

Recovering from the Great Recession: Long Struggle Ahead for Older Americans

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A new Public Policy Institute survey shows the future has changed for many older Americans. In its wake, the recession leaves high unemployment, widespread loss of income and savings, and lower home values. Four in ten surveyed believe their standard of living in retirement will be worse than that of their parents.

Over the course of the Great Recession, the unemployment rate for older Americans aged 55-plus reached a level not seen during any other recession in the past 60 years.¹ Average duration of unemployment rose for older jobseekers, as did the percentage who were among the long-term unemployed.² Many gave up the job search and left the labor force.

This picture—bleak as it is—tells us little about older workers' experiences during and since the recession. To examine the broad impact of the recession and how the future has changed for many older workers, the AARP Public Policy Institute conducted an online survey in October 2010 of more than 5,000 Americans aged 50 and over who had been in the labor force at some point during the previous three years.³ This *Insight on the Issues* highlights major findings.⁴ A full report on the survey's findings, *Beyond 50—2011*, will be released later this year.

In brief, the recession and its aftermath have not been easy on middle-aged and older Americans, and the future is a big question mark for many of them. Recovery for persons most adversely affected (e.g., the long-term unemployed, those who filed for bankruptcy) will likely be long and slow, and some may never make it back to where they were before the recession.

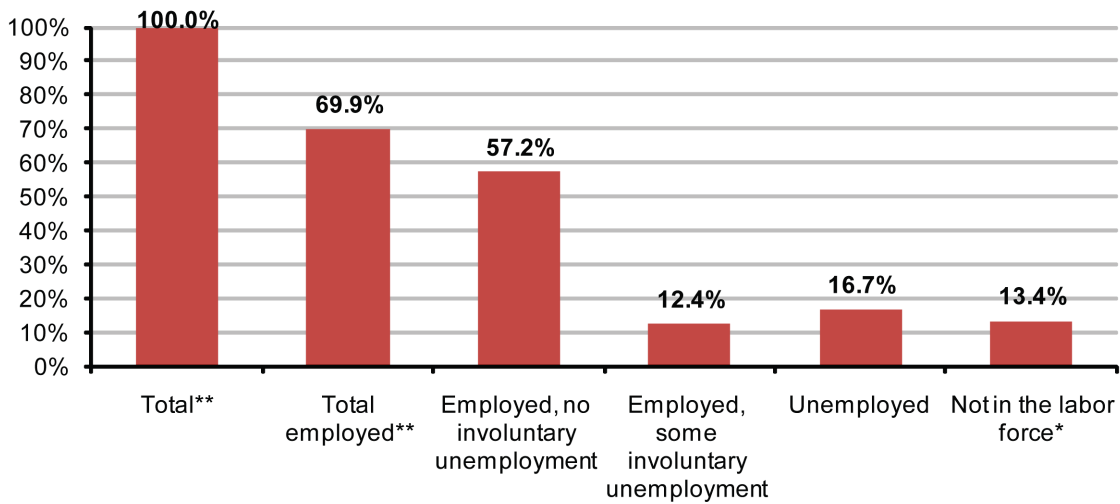
Portrait of the 50-Plus Labor Force: One in Six Unemployed

The survey covered 5,027 men and women who had worked for pay, including those who worked for themselves or in their own businesses, who had tried to find a job, or who had done both at any time in the three years prior to being interviewed—that is, who had been in the labor force. The survey excluded people aged 50 and over who had been out of the labor force for more than three years prior to October 2010.

Nearly 30 percent of the survey sample said that they were either unemployed and looking for work (16.7 percent)⁵ or were employed but had been involuntarily unemployed in the previous three years (12.4 percent) (figure 1). Another 13.4 percent were currently out of the labor force but reported having been in it at some time during the previous three years.

Seven out of 10 were employed at the time of the survey. A slim majority (57.2 percent) not only had jobs at the time of the survey but had avoided any involuntary unemployment during the preceding three years.

Figure 1
Employment Status of the 50+ Population with Labor Market Experience
in the Previous Three Years*



*To participate, respondents not in the labor force had to have been employed or to have looked for work at some time in the three years prior to the survey. Base: Total (n = 5,027)

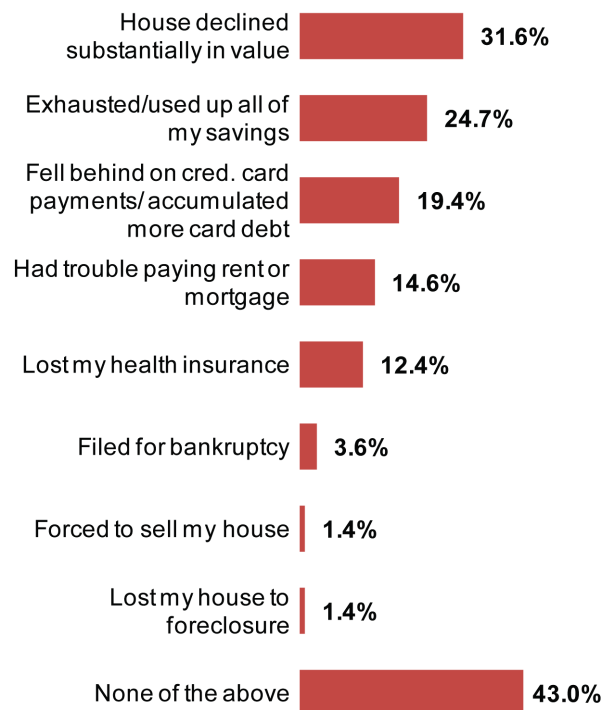
**Total includes 14 who did not subsequently report if they had experienced involuntary unemployment.

