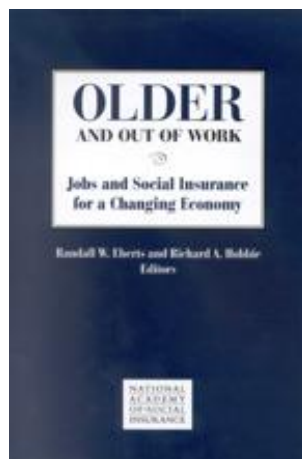

Upjohn Institute Press

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Chapter 2 (pp. 13-44) in:

Older and Out of Work: Jobs and Social Insurance for a Changing Economy

Randall W. Eberts and Richard A. Hobbie, eds.

Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 2008

DOI: 10.17848/9781435667419.ch2

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The Consequences of Recent Job Growth on Older Low-Income Workers

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As of April 2008, the U.S. labor market was eight and a quarter years into the current business recovery cycle, yet only about 7 million jobs had been created, not even half the average growth that occurred during the four previous recoveries.¹ Although modest job growth has emerged since August 2003, the questions that Freeman and I asked in our earlier work (Freeman and Rodgers 2005a,b) still remain appropriate: Why has the macroeconomy produced historically slower job growth? Why has the job market recovered at a much slower pace than during previous recoveries? Does this slower pace of job growth signify a major shift in the link between the labor market and the business cycle or does it represent a temporary break in historical patterns, possibly stemming from the oddities of the 1990s boom?

Understanding the sources of this slower job growth is of particular importance for American families, policymakers, practitioners, and academics. During the recovery, productivity growth, fiscal stimulus, and interest rates have been much more favorable than in previous recoveries. Yet growth in Gross Domestic Product has not been strong enough to generate job growth larger than or even similar to previous recoveries. Some cite job growth only since August 2003 to downplay the recovery's slower pace of growth, but even from August 2003 to January 2008, average monthly growth in total nonfarm employment has been 142,000, just above the 130,000-job monthly increase that is needed to accommodate labor force growth.² Even though the national unemployment rate is within the range of estimates that are considered to be the non-accelerating inflation rate of unemployment (NAIRU),

the employment-population ratio (the share of civilian population that is employed) is lower than when the U.S. unemployment rate was at a similar level during the 1990s boom.³

Because the labor market continues to play catch-up with past recoveries, many minority workers and workers with the fewest skills who benefited from the 1990s boom are having difficulty maintaining their gains. This is true for African Americans and new job entrants (Freeman and Rodgers 2005a,b). It is also true for the nation's fastest-growing minority group, Latinos. The lack of strong job creation has given rise to growing economic insecurities for Latinos (Gonzalez 2002; Kochhar 2003; Suro and Lowell 2002). Depending on their particular demographic characteristics, this has meant fewer jobs, lower wages, less health insurance, and declining pensions (Rodgers and Freeman 2006).

The analysis in this chapter focuses on describing the experiences of older Americans, defined as being of age 50 years and over. In a typical recovery, the labor market should become even more favorable to older workers than to the working population at large, since they have greater levels of education and experience than younger workers. However, an extensive body of literature on job displacement has shown that both the absolute and the relative probability of displacement among older workers have risen over the past several decades, regardless of the point in the business cycle (Gardner 1995; Peracchi and Welch 1994; Rodriguez and Zavodny 2003; Van Horn et al. 2005). A variety of factors have been identified as the causes, including corporate restructuring and rising health care and pension costs. The common rationale for the greater displacement has been firms' efforts to trim the higher-cost portions of their labor forces so that they can compete in global labor and product markets.

Given this structural increase in displacement and the slower pace of job growth, I explore whether the latter has adversely affected the employment outcomes of older workers. Has the recovery's slower pace of job growth put older workers at greater economic risk by not providing employment opportunities that offset the structural increase in the displacement? During previous recoveries, strong job growth provided older workers with opportunities, helping to moderate displacement's effects.

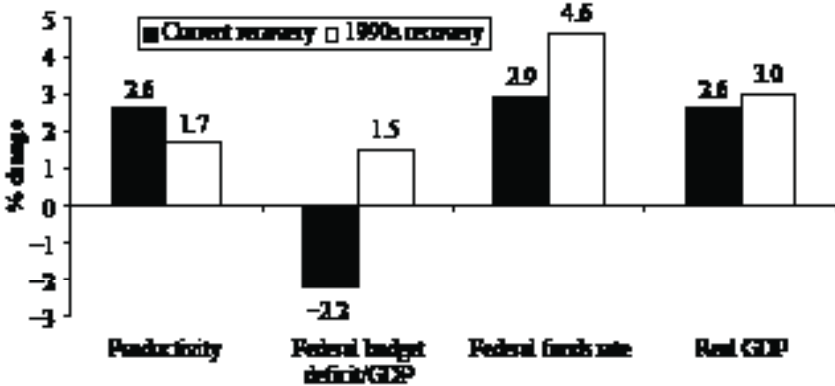
The results of my analysis show that

- Job growth continues to lag behind the growth that occurred during previous business cycles. As of April 2008, 6.9 million new jobs had been created, compared to 14.4 million during the 1990s recovery and 19.0 million during the recovery that started in November 1982.
- The slower pace of growth is potentially due to three new trends: shifts in investment, rising health-care costs, and fiscal policy choices.
- The slower pace of employment growth has adversely affected older Americans. Full-year employment and private health insurance and pension coverage have either stagnated or trended downward, and the most consistent and strongest evidence of decline is among men aged 50 to 54.
- Older men's stagnation and losses are primarily due to their decline in manufacturing, transportation, and public utility employment, sectors of the economy that have lost jobs during the recovery. Older women's losses were dampened by their disproportionate presence in the education and health services sector, the recovery's fastest growing sector.
- Rising economic insecurity for older low-income families goes well beyond declining labor force attachment. Private-sector health insurance and pension coverage rates both fell. These erosions come on top of already significantly lower wages, health-insurance coverage, and pension coverage than enjoyed by the general working-age population.

A FRAMING OF THE CURRENT BUSINESS CYCLE: THE CATCH-UP ECONOMY

A puzzle for analysts and policymakers has emerged since November 2001. Figure 2.1 shows that during the current recovery, macroindicators have been at extremely favorable growth levels. First, productivity growth has averaged 2.6 percent, compared to 1.7 percent during

Figure 2.1 Macroeconomic Indicators for the Current Recovery and the 1990s Recovery, Showing Slower GDP Growth Despite Extremely Favorable Conditions

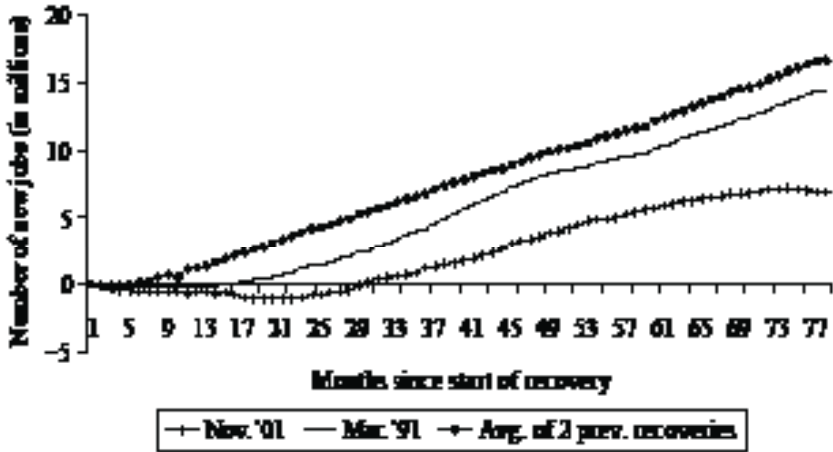


SOURCE: Author’s tabulations of data from the Bureau of Labor Statistics, the Bureau of Economic Analysis, and the Federal Reserve Board of Governors.

