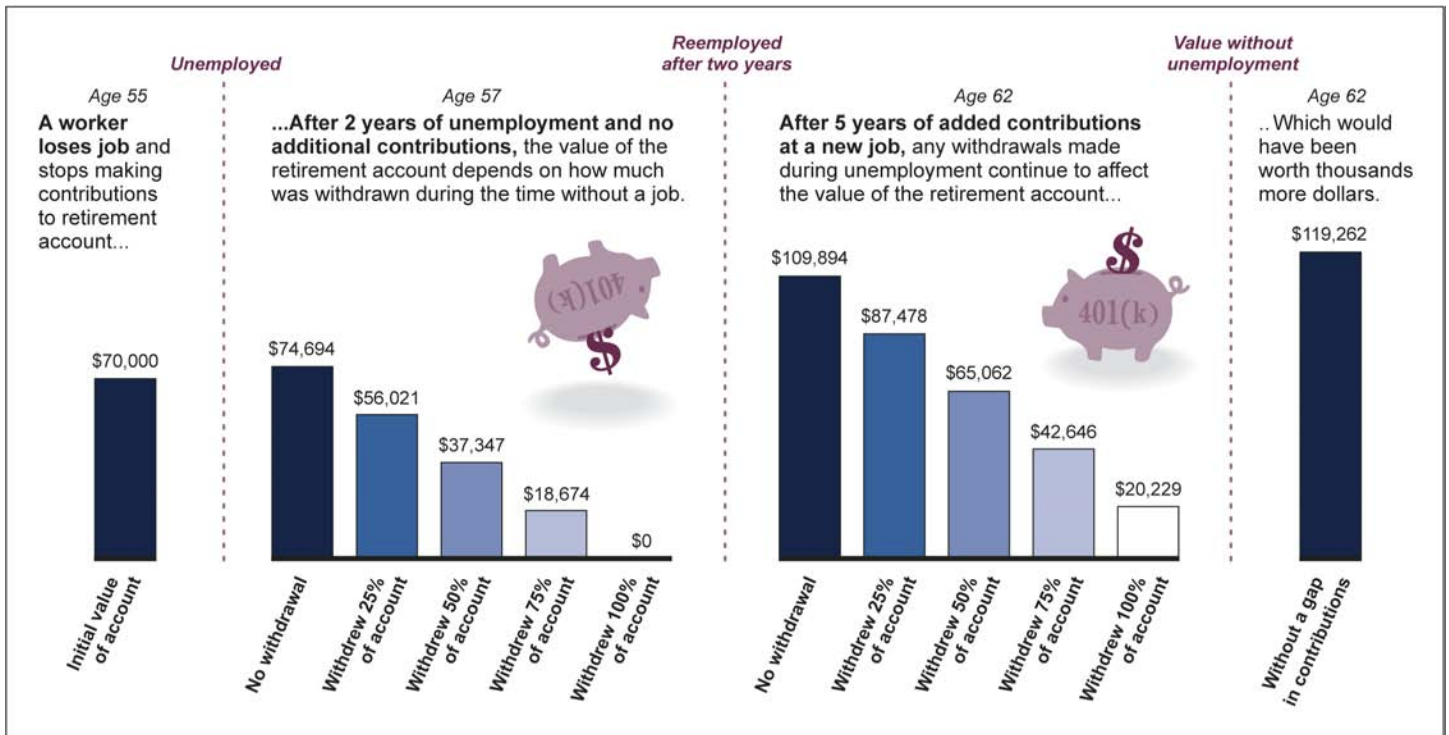
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withdrew from the account while unemployed.<sup>28</sup> The figure also shows how the account value could increase if the worker became reemployed and resumed saving for retirement. As shown in figure 3, if the worker did not make any withdrawals during the period of unemployment, savings could have reached nearly \$110,000 by age 62, after becoming reemployed. On the other hand, if the worker withdrew 50 percent of the retirement account balance while unemployed and became reemployed at age 57, the worker would need to work past age 62 before the account balance got back to the level it was when the worker was 55.

