

# The labor market problems of older workers

*Older workers do not have especially high unemployment rates, but when they become unemployed, they are less likely to find a job, and more likely to leave the labor force in discouragement*

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The problem of older worker unemployment has rarely been addressed by researchers and only recently has become evident in the press. This has been the case because older workers tend to have lower unemployment rates than those found in the overall population as a whole and because other subjects related to the older worker—particularly the steady decline in retirement age—are considered “hotter” research topics with more profound policy implications.

This article investigates several aspects of labor market problems among older workers age 55 and over.<sup>1</sup> Its purpose is not only to show the degree of actual unemployment experienced by the older worker but also to examine the phenomenon of labor market discouragement in relation to age. Particular attention will be placed on the outcome of an older person’s unemployment experience, focusing on the duration of unemployment and the probability of a successful job search.

It is important to note that most older people, particularly the large majority of their population who are outside the labor force, do not want a job. For most, retirement is either the desired reward for many years of work, a necessary result of declining health or both. The concern here is the labor market problems of

those older persons who do—or might want to—seek work.

## Unemployment

Unemployment rates for men and women in three age groups are shown in table 1.<sup>2</sup> Prior to the late 1960’s, the unemployment rates for the two groups of older men (55 to 64 and 65 and over) tended to be slightly *higher* than those for men in the “prime working ages” of 25 to 54. This relationship began to change in the early 1970’s, when the 55- to 64-year-olds showed *relative* improvement and by the 1980 recession, the rates for men age 65 and older fell well below those for men age 25 to 54. The precise causes of these apparent improvements in unemployment status of older workers relative to younger ones are not easy to determine, but they likely include the following:

- Older men who continue to work are considerably less likely than are their younger counterparts to be found in cyclically sensitive industries, such as durable goods manufacturing and construction. Thus, when those industries are hard-hit by recessions, the effects are felt more by younger or middle-aged workers than by older ones.
- Industries most prone to layoff are often those where collective bargaining agreements protect senior work-

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**Table 1. Official unemployment rate and unemployment rate including discouraged workers, by sex, selected ages, 1968 to 1981, annual averages**

[In percent]

Year	Men						Women					
	Age 25 to 54		Age 55 to 64		Age 65 and over		Age 25 to 54		Age 55 to 64		Age 65 and over	
	U <sup>1</sup>	U+D <sup>2</sup>	U	U+D	U	U+D	U	U+D	U	U+D	U	U+D
Total <sup>3</sup> . . . . .	3.7	3.9	3.0	3.5	3.6	6.7	5.5	6.6	3.4	4.9	3.6	8.2
1968 . . . . .	1.7	1.8	1.9	2.3	2.8	6.6	3.4	4.5	2.2	4.2	2.7	8.6
1969 . . . . .	1.6	1.7	1.8	2.1	2.2	5.1	3.5	4.4	2.2	3.5	2.3	7.4
1970 . . . . .	2.8	2.9	2.8	3.1	3.3	5.5	4.5	5.5	2.7	4.1	3.1	7.3
1971 . . . . .	3.5	3.7	3.3	3.7	3.4	5.8	5.3	6.7	3.3	4.7	3.6	7.9
1972 . . . . .	3.1	3.2	3.2	3.6	3.6	6.2	4.9	6.2	3.3	4.8	3.5	7.8
1973 . . . . .	2.5	2.7	2.4	2.8	3.0	6.0	4.4	5.5	2.8	4.0	2.9	5.6
1974 . . . . .	3.1	3.2	2.6	2.9	3.3	6.0	4.9	5.9	3.2	4.6	3.6	7.6
1975 . . . . .	5.7	5.9	4.3	4.9	5.4	9.0	7.5	9.1	5.1	6.9	5.0	9.4
1976 . . . . .	4.9	5.2	4.2	4.7	5.1	8.9	6.8	8.1	4.9	6.4	5.0	9.9
1977 . . . . .	4.3	4.5	3.6	4.1	5.2	9.1	6.4	7.8	4.4	6.1	4.7	10.8
1978 . . . . .	3.5	3.7	2.8	3.3	4.2	7.2	5.5	6.5	3.2	4.6	3.8	9.3
1979 . . . . .	3.4	3.6	2.7	3.3	3.4	6.1	5.2	6.1	3.2	4.3	3.3	7.4
1980 . . . . .	5.1	5.4	3.4	3.9	3.1	6.5	6.0	7.0	3.3	4.6	3.1	7.4
1981 . . . . .	5.5	5.8	3.6	4.2	2.9	6.3	6.3	7.5	3.8	5.6	3.6	8.0

<sup>1</sup> U is the official unemployment rate, calculated by dividing total unemployment by the civilian labor force.

<sup>2</sup> U + D is the unemployment rate which counts all discouraged as unemployed—it divides the unemployed plus discouraged workers by the civilian labor force plus discouraged workers.

<sup>3</sup> The totals are weighted averages of the 14 years, 1968 through 1981. They were calculated by summing the numerators for all years and dividing this by the sum of the denominators.

ers from layoff. This may not be entirely to their advantage because those who are last to be laid off must compete in a job market where most available jobs have already been taken by those workers who were laid off earlier.

- For those eligible for pensions or social security, labor force withdrawal is a more viable alternative to a prolonged job search than it is for younger persons, who are less likely to have alternative sources of income.
- During periods of high unemployment, many firms, to avoid laying off younger workers or to save on labor costs, provide their older workers with financial inducements to retire, in the form of improved pension terms or bonuses. Those who choose these options may themselves avoid layoff as a recession deepens and more senior employees are affected.

But while the unemployment rates of older workers may have been less affected by recent recessions, their relatively low rates of unemployment may mask the linked problems of unsuccessful job search once unemployment occurs and job market alienation (often stemming from that job search) that leads to labor force withdrawal. These problems will be discussed in detail in this article. In general, however, for the 1968 to 1981 period, the rates of unemployment among men in the older groups have been little different from those in the prime-aged group.<sup>3</sup> (See table 1.)

In contrast to men, the unemployment rate for older women has been consistently several points below that

for the 25- to 54-year-old group. Among the major reasons for these low rates is that older women workers, as a group, have not had the strong career-orientation prevalent among younger women today. This marginal attachment often leads to labor force withdrawal when job loss occurs or to postponement of job search during poor job markets. Those older women who have had a permanent, full-time job market commitment are even less likely than older men to be in cyclically sensitive jobs and are often protected from job loss by their seniority.

