U.S. Congress Joint Economic Committee Hearing: Building a Better Labor Market: Empowering Older Workers for a Stronger Economy

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February 9, 2022

Thank you, Chairman Beyer, Ranking Member Lee, and the distinguished members of the committee for inviting me to participate in this hearing. My name is Monique Morrissey and I am an economist at the Economic Policy Institute (EPI) in Washington, D.C. EPI is a nonprofit, nonpartisan think tank created in 1986 to include the needs of low- and middle-wage workers in economic policy discussions. EPI conducts research and analysis on the economic status of working America, proposes public policies that protect and improve the economic conditions of low- and middle-wage workers, and assesses policies with respect to how well they further those goals.

My testimony addresses the following questions:

- How has the pandemic impacted older workers? What are some of the labor market exit and re-entry trends for older workers that we have observed over the past two years? How have they differed from pre-pandemic trends?
- What has the pandemic revealed as key gaps in the protections that older worker have in the labor market? What policies would improve the labor market experience of older workers?
- How has the experience of the pandemic differed among older workers, if we were to group them by age, sex, race, occupation, or socioeconomic status?

An atypical recession and recovery

The pandemic recession was unusual. Unlike most, it was not triggered by a financial crisis causing a drop in aggregate demand. Homeowners and 401(k) participants benefited from rising asset values, notwithstanding the recent drop in stock prices. The recession officially lasted two months in early 2020 before the economy rebounded, though employment remains nearly 3 million below the pre-pandemic peak—or 4.5 million factoring in population growth.

Labor supply and demand were both affected by social distancing in response to the pandemic. Layoffs were concentrated in services such as leisure and hospitality, while health and safety concerns and caregiving responsibilities loomed large in workers' decisions to leave the workforce.

Fear of contracting COVID—and workers actually contracting COVID—remain the biggest impediments to a full recovery. The omicron variant caused a record spike in the number of workers sidelined by illness in January—3.6 million in total (BLS 2022a)—a fact obscured by revisions to earlier employment estimates that resulted in strong reported employment growth for January. Though employment has undoubtedly grown rapidly over the past year, the timing of these gains was significantly revised in the January jobs report (BLS 2022b).[1] The omicron variant also caused 6.0 million workers to be sidelined in January because their employer lost business or closed. Though infection rates are declining from their January peak, protecting workers from COVID with strong occupational safety and health standards remains an urgent priority for workers, their families, and the broader economy.

Female-dominated service occupations, including care work, saw large initial job losses. This is in contrast to typical recessions, where male-dominated durable goods manufacturing and construction are among the hardest hit as consumers and investors lose confidence and delay major purchases and investments.

As demand for goods has remained high in the pandemic while demand for services has suffered, global supply chain bottlenecks have reduced the supply of certain goods, driving up prices in the U.S. and other countries. While some workers are seeing overdue wage gains, there is no evidence of a wage-price spiral, as wage gains are concentrated in certain service industries, such as hospitality, while price inflation is concentrated in certain goods-producing industries, such as automobiles (Bivens 2021; Politano 2021).

The "Great Resignation" has received much attention, but so far appears to have mostly benefited younger, more mobile, workers. The Federal Reserve of Atlanta's Wage Growth Tracker, which tracks individual workers' annual wage growth to strip out the effect of changes in the composition of the workforce, shows that only workers ages 16-24 have seen accelerated wage gains in the pandemic, while wages for workers ages 55 and older decelerated during much of the pandemic and continue to grow much more slowly than wages of prime-age (25-54) or younger (16-24) workers.

In the recession, workers ages 55 and older saw employment declines (-15.0%) similar to those for prime-age workers ages 25-64 (-14.4%). In most recessions, including the Great Recession, older workers are less likely than younger and prime-age workers to lose their jobs due to seniority. The unusually high employment decline for older workers in the pandemic happened even though older workers were less likely to be in occupations and industries most affected by the pandemic, such as leisure and hospitality. However, older workers face much greater health risks from COVID, so declines in employment for older workers were steeper in occupations characterized by high physical proximity to others (Davis 2021).