the 1990s recovery. Second, as measured by the federal budget deficit as a share of the Gross Domestic Product (GDP), fiscal stimulus has increased. During the 1990s recovery, the federal government ran surpluses of 1.5 percent of GDP. Today, we are in a deficit of 2.2 percent of GDP. Thus, the government shifted from taking in more revenue than its expenditures, to spending more than its revenue. Third, interest rates have been at record lows compared to past recoveries: the average for the federal funds rate is at 2.9 percent during the current business cycle, compared to 4.6 percent during the 1990s business cycle. Yet real GDP growth does not exceed growth during previous recoveries.

Furthermore, the growth in GDP has not been large enough to generate large and widespread job growth. To illustrate this point, Figure 2.2 contrasts (on a month-by-month basis) the November 2001–April 2008 recovery with both the 1990s recovery and the two previous recoveries that lasted as long as the current one. Even with the acceleration in job creation since August 2003, the 2001 recovery has had slower employment growth than all previous recoveries since 1960, including the 1990s recovery, when employment also took a long time to recover. After 78 months of this recovery, or by April 2008, 6.9 million new jobs

Figure 2.2 A Comparison of Cumulative Growth during the 2001 Recovery, the 1991 Recovery, and the Two Previous Recoveries



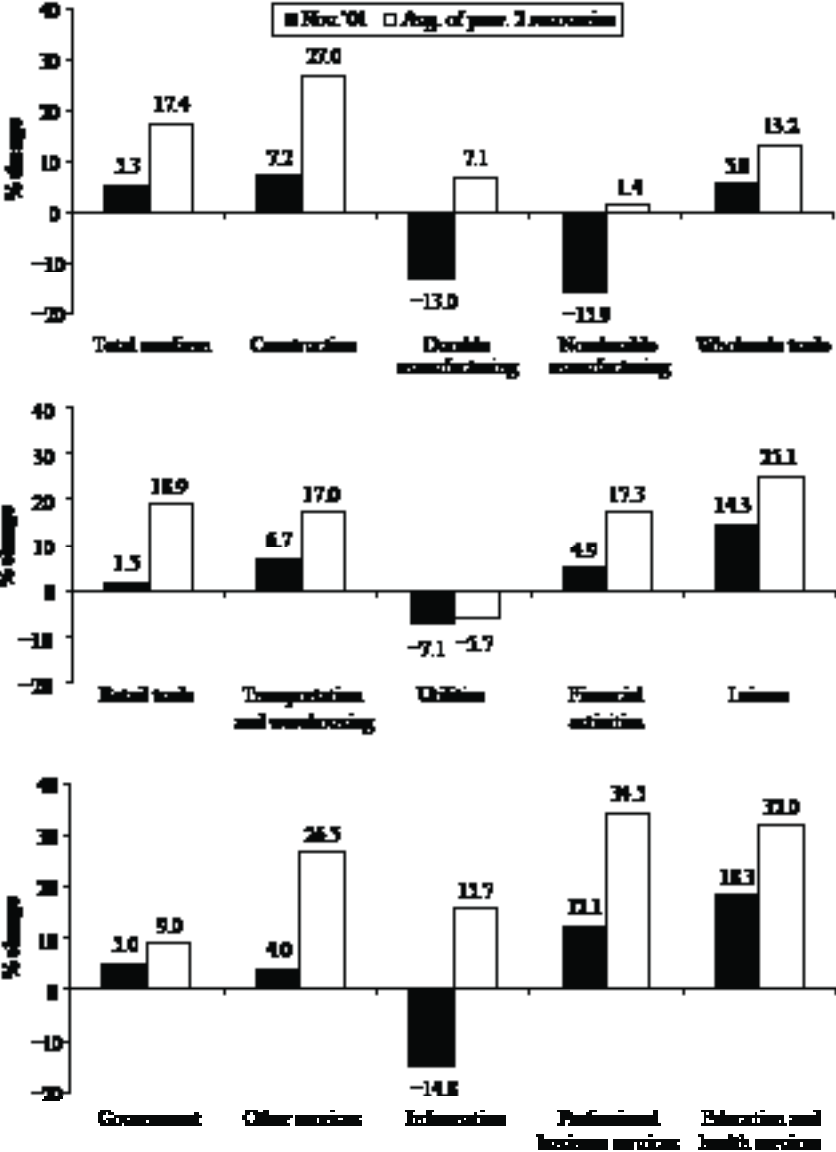
NOTE: Each series is benchmarked to the start of its recovery as defined by the NBER Business Cycle Dating Committee. Figures are through April 2008, the 78th month of the current recovery.

SOURCE: Nonfarm Payroll Establishment data, U.S. Department of Labor, Bureau of Labor Statistics.

had been created, compared to 14.4 and 19.0 million during the recoveries that followed the 1980s and 1990s recessions.⁴

The slower pace of job growth is broad-based. In fact, employment in many private-sector industries, such as manufacturing, in which older men are concentrated, remains well below where it was at the start of the recovery.⁵ By April 2008, employment was 13.0 percent lower in durable manufacturing and 15.9 percent lower in nondurable manufacturing than when the recovery began (Figure 2.3). In contrast, by the seventy-eighth month of the previous recoveries, combined, nondurable and durable manufacturing had expanded by an average of 1.4 and 7.1 percent, respectively. Even with the recovery, employment remained 14.8 percent lower in the broad sector labeled information, which was supposed to produce good jobs to replace declining employment in traditional manufacturing. During earlier recoveries this sector had grown at an average rate of 15.7 percent.

Figure 2.3 Cumulative Employment Change by Industry after 78 Months of Recovery, for the 2001 Recovery and the Average of the Previous Two Recoveries



NOTE: Same as Figure 2.2.
 SOURCE: Same as Figure 2.2.

In other sectors, although employment growth has occurred, it has been slower than the average over the last two recoveries that lasted at least 78 months. This is true for wholesale and retail trade and even for interest rate-sensitive industries, such as construction and financial activities. Employment in the wholesale and retail trade sectors is up 5.8 and 1.5 percent, whereas at the 78-month mark of previous recoveries employment had already grown by 13.2 (wholesale) and 18.9 (retail) percent. Construction employment grew by 7.2 percent this time, compared to 27.0 percent during the previous recoveries. Financial activities expanded by 4.9 percent during the current recovery, roughly one-quarter of the 17.3 percent growth in previous recoveries. Similarly, employment in the education and health services sector, where many older women are employed, grew at 18.3 percent in the 78 months since November 2001, or 57 percent as much as what occurred during earlier recoveries.⁶

POTENTIAL EXPLANATIONS FOR THE “CATCH-UP ECONOMY”

Why has the labor market been slow to shift into a higher gear? Freeman and Rodgers (2005b) offer some preliminary answers to this question. In that work we identify three contributing, although not definitive, explanations for the new path of job growth: 1) U.S. performance in the international economy, 2) health care costs, and 3) the size and composition of the federal government’s fiscal stimulus. The following provides an overview of the analysis on which these conclusions are made.

