

# *Will the Recovery Ever Come for Older People?*

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# The Great Recession and older people

- A significant dent in retirement security
  - Equity market crash
  - Housing market crash
  - Low interest rates
  - Weakest labor market ever for older workers
- Will there be a lasting effect on retirees?

# Pre-2007 retirees might be OK.

- Shielded from worst effects
  - Not looking to work
  - DB benefits unaffected
  - Not heavily invested in equities; since recovered anyway
  - Not underwater
  - Inflation still low
- And medical inflation is slowing!

# Still, some concerns for the already-retired.

- Low interest rates
  - Little interest income
  - Low annuity rates
  - But balancing stimulus, needs of retirees
- Still-depressed home values
  - Will they tap home equity?

# Bigger concern is new and soon-to-be retirees...

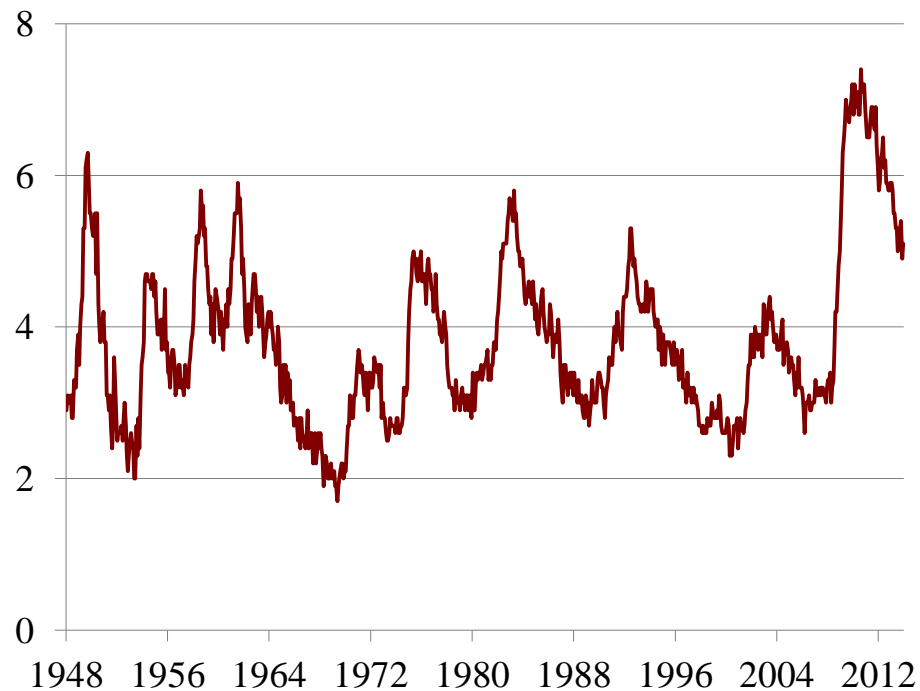
- More heavily invested in equities.
  - Mostly because of switch from DBs to 401(k)s
  - Lost 6 years of expected gains.
  - How many bailed out at the wrong time?
- Owe more on their homes.

...in particular, those still trying to work.

- Record unemployment rates, durations
- Re-employment grows increasingly difficult.
  - Age discrimination
  - Discrimination against the LT unemployed
- Even re-employed are on lower wage trajectory.
  - Stuck working part time?
- Missing out on highest-earning, highest-saving years.

# Improving unemployment rates for 55+...

Unemployment Rate, 55 Years and Older



Source: Federal Reserve Bank of St. Louis. 2013. "Unemployment Rate – 55 Years and Over."