The Recession Caused Widespread Financial Losses

Regardless of their employment status, the recession was a painful experience for most Americans 50 and over, and many have yet to recover. During the three years prior to October 2010, nearly one-third (31.6 percent) saw their homes decline substantially in value (figure 2). A sizable proportion (19.4 percent) fell behind on credit card payments or accumulated more credit card debt.

One in seven (14.6 percent) had trouble paying the rent or mortgage, and one in eight (12.4 percent) lost their health insurance. Very few, fortunately, had filed for bankruptcy (3.6 percent), been forced to sell their home (1.4 percent), or lost their home to foreclosure (1.4 percent), although the impact on those who did should not be minimized. Moreover, these percentages could increase as the full impact of the recession and job loss is felt. Those who experienced these hardships were

Figure 2
Hardships of Past Three Years



Q96. Which if any of the following financial hardships have you/your family experienced in the past 3 years? Base: Total (n = 5,027).

somewhat more likely than others surveyed to be unemployed or, if employed, to have experienced some involuntary unemployment in the previous three years. (These subgroups will be analyzed in detail in *Beyond 50—2011*.)

Many middle-aged and older people apparently turned to savings during the recession, and fully one-fourth (24.7 percent—many of whom were employed throughout the recession) exhausted those savings.

Making Ends Meet Gets Tougher

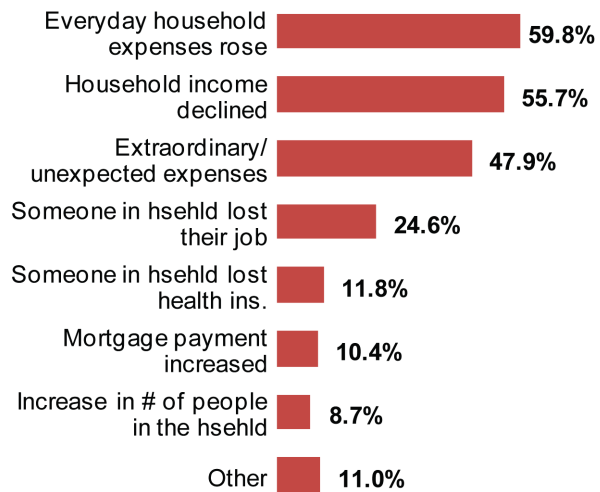
The fact that more than two out of five (43 percent) experienced none of the hardships listed above does not preclude experiencing other hardships or financial difficulties. Some could have been among the nearly half (47.6 percent) of survey respondents who had trouble making ends meet over the previous three years, most commonly because household expenses increased (59.8 percent) and household income fell (55.7 percent). Almost half of those who had trouble making ends meet experienced extraordinary and unexpected expenses that made it hard to make ends meet (47.9 percent), and for one in four (24.6 percent) it was because of job loss (figure 3).

So what do people do when they find it tough to make ends meet? First, they spend less. Of those who reported having trouble making ends meet, more (67.9 percent) cut back on expenses than used any other option (figure 4). To the extent that people are spending less on such things as dining out, movies, or other non-necessities, cutting back is not too worrisome. But some cutbacks, such as for health insurance or medical care, have potential adverse consequences and are thus particularly troubling responses to money shortages. One out of eight persons (12 percent) had dropped their health insurance in the previous three years, and one out of two (49.5 percent) had put off medical or dental care or were not taking their medication on schedule because they had difficulty making ends meet.

Withdrawing money from a savings account was another common response (56.9 percent) among those who had trouble making ends meet, and it is also not necessarily anything to worry about; savings are, after all, there to be used when needed. But if savings are exhausted (as they were for many in this study) and people become increasingly reliant on credit cards, loans, or other debt (as happened for some), getting back on track may prove difficult.