U.S. Performance in the International Economy

The first factor is the poor performance of the United States in the international economy since 2001. The U.S. trade deficit is the focus of the blame for this in the eyes of many analysts and policymakers. In the current recovery, the deficit has risen to levels that are unprecedented in our nation’s experience. Table 2.1 illustrates this point. Between the fourth quarter of 2001 and the first quarter of 2008, the ratio of ex-

Table 2.1 Trade Balance in the 2001 and Earlier Recoveries, Real Gross Domestic Product (billions of chained 2000 dollars)

Recovery	GDP	Exports	Imports	(X-M)/GDP(%)
2001–2008				
2001-4	9,910.0	980.3	1,394.9	-4.18
2008-1	11,693.1	1,483.8	1,979.7	-4.24
2001–2008	1,783.1	503.5	584.8	-0.06
1991–1997				
1991-1	7,040.8	563.2	581.5	-0.26
1997-2	8,665.8	941.8	1,034.8	-1.07
1991–1997	1,625.0	378.6	453.3	-0.81
1982–1989				
1982-4	5,189.8	285.7	311.4	-0.50
1989-1	6,918.1	485.9	577.2	-1.32
1982–1989	1,728.3	200.2	265.8	-0.82
1961–1967				
1961-1	2,491.2	91.6	97.8	-0.25
1967-2	3,464.3	129.3	164.8	-1.02
1961–1967	973.1	37.7	67.0	-0.78

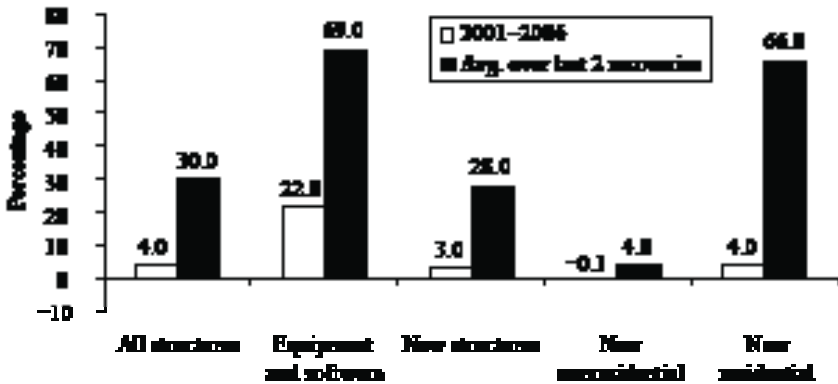
NOTE: Figures are seasonally adjusted at annual rates.

SOURCE: Author's calculations from Bureau of Economic Analysis Table 1.1.6.

ports minus imports relative to GDP increased from -4.18 percent to -4.24 percent. This is the largest trade deficit in U.S. economic history. However, the deficit's growth is not the largest increase on record. In the 1980s recovery, the trade deficit rose from -0.5 percent to -1.32 percent of GDP.

What is unprecedented is the slowdown in investment growth. In previous recoveries, investment flows moved in directions that presumably created U.S. jobs. Figure 2.4 compares different components of investment growth during the current recovery to those of previous recoveries. In each category, growth is weaker for the current recovery than it was during the average of the four recent recoveries. Most notable is the stagnation in nonresidential investment; during the two previous

Figure 2.4 Real Private Fixed Investment for the 2001–2007 Recovery and the Previous Two Recoveries

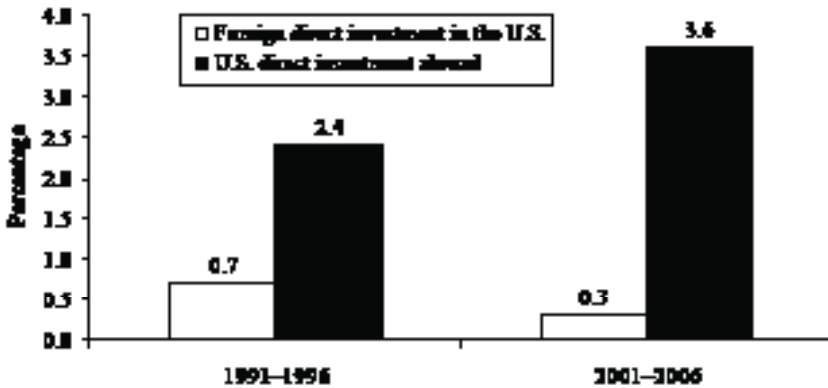


SOURCE: Bureau of Economic Analysis.

recoveries, this component grew at an average rate of 4.0 percent. Also of importance for explaining the slower pace of job growth are shifts in foreign direct investment (Figure 2.5). Foreign direct investment (FDI) in the United States as a share of GDP barely increased, rising by 0.3 percent from 2001 to 2006, which is consistent with previous recoveries, in which FDI in the United States as a share of GDP grew slightly. The drop is predominantly due to a decrease in Europe’s direct investment in the United States. Also notable is the acceleration in U.S. foreign direct investment abroad. During the 1990s recovery, as a share of GDP, U.S. foreign direct investment abroad grew by 2.4 percent, while during the current business cycle foreign direct investment abroad has accelerated by 3.6 percent.

There has recently been a lot of discussion about the significance (or lack thereof) of jobs being offshored in the recovery. Unfortunately, government statistics do not provide even crude measures of the number of jobs being offshored in the service industries. For example, while Indian exporters report several billion dollars of exports in computer-related and telecom services and many major U.S. companies proudly proclaim offshoring of service-sector work as a way to improve profits, government statistics record less than a billion dollars of service-sector

Figure 2.5 Change in Foreign Direct Investment in the United States as a Share of GDP, Compared with U.S. Direct Investment Abroad



SOURCE: Bureau of Economic Analysis.

imports from India and show them to have been declining over time. Meanwhile, BLS surveys record only a small number of job losses attributable to offshoring, in part because the questions about displaced workers are not asked in such a way as to obtain the appropriate statistic. The Government Accountability Office (2004) recently examined the quality of official statistics and found them to provide little information for measuring offshoring's importance. Freeman and Rodgers's (2005b) review of the existing literature concludes that the Indian statistics and business announcements indicate that offshoring has cost the United States a significant number of jobs.⁷

However, attributing the slower pace of growth to trade, investment, and offshoring does not provide a complete explanation. The value of the dollar fell relative to the euro and the pound, despite rapid increases in productivity, and this weak performance by the United States in international markets demands a deeper explanation.

The Impact of Health Care Costs

The second factor behind the slower pace of job growth may be the U.S. mode of funding medical insurance. Health insurance spending per employee has risen sharply in the United States, albeit over a

longer period than the current recovery. It adds a substantial marginal cost to employing workers, and many firms have sought ways to operate without committing themselves to permanent workers who obtain such benefits.