# ...but unemployment duration still near records.

## Unemployment Duration and Re-Employment Probabilities, Before and After Great Recession

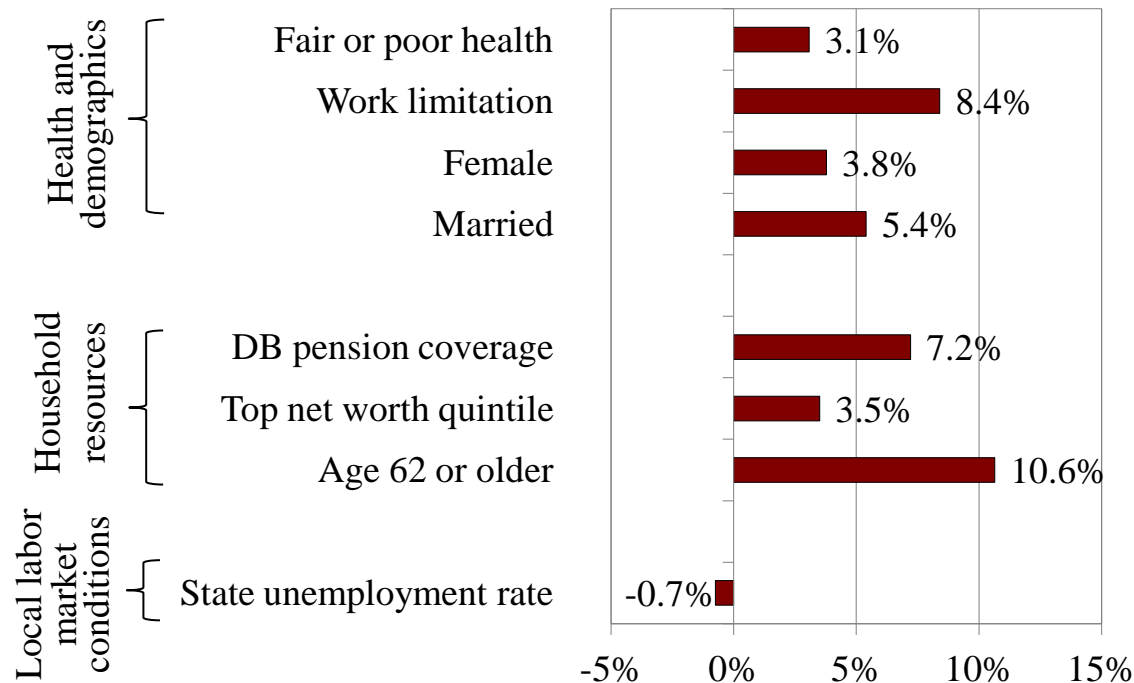
Age	December 2007	March 2012	October 2013
	Median unemployment duration (number of weeks)		
All ages	8.3	22.3	16.8
Age 55-64	10.8	38.4	29.2
	Re-employment rate 18 months after job loss		
All ages	84.2	72.2	
Age 50-61	78.4	64.7	
Age 62+	54.6	40.8	

Sources: U.S. Bureau of Labor Statistics. 2007, 2012, and 2013. Employment & Earnings Online; and Richard W. Johnson and Barbara A. Butrica. 2012. "Age Disparities in Unemployment and Reemployment During the Great Recession and Recovery." Brief 0-3. Urban Institute.



# Instead, use resources to retire rather than search...

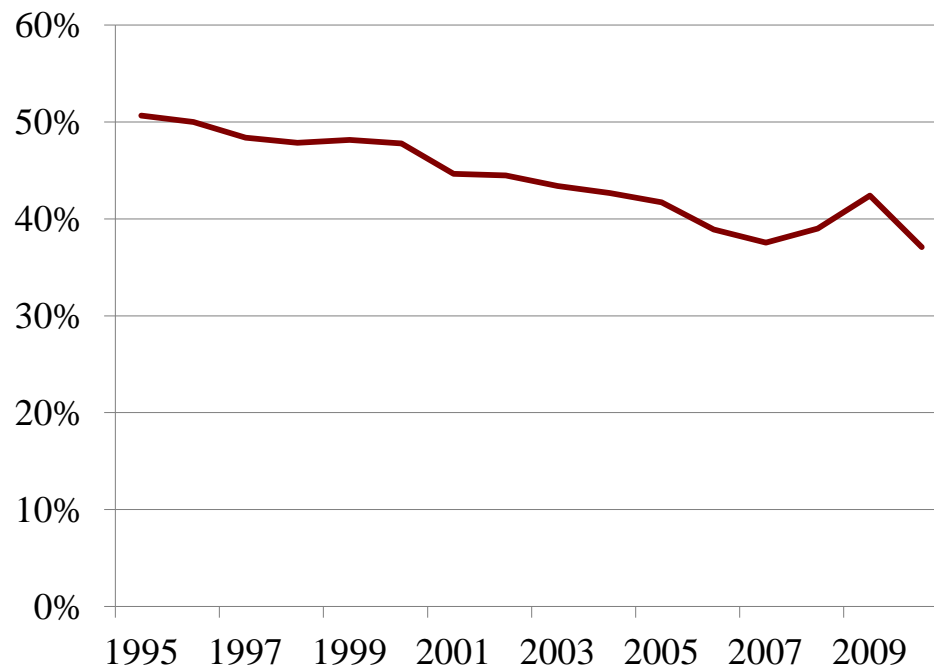
Factors Affecting Cessation of Job Search in 4-Month Period, Age 55-70



Source: Matthew S. Rutledge. 2013. "Point of No Return: How Do Financial Resources Affect the Timing of Retirement After a Job Separation?" Working Paper 2013-21. Center for Retirement Research at Boston College.