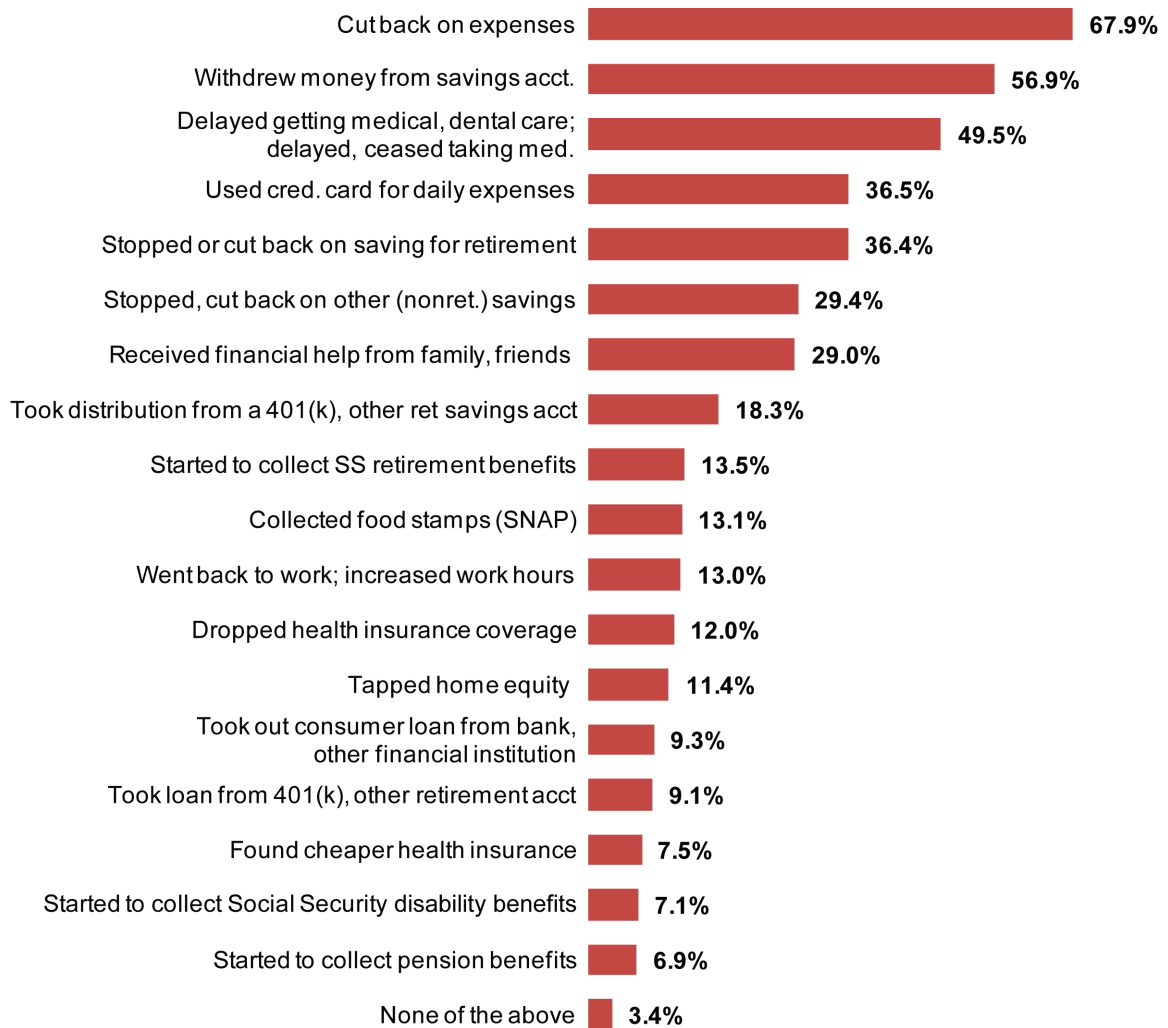
Saving less or no longer saving at all also occurred, with a somewhat higher percentage noting that the cutbacks were for retirement savings than for nonretirement savings (36.4 percent vs. 29.4 percent), perhaps because the saving had been in employer-sponsored retirement accounts and not elsewhere in the first place. What matters is whether those who stopped saving or began saving less, especially near-retirees, will be able to make up lost savings, or whether the 1 in 10 (9.1 percent) who

Figure 3
Costs Up, Income Down



Q98. Asked only of the 48 percent who mentioned a period of difficulty making ends meet in the previous three years (Q97): Why did you have difficulty making ends meet? Base: People who had difficulty making ends meet (n = 2,132).

Figure 4
Making Ends Meet: The 50-plus Population Takes a Variety of Steps



Q99. Asked of those who had difficulty making ends meet in any period during the three years prior to the survey: Did you [or your spouse/partner] do any of the following in the past 3 years to make ends meet? Base: People who had difficulty making ends meet (n = 2,132).

took a loan from a 401(k) or other retirement account will eventually have the resources to pay back the money they tapped for nonretirement expenditures.

Accessing retirement benefits might also be necessary to stay afloat when times are tough. Nearly one in seven (13.5 percent) reported starting to collect Social Security retirement benefits to make ends meet, and half as many (6.9 percent) started to collect pension benefits.⁶ Some program beneficiaries likely started receiving their benefits on schedule at a planned retirement date: Older persons who were out of the labor force, the majority of whom were retired, along with retirees returning to the workforce, were more likely than any other group to say they had started to collect Social Security retirement benefits or pension benefits in the previous three years to make ends meet. Even so, two-thirds (67 percent) of those who had begun collecting Social Security retired worker benefits did so earlier than they had previously planned to.

Using a credit card for daily expenses is likewise not necessarily cause for concern. Many Americans do this regularly—chalking up points or mileage in the process and paying their bills in full every month. However, accessing credit to make ends meet suggests that sufficient funds for regular expenses are unavailable and might not be there when the bills come due, possibly plunging card users into or further into debt. More than one in three respondents (36.5 percent) had relied on credit cards for everyday purchases to make ends meet during the three previous years.

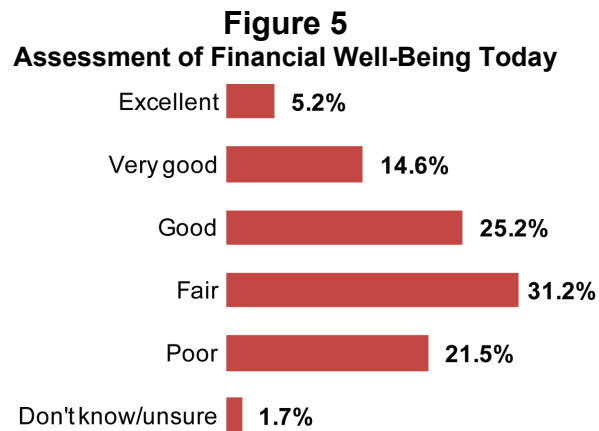
Social Security retired worker benefits, in particular, seemed to serve as a safety net for some older unemployed workers during the recent recession, with “record numbers” of workers being awarded early benefits.⁷ The currently unemployed in the survey were about twice as likely as the employed to have begun collecting Social Security in the past three years in order to make ends meet (17.3 percent vs. 9.3 percent, respectively). Opting for early benefits means receiving reduced monthly benefits. Nonetheless, early recipients may have had no choice but to collect earlier than planned, even though they may continue to be strapped for funds as they age with reduced benefits and use up other sources of income.