The Kaiser Family Foundation finds that between 2000 and 2004, employment of workers with employer-sponsored health care coverage fell by 4.9 percent, which is considerably greater than the overall fall in employment for that period. Gould (2004) and others continue to document the decline in employer-provided health coverage. This steady decline is consistent with the notion that some of the stagnant employment growth may be associated with rising health care costs, and ultimately with the country's approach to financing health insurance. Reber and Tyson (2004) also find statistical support for the theory of rising health insurance costs acting as a deterrent to employment growth.

The Impact of the Fiscal Stimulus

The third factor is the nature and composition of the federal government's fiscal stimulus, which gave the bulk of the tax cuts to wealthy people, whose propensity to spend quickly is likely to be less than that of people on middle incomes and below. Table 2.2 shows that between 2001 and 2007, the U.S. fiscal deficit rose by 2.1 percentage points relative to potential GDP, from a surplus of 1.0 percent to a deficit of 1.1 percent. It is almost double the deficit's 1.2 percent increase in the 1980s recovery. Yet between 2001 and 2007, despite the large stimulus, actual real GDP grew by just 18.0 percent—a growth rate approximately equal to or smaller than in previous recoveries, which had a fiscal stimulus no greater than today's stimulus. Real GDP grew by 33.3 percent from 1982 to 1989, by 23.1 percent from 1991 to 1997, and by 39.1 percent from 1961 to 1967.

Tax cuts, which in large measure benefited the superwealthy, and expenditures on Iraq were two major sources of fiscal stimulus; however, each probably had a smaller than hoped for impact on GDP growth. The job creation multipliers associated with these fiscal choices are probably smaller than if the tax cuts had been targeted toward middle- and lower-income families and Iraq expenditures had instead been targeted toward domestic investment.

Table 2.2 The Fiscal Stimulus as a Percentage of Potential GDP for the 2001 and Earlier Recoveries

Recovery	Surplus or deficit
1982	-1.3
1988	-2.5
Change	-1.2
1991	-2.5
1997	-1.0
Change	1.5
2001	1.0
2007	-1.1
Change	-2.1

NOTE: Figures are the standardized budget surplus or deficit as a share of potential GDP.

SOURCE: CBO (2006, Appendix F13).

Other Explanations: Structural Change and Productivity Growth

Freeman and Rodgers (2000) reject the idea that increased productivity explains the new pattern of job growth. This is a circular argument, they say. Instead, they contend that increases in productivity stemming from technological and other innovations shift the country's aggregate supply curve outward, which increases the growth of potential GDP and permits greater growth of employment without inflation than would otherwise be the case.

Some have hypothesized that continuing structural change—i.e., the permanent relocation of workers from declining industries to growing ones—has contributed to the slower pace of growth. Groshen and Potter (2003) show that the share of total employment in industries undergoing structural change was 51.0 percent during the mid-1970s and 1980s recoveries and 57.0 percent during the 1990s recovery; it is 79.0 percent during the current recovery. Their research suggests that the United States is in the middle of a period of reaction to the overexpansion of the 1990s, making structural employment shifts the dominant source of changes in employment.

Linking Industry and Demographic Change

The changing industry distribution of employment from 2001 to 2007 potentially affects older workers differently than other Americans. Older workers (those at least 50 years of age) are concentrated in different industries than younger workers. Employment changes in the manufacturing, transportation, public utilities, and education and health services sectors are key to understanding the recent employment experiences of older workers.

For the purposes of this analysis, I define an older worker as someone between 50 and 64 years of age. I divide this span into three age groups: 50 to 54, 55 to 60, and 61 to 64. To describe experiences across educational attainment and income, I create two subsamples: older individuals who have no more than a high school diploma, and older individuals whose family income puts them in the first (lowest) quartile of the family income distribution. I compare the outcomes of older workers in these subpopulations to 16- to 64-year-olds. See Appendix 2A for a full description of the data.

Table 2.3 shows the distribution of industry employment in 2001 by age and gender. All older men have a strong presence in manufacturing, while all women have an extremely strong presence in education and health services. Low-income men are less concentrated in manufacturing and more concentrated in trade.

The following two paragraphs describe the industry distributions in greater detail. Older men (50+) are concentrated in three industries: manufacturing (17.6 percent), trade (15.6 percent), and education and health services (18.1 percent). Just over half work in these three sectors. An additional one-fifth work in construction (9.6 percent) and professional business services (10.6 percent) sectors. Limiting the sample to older men with no more than a high school diploma leads to further concentration. Nearly 4 in 10 work in manufacturing (21.4 percent) and trade (17.7 percent). Adding the men who work in the transportation and public utilities (12.5 percent) and construction (13.6 percent) sectors raises the share to two-thirds. Older low-income men are less concentrated in manufacturing than other men: only 15.9 percent work in the sector. They have their greatest presence in the trade (21.9 percent) and professional business services sectors (17.3 percent). They

Table 2.3 2001 SIC Industry Distributions of Employment, by Age and Gender (%)

All	Male					Female				
	16-64	50+	50-54	55-59	60-64	16-64	50+	50-54	55-59	60-64
Mining	0.9	1.0	1.2	1.0	0.8	0.1	0.2	0.2	0.2	0.1
Construction	12.5	9.6	10.5	9.5	9.7	1.5	1.4	1.4	1.4	1.5
Manufacturing	17.7	17.6	19.4	19.2	17.8	9.5	9.7	10.3	10.7	9.2
Transportation and public utilities	9.5	10.3	11.4	11.3	9.5	4.3	3.9	4.4	3.8	3.8
Trade	20.4	15.6	14.2	15.3	16.3	21.4	16.7	14.7	16.1	18.6
Finance, insurance, and real estate	4.7	6.2	5.5	6.2	6.2	7.9	7.9	8.1	8.1	7.5
Professional business services	12.2	10.6	9.9	10.0	10.6	12.7	11.2	10.3	10.8	11.4
Education and health services	13.5	18.1	17.6	17.6	18.6	36.6	41.1	43.2	41.1	39.6
Public	4.7	5.9	6.9	5.9	4.5	4.4	5.7	6.0	5.7	5.3
No more than high school degree	16-64	50+	50-54	55-59	60-64	16-64	50+	50-54	55-59	60-64
Mining	1.2	1.3	1.7	1.4	0.9	0.1	0.1	0.2	0.1	0.1
Construction	17.5	13.6	15.8	13.6	13.7	1.7	1.6	1.6	1.5	1.6
Manufacturing	19.8	21.4	24.3	24.2	21.3	12.6	13.7	15.4	16.0	12.0
Transportation and public utilities	9.9	12.5	13.7	13.9	12.1	4.2	4.1	4.8	4.2	3.9
Trade	24.0	17.7	15.8	17.4	18.6	29.3	22.3	20.8	20.7	24.2
Finance, insurance, and real estate	2.1	3.4	2.6	3.1	3.3	7.0	7.5	8.2	7.8	6.7
Professional business services	12.2	11.5	10.6	10.3	11.2	15.2	13.8	12.9	13.7	13.6
Education and health services	5.4	7.4	6.6	7.5	7.8	24.6	29.3	29.5	28.8	29.7
Public	2.6	3.5	3.9	3.2	3.1	3.3	4.7	5.0	4.8	4.6

Family income in lowest quartile	16–64	50+	50–54	55–59	60–64	16–64	50+	50–54	55–59	60–64
Mining	0.6	0.7	0.5	0.5	1.7	0.1	0.1	0.0	0.3	0.0
Construction	18.6	15.0	18.0	13.1	13.7	1.3	1.2	1.6	0.8	1.6
Manufacturing	15.6	15.9	15.0	18.8	16.6	8.7	9.1	10.2	11.9	7.5
Transportation and public utilities	6.9	8.8	8.5	9.8	7.1	2.9	3.3	5.1	1.6	2.4
Trade	27.7	21.9	20.9	21.9	20.3	31.7	23.4	21.1	21.4	31.7
Finance, insurance, and real estate	2.9	3.5	2.9	3.4	5.8	4.5	4.3	4.7	4.2	3.6
Professional business services	15.8	17.3	16.8	16.8	19.9	18.3	19.8	21.3	19.3	15.9
Education and health services	9.9	13.7	13.8	13.1	12.4	30.2	36.0	33.9	38.3	33.3
Public	1.8	2.9	3.2	1.8	2.5	2.2	2.7	2.0	2.4	4.0

NOTE: The columns are the share of a particular group in each industry. “All” corresponds to all men at least 18 years of age that work in either the public or the private sector. Agriculture is the remaining industry share.