The robust federal response to the recession was also atypical. Adequate fiscal support, including relief checks and expanded unemployment benefits, brought about a strong and rapid recovery despite the pandemic's persistence and global supply chain issues. This stands in sharp contrast to the slow recovery

[1] Revisions to employment estimates were due in part to adjusting population controls to reflect 900,000 COVID deaths, of which the vast majority—roughly 800,000—were ages 55 and older. The U.S. Census Bureau resets population controls once a year in January, which in turn affects employment estimates based on employment rates for different age groups. Other survey-related challenges, including ambiguity in how workers sidelined by COVID are coded and higher non-response rates, have added to the noisiness of employment estimates during the pandemic.

after the Great Recession, which caused lasting damage to vulnerable workers and their families, including many older workers. As a result of actions taken to shore up household finances and expand unemployment eligibility and benefits, low-wage workers were less likely to experience large income losses during the pandemic recession than before the pandemic (Larrimore, Mortenson, and Splinter 2021). However, most relief measures have ended and vulnerable workers, including unemployed older workers, face greater challenges ahead.

Employment rates for some age groups, but not older workers, are now approaching pre-pandemic rates. Employment rebounded more quickly among younger (16-24) and prime age (25-54) workers than older workers (55+), so older workers account for a disproportionate share of the remaining jobs gap. Older workers (55+) were 24% of the workforce in November and December of 2019 but accounted for 41% of missing jobs in November 2021 and 35% in December 2021 based on age-adjusted employment projections. Put another way, over 1 million of the 3 million workers "missing" in December according to this conservative estimate[2] are older workers. Including hard-hit middle-aged workers aged 50-54 would show employment losses skewing even more toward older workers. (Unless otherwise noted, statistics are based on my analysis of U.S. Census Bureau Current Population Survey microdata (IPUMS-CPS).)

Which older workers were most affected?

Among older workers, women, non-college workers, workers of color, and part-time workers were more likely to lose their jobs or quit during the pandemic recession. Among workers ages 55 and older, employment in the recession fell by -12% for men versus -16% for women; by -28% for part-time workers versus -9% for full-time workers; by -17% for workers without bachelor's degrees versus -8% for those with bachelor's degrees; and by -15% for non-Hispanic Black workers, -17% for Hispanic workers, and -21% for Asian/other workers versus -12% for non-Hispanic white workers.

With some exceptions, vulnerable groups are still lagging behind. Despite a strong rebound in employment after April 2020, employment in December 2021 was further behind pre-pandemic levels for older women (-3%) than for older men (-1%); and for older Black non-Hispanic workers (-6%) than for older white non-Hispanic workers (-3%). However, employment of older Hispanic workers was slightly above pre-pandemic levels (+2%), and employment of older Asian/other workers was unchanged (0%). Employment of older workers without bachelor's degrees remained significantly below pre-pandemic levels (-5%), while that of older workers with bachelor's degrees slightly increased (+2%). These

[2] This is a conservative estimate because it ignores an upward trend in labor force participation by older workers and simply assumes age-adjusted employment rates would have been the same in 2021 as in 2019 absent the pandemic. Age adjustment is based on five-year age groups except for the youngest (ages 16-24) and oldest (ages 75+) groups. An important caveat is that population estimates in 2021 CPS data were not adjusted for high COVID mortality among older age groups. Adjustments were made in January, but January microdata is not yet publicly available.

estimates do not account for changes in population size that vary by group nor for seasonal variations, though patterns appeared broadly similar in November.[3]

Part-time work accounts for most of the employment loss among older workers. Among older workers, part-time employment remained significantly below pre-pandemic levels in December (-8%), while full-time employment appeared essentially unchanged (0%). Though these measures are sensitive to seasonal and demographic changes, especially as the large Baby Boomer cohort aged into older ages where part-time work is more common, there is little doubt that part-time work accounts for most of the employment loss among older workers, especially those age 65 and older. Davis (2021) for example, estimated that part-time workers accounted for 70% of the increase in retirements in the first year of the pandemic.

Middle-aged workers ages 55 to 64 and workers ages 65 and older experienced the pandemic differently. Estimates for smaller sub-groups can be noisy and hard to pin down. However, it is clear that declines among the oldest subgroup, workers 65 years and older, account for most of the persistent employment losses. The oldest workers who left were more likely to be highly educated than their middle-aged counterparts and better prepared for retirement. Among middle-aged workers ages 55 to 64 who left the workforce, the most concerning are declines among workers without bachelor's degrees (-6%) and Black non-Hispanic workers (-8%), since these workers are less likely to be able to retire early without experiencing hardship. Research on older workers who left the workforce in the first year of the pandemic also found significant differences by age and income sub-groups, with retirements concentrated among workers ages 70 and older, especially higher-income workers, while employment losses among middle-aged workers skewing toward lower-income workers (Davis 2021; Quinby, Rutledge and Wettstein 2021).