Fewer Than Half Feel Financially Secure

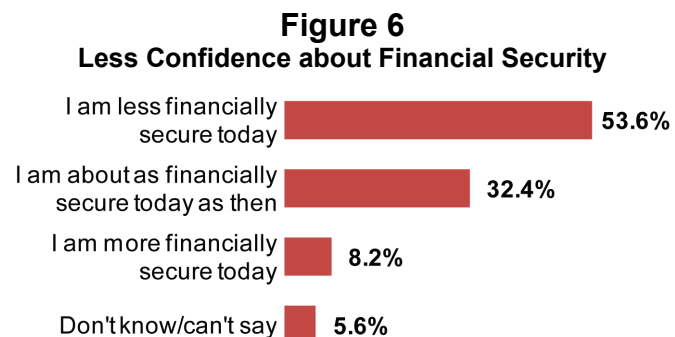
More than half (52.7 percent) of the respondents rated their family’s financial well-being as only fair or even poor in October 2010 (figure 5), hardly surprising in view of the bruising that earnings, savings, investments, and housing values took during the recession. Still, more than two out of five (45 percent) assessed their family’s financial well-being as at least good, and a few (5.2 percent) said it was excellent. For the most part, those in excellent financial shape—at least by self-definition—had been continuously employed throughout the recession (73.9 percent of those saying they were in excellent financial shape vs. 57.2 percent of the total sample).

Despite the fact that more than two-fifths had reasonably positive assessments of their family’s financial well-being in October 2010, very few (8.2 percent) were feeling more financially secure than they had before the recession (figure 6). In fact, more than half (53.6 percent) felt less secure.

Insufficient savings and burdensome debt may have contributed to the feelings of financial insecurity expressed by so many in the survey.



Q92. How would you rate your own (your family's) financial well-being today?
Base: Total (n = 5,027).



Q94. Thinking back to your situation before the recession began, which of the following best reflects your financial situation? Base: Total (n = 5,027).

They professed little comfort with either their savings or their debt levels—nearly 6 in 10 (58.1 percent) were somewhat or very uncomfortable with what they had saved, while debt levels left more than 4 in 10 (42.3 percent) somewhat or very uncomfortable (figure 7).

What about Retirement?

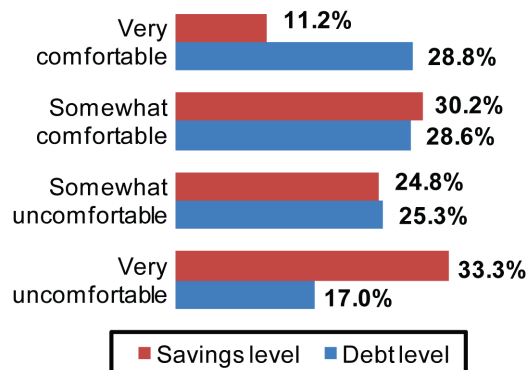
Recovery from the Great Recession had been underway for months at the time of the survey. Yet, the 50-plus population—at least those with recent labor market experience (i.e., who were in the labor force or had been during the previous three years)—remained worried about the future, and with good reason. Younger workers have considerably more time to recover from unemployment, exhaustion of savings, or high credit card debt.

Older workers lack the luxury of time. For them, working longer or settling for a reduction in living standards may be what it takes to acquire an “affordable” retirement. Retirement is not looking all that rosy, at least comparatively speaking, for many people in or near retirement. Over the short term (a year), only about a quarter (25.8 percent) expected improvement in their financial situation, although slightly less than half (46.2 percent) thought it would stay about the same. For those who feel financially secure and are comfortable with their savings and debt levels, the latter response would be positive. For others, it might mean no change in a bad situation (figure 8).

Retirement Confidence Drops

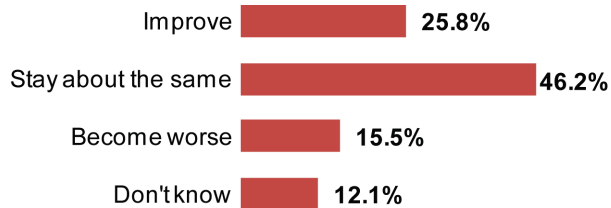
The recession seems to have eroded confidence about the retirement years. Overall, more than half (52.6 percent) of those surveyed were not too or not at all confident that they (along with their spouse or partner) will have enough money to live comfortably throughout their retirement years (figure 9).

Figure 7
Lack of Comfort with Savings and Debt



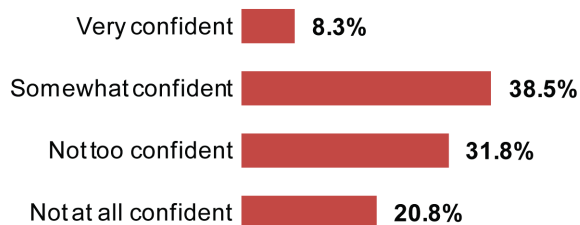
Q90. How comfortable are you with your current levels of debt (such as loans, mortgages, or credit card debt)? and Q91. How comfortable are you with your current level of savings? Base: Total (n = 5,027)

Figure 8
Anticipated Change in Financial Situation over the Next Year



Q95. Thinking ahead to a year from now, do you expect that your own personal financial situation will...? Base: Total (n = 5,027).