Even though older men experience rates of joblessness similar to those of all but the youngest labor force members, it could still be argued that their unemployment problem is less severe than for those in the central ages. This is because unemployment rates are calculated by dividing the number of unemployed persons in a particular group by that group's civilian labor force (those working and those actively looking for work). The rates do not reflect the proportion of a particular population that is unemployed, but rather, the proportion of the labor force. This is particularly relevant with regard to older persons, especially those age 65 and over, because so few of them are in the labor force (fewer than 1 in 5 men and 1 in 12 women in 1981). Thus, in absolute numbers, or as a proportion of the older population, unemployment is relatively small. On average, in 1981, only four-tenths of one percent of the population age 65 and over was unemployed, compared to 2.0 percent for those age 55 to 64 and 4.6 percent for those age 25 to 54. (This is not to imply that the population-based rate is a better way of looking at unemployment—clearly it is not. Rather, this is simply another way to demonstrate the relative magnitude of unemployment among older persons.)

### Reasons for unemployment

The conditions which lead to job search can differ markedly between labor force groups. Between ages 55 and 64, the reasons men experience unemployment are similar to those for 25- to 54-year-olds. (See table 2.) In 1981, about 7 in 10 unemployed persons in these age groups were looking for work because they had lost their jobs through layoffs, firings, plant closings, or other types of involuntary separations.

The difference between these two age groups of men is in the mix between the other two reasons for unemployment—quitting a job to look for another and reentering the labor force after a period of absence. The older the worker, the less likely he is to quit his job and look for a new one. This undoubtedly reflects the relatively high costs of such a decision for a person in long-term service with an employer. Experienced workers often represent a considerable investment on the part of the firm in job-specific skills—skills which the present

employer would pay to retain but which are likely to be less valuable to a new employer. Thus, in many cases, the long-term employee may face a cut in earnings in a new job. Other considerations include a loss of seniority, with its protection from hours reductions or layoffs during periods of slack demand, and loss of accrued pension benefits.

For men age 65 and older, labor force reentry approaches job loss as the main reason for unemployment. This should be expected, because the potential pool of labor force reentrants—those outside the labor force—includes over four-fifths of their population. Among job losers, those on layoff represent a far smaller portion than they do for other age groups. This reflects the relative protection from layoffs generally afforded senior workers, and also, the relatively few jobs that men age 65 and older hold where they would be subject to formal layoffs. (Comparatively few men in this age group still work in layoff-prone industries, particularly manufacturing and construction.)<sup>4</sup>

Older unemployed women are less likely to be job losers than are younger women, whether by layoff or other type of job loss, although the differences are not so dramatic. Women in the older group also have a lower probability of quitting than those in the younger group, and a lower rate of reentry, particularly those age 55 to 64. Thus, among women, the higher unemployment rates for those 25 to 54 years old results from a higher probability of unemployment by each reason: job loss, quits, and reentry.

### Duration of unemployment

Monthly data published by the Bureau of Labor Statistics on duration of unemployment reflect the current duration of an in-progress spell of unemployment. In other words, it is a cross-section of the unemployed prior to completion of their spells of unemployment. Table 3 shows the mean and median durations of unemployment for persons in different age groups for 1979 and 1981

**Table 3. Duration of an "in-progress" spell of unemployment, by sex, 1979 and 1981 annual averages**

Age	1979		1981	
	Mean	Median	Mean	Median
16 to 19 .....	7.4	4.3	9.2	4.8
20 to 24 .....	9.7	5.1	13.0	6.8
25 to 34 .....	11.1	6.1	14.8	7.8
35 to 44 .....	13.3	6.8	16.0	8.4
45 to 54 .....	14.5	7.5	16.9	8.9
55 to 64 .....	17.0	8.2	18.3	9.5
65 and over .....	16.1	7.8	16.0	7.0

1981. By either measure, duration consistently rises until age 65, then falls somewhat.

This in-progress spell concept, however, has limited usefulness for some types of analyses. It tells us little about the key question that needs to be addressed here: What is the duration of a *completed* spell of unemployment? In-progress spell data reflect two important biases that make them an undesirable substitute for the uncollected completed spell measure. The first is that which Stephen W. Salant and others refer to as "interruption bias."<sup>5</sup> That is, given stable economic conditions, an "average" in-progress spell of unemployment is likely to be only half of its eventual completed spell. A bias in the opposite direction is "length bias"; the monthly CPS fails to pick up many short spells of unemployment that occur between survey weeks. Because these biases affect different groups differently, it is often difficult to make a meaningful comparison between demographic groups using published CPS duration data.

Based on procedures developed by Norman Bowers, a rough estimate of the average length of a completed spell of unemployment for older workers can be derived using "gross change" data from the CPS in conjunction with the regularly published CPS cross-sectional data.<sup>6</sup> Because three-fourths of the CPS sample in 1 month are surveyed again the following month, it is possible to determine the likelihood of individuals changing labor force status by matching the responses of individuals in this brief longitudinal panel. Any individual can be in 1 of 3 labor force categories in the current month—employed, unemployed, or not in the labor force—and in any of the same three categories in the previous month. Thus, there are nine possible combinations of labor force status for 2 consecutive months where in each month the individual is either employed (E), unemployed (U), or not in the labor force (N):

EE EU EN  
 UE UU UN  
 NE NU NN

The probability of any particular labor force transition is the number of people who made any given change divided by the number of persons in the original state.

**Table 2. Unemployment percentages, by reason for unemployment, by sex and age, 1968-81 averages<sup>1</sup>**

Characteristic	Total	Job losers			Job leavers	Reentrants
		Total	On lay-off	Other job losers		
<b>Men</b>						
25 to 54 .....	3.7	2.7	0.9	1.8	0.4	0.5
55 to 64 .....	3.0	2.3	0.7	1.5	0.2	0.5
65 and over .....	3.6	1.8	0.5	1.3	0.2	1.6
<b>Women</b>						
25 to 54 .....	5.5	2.4	0.9	1.5	0.8	2.1
55 to 64 .....	3.4	2.0	0.8	1.3	0.4	0.9
65 and over .....	3.6	1.9	0.7	1.2	0.3	1.4

<sup>1</sup> Because of rounding, and the exclusion of new entrants, row totals may not equal the total unemployment rate shown.