SOURCE: Authors’ calculations from the 2001 Outgoing Rotation Group CPS file.

also have a strong presence in construction and in education and health services.

Older women have different industry distributions than older men. They are concentrated in wholesale and retail trade (16.7 percent) and heavily concentrated in the education and health services sector (41.1 percent): 57.8 percent of older women work in these two industries. This estimate falls to 51.6 percent when we limit the sample to older women with no more than a high school diploma, and it jumps back up to 59.4 percent when we focus on older low-income women.

We translate these patterns into expected shifts in demand for a demographic group's employment by computing a fixed weight index of the potential shift in employment for a group. To do this, we multiply each group's 2001 industry employment share by its industry employment growth from 2001 to 2007. We then sum the products to obtain a weighted average growth of employment.

Table 2.4 reports these expected shifts. For 16- to 64-year-old men, the shift that is due to changes in employment ranges from increases of 1.9 percent for all men and low-income men to a small increase of 0.4 percent for less-educated men for the years 2001–2007. The main reason for the stagnation is the concentration in the manufacturing sector for less-educated men. Men with no more than a high school diploma have the smallest expected increases in employment. Among these men, the expected increase is smallest for 50- to 54- and 55- to 59-year-old men. The small increase is due to their overrepresentation in manufacturing and in transportation and public utilities. Thirty-eight percent of 50- to 54-year-old men are employed in these two sectors. The 0.4 percent increase for less-educated 60- to 64-year-old men is also due to their overrepresentation in these two sectors.

For older women, the fixed-weight industry growth calculations suggest employment increases for most age and education groups. All have a large presence in the education and health services sector. The variation in their expected employment gains is due to their varying presence in the manufacturing sector. In 2001, 9.7 percent of older women were in manufacturing, compared to 13.7 percent of less-educated older women and 9.1 percent of low-income older women. Women 50 and over were predicted to have an 8.9 percent decrease in employment. Older less-educated women have a predicted 3.9 percent increase and

Table 2.4 Expected Change in Employment by Age, 2001–2007 (%)^a

Male	16–64	50+	50–54	55–59	60–64	65+
All	1.9	2.7	2.6	2.3	2.6	3.8
No more than high school degree	0.4	0.5	0.3	0.0	0.5	1.9
Family income in lowest quartile	1.9	2.7	3.1	1.8	2.9	3.0
Female						
All	17.3	–8.9	9.4	0.9	12.8	15.2
No more than high school degree	2.9	3.9	3.8	3.6	4.1	4.8
Family income in lowest quartile	4.3	5.9	5.7	5.8	4.9	7.1

NOTE: Entries are constructed by multiplying a demographic group's 2001 industry employment shares (Table 2.8) by the industry's percentage employment growth from 2001 to 2006 and summing the products to obtain a weighted average growth of employment in the industries that employed the group. Industry employment growth is the difference from 2001 to 2006. In 2003 the industry codes changed. To link 2001 with 2006, we had to make several assumptions. The following is a list of the 2001 SIC (2003 SIC) codes. If an industry shown in Table 2.8 is not listed below, a direct match was able to be made: Transportation (Transportation and Warehousing), Communication and Public Utilities (Information), Utility and Sanitary Services (Utilities), Finance, Insurance, and Real Estate (Financial Activities), Entertainment and Recreation (Leisure and Hospitality), Professional and Business Services (Personal services including private households, business, auto, and repair services; Personal services excluding private households), Education and Health Services (Hospitals, medical services, except hospitals, educational services, social services), Other Professional Services (Other Services).

^aThis assumes that 2001 industry shares and actual CES employment change.

SOURCE: Author's tabulations of Current Employment Statistics data from the Bureau of Labor Statistics at www.bls.gov.

older low-income women have a 5.9 percent increase in employment. Across age, the expected employment patterns are similar.

THE CONSEQUENCES OF THE “CATCH UP” ECONOMY ON OLDER AMERICANS

Do the losses for men and the gains for women shown in the fixed-weight analysis translate into changes in labor force attachment? Do they translate into changes in benefit coverage? Before answering these

questions, I present an economic portrait of older Americans. The picture that emerges is one of not only current economic vulnerability, but of potential long-term economic vulnerability for individuals in the first (lowest) quartile of family income. Older low-income men and women have weaker labor force attachments than either the general population of 16- to 64-year-olds or other low-income 16- to 64-year-olds. Their benefit coverage rates are lower than the general population; however, they do exceed the rates of all low-income individuals. Older less-educated men and women are not at as great an economic risk as low-income men and women. Their labor force attachment and benefit levels are higher.

To develop this portrait in greater detail, Table 2.5 first reports summary statistics on years of schooling and potential experience for each category of men and women. As expected, older men and women, independent of education and income, have accumulated more years of experience. They also have fewer accumulated years of schooling than the general population. Still, the greater potential experience of older men and women should serve as a benefit during times of economic growth, even for less-educated and low-income men and women. For the latter, their greater experience should help to offset the adverse effects of their limited schooling. In sectors where internal labor markets exist, the experience of older workers should help to insulate them from fluctuations in the macroeconomy.

Table 2.6 presents employment-population ratios plus outcomes for four additional economic and social measures: hours worked per week, full-year work, private health insurance coverage, and pension coverage. The key result in this table is that older low-income men and women have weaker labor force attachments than all other 16- to 64-year-olds and than other low-income 16- to 64-year-olds. Their benefit coverage rates are lower than the general population, but they do exceed the coverage rates of low-income 16- to 64-year-olds.