Figure 9
Confidence about the Retirement Years



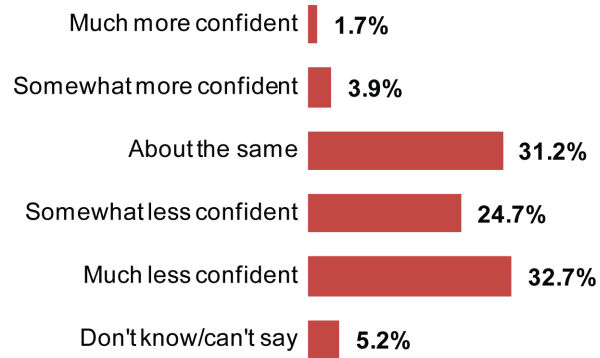
Q. 109. Overall, how confident are you that you [your spouse/partner] will have enough money to live comfortably throughout your retirement years? Base: Total (n = 5,027).

Nearly 6 in 10 respondents with recent labor market experience (57.4 percent) reported being less confident—one-third much less confident—than they had been before the recession that they will have enough money to live comfortably throughout retirement (figure 10).

Moreover, the 50-plus population—at least those surveyed in October 2010—were worried about managing in retirement, and a variety of money matters concerned them: retirement income that might not keep up with inflation (44.8 percent very concerned), not having enough money to pay for long-term care (44.3 percent very concerned), depleting their savings (39.3 percent very concerned), and not having enough money to pay for health care (39.2 percent very concerned) (figure 11).

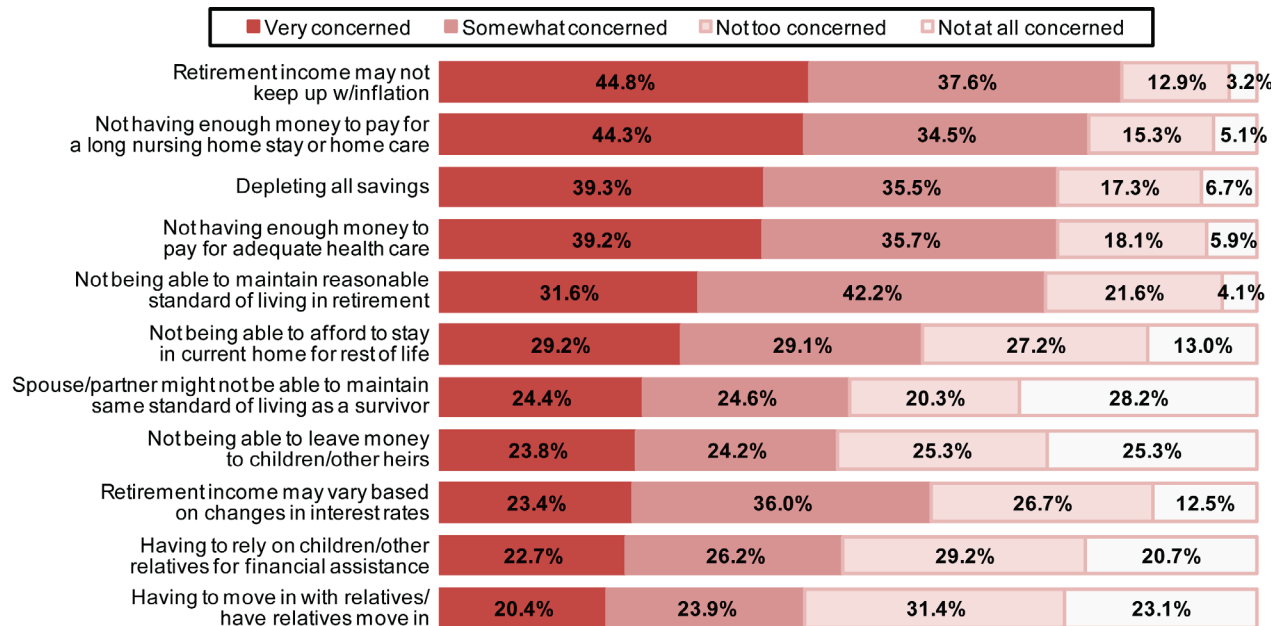
But not being able to maintain a reasonable standard of living in retirement was the one item they were *most* concerned about, with 26.5 percent of respondents citing this as their top concern. Not having enough money to pay for adequate health care was a distant second. Few placed leaving money to children or other heirs at the top of the list. Nor was a surviving spouse or partner’s ability to maintain the same standard of living of most concern to many (figure 12).