For example, the probability of an unemployed person remaining unemployed is  $UU/U(t-1)$ , where  $t$  is the current month.

An estimate of the expected duration of a completed spell of unemployment can be obtained from these labor force "flows" data.<sup>7</sup> The probability of leaving, or escaping unemployment is the sum of the probabilities of going from unemployment to employment and from unemployment to not in the labor force: probability of escape ( $pESC$ )= $UE+UN/U(t-1)$  where  $E$  and  $N$  occur in month  $t$  and  $U$  occurs in month  $t-1$ . Expected duration ( $E(D)$ ) is equal to  $1/pESC$ .<sup>8</sup>

To use this equation to estimate the duration of completed spells of unemployment, it is necessary to assume that unemployed persons, regardless of their current length of joblessness, have the same probability of escape from unemployment—that is, the probability of escape is independent of duration.<sup>9</sup>

The estimates computed from the above formula are based on monthly escape probabilities. A calculation of the number of weeks of a completed spell would be  $E(D) = \frac{1}{pESC} \times 4.3$  where 4.3 is the number of weeks in the average month. Table 4 provides the probabilities  $UE$ ,  $UN$ , and  $UU$  for men and women age 25 to 44 and 60 and over based on annual averages from 1968 to 1981, along with expected duration of a completed spell of unemployment. While the age breaks used throughout most of the rest of this analysis would be more desirable (25 to 54, 55 to 64, and 65 and over), the gross flows tabulations are not available for those age categories. The 45 to 59 age group, available in the gross change data, was left out of this analysis because it spans parts of both the older age and middle-age comparison groups used in other analysis.

For the two groups of men, the estimated duration of completed spells of unemployment are quite close. In fact, that for the group age 60 and over, on average, falls below that for the comparison group by about a week. When the  $pUU$  columns are examined ( $pUU=1-pESC$ ), the cause of this result is clear; the probabilities of remaining unemployed are quite close for both age groups throughout the business cycle.

However, while the probabilities of escape are similar for the two groups, the *method* of escape is quite different. Over the entire period, the probability of an older man leaving unemployment by withdrawing from the labor force is three times that of a younger man. Conversely, the probability of ending a period of unemployment by finding employment is far higher for the younger group. For women, the probability of escape, as for men, is similar for the two age groups.

*Successful job search.* Because the probabilities of escape by the two different methods,  $UE$  and  $UN$ , are so different for the younger and older groups, the completed

**Table 4. Probabilities of an unemployed person being employed (E), not in the labor force (N), and unemployed (U) in the following month, and the expected duration of a completed spell of unemployment, by sex and selected age groups, 1968-81 annual averages**

Year	Men, 25 to 44 years				Men, 60 years and over			
	Probabilities of labor force movements			Expected duration of a completed spell (in weeks)	Probabilities of labor force movements			Expected duration of a completed spell (in weeks)
	pUE	pUN	pUU		pUE	pUN	pUU	
Total <sup>1</sup> . . .	.327	.089	.584	10.3	.194	.275	.531	9.2
1968 . . . . .	.519	.096	.385	7.0	.289	.333	.377	6.9
1969 . . . . .	.497	.105	.398	7.1	.296	.357	.347	6.6
1970 . . . . .	.393	.074	.533	9.2	.229	.215	.556	9.7
1971 . . . . .	.351	.084	.566	9.9	.208	.260	.532	9.2
1972 . . . . .	.361	.096	.543	9.4	.196	.279	.525	9.1
1973 . . . . .	.369	.111	.520	9.0	.195	.323	.481	8.3
1974 . . . . .	.340	.088	.572	10.0	.177	.255	.567	9.9
1975 . . . . .	.284	.075	.642	12.0	.147	.221	.632	11.7
1976 . . . . .	.283	.085	.631	11.7	.172	.267	.561	9.8
1977 . . . . .	.312	.087	.602	10.8	.143	.281	.576	10.1
1978 . . . . .	.343	.097	.559	9.8	.209	.327	.464	8.0
1979 . . . . .	.335	.102	.563	9.8	.175	.280	.545	9.5
1980 . . . . .	.294	.084	.622	11.4	.206	.258	.535	9.2
1981 . . . . .	.277	.092	.631	11.7	.188	.266	.552	9.6
Women, 25 to 44 years      Women 60 years and over								
Total <sup>1</sup> . . .	.253	.306	.441	7.7	.193	.325	.483	8.3
1968 . . . . .	.356	.422	.222	5.5	.274	.452	.274	5.9
1969 . . . . .	.330	.412	.257	5.8	.296	.463	.241	6.5
1970 . . . . .	.274	.340	.386	7.0	.211	.296	.493	8.5
1971 . . . . .	.241	.333	.426	7.5	.188	.341	.470	8.1
1972 . . . . .	.260	.336	.404	7.2	.172	.299	.529	9.1
1973 . . . . .	.280	.350	.270	5.9	.246	.377	.377	6.9
1974 . . . . .	.298	.370	.332	6.4	.222	.284	.494	8.5
1975 . . . . .	.206	.271	.522	9.0	.153	.285	.562	9.8
1976 . . . . .	.210	.286	.505	8.7	.142	.307	.551	9.6
1977 . . . . .	.245	.293	.462	8.0	.165	.322	.512	8.8
1978 . . . . .	.270	.295	.435	7.6	.177	.313	.510	8.8
1979 . . . . .	.274	.289	.437	7.6	.172	.345	.483	8.3
1980 . . . . .	.248	.273	.479	8.3	.202	.310	.488	8.4
1981 . . . . .	.217	.254	.529	9.1	.171	.314	.514	8.8

<sup>1</sup> The total is calculated by dividing the sum of all persons with a particular pair of labor force conditions (ue, for example) using annual averages for the 14 years, by the total number of unemployed persons (annual averages) for those years:  $pUE (total) = \frac{\sum_{1968}^{1981} U_{(t-1)} E_t}{\sum_{1968}^{1981} U_{(t-1)}}$  where  $t$  is the current month and  $t-1$  the previous month.

spell of unemployment measure may conceal real differences in job market success. It is necessary, then, to create a measure which reflects these differences.