# ...claim their Social Security benefits early...

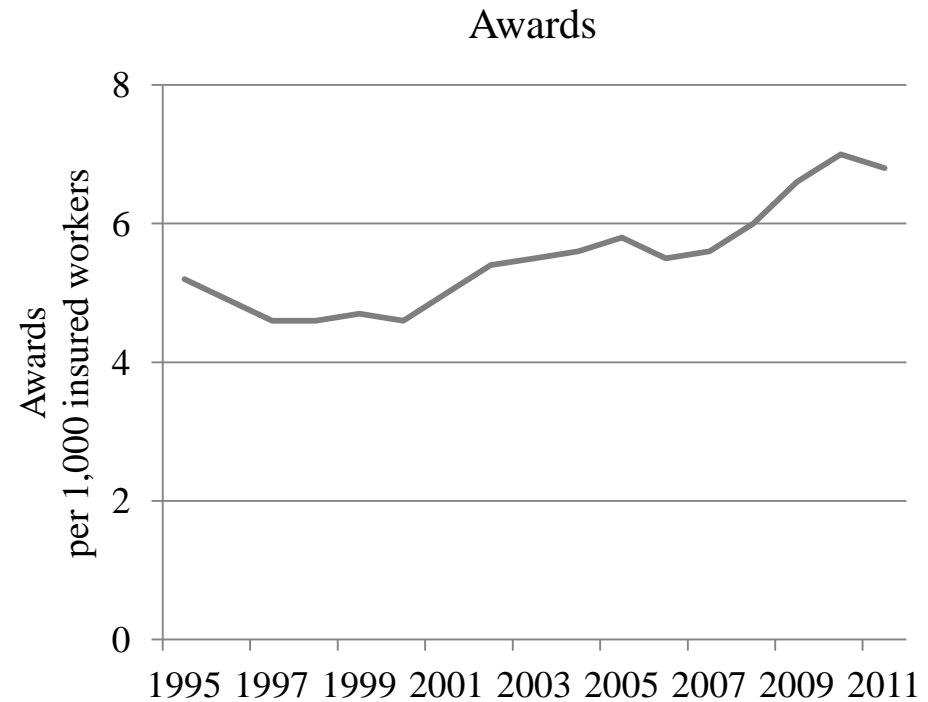
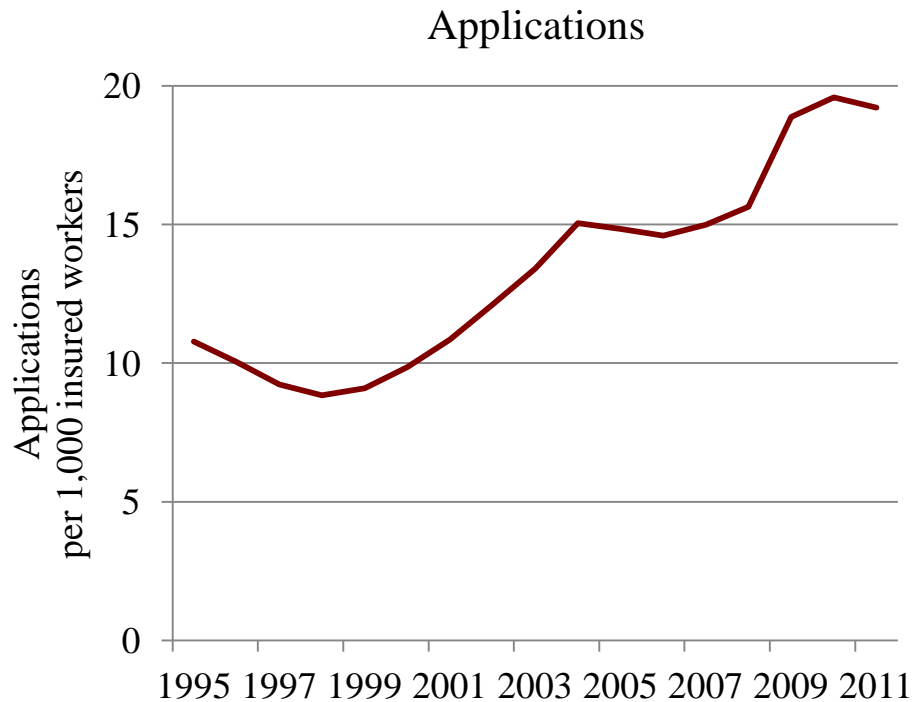
Percent of 62-year-old Population Claiming Social Security at 62