Figure 10
Falling Confidence about Income



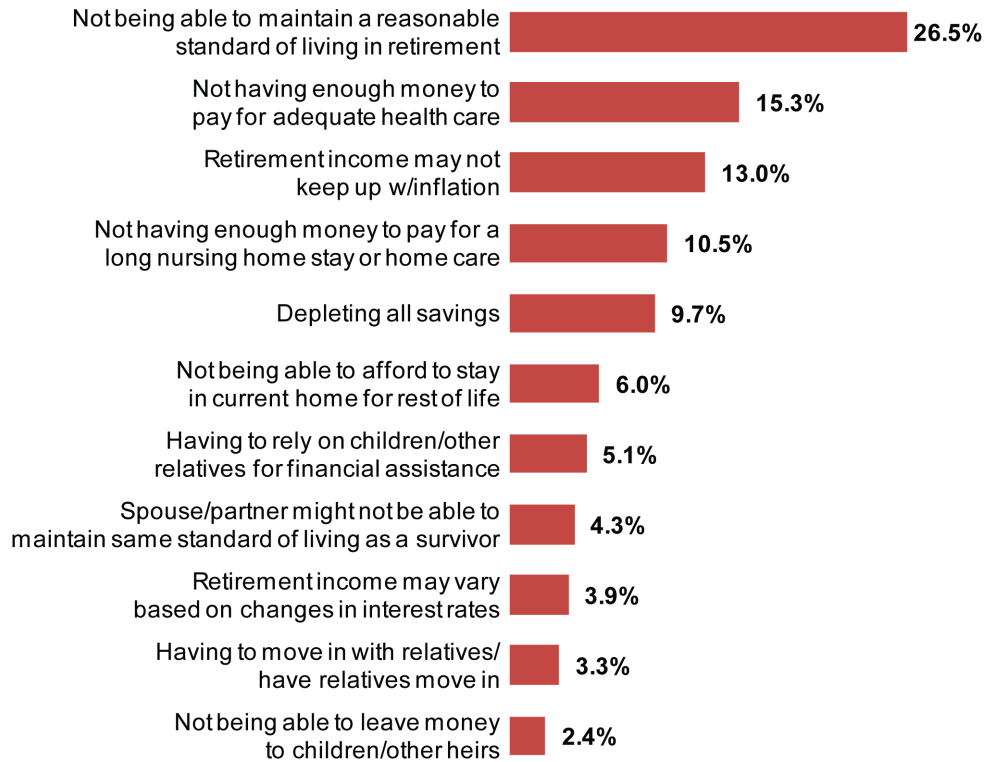
Q110. Compared to how you felt before the recession started (3 years ago), are you more or less confident that you have enough money to live comfortably throughout your retirement years? Base: Total (n = 5,027).

Figure 11
Financial Concerns about Retirement



Q111. Please indicate how concerned you are about each of the following [If out of the labor force: in retirement]: Are you very concerned, somewhat concerned, not too concerned, or not at all concerned? Base: Total (n = 5,027).

Figure 12
Highest Concern: Not Being Able to Afford a Reasonable Standard of Living

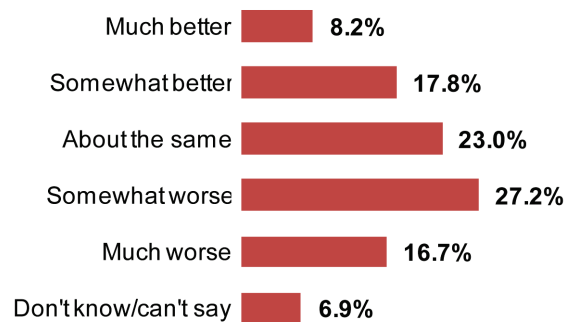


Q112. Which ONE of these [in Q111] would you say you are most concerned about? Base: Those expressing concern about more than one financial issue in Q111 (n = 4,939).

Not surprisingly, today’s 50+ population does not anticipate a retirement much improved from that of their parents’ generation—only one in four (26 percent) survey respondents expected it to be either somewhat or much better (figure 13). Relatively few (8.2 percent) felt that it would be much better. One in four (23 percent) expected their retirement standard of living to be about the same as that of their parents’ generation, while more than two in five (43.9 percent) were pessimistic: They expected their standard of living in retirement to be either somewhat or much worse than that of the previous generation. Some simply did not know or could not say.

Economic security in retirement is another unanswered question. Many facing or in retirement were not terribly sanguine about what it may be, at least when compared to the security of their parents’ generation. When compared to their parents, today’s aged 50-plus population with

Figure 13
Anticipated Standard of Living in Retirement Compared to Parents



Q117. Compared to your parents or people in your parents' generation, do you think your standard of living in retirement will be much better, somewhat better, about the same, somewhat worse, or much worse than theirs? Base: Total (n = 5,027).

recent labor market experience was about two-and-a-half times more likely to expect to be less economically secure in retirement than more secure (figure 14).

Saving More

One way to help ensure an adequate standard of living in retirement is to save more. Despite the recession, many older Americans did manage to continue saving for retirement during the downturn, and some *began* to save. More than two-fifths (44.1 percent) of the study population were currently saving for retirement, and more than three-fourths (77.8 percent) of those not currently saving had done so in the past.

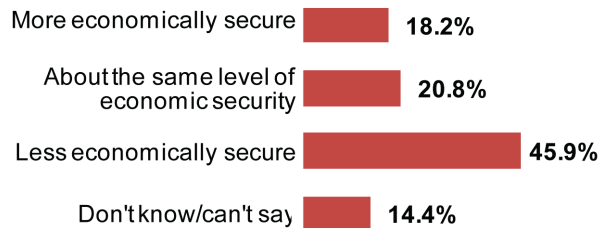
Among those who had started saving *more* for retirement (35 percent of the total), nearly three-fourths (73.8 percent) had increased contributions to 401(k)s, individual retirement accounts, or other savings; some resumed contributions that had been suspended (12.3 percent), and a few started contributing to retirement accounts for the first time (7.8 percent). Savers were able to start saving more primarily because they had changed their lifestyle.