It is the labor force flow,  $UE$ , which is undoubtedly a better measure of labor market success than the escape rate. However, one must be careful in assuming that  $UN$  implies a failed job search. Some persons may simply have changed personal circumstances, such as poor health or home responsibilities, which represent voluntary labor force withdrawal. Nevertheless, there is a strong argument that market-related movements from  $U$  to  $N$  are probably a large portion of the total  $UN$ 's.<sup>10</sup> Because the purpose of job search is to obtain employment, it is useful to calculate an expected duration of unemployment, for what Bowers refers to as the "persistent jobseeker." These individuals continue their job search until they obtain employment. This is obtained by removing  $UN$  from the denominator and numerator

of the completed spell calculation. Thus, using Bowers' procedure, the expected duration of a completed spell of unemployment for the persistent jobseeker is calculated as follows.<sup>11</sup>

$$E(D) = \frac{pUE + pUU}{pUE} \times 4.3$$

where E(D) is the estimated duration in weeks, pUE and pUU are the probabilities of an unemployed person in period t-1 either having a job in period t or remaining unemployed, respectively, and 4.3 is the number of weeks in the average month (since duration is typically expressed in weeks).

The results, shown in table 5, reveal a very different picture than those for completed spells of unemployment shown in table 4. Eliminating labor force withdrawal as an option for ending unemployment increases the expected duration of unemployment for men age 25 to 44 by less than 2 weeks but raises it by 7 weeks for older men.

Among women, the higher probability of leaving unemployment by withdrawing from the labor force than by finding employment occurs across age groups. These lower probabilities of successful job search mean that women jobseekers will have a considerably longer duration using the persistent method rather than the escape method of calculation. The younger group of women has 4 weeks added to their expected duration, while the older group, like the men, is 7 weeks higher.

*Another measure of duration.* Once each year, in March, there are a series of supplemental questions in the CPS on labor force activity during the prior calendar year. These questions elicit information on the number of weeks out of the year that individuals were either

**Table 5. Expected duration of a completed spell of unemployment for persistent jobseekers (those who find employment) by sex, for selected age groups, 1968-81**  
[In weeks]

Year	Men		Women	
	Age 25 to 44	Age 60 and over	Age 25 to 44	Age 60 and over
Total	12.0	16.1	11.8	15.1
1968	7.5	9.9	7.0	8.6
1969	7.7	9.3	7.7	7.8
1970	10.1	14.7	10.4	14.3
1971	11.2	15.3	11.9	15.1
1972	10.8	15.8	11.0	17.5
1973	10.4	14.9	8.4	10.9
1974	11.5	18.1	9.1	13.9
1975	14.0	22.8	15.2	20.1
1976	13.9	18.3	14.6	21.0
1977	12.6	21.6	12.4	17.6
1978	11.3	13.8	11.2	16.7
1979	11.5	17.7	11.2	16.4
1980	13.4	15.5	12.6	14.7
1981	14.1	16.9	14.8	17.2

**Table 6. Median weeks of unemployment for all persons with unemployment experience, selected calendar years, by sex and selected age groups**

Characteristic	1973	1975	1978	1981
<b>Men</b>				
25 to 54	8.9	14.2	11.6	13.7
55 to 64	11.3	17.1	13.7	13.6
65 and over	14.9	19.1	18.3	16.2
<b>Women</b>				
25 to 54	6.9	11.3	9.1	11.3
55 to 64	10.8	16.6	11.7	11.2
65 and over	8.6	19.1	14.3	13.3

looking for work or on layoff and are asked of persons who worked during the year as well as of those who did not.

The data can be easily used to obtain a median number of weeks unemployed for any demographic group.<sup>12</sup> It should be kept in mind that this does not correspond to the length of a completed spell of unemployment, as calculated earlier, for several reasons. First, spells may begin before the start of the calendar year or end after it, thus being "in progress" during the 1-year reference period. Particularly important is the fact that the results may reflect more than one spell of unemployment for each individual. Also, the reporting of unemployment is somewhat inconsistent, particularly for women, between the monthly CPS and the March work experience supplement.<sup>13</sup>

Table 6 shows the median weeks of unemployment during the 4 calendar years 1973, 1975, 1978, and 1981. These years were selected, because, at least in terms of aggregate unemployment, they represent relatively low (1973 and 1978) and high periods (1975 and 1981) in the recent unemployment experience. For men, the increase in unemployment duration with age is fairly consistent over both highs and lows in recent business cycles. The rather poor recovery for men age 65 and older by 1978 from the 1974-75 recession is consistent with other indicators of unemployment for that group.<sup>14</sup> There is also a pattern of increased duration with age among women, although it is less consistent. Moreover, the actual differences across age groups, for women, may be somewhat less than shown, because of reporting inconsistencies discussed in footnote 13.

The use of duration data obtained from the work experience supplement reduces the problem of labor force transitions and its limiting effect on duration, because all spells of unemployment are counted. Similarly, calculations of the duration of a completed spell of a persistent jobseeker, shown in table 5, provides a comparison of job-search success between the younger and older groups unhindered by labor force withdrawal. Thus, these two calculations (work experience and persistent jobseeker), while measuring somewhat different

things, provide a similar characterization of the differences in unemployment duration between the older worker and those in the middle years.

### More about the unemployed

Older unemployed persons show less of a commitment to the labor force than do their younger counterparts. For example, the CPS regularly obtains information on whether the unemployed are looking for full- or part-time work. In 1981, as shown in the tabulation below, older men and women were less likely than their younger counterparts to seek full-time jobs.

*Percent of unemployed persons seeking full-time work, 1981 annual average*

	<i>Age 25 to 54</i>	<i>Age 55 to 64</i>	<i>Age 65 and over</i>
Men . . . .	97	88	44
Women . .	83	79	45

In May 1976, CPS respondents who were unemployed were asked to complete a supplemental questionnaire on their job search activity and on factors which might influence that activity.<sup>15</sup> As expected, older persons, particularly men, were considerably less likely than younger persons to seek permanent rather than temporary employment.