Other notable trends in the table are that attachment falls as we move across age groups. It is important to see that all of the attachment measures at ages 50 to 54 exceed the measures for the general population. For example, 82.6 percent of 50- to 54-year-old men work full-year, compared to 73.8 percent of 16- to 64-year-old men. For 55- to 60-year-old men, this 82.6 percent figure falls to 74.2 percent, and it falls further, to 56.9 percent, for 61- to 64-year-old men. Attachment among similarly

Table 2.5 2006 Summary Statistics by Gender and Age

	Men		Women	
	Years of schooling	Potential experience	Years of schooling	Potential experience
All				
16–64	12.8	19.7	13.0	19.7
50–54	13.4	32.4	13.4	32.5
55–60	13.6	37.4	13.2	37.7
61–64	13.1	42.8	12.7	43.2
No more than high school degree				
16–64	10.6	24.6	10.7	27.9
50–54	10.8	35.0	10.9	35.0
55–60	10.8	40.2	10.9	40.1
61–64	10.6	45.4	10.8	45.2
Real family income in lowest first quartile				
16–64	11.4	18.6	11.7	19.3
50–54	11.5	34.3	11.7	34.2
55–60	11.7	39.3	11.6	39.4
61–64	11.5	44.6	11.4	44.7

NOTE: The sample consists of individuals that are at least 16 years of age and are white, black, or Hispanic. Individuals with no more than a high school degree either have only high school diplomas or GEDs or are high school dropouts. An individual's years of schooling are constructed using the method proposed in Jaeger (2003). "Potential experience" equals: age – years of schooling – 6.

SOURCE: Author's tabulations from the microdata of the March Annual Demographic Files of the Current Population Survey.

aged men and women is uniformly lower among less-educated and lower-income men and women than among the general population.

The biggest gaps in attachment exist between low-income men and women and the general population. In 2006, 51.4 percent of low-income 50- to 54-year-olds worked full-year, compared to 82.6 percent of all 50- to 54-year-old men, generating a 31.2-point gap in attachment. A 28.5-point gap even exists among women: 40.7 versus 69.2 percent. Even at ages 61 to 64, gaps in attachment are substantial.

The weaker attachment of men and women in the lowest quartile of the family income distribution extends to benefits. Between 40.0 and 46.1 percent of older low-income men have private health insurance

Table 2.6 2004 Labor Market Outcomes of Older Workers by Age, Gender, Education, and Income (%)

Panel A: Men						
Men	EPOP	Hours	Full-time work	Work full year	Private health insurance	With pension
16–64	0.782	32.5	0.686	0.734	0.723	0.449
50–54	0.835	36.6	0.778	0.817	0.796	0.574
55–60	0.754	32.0	0.678	0.736	0.781	0.550
61–64	0.562	22.7	0.464	0.559	0.737	0.524
No more than a high school degree						
16–64	0.711	28.4	0.610	0.640	0.615	0.322
50–54	0.770	32.5	0.711	0.749	0.689	0.465
55–60	0.681	28.2	0.615	0.652	0.679	0.457
61–64	0.490	19.5	0.410	0.474	0.631	0.448
Real family income in lowest (first) quartile						
16–64				0.534	0.392	0.156
50–54				0.460	0.404	0.220
55–60				0.440	0.456	0.206
61–64				0.258	0.463	0.223
Panel B: Women						
Women	EPOP	Hours	Full-time work	Work full year	Private health insurance	With pension
16–64	0.673	24.1	0.491	0.596	0.721	0.421
50–54	0.737	28.0	0.587	0.686	0.784	0.556
55–60	0.643	23.7	0.490	0.605	0.754	0.537
61–64	0.453	15.3	0.304	0.430	0.714	0.469
No more than a high school degree						
16–64	0.582	20.0	0.403	0.410	0.583	0.300
50–54	0.651	24.0	0.508	0.592	0.672	0.458
55–60	0.568	20.1	0.423	0.512	0.647	0.447
61–64	0.395	12.8	0.256	0.372	0.629	0.422
Real family income in lowest (first) quartile						
16–64				0.405	0.367	0.165
50–54				0.371	0.393	0.262
55–60				0.315	0.431	0.267
61–64				0.243	0.483	0.234

NOTE: To be included in the sample, an individual had to be at least 16 years of age. EPOP (employment-to-population ratio), hours, and full-time work come from the ORG. All other outcomes come from the Annual Demographic Files. Blank = not applicable.

SOURCE: Author's tabulations from the Outgoing Rotation Group (ORG) and March Annual Demographic Files of the Current Population Survey.

coverage. The rates for older men as a whole range from 73.9 to 78.7 percent. Even among older men with no more than a high school degree, more than two-thirds of them have health insurance. A similar pattern exists among women: the estimates on pension coverage reveal substantial differences between low-income men and women and the general population. More than a fifth of older low-income men and just under 40 percent of older low-income women are employed in firms that offer pension plans to their employees; these figures are around 55 percent for all male and female 16- to 64-year-olds and 60 percent for all older men and women (not shown). Shifting to who actually has an employer-provided pension reduces these figures, especially for low-income men and women. Approximately one-fifth of older low-income men and one-quarter of older low-income women have an employer-provided pension, compared to one-half of all older men and women and 41–44 percent of older men and women with no more than a high school degree (Table 2.6).

The Current Business Cycle: A Period of Growing Economic Insecurity?

I now describe the extent to which the slower pace of job growth during the current business cycle has led to greater economic insecurity for older workers, with a focus on low-income and less-educated individuals. The story that emerges is that during the 2001–2006 period, 50- to 54-year-old men and women experienced a consistent pattern of stagnation in attachment and decline in benefits.

Tables 2.7–2.9 report the analysis for full-year work, employer-provided health insurance, and pension coverage. On balance, the indicators suggest increased labor market insecurity among low-income 50- to 54-year-old men and women, with some evidence of a decline among men with no more than a high school degree. Full-year work stagnated for all 50- to 54-year-old low-income men and women. Private sector health insurance coverage declined for all older men and women. The sharpest drop occurred among men and women with no more than a high school degree. For example, the coverage of 50- to 54-year-old less-educated men and women fell 3.9 and 4.4 points, respectively. The fall in coverage for 50- to 54-year-old low-income men and women was 3.1 and 2.1 points.

Men were particularly affected by a decrease in the share of firms that offer pension plans. Coverage trended downward for 50- to 54-year-olds and 55- to 59-year-olds. The decline among 50- to 54-year-olds is measured with the greatest precision. No systematic pattern of change exists for older women. The actual holding of a firm-provided pension fell among older men. Less-educated and low-income men were affected, but a decline also occurred in the general male population. Women's actual holding of pensions remained unchanged.

Is Growing Economic Insecurity a New Feature of Recoveries?

I now place the 2001 to 2006 erosions in attachment and benefits into a broader historical context. Are they a part of the recent path of slower job growth, potentially caused by the United States' performance in the international economy, increase in health care costs, and federal fiscal policy choices? To answer this question, I compare changes in our list of outcomes during the current business cycle to previous business cycles. If attachment and benefits typically rose during past recoveries, then the slower pace of job growth has been powerful enough to reduce the ability of older workers' greater labor market experience to fully insulate them from job losses. I find that the recent stagnation in low-income men and women's labor force attachment as well as their declines in benefits differs from previous recoveries. During the 1980s and 1990s recoveries, attachment and benefit levels did not fall.

Tables 2.7–2.9 report changes in the percentage of respondents that worked full-year, had private health insurance, and had pension coverage during the current and two previous recoveries. The figures in Table 2.7 for full-year work suggest that a break from previous recoveries has occurred for less-educated and low-income men and women. During the 1980s and 1990s recovery, full-year work among 50- to 54-year-old men and women typically increased, while it has remained unchanged during the current business cycle.