Although the survey did not ask how much they might have lost in the way of retirement savings during the recent recession, two-thirds (66.6 percent) reported experiencing a reduction in their retirement savings account balances during the previous three years. As of October 2010, the large majority (90.7 percent) had not fully recovered from those losses (figure 15). For half of those who experienced reductions in their retirement accounts (49.3 percent), however, balances were moving in the right direction.

Working More

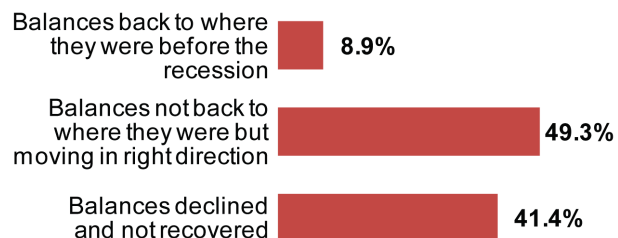
When asked if they or their spouses had taken any steps to prepare for a more secure retirement, more than half (54.8 percent) reported that they had, and employment featured prominently in their actions: 44.1 percent had decided that they would likely work part-time in retirement (figure 16). In addition, one-third (33.4 percent) said they expect to delay retirement. About 1 in 8 (12.8 percent) had returned to the labor force and were either working or looking for work. Paying down debt, saving more, shifting to less risky investments, and obtaining financial advice were other actions

Figure 14
Anticipated Economic Security in Retirement Compared to Parents



Q118. Older people with low incomes may be financially secure because they have stable incomes (Social Security and pensions) and guaranteed and affordable health insurance (Medicare and retiree health benefits through a former employer). Thinking about your own retirement and the retirement security of people in your parents' generation, do you expect to have a more or less economically secure retirement than your parents had (or have)?
Base: Total (n = 5,027).

Figure 15
Retirement Savings—the Road to Recovery



Q116. You said your balances declined at some point in the past 3 years, but today would you say... Base: Those who said they had experienced any reduction in their retirement savings account balances during the past three years (n = 3,608).

undertaken to enhance retirement security.

Work is likely to become even more important in the lives of aging workers. Since 1985, the labor force participation rate at upper ages has increased sharply—from 54.2 percent to 64.9 percent in 2010 for those aged 55–64 and from 18.4 percent to 31.5 percent for those aged 65–69.⁸ Pushing back the date of retirement is something over which older workers have some control; many in the survey were contemplating working longer.

In response to a specific question—has the age at which you expect to be fully retired changed in the past three years?—40 percent said that it had, a development most common among those who were or had been unemployed. For more than 8 in 10 (82.1 percent) of those who expected a change, retirement will be later than previously planned.

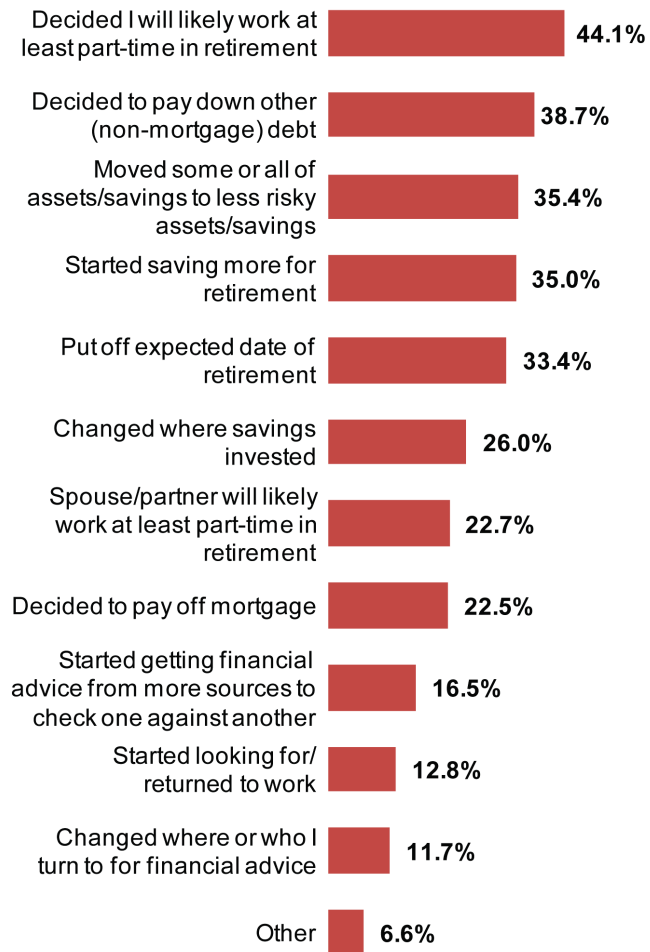
Many Unprepared for Rising Health Costs

Many older Americans worry about health costs in retirement: Their out-of-pocket expenditures for health care could very well soar, despite Medicare coverage. Yet when asked whether they had done any of a number of things to prepare for some of the health expenses they may face in retirement, the answer was “no,” at least not yet, more often than not (figure 17). An exception involves maintaining healthy lifestyle habits—more than 6 out of 10 (61.2 percent) contended that they were doing that already, and another one-fourth (24.4 percent) planned to do so in the future.