*Percent of unemployed seeking a permanent job, March 1976*

	<i>Age 25 to 54</i>	<i>Age 55 to 64</i>	<i>Age 65 and over</i>
Men . . . .	95	93	68
Women . .	82	76	57

In addition, unemployed persons were asked the number of hours they had spent looking for work during the 4 weeks prior to the survey.<sup>16</sup>

*Average number of hours spent in job search during month prior to May 1976 CPS*

	<i>Age 25 to 54</i>	<i>Age 55 to 64</i>	<i>Age 65 and over</i>
Men . . . .	42	33	22
Women . .	19	19	17

For men, age is a good predictor of job search intensity. For women, the amount of time spent looking for work is apparently unrelated to age and consistently lower than that for men.

### Worker discouragement

While the unemployment rate is the most visible measure of labor market difficulties, other measures, such as labor market discouragement, also provide valuable in-

formation.<sup>17</sup> (Discouraged workers are those who report that they want a job but are not looking because they believe they cannot find one.) Labor market discouragement is experienced, disproportionately, by older workers and by racial minorities.<sup>18</sup> For blacks, it is easily assumed that this is simply another indication of their relatively poor standing in the job market. Older workers are not so obviously disadvantaged, at least as evidenced by their unemployment rates. Yet, discouragement may be a serious problem for this group and, if included in the calculations, substantially alters the relationship between older and younger worker unemployment.<sup>19</sup>

Table 1 shows unemployment rates for different age/sex groups comparing the traditional rate for each group to a new rate which adds discouraged workers to both the numerator and the denominator of the unemployment rate calculation.<sup>20</sup> As shown in the tabulation below, for men age 25 to 54, discouragement as a labor force problem is relatively minor; for men 55 to 64 years old, the problem is only slightly greater. But for men age 65 and over, the annual average level of discouraged workers is almost as large as the number of unemployed. The addition of the discouraged workers doubles the percentage for this group compared to its unemployment rate, and also raises it to levels far above those for the other two male age groups. Even in the past several years, when there was a marked improvement in the unemployment rate of men age 65 and older relative to those age 25 to 54, the addition of discouragement yields a percentage for this oldest group that is well above that for the central age group.

While labor market discouragement is more common for women of all ages, compared to men, the effect on older women of its inclusion in an "unemployment-discouragement rate" calculation is similar to that for older men. For women age 25 to 54 and 55 to 64, discouragement adds 1.2 and 1.5 points to their respective unemployment rates. But for women age 65 and over, on average, it adds 4.7 points, considerably more than the contribution of unemployment itself.

The following tabulation shows the percentage-point increases in unemployment rates of persons age 25 and over by including discouraged workers (average of 1968-81 period):

	<i>Age 25 to 54</i>	<i>Age 55 to 64</i>	<i>Age 65 and over</i>
Men . . . .	0.2	0.5	3.2
Women . .	1.2	1.5	4.7

While the effect of adding discouraged workers to the unemployed count is dramatic, these results are not necessarily easy to interpret. As mentioned earlier, older worker unemployment, when compared to their *population* (rather than labor force, as in the normal unem-

ployment rate calculation) is hardly significant. Only when their unemployment is compared to the labor force levels does joblessness appear to be nearly as serious a problem as it is for other age groups.

The use of data on discouragement presents a similar problem of interpretation. The addition of their numbers dramatically alters the relative job market standing between the oldest labor force groups and younger groups. Yet the older age groups have a huge source of potential discouraged workers that other groups do not—those who are outside the labor force. For the population age 65 and over, this group accounts for about 7 of every 8 people. Thus, even if only a very small portion of those outside the labor force are identified through the survey as discouraged, the effect on the relatively small group *in* the labor force still becomes quite large. This is, of course, what happens in the calculations. Only about 0.5 percent of all persons age 65 and older who are outside the labor force are counted as discouraged. When added in, it is enough to more than double their “unemployment rate”; a very small group in absolute terms is able to dramatically alter a measure of labor market conditions.

For purposes of this article, it may be helpful to look at certain responses of older discouraged workers in the CPS—particularly their answer to three questions:

1. What are the reasons . . . is not looking for work?

Persons identified as outside the labor force but wanting a job are asked why they have not been looking for work. Many cite such factors as family responsibilities, poor health, or school attendance, thus indicating that their personal situation makes them unavailable for work. To be classified as a discouraged worker, the individual must be reported as wanting a job and not looking for work for one or more of the following five reasons, but no others:<sup>21</sup>

- a. Believes no work is available in line of work or area
- b. Couldn't find any work
- c. Lacks necessary schooling, training, skills, or experience
- d. Employers think too old or too young
- e. Other personal handicap in finding a job

The first two categories are listed in Bureau publications as “job market factors;” the latter three are “personal factors.” The “job market” categories more clearly indicate some failure of the job market itself to absorb people who want to work than do the “personal” categories. As expected, personal reasons (particularly the “too old” reason) dominate the 65 and over age group, accounting for 56 percent of its discouragement in 1981. In contrast, 25 to 54 year old discouraged workers cited personal reasons less than one-fifth of the time.

2. Does . . . intend to look for work of any kind during the next 12 months?

Discouraged workers, in general, say they want jobs “now” but are not looking because they think they can't find any. Apparently, many older discouraged workers have no plans to verify their assessment of the availability of jobs. (It should be kept in mind that an individual need not take part in an active job search to acquire at least some information on the job market. Information on local layoffs or plant closings, job search by acquaintances, or local unemployment statistics might all be used to assess the likelihood of a successful job search, particularly in a relatively small job market.) In fact, in 1981, only about half of discouraged workers age 65 years and older indicated plans to look for work during the subsequent 12-month period. This compares to two-thirds of 55 to 64 year olds and 6 out of 7 of 25 to 54 year olds.

3. When did . . . last work for pay at a regular job or business, either full or part time?

Many older discouraged workers have no recent work history. In fact, in 1981, among those age 65 and over, only about 1 in 5 had worked within the previous year, while the remaining four-fifths was about split between those who had last worked 1 to 5 years ago and those whose last job was at least 5 years prior to the survey. The younger groups, of course, tend to have more recent work experience. However, even among men age 25 to 54, almost half of the discouraged workers in 1981 had not worked in the previous year. Combining the results of the job search intention and time of last job questions shows that 30 percent of all discouraged workers age 65 and over had neither worked in at least 5 years nor had any intentions of looking for work in the near future.