Recent patterns of job growth are associated with trends in older workers' private health insurance and pension coverage. Tables 2.8 and 2.9 report that employer-provided benefits have fallen. The drop in coverage has been greatest among less-educated men and women. More specifically, from 1991 to 1996 employer-provided health insurance coverage increased or remained the same. During the current recovery,

Table 2.7 Change in Share of Workers Working Full-Year by Recovery

	All			No more than high school degree			Family income in first quartile		
Men									
Age group	1982–87	1991–96	2001–06	1982–87	1991–96	2001–06	1982–87	1991–96	2001–06
50–54	0.033	0.020	–0.002	0.027	0.033	–0.010	0.019	0.021	–0.002
	(0.010)	(0.010)	(0.008)	(0.012)	(0.014)	(0.012)	(0.021)	(0.020)	(0.008)
55–59	0.006	0.015	0.003	0.019	0.022	–0.023	–0.018	0.055	0.003
	(0.010)	(0.010)	(0.008)	(0.012)	(0.014)	(0.012)	(0.021)	(0.020)	(0.008)
60–64	–0.024	0.008	0.020	–0.025	–0.012	0.012	–0.030	–0.020	0.020
	(0.010)	(0.010)	(0.008)	(0.012)	(0.014)	(0.012)	(0.021)	(0.020)	(0.008)
Women									
Age group	1982–87	1991–96	2001–06	1982–87	1991–96	2001–06	1982–87	1991–96	2001–06
50–54	0.071	0.045	0.000	0.055	0.029	–0.019	0.034	0.005	0.000
	(0.010)	(0.010)	(0.008)	(0.012)	(0.014)	(0.012)	(0.021)	(0.020)	(0.008)
55–59	0.043	0.031	0.013	0.038	0.018	–0.007	0.067	–0.012	0.013
	(0.010)	(0.010)	(0.008)	(0.012)	(0.014)	(0.012)	(0.021)	(0.020)	(0.008)
60–64	0.006	0.037	0.028	0.007	0.028	0.026	–0.015	0.012	0.028

NOTE: The columns correspond to the current and two previous recoveries: 1982–1987, 1991–1996, and 2001–2006. All respondents are men and women that are at least 16 years of age. Figures in parentheses are standard errors.

SOURCE: Author’s calculations from the microdata of the March Annual Demographic Files of the Current Population Survey.

Table 2.8 Change in Share of Workers Having Private-Sector Health Insurance by Recovery

	All		No more than a high school degree		Family income in first quartile	
Men						
Age group	1991–96	2001–06	1991–96	2001–06	1991–96	2001–06
50–54	0.002 (0.010)	–0.031 (0.008)	–0.003 (0.016)	–0.039 (0.014)	0.009 (0.029)	–0.031 (0.008)
55–59	0.025 (0.012)	–0.020 (0.009)	0.022 (0.017)	–0.054 (0.015)	0.076 (0.030)	–0.020 (0.009)
60–64	–0.035 (0.012)	–0.004 (0.011)	–0.045 (0.017)	–0.003 (0.017)	–0.071 (0.028)	–0.004 (0.011)
Women						
Age group	1991–96	2001–06	1991–96	2001–06	1991–96	2001–06
50–54	0.036 (0.011)	–0.021 (0.008)	0.020 (0.015)	–0.044 (0.014)	0.030 (0.029)	–0.021 (0.008)
55–59	0.003 (0.012)	–0.005 (0.009)	–0.029 (0.015)	–0.042 (0.015)	–0.033 (0.027)	–0.005 (0.009)
60–64	–0.001 (0.012)	0.000 (0.011)	0.000 (0.015)	–0.007 (0.015)	–0.003 (0.024)	0.000 (0.011)

NOTE: The columns correspond to the previous and current recoveries of 1991–1996 and 2001–2006. All respondents are men and women that are at least 16 years of age. Figures in parentheses are standard errors.

SOURCE: Author's calculations from the microdata of the March Annual Demographic Files of the Current Population Survey.

the decline in coverage has occurred not only among low-income men and women, but also those with no more than a high school degree.

With respect to pensions, the share of older individuals included in pension plans either remained the same or increased during the 1990s recovery. Coverage fell during the current business cycle. During the 1990s recovery, there was little relationship between men's pensions and job growth, but since 2001 the share of firms that offer plans has fallen. The decline has been among 50- to 54- and 55- to 59-year-old men. Women's pension coverage seems to have a different relation to the macroeconomy. Coverage increased during the 1990s by 4.6 points. Women with no more than a high school degree also saw their cover-

Table 2.9 Change in Share of Workers Having a Pension, by Recovery and Expansion

	All		No more than a high school degree		Family income in first quartile	
Men						
Age group	1991–96	2001–06	1991–96	2001–06	1991–96	2001–06
50–54	0.011 (0.012)	-0.052 (0.009)	0.002 (0.018)	-0.036 (0.015)	0.009 (0.029)	-0.031 (0.008)
55–59	-0.011 (0.014)	-0.016 (0.011)	0.003 (0.019)	-0.056 (0.018)	0.076 (0.030)	-0.020 (0.009)
60–64	0.005 (0.017)	-0.011 (0.015)	0.014 (0.023)	-0.032 (0.022)	-0.071 (0.028)	-0.004 (0.011)
Women						
Age group	1991–96	2001–06	1991–96	2001–06	1991–96	2001–06
50–54	0.046 (0.013)	-0.026 (0.010)	0.027 (0.018)	-0.023 (0.016)	0.030 (0.029)	-0.021 (0.008)
55–59	0.051 (0.016)	0.025 (0.012)	0.012 (0.020)	-0.003 (0.019)	-0.033 (0.027)	-0.005 (0.009)
60–64	0.000 (0.019)	-0.018 (0.016)	0.012 (0.023)	-0.004 (0.022)	-0.003 (0.024)	0.000 (0.011)

NOTE: The columns correspond to the previous and current recoveries of 1991–1996 and 2001–2006. All respondents are men and women that are at least 16 years of age. Figures in parentheses are standard errors.

SOURCE: Author's calculations from the microdata of the March Annual Demographic Files of the Current Population Survey.

age rate jump by 2.7 points. During the current recovery, the growth in coverage has fallen for older women in these age groups.

SUMMARY AND CONCLUSION

In recent work, Freeman and Rodgers (2005a) and Rodgers and Freeman (2006) found that the slower pace of job growth has had an adverse impact on the employment outcomes of blacks, Latinos, and youth. These findings should not be too surprising. A large literature has

demonstrated the greater sensitivity of these demographic groups' labor market outcomes to the macroeconomy.⁸

This chapter shows that the slower pace of job growth has even affected older workers. Job growth during the recovery has not been large enough to offset the adverse impact of the structural increases in displacement that have occurred over the past two decades. Low-income men and women who already have weaker labor force attachment, lower private health insurance and pension coverage rates saw the greatest erosions in their economic security. Unlike youth, who have longer time horizons to recoup losses, older workers have fewer years, even if they choose to extend their working careers past the age of 65. To my knowledge, employment and wage losses for this recovery have not been estimated, but for earlier periods Chan and Stevens (2001, 2004), Kletzer and Fairlie (2003), and others have found that older displaced workers experienced major reductions in income even if they were able to return to the labor market. Future work should compare the CPS Displaced Worker Surveys for 2001–2006 to earlier surveys.