Source: Matthew S. Rutledge and Norma B. Coe. 2012. "Great Recession-Induced Early Claimers: Who Are They? How Much Do They Lose?" Working Paper 2012-12. Center for Retirement Research at Boston College.

# ...or exit the labor force early via disability benefits.

## Social Security Disability Insurance



Source: U.S. Social Security Administration. 2012. *Annual Statistical Supplement*. SSA Publication No. 13-11700.

# Retirement preparedness has improved only modestly...

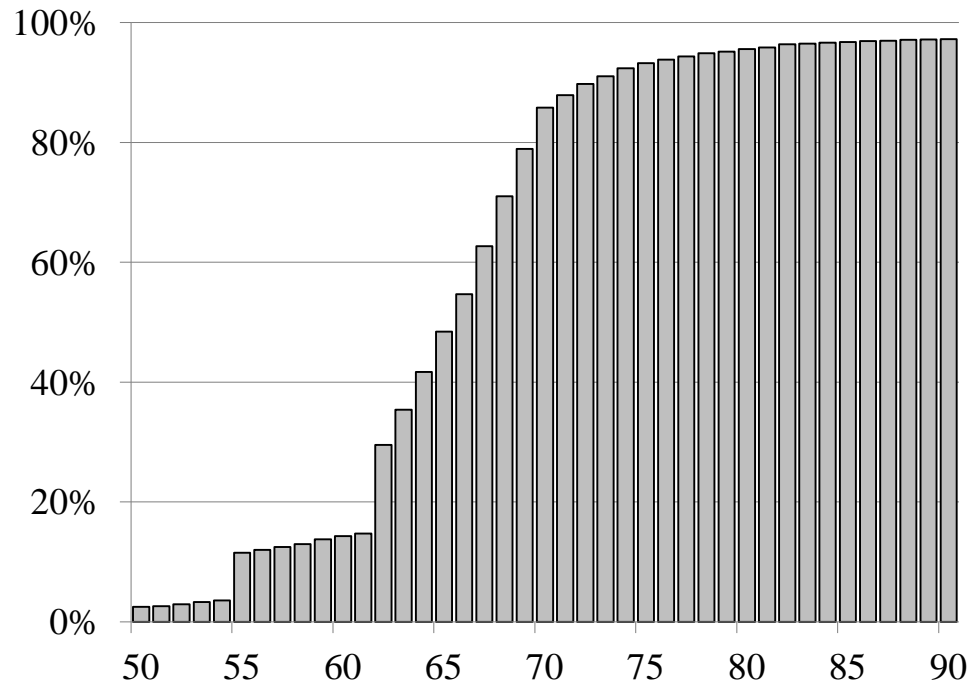
Percent of Households “At Risk” at Age 65 by Age and Income Group  
(National Retirement Risk Index)

	2007	2010	2013 (Projected)
All	44 %	53 %	50 %
Age			
30-39	53	62	58
40-49	47	55	53
50-59	32	44	42
Income			
Low	54	61	60
Middle	43	54	52
High	35	44	40

Source: Alicia H. Munnell, Anthony Webb, and Rebecca Cannon Fraenkel. 2013. “Will the Rebound in Equities and Housing Save Retirement?” *Issue in Brief* 13-17. Center for Retirement Research at Boston College.

# ...and won't improve further without stronger labor market for older workers.

Cumulative Percentage of Households Ready for Retirement, by Age



Source: Alicia H. Munnell, Anthony Webb, Luke Delorme, and Francesca N. Golub-Sass. 2012. "National Retirement Risk Index: How Much Longer Do We Need to Work?" *Issue in Brief* 12-12. Center for Retirement Research at Boston College.

# Policy has, and might still, help.

- Social Security cushioned the blow.
- Wage subsidies
  - “Paid-up” status on FICA taxes
  - Medicare as primary-payer
  - Disabled Workers Tax Credit
- Direct employment
- Or maybe just waiting....