From these CPS questions, it is clear that the group of discouraged workers 65 and over show a quite different degree of labor force attachment than do their younger counterparts. They are less likely to cite the more definitive “job market” factors as their reason for not looking for work, they are far less likely to have had recent work experience, and often have no plans to look for work in the near future. This may reflect the more marginal labor force attachment of a group of workers who may have alternative sources of income. But it may also reflect, to some undetermined extent, a realistic perception of the lack of acceptable job opportunities for persons age 65 and older who want to work.

### Interpretation of findings

Do these results demonstrate a lack of interest, or job market commitment among older persons? What do the relatively low measures of job search and interest for older unemployed and discouraged workers mean? How

are their very high levels of labor force withdrawal from unemployment to be interpreted?

The initial response may be that these results should be expected from a group of persons whose retirement alternatives often limit the amount and extent of job search. But a far different interpretation could be that much of this measured job market "indifference" is the result of a labor market which is unresponsive to the needs and preferences of the older worker.

What happens when older workers seek work? According to the UE probabilities shown in table 4, they are far less likely to find a job than are their younger counterparts. And when they do find jobs, they generally suffer a serious decline in wages compared to previous employment. Herbert S. Parnes examined longitudinal data from a sample of men who were 45 to 59 years old in 1966 and had been displaced between 1966 and 1975 from a job they had held at least 5 years.<sup>22</sup> The results show a dramatic decline in both occupational status and earnings, compared with a matched group who had not lost their jobs. Results of a survey of over 800 retirees of three large corporations showed that the wages of those who subsequently got jobs were so low that they "provide a vivid corroboration of the assertion of a large number of respondents who said that among the reasons they did not work after retirement was that it did not pay to work."<sup>23</sup> Fringe benefits for these workers were practically nonexistent.

Do older jobseekers hold out for a "better" job than do younger persons? The May 1976 job search supplement asked unemployed persons their lowest acceptable wage. While the results should be viewed with caution, the average "reservation wage" of older workers was no higher than the 25-to-54-year-old group.<sup>24</sup> In fact, older workers generally take jobs in relatively low-paying trade and service industries.<sup>25</sup>

A poor job market certainly may lead to labor force withdrawal (although most labor force withdrawal among the elderly is voluntary). However, for those outside the labor force, the desire to work is often difficult to measure. The CPS elicits a very low level of labor market interest among the retired elderly compared to other surveys. Part of this difference may stem from responses to the seemingly simple question, "Do you want a job?," which can be interpreted in different ways and thus yield far different results.<sup>26</sup> "No, I don't want

a job," as reported in the CPS, may mean (for some) that the jobs perceived to be available do not meet the individual's requirements, not that the individual would not take "acceptable work."

As previously stated, most older retirees do not want to work or cannot work for health reasons. But it is not unreasonable to assume that a significant number of potential workers are "hidden" from the labor market statistics because of their not in labor force status. Evidence of this potential labor supply comes from the survey of retired persons from three large corporations cited earlier. Of those retirees who were outside the labor force, 27 percent cited as their main reason for not looking for work that "it doesn't pay" (which may reflect both the low anticipated wages and poor fringe benefits from employment as well as the social security earnings limitation). Additionally, 9 percent said there were "no opportunities," 4 percent cited age discrimination, and 2 percent cited an unsuccessful job search. These responses came from a group with better than average retirement income—work is most important to retirement and near-retirement age people with low incomes or low expected pension income.<sup>27</sup>

As Harold Sheppard and Sarah Rix point out in *The Graying of Working America*, many persons choose retirement "not because they want literally to retire, but more because of their strong reluctance to stay in the same dissatisfying job. The difficulties the older workers may have in finding more satisfying kinds of employment may mean that early retirement is the only alternative."<sup>28</sup> The same, of course, can be said for retirement that is not, technically speaking, early. Research reports and congressional hearings point out the need for alternative work arrangements for many older persons in order to eliminate the full-time work/total retirement choice faced by many.<sup>29</sup> Moreover, the paucity of job sharing and part time, phased retirement, or other types of flexible work options serves to lessen job search or to cause some to leave the labor force. The result, quite probably, is that the most commonly used measures of labor market success, particularly the unemployment rate, understate the difficulties that older workers face in the job market. The limited opportunities for older workers are not inconsistent with low unemployment rates—to some extent they are their cause. □

—FOOTNOTES—

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<sup>1</sup> Ideally, the analysis presented in this article would have used a consistent definition of "older workers." However, data are not always available with the preferred age aggregations—age 55 to 64 and

65 and over for the older groups and age 25 to 54 for the comparison group of other adult workers. The gross flows data that were used to estimate completed spells of unemployment presented the largest problem. Data for different age/sex groups by duration of unemployment were needed to calculate the completed spells of unemployment and the probabilities of leaving unemployment used extensively in the article. The only available data are for persons ages 25 to 44, 45 to



59, and 60 and over. The decision was made to exclude the middle group from any analysis since they extend into both the 25 to 54 and 55 and older age groups. Thus, the age 60 and over group was used to represent the older workers, with the 25 to 44 year olds used as the comparison group. The preferred age groups were used for all other analysis.

<sup>2</sup> Unless otherwise noted, data presented in this article are from the Current Population Survey (CPS), a monthly nationwide survey of about 60,000 households conducted by the Bureau of the Census. A description of the survey methodology can be found in the explanatory notes in any issue of *Employment and Earnings* (U.S. Department of Labor, Bureau of Labor Statistics).

<sup>3</sup> All data presented in this article which refer to averages for the 14-year period, 1968 to 1981, are weighted averages, calculated by summing the numerators for the 14 years and dividing the result by the sum of the denominators. In the unemployment rate calculation, this tends to assign a greater weight to years with high unemployment levels and to more recent years, as labor force levels (the denominator) continue to rise.

<sup>4</sup> Philip L. Rones, "Older men—the choice between work and retirement," *Monthly Labor Review*, November 1978, pp. 3–10.

<sup>5</sup> Stephen W. Salant, "Search Theory and Duration Data: A Theory of Sorts," *Quarterly Journal of Economics*, February 1977, pp. 39–57.

<sup>6</sup> Norman Bowers, "Probing the issues of unemployment duration," *Monthly Labor Review*, July 1980, pp. 23–32.