The slower pace of job growth poses a challenge to economic and social policy. As long as the United States makes full employment its main source of economic protection for workers, the job market has to attain something similar to the late 1990s labor market tightness for economic growth to be broadly shared. But given the weaker labor force attachment, and the lower health insurance and pension coverage rates of older low-income and less-educated Americans, even a return to the 1990s tightness may not be enough to significantly improve their prospects for greater economic security. Stronger job growth is only a first step to offsetting the secular increase in the displacement of older workers. Additional public policy answers are needed to ensure that older Americans—particularly low-income Americans—can achieve economic security in the future.

Appendix 2A

This study uses several data sets. The first is made up of the published monthly employment figures from the establishment-level Current Employment Statistics (CES). The monthly time series used in the analysis spans from February 1961 to April 2008, covering five boom, bust, and recovery episodes. We use the NBER dating committee's designations to identify the episodes. The microdata comes from the annual Merged Outgoing Rotation Group Files of the Current Population Survey (1979 to 2006). We use the data files produced by Unicon Research Corporation. However, this gain in heterogeneity comes with costs. Because the files start in 1979, we can only document the recovery of the 1974-to-1984 episode. Furthermore, the annual nature of the data means that we can only approximate the recovery and boom episodes, which are 1982 to 1987, 1982 to 1989, 1991 to 1996, 1991 to 2000, and 2001 to 2006.

The samples are composed of all black, white, and Hispanic men and women that are 16 to 64 years of age. Three subsamples of older individuals are created: 50 to 54 years old, 55 to 60 years old, and 60 to 64 years old. The less-educated sample consists of men and women who have completed no more than a high school degree. The low-income subsample is composed of men and women aged 50 and older whose family income is in the lowest quartile of the family income distribution.

The employment-population ratio is the ratio of the number of employed to the sum of the number looking for work, the number working, the number with a job but not working, and all those who are out of the labor force. The ratio is constructed from the MLR (Monthly Labor Force Recode) variable in the Unicon Research Corporation CPS Utilities files.¹ In these files, the variable has been made consistent across time to reflect changes in the question. We use the MLR variable to construct the employment-population ratio. This is the share of the civilian population that is employed. In a period of weak job growth, it has the benefit of capturing both the longer time it takes to find a job (unemployment) and decisions to leave the labor force (labor force participation).

A third data source is the annual demographic files from the March Current Population Survey (1963 to 2006), also available from Unicon Research Corporation. We use these data to describe patterns in full-year work, private health insurance coverage, and pension coverage. For example, the 2005 file contains information on weeks worked for calendar year 2004. To describe annual labor force attachment, we construct the percentage of respondents that worked a full year (at least 39 weeks).

The files start in 1963, and, with the combination of information available to construct detailed Hispanic measures, we are able to roughly describe two boom and three recovery episodes: boom episodes 1982 to 1989 and 1991 to 2000, and recovery episodes 1982 to 1987, 1991 to 1996 and 2001 to 2006. We chose the recovery lengths to match the current length of the recovery and the availability of data.²

Appendix Notes

1. The original location, length, and name are as follows: 1994 to 2003 (180, 2, PEMLR), 1989 to 1993 (348, 1, A-LFSR), and 1979 to 1988 (109, 1, ESR).
2. These three recovery episodes (also mentioned in Table 2.7) end a year earlier than the three recovery periods given in endnote 6 because for that series more recent data was available.

Notes

A version of this chapter originally was presented at the National Academy of Social Insurance's eighteenth annual conference, "Older and Out of Work: Jobs and Social Insurance for a Changing Economy," January 19, 2006. It is published here with the permission of the National Academy of Social Insurance.

1. The National Bureau of Economic Research has designated November 2001 as the start of the recovery. As of April 2008, the economy was in its seventy-eighth month of expansion. Job creation still significantly lagged behind historical growth.
2. Excluding the months of September 2005 to May 2006 (i.e., the nine-month period following Hurricanes Katrina and Rita) raises the average monthly job growth to 120,000 for the period from August 2003 to April 2008.
3. For most of 2005, the national unemployment rate ranged from 4.9 to 5.1 percent. During this period, the employment-population ratio was 62.7 percent. In 1997, in the midst of the 1990s recovery, the unemployment rate fell to between 4.9 and 5.1 percent. At that time, over 8 million jobs had been created. As a result, the employment-population ratio was 63.8 percent.
4. These increases translate into 5.3 percent growth for the current recovery, 13.2 percent for the 1990s recovery, 21.4 percent for the 1980s recovery, and 18.7 percent for the early 1970s recovery. Percentages are derived from author tabulations of the Bureau of Labor Statistics' Current Employment Statistics (CES) employer survey.
5. The number of manufacturing jobs fell from 15,825,000 in November 2001 to 13,596,000 in April 2008, a decline of 2,229,000.
6. The slow jobs recovery shows some variation across states. Looking at the past three recoveries—2001 to 2007, 1991 to 1997, and 1982 to 1988—average state employment growth was 15.1 and 16.9 percent in the first two recoveries, while during the current recovery employment has stagnated, growing at only 5.7 percent.
7. Estimates from business groups of offshoring's impact are as high as 400,000 jobs per year, which would make offshoring a major contributor to the recovery's being weaker than expected.
8. See, for example, Cherry and Rodgers (2000) for studies that document the benefits of the low unemployment rates of the 1990s on minorities and youth. Earlier studies reached the same conclusions: Clark and Summers (1981) found this to be the case in their time series study of the relationship of youth joblessness and employment to adult unemployment. Freeman (1991) finds similar results using cross-area variation in youth employment and earnings in the 1980s. For a survey on estimates for the 1960s and 1970s, see DeFreitas (1986). For more recent work, see DeFreitas (1991), Freeman and Holzer (1986), Myers (1989), Stratton (1993), and Farber (1997). Studies that use various waves of the displaced-worker survey also examine this issue: see, for example, Kletzer (1991) and Hipple (1997).

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Older and Out of Work

Jobs and Social Insurance for a Changing Economy

Randall W. Eberts
Richard A. Hobbie
Editors

2008

W.E. Upjohn Institute for Employment Research
Kalamazoo, Michigan

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National Academy of Social Insurance
1776 Massachusetts Ave. N.W.
Washington, D.C. 20036

Older and Out of Work: Jobs and Social Insurance for a Changing Economy

may be ordered from

W.E. Upjohn Institute for Employment Research
300 S. Westnedge Avenue
Kalamazoo, Michigan 49007-4686

Library of Congress Cataloging-in-Publication Data

Older and out of work : jobs and social insurance for a changing economy / Randall W. Eberts, Richard A. Hobbie, editors.

p. cm.

Includes bibliographical references and index.

ISBN-13: 978-0-88099-329-6 (pbk. : alk. paper)

ISBN-10: 0-88099-329-4 (pbk. : alk. paper)

ISBN-13: 978-0-88099-330-2 (hardcover : alk. paper)

ISBN-10: 0-88099-330-8 (hardcover : alk. paper)

1. Older people—Employment—United States. 2. Age and employment—United States. I. Eberts, Randall W. II. Hobbie, Richard.

HD6280.O533 2008

331.3'980973—dc22

2008027941

The facts presented in this study and the observations and viewpoints expressed are the sole responsibility of the authors. They do not necessarily represent positions of the W.E. Upjohn Institute for Employment Research or the National Academy of Social Insurance.

Cover design by Alcorn Publication Design.

Index prepared by Diane Worden.

Printed in the United States of America.

Printed on recycled paper.