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<sup>28</sup>We used \$70,000 as the starting point for this illustration because it is about the median level of DC plan savings for employed workers age 55 and over who have a DC plan account from a current or past employer. For purposes of this illustration, we decided to round this median to the nearest \$10,000. Based on 2007 Survey of Consumer Finances data, the estimated median is \$70,800 and its 95 percent confidence interval is within plus or minus \$13,204, or between \$57,596 and \$84,004.

**Figure 3: How Drawdowns from Retirement Savings during Unemployment Can Affect Amounts Saved at Time of Retirement if a Worker Became Reemployed and Resumed Saving**



Source: GAO.

Note: This illustration is based on an individual who was born at the beginning of 1953, turned 55 in 2008, and retires at 62 in 2015. To calculate changes in the account balance over time, we used the interest and rate-of-return assumptions as reported in past and projected under the intermediate cost assumptions in the 2011 *Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* (also known as the OASDI Trustees' Report). We used scaled earnings for medium annual earners as reported in past and projected in the 2011 OASDI Trustees' Report. We assumed the employee contributions to the retirement account are 6 percent of the individual's wages and that the individual received a 3 percent employer matching contribution.

## Federal Government Policy Options and Actions Labor Has Taken to Help Unemployed Older Workers

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 of policies that 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. Another policy experts selected would require long-term unemployed workers to enroll in training to remain eligible for unemployment insurance benefits. In the current context of high

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unemployment and slow job creation, the impact of such policies is likely to be muted by limited job openings.

In 2006, Labor convened an interagency Taskforce on the Aging of the American Workforce (the Taskforce), in part, in response to a request from this committee and its current chairman, Senator Herb Kohl.<sup>29</sup> After the Taskforce issued its report in 2008, Labor implemented several strategies the report recommended. For example, in 2008, Labor expanded a demonstration project designed to assist individuals in creating or expanding their own businesses. Also, in 2009, Labor awarded approximately \$10 million in grants to 10 organizations to test new ways of providing training and other services to connect older Americans with employment opportunities in high-growth, high-demand industries. According to Labor officials, the onset of the 2007-2009 recession shifted Labor's focus away from implementing strategies recommended in the Taskforce report to responding to greatly increased demand for services.

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## Concluding Observations

Although long-term unemployment hurts job seekers of all ages, it poses particular challenges for older workers. Older workers tend to be out of work longer than younger workers, threatening their retirement savings during a period of their lives when they may have less opportunity to rebuild them. Even when they are able to obtain reemployment, they often do so at lower wages, making it even more difficult to replenish the lost earnings and reduced retirement savings that they suffered. For those long term unemployed workers who cannot find work, they may leave the labor market altogether and claim Social Security retirement benefits earlier than they would have otherwise, leaving them with less retirement income each month for the rest of their lives. As such, the effects of the recent recession highlight the limitations of our current retirement security system.

While Labor took steps to implement some of the 2008 Taskforce recommendations, Labor officials understandably shifted their focus away

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<sup>29</sup>Labor also convened the Taskforce to respond to GAO recommendations in two reports: GAO, *Older Workers: Demographic Trends Pose Challenges for Employers and Workers*, [GAO-02-85](#) (Washington, D.C.: Nov. 16, 2001), and *Older Workers: Labor Can Help Employers and Employees Plan Better for the Future*, [GAO-06-80](#) (Washington, D.C.: Dec. 5, 2005).



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from the report's findings when the recent recession caused a dramatic increase in demand for workforce services. Still, older workers remain a critical and growing segment of the workforce, and a renewed focus is now needed to identify strategies to help address older workers' significant reemployment challenges. In our report, we recommended that Labor consider what strategies are needed to address the unique needs of older job seekers, in light of recent economic and technological changes. In its comments on our draft report, Labor agreed with our recommendation.

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Chairman Kohl, Ranking Member Corker, and Members of the Committee, this completes my prepared statement. I would be happy to respond to any questions you may have at this time.

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## GAO Contact

Charles Jeszeck (202) 512-7215 or [jeszeckc@gao.gov](mailto:jeszeckc@gao.gov)

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