There are generally acknowledged to be three types of errors in the gross change data: sampling variability, misclassification of labor force status, and rotation group bias. These are discussed extensively in: Ralph E. Smith and Jean E. Vanski, "Gross change data, the neglected data base," *Counting the Labor Force*, Appendix II (Washington, National Commission on Employment and Unemployment Statistics, 1979) pp. 132–50. These biases are summarized in Bowers, "Probing the issues."

<sup>7</sup> While the gross change tabulations provide the numbers of people moving from U to E and U to N by duration, they do not provide either the U to U flows or a total distribution of persons by duration. However, the basic monthly CPS does have a distribution of unemployed persons, by age and sex and duration. The distributions were calculated as follows (using 1981 annual averages for men age 25 to 44):

	Weeks of unemployment						
	Total	5	5–6	7–10	11–14	15–26	27+
STEP 1 Unemployed (Basic CPS tabulations) . . . . .	1,765	601	140	237	159	274	355
STEP 2 Percent distribution (From Step 1) . . . . .	100.0	34.1	7.9	13.5	9.0	15.5	20.1
STEP 3 Unemployed (Gross change tabulations) Distributions applied to 1,685 to calculate duration categories . . . . .	1,685	575	133	227	152	261	339

Note: The total unemployed from the gross change data, 1,685,000, differs from the total unemployed from the basic CPS. This is the result of the biases discussed in footnote 6, primarily rotation group bias (which, interestingly, is almost nonexistent in the older age group). In order that all data will be comparable to the UE and UN data available from the gross flows tabulations, the distribution in step 3 is necessary. From the results in Step 3, UU can be calculated by subtracting UE+UN from the total U (gross change) shown in step 3.

<sup>8</sup> Bowers, "Probing the issues."

<sup>9</sup> The assumption of a constant probability of leaving unemployment as duration increases has its basis in job search theory. Table 4 shows the likelihood of jobless persons in different sex/age groups

leaving unemployment, either by finding a job or by leaving the labor force. While these data represent the "average" unemployed person, disaggregation of the data by duration of unemployment shows a different dimension of labor force transitions.

As shown in the table below, the probability of leaving unemployment declines steadily as duration of unemployment increases, while the probability of finding a job falls. Although this phenomenon is characteristic of all labor force groups, older workers appear to suffer somewhat more from declining probabilities of finding employment. For example, older men who have experienced 6 months or more of unemployment are only 30 percent as likely to find a job between monthly surveys (.091/.295) as are those unemployed less than 5 weeks. For men ages 25 to 44, the same comparison is about 40 percent (.174/.444).

Probability of leaving unemployment,<sup>1</sup> by duration of current spell of unemployment, for selected age groups, by sex, 1968 to 1981.<sup>2</sup>

Sex and age groups	Weeks of unemployment					
	< 5	5–6	7–10	11–14	15–26	27+
Men						
Age 25 to 44 . . . . .	.531	.418	.381	.368	.343	.286
Age 60 and over . . . . .	.591	.460	.479	.385	.396	.387
Women						
Age 25 to 44 . . . . .	.665	.543	.523	.461	.405	.400
Age 60 and over . . . . .	.651	.567	.500	.383	.394	.387

<sup>1</sup> The probability of leaving unemployment is, as defined in the text,  $p_{ESC}(\text{escape}) = UE + UN/U(t-1)$  where E and N represent employment and not in the labor force status in month t and U represent unemployment status in month t-1.

<sup>2</sup> See footnote 3.

These data do not necessarily imply, however, that increasing duration itself results in a decreasing probability of finding employment. Most theories of job search assume that a person looking for work will maintain (or, perhaps, lower) his acceptance wage as his period of job search lengthens. His individual probability of finding a job, thus, is assumed to be constant (or to increase) with increased duration. This theory appears to conflict with the declining probabilities of employment shown in table 6. But, as explained below, they can be consistent.

Another assumption of job search theory generally is that the unemployed are a heterogeneous group, each person possessing a different set of skills, education, reservation wage, alternative income sources, and so forth. This heterogeneity means that an individual may have a constant escape rate over time but that different individuals will have different escape rates. As a group continues in unemployment, those with high escape rates will tend to leave more quickly, eventually leaving a group comprised primarily of persons with low escape rates. Thus, the aggregate escape rates decline as the persons with high escape rates "sort" themselves out. There may also be some causal relationship between increased duration and declining escape rates, although the evidence is limited at this time. See, for example, A. McGregor, "Unemployment Duration and Re-employment Probability," *The Economic Journal*, December 1978, pp. 693–705; and John M. Barrow and Wesley Mellow, "Changes in the Labor Force Status Among the Unemployed," *Journal of Human Resources*, Summer 1981, pp. 427–41.

<sup>10</sup> A strong argument linking labor force withdrawal to job market factors can be found in Kim B. Clark and Lawrence H. Summers, "Labor Market Dynamics and Unemployment: A Reconstruction," *Brookings Papers on Economic Activity* (Washington, The Brookings Institution, no. 1:1979), p. 25.

<sup>11</sup> This technique was used in Bowers, "Probing the issues," p. 26.

<sup>12</sup> The use of a median in this analysis avoids the problem of a mean, or average, duration in that no decision needs to be made in selecting midpoints for broad aggregations of weeks (such as 15 to 26 or 27 weeks and over). The median generally falls within a narrow aggregation such as 11 to 14 weeks; an even distribution throughout that duration category is assumed in order to identify the exact median point.

<sup>13</sup> The work experience data, in the aggregate, tend to underreport

unemployment as compared to the monthly survey. Since the monthly CPS refers to a reference week, the total number of weeks of unemployment from the work experience data (number of persons  $\times$  average duration) divided by 52 (weeks) should equal the average monthly estimate (or come close, after allowing for certain technical adjustments). In fact, the work experience estimates tend to fall in the range of 75 to 85 percent of the regular CPS estimates. This underreporting is particularly severe among teenagers (in the neighborhood of 50 percent). The differences between the surveys fall within  $\pm 12$  percent for all age groups of men over age 20 and, thus, would have little impact on the analysis of the male work experience data presented in this article. For women, however, those in the 25 to 54 year age group show about a 20-percent undercount as compared to the monthly data, while those over age 55 have a slight overcount. Thus, the work experience results shown in this article may tend to overestimate the actual duration of unemployment differences between younger and older women.