Unemployed older workers

Despite important differences with previous recessions, one usual pattern has held true: older workers who lost their jobs in the pandemic were likely to stay unemployed longer than their younger counterparts. In December 2021, 43% of unemployed older workers (ages 55+) were unemployed for 6 months or more compared with 30% of their younger counterparts (ages 16-54) (Schramm 2021).

Older workers who lose their jobs face greater earnings losses than their younger counterparts. These earnings losses stem from longer unemployment duration and the fact that new jobs for unemployed older workers often pay significantly less than their old ones due to the loss of employer-specific skills and age discrimination (Johnson and Gosselin 2018).

Age discrimination in hiring is rampant. A study published by the Federal Reserve Bank of San Francisco found that employers were less likely to contact older fictitious job applicants (ages 64-66) than their

[3] Comparing employment-to-population rates is usually preferable to comparing employment levels, but the impact of COVID deaths on older populations may not be accurately reflected in 2021 CPS data. Population controls were adjusted in January 2022 to reflect COVID deaths, but these annual adjustments are not applied retroactively.

middle-aged (49-51) or young (29-31) counterparts. Age discrimination was worse for women and unrelated to the physical demands of the job, as older women received roughly half as many callbacks for administrative positions as young women (Neumark, Burn, and Button 2017). Earlier studies have found similar results (see, for example, Lahey 2007).

A multi-faceted approach is needed to combat discrimination. Better enforcement of the Age Discrimination in Employment Act is necessary but not sufficient given the difficulty job applicants have in demonstrating that they were rejected for age-related reasons. Protections against wrongful termination may even discourage some employers from hiring older workers in the first place (Lahey 2006). An Older Workers Bureau at the Department of Labor could be particularly useful in combating age discrimination in hiring based on mistaken assumptions about older job applicants, such as assuming that they are likely to retire soon.

Older unemployed workers especially benefited from measures taken during the pandemic to extend the duration of unemployment benefits, increase benefit amounts, and expand eligibility to workers who normally fall through cracks in the system. These temporary measures not only assisted vulnerable jobless workers and their families, they also helped the economy recover quickly (Bivens and Banerjee 2021). Despite federal aid, however, some states ended extended unemployment insurance (UI) early in response to unfounded complaints that generous unemployment benefits impeded employment growth (Dube 2021; Martinez Hickey and Cooper 2021; CBPP 2022). Before enactment of these temporary measures, 3 in 10 jobless workers did not meet states' strict and outdated eligibility requirements, including many part-time workers and workers misclassified as contractors. Income replacement rates in many states are also abysmally low, another reason we need comprehensive UI reform (Bivens et al. 2021).

Extended benefits also help workers and the economy by improving job matching. Exploring differences in UI eligibility by state during the Great Recession, Farooq, Kugler and Muratori (2020) found that extended UI benefits allowed jobless workers to find higher-paying jobs that better matched their skills and training. The economy benefits when workers are matched to jobs that employ their skills rather than being forced to take the first available job. Low-road employers who are competitive only because they pay low wages and provide few benefits are enabled by workers' inertia and poor knowledge of better options (Jäger et al. 2021).

Work sharing holds promise as an alternative to traditional unemployment benefits. Work sharing, also known as short-term compensation, encourages employers to reduce hours rather than lay off workers during recessions by providing benefits to compensate workers for lost wages (Herzenberg 2020). Though some states already had work sharing programs in place before the pandemic and temporary funding for work sharing was included in the CARES Act, many employers were not aware of this option, which has been successful in reducing layoffs in countries like Belgium and Germany. Maintaining employment relationships is especially important for older workers who face daunting challenges in being rehired after layoffs.

How concerned should we be about pandemic retirements?

Some excess retirements are less concerning than others. The impact on workers and their families depends on whether they are being pulled into retirement by rising net worth or pushed out of the workforce by layoffs or due to health and safety concerns. Davis (2021) found that excess pandemic retirements among 65- to 74-year-olds were concentrated among college-educated white workers who are likely better prepared than average for retirement, especially given gains in stock and housing values. On the other hand, employment declines among middle-aged workers ages 55 to 64 with lower earnings and less formal education are more concerning because these workers are not likely to be ready for retirement and are not yet eligible for Medicare and other benefits.

Many seniors who left the workforce were already semi-retired. Their decision to exit could reflect rising net worth, health and safety concerns, pandemic disruptions, or all the above. A semi-retired 70-year-old accountant with a few small business clients, for example, may have seen his 401(k) grow, his client list shrink, and his job made riskier by the pandemic. Many new retirees in the oldest age groups were likely receiving retirement benefits when they were working, partly explaining why we have not seen a parallel rise in Social Security take-up.

Other factors that could explain a puzzling dip in Social Security applications may include relief payments and expanded unemployment benefits keeping unemployed older workers in the labor force, and the effect of Social Security office closings. While Social Security office closings during the pandemic have undoubtedly affected take-up of disability benefits (Stein and Weaver 2021), a lifeline for workers in poor health, the impact of office closings on applications for retirement benefits is less clear. Anecdotal evidence suggests that office staff often encourage people to apply for retirement benefits even when it could be in their interest to delay and receive higher monthly payments. Applying online may make it more likely that would-be applicants encounter advice from AARP, the National Academy of Social Insurance, and other organizations encouraging seniors to consider delaying.

Even in the case of workers who exit the workforce for reasons unrelated to rising asset prices, it does not necessarily follow that we should try to lure them back—at least not until we solve the problems that caused them to leave in the first place. Many left the paid workforce due to health issues or caregiving responsibilities. A Brookings study estimated that 1.6 million full-time-equivalent workers might be missing from the workforce due to lingering COVID effects (Bach 2022), which could account for a third or more of missing jobs.

Many sidelined workers, especially women, are caring for family members suffering from pandemic-related health problems and making up for staffing shortages among paid caregivers. Pandemic-related problems include patients with health issues other than COVID who delayed care or went without treatment due to COVID fears or staffing shortages. Health care employment is down by 378,000 jobs (-2.3%) from its level in February 2020 (BLS 2022b), with nursing homes accounting for a disproportionate share of losses (AHCA/NCAL 2021). Chronic shortages in direct care occupations predated the pandemic and have only gotten worse (PHI 2017). Problems in this sector affect older workers who provide care to parents, spouses, and other loved ones, as well as older workers employed in these low-paid and often dangerous occupations.

The Build Back Better Act would greatly improve the lives of older workers and enable some of them to return to the workforce. Build Back Better includes significant funding for home and community-based services (HCBS) under Medicaid, helping people in poor health who prefer to live at home rather than in long-term care facilities and allowing some family caregivers to return to work. Build Back Better also creates a paid family and medical leave program to help family caregivers take time off to care for loved ones, and improves the pay and working conditions of paid caregivers, including through collective bargaining.

The United States is one of the few countries that does not guarantee access to paid sick leave. This is bad enough under normal circumstances, but it is especially problematic to force individuals to bear the cost of staying home to protect coworkers and the public in a pandemic—or worse yet, give them a choice between working sick or losing their jobs. Two-thirds of low-wage workers lack access to paid sick leave (Gould 2021), including many home health aides and other frontline workers who have seen high rates of COVID infection.

Impact on the economy

Just as we need to differentiate between older workers who can retire comfortably from those for whom exiting the workforce creates hardship, employment losses can have a greater or lesser impact on the economy depending on the worker, the job, and the state of the economy. A full-time worker who exits the workforce years before he or she expected to retire has a greater impact on the economy than the loss of a semi-retired part-time worker who planned to retire soon regardless. Likewise, early retirements have less of an impact in an economy suffering from inadequate demand, when retirements can open up jobs for unemployed younger workers. However, this is not the situation we are in now.

Early retirements affect a country's productive capacity not just by reducing employment and work hours, but also from the loss of human capital. This is especially problematic when the affected workers are directly involved in caring for, educating, and protecting the current and future workforce and providing other critical services. We should therefore be very concerned about a wave of early retirements among educators, nurses, postal workers, and other public-sector workers.

K-12 schools and other local government employers have shed an alarming number of jobs in the pandemic. Employment in this sector, which skews toward older workers, had never fully recovered from the Great Recession. The pandemic exacerbated preexisting problems, including a dwindling teacher pipeline. Though job losses in this sector include quits and retirements in addition to the impact of school closings and other pandemic disruptions, the education exodus reflects worsening conditions in jobs that already paid little or, in the case of highly-educated teachers, were grossly underpaid compared to similar workers in the private sector (Cooper and Martinez Hickey 2022). The job losses in this critical sector occurred despite federal aid to state and local governments, some of which has not been spent wisely or not spent at all.

Conclusion

My testimony has focused on pandemic-related effects and policies, but many challenges facing older workers predate the pandemic and require long-term solutions. Though some of these, such as an Older Workers Bureau, are targeted at older workers, most policies that would help older workers would also help other vulnerable workers, such as raising the minimum wage, strengthening collective bargaining rights, guaranteeing paid leave, addressing unpredictable and involuntary part-time schedules, combating employer misclassification of workers as independent contractors, and other policies that support good jobs with decent pay and benefits (EPI Policy Agenda).