For an indepth discussion of the nature and causes of the monthly CPS/work experience supplement reporting differences, see Wayne Vroman, "Measuring Annual Unemployment," (Washington, The Urban Institute, February 1979), Working Paper 1280-01.

<sup>14</sup> See Marc Rosenblum, "Recessions Continuing Victim: The Older Worker" (U.S. Senate, Special Committee on Aging, 1976).

<sup>15</sup> A total of 4,668 persons in the May 1976 CPS sample were unemployed. If the unemployed individual was at home during the interview, the job search supplemental questions were asked on the spot. If the person was not at home or if the interview was conducted by telephone, the request was made that the questionnaire be completed by the unemployed person and sent to the Census Bureau. Due to the voluntary nature of the survey, 31 percent of the unemployed did not respond. Thus, the data used in the analysis in this article are based on 3,238 responses (potentially somewhat less, because respondents may not have provided answers to every question). The data presented for the percent of persons seeking permanent jobs and for the number of hours of job search were based on unweighted responses. The data for the percent of unemployed seeking full-time work come from the full, weighted CPS sample for May 1976. Similar responses from the 3,238 job search respondents are also available. A comparison of the results shows the following:

Percent of unemployed persons seeking full-time jobs, May 1976

	Age 25 to 54	Age 55 to 64	Age 65 and over
Unweighted job search sample			
Male . . . . .	98	91	58
Female . . . . .	83	82	45
Weighted entire CPS sample			
Male . . . . .	98	92	60
Female . . . . .	82	76	57

While the high nonresponse rates suggest that the data should be used with caution, age-specific differences in the variables are probably sufficiently large to reflect actual differences between age groups in those variables in the entire sample. See Carl Rosenfeld, "Job search of the unemployed, May 1976," *Monthly Labor Review*, November 1977, pp. 39-42.

<sup>16</sup> These results may be somewhat biased against those groups with a higher proportion of persons who had been unemployed less than 4 weeks. According to the May 1976 special CPS supplement, persons in the 25 to 54 and 65 and over groups were more likely to report less than five weeks of unemployment (the lowest dissaggregation available) than were those age 55 to 64.

<sup>17</sup> The monthly BLS press release, entitled *The Employment Situation*, provides an unemployment rate calculation based on seven dif-

ferent definitions of unemployment and the labor force. These data are available from the Bureau of Labor Statistics, Division of Employment and Unemployment Analysis, Washington 20212.

<sup>18</sup> See Paul O. Flaim, "Discouraged workers and changes in unemployment," *Monthly Labor Review*, March 1973, pp. 8-16, and Barbara Cottman Job, "How likely are individuals to enter the labor force?," *Monthly Labor Review*, September 1979, pp. 28-34.

<sup>19</sup> The most thorough assessment of the use of the discouraged worker concept can be found in T. Aldrich Finegan, "The Measurement, Behavior, and Classification of Discouraged Workers," *Counting the Labor Force*, Appendix, Vol. 1 (Washington, The National Commission on Employment and Unemployment Statistics), pp. 194-234.

<sup>20</sup> Those who follow the alternative measures of unemployment published by the BLS will note that the measure which includes discouraged workers (U-7) also includes those who are working part time but who want full-time jobs (part time for economic reasons). The calculation actually includes only half their numbers among the unemployed, the explanation being that these people tend to work about half of a full-time workweek, on average. Among men, adding one-half of this group affects the oldest age group's unemployment rate more than the other two groups, adding 1.8 points to the rate for those 65 and older and 1.0 and 1.2 points to the 25 to 54 and 55 to 64 age groups, respectively. Among women, the effect across age groups is virtually identical, adding almost 2 points to each rate.

<sup>21</sup> There is a procedure in the coding of CPS responses that could underestimate the number of discouraged workers. All reasons for not looking for work are recorded by the CPS enumerator. If a "discouraged response" is accompanied by some other response, such as ill health, on vacation, or home responsibilities, then the person is not classified as discouraged because he or she is not considered to be available for work during the survey week.

<sup>22</sup> Herbert S. Parnes, Mary G. Gagen, and Randall H. King, "Job Loss Among Long Service Workers," in Herbert S. Parnes, ed., *Work and Retirement: A Longitudinal Survey of Men* (Cambridge, Mass., MIT Press, 1981), pp. 65-92.

<sup>23</sup> Dean W. Morse, Anna B. Dutka, Susan H. Gray, "Retirement Experience of Non-Supervisory Personnel: A Study of Three Large Corporations," draft final report (New York, Columbia University, Conservation of Human Resources, 1981).

<sup>24</sup> The reservation wage data suffer not only from the nonresponse problem associated with the entire survey, reported in footnote 15, but also from some nonreporting even among survey respondents. The small number of older unemployed women reporting their reservation wages make conclusions for that group difficult.

<sup>25</sup> Samuel E. Doctors, Yitzchak M. Shkop, Karen C. Denning and Veta T. Doctors, "Older Worker Employment Services," *Aging and Work*, Fall 1980, pp. 229-37. This study is limited by a small survey, which is not necessarily representative of older jobseekers as a whole. However, the researchers did find a very high retention rate among older jobtakers, which they feel supports the theory of a strong commitment to work, an issue raised extensively in this article.

<sup>26</sup> Philip L. Rones, "The retirement decision: a question of opportunity?," *Monthly Labor Review*, November 1980, pp. 14-17.

<sup>27</sup> See Louis Harris and Associates, *The Myth and Reality of Aging in America* (Washington, The National Council on the Aging, Inc., 1976), p. 89; Stephen R. McConnell, Dorothy Fleisher, Carolyn E. Usher, and Barbara Hade Kaplan, *Alternative Work Options for Older Workers: A Feasibility Study* (Los Angeles, University of Southern California, Ethel Percy Andrus Gerontology Center, 1980), and Louis Harris and Associates, *Aging in the Eighties: America in Transition* (Washington, The National Council on the Aging, Inc., 1981), pp. 51-52.

<sup>28</sup> Harold L. Sheppard and Sarah E. Rix, *The Graying of Working America* (New York, The Free Press, 1977), p. 6.

<sup>29</sup> See McConnell and others, "Alternative Work Options"; and "Work After 65: Options for the 1980's" (U.S. Senate, Hearings before the Special Committee on Aging, May 13, 1980), Pt. 2.