A Look at the Economy

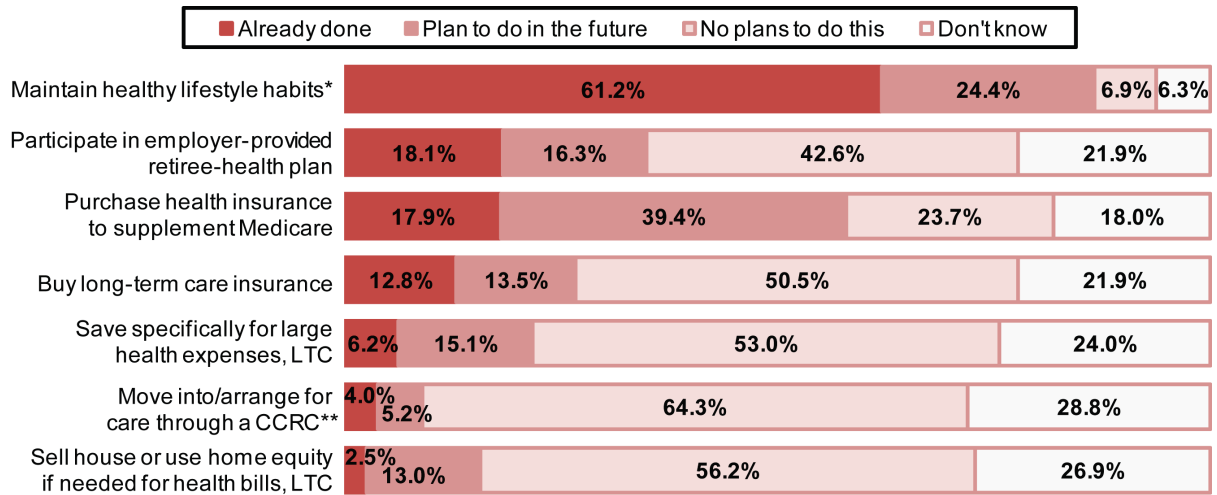
Although people can take steps to buffer the effects of or recover from a recession and to prepare for retirement—and although many middle-aged and older people have been taking them—some situations may be seen as beyond one’s control. One of these might be the economy, which few people are in a position to do much about. More than 8 in 10 (83.3 percent) survey respondents, for example, thought the nation’s economic problems would make it harder for them to take care of their financial needs in retirement.

Figure 16
Preparing for a More Secure Retirement



Q119a. What steps have you [and your spouse/partner] taken? Base: Those who said they or a spouse/partner had taken any steps to prepare for a more secure retirement/make sure they can retire when they want to/make sure their retirement resources will be adequate (n = 3,125).

Figure 17
Dealing with Health Expenditures



*Such as a proper diet, regular exercise, and preventive care.

**Continuing care retirement community.

Q113. Now we are going to ask specifically about things some people do to protect themselves financially when it comes to health expenses. To protect yourself financially, have you or do you plan to...? Base: Total (n = 5,027).

Looking Ahead

This *Insight on the Issues* has presented the top-line findings of a survey of the impact of the recent recession on people aged 50 and older who were or who had recently been in the labor force. Despite the fact that a majority of workers were employed at the time of the survey, and most of them had remained with the same employer throughout the recession, many reported being out of work and looking for a job or having been involuntarily unemployed in the previous three years, although they had succeeded in finding other work. Others left the labor force during or shortly after the recession.

Differences among the various categories of older workers have only been touched on in this paper but will be discussed in greater detail in *Beyond 50—2011*. That report, like some of the results in this *Insight on the Issues* and other research undertaken since December 2007, makes clear that the recent Great Recession did not spare the aged 50-plus population, even those who remained steadily employed throughout it. Their future looks more precarious as a result, and they seem to feel that it will be. Overall, sizable percentages of the 50-plus population reported feeling less financially secure than before the recession, uncomfortable with their current level of savings and debt, and less confident that they will have enough money to live comfortably throughout retirement. Relatively few expected to be better off in retirement than their parents or people in their parents' generation. Concerns about well-being in retirement were undoubtedly helping fuel plans to delay and/or work in retirement.

Appendix A. About the Respondents

**AARP Public Policy Institute Survey of Persons
Aged 50-plus with Recent Labor Market Experience**

	Weighted	Unweighted
Age		
50–54	32.6%	27.4%
55–64	46.8%	51.2%
65–74	15.4%	18.3%
75+	5.2%	3.2%
Sex		
Male	48.8%	47.4%
Female	51.2%	52.6%
Race/Ethnicity		
White/Non-Hispanic	77.0%	81.9%
Black, Non-Hispanic	9.2%	6.5%
Other, Non-Hispanic	5.6%	3.6%
Hispanic	7.4%	5.1%
2+ races, Non-Hispanic	0.9%	2.9%
Marital Status		
Married/living with partner	59.6%	64.5%
Widowed	6.8%	6.0%
Divorced/separated	21.8%	19.5%
Never married	11.9%	10.1%
Education		
Less than high school	7.0%	2.4%
High school graduate	29.5%	19.2%
Some college	27.8%	35.0%
Bachelor's degree or higher	35.7%	43.4%
Household Income		
Less than \$25,000	20.0%	13.0%
\$25,000–\$49,999	26.4%	24.4%
\$50,000–\$74,999	22.5%	23.9%
\$75,000–\$99,999	13.6%	16.8%
\$100,000 or more	17.5%	21.9%
Current Employment Status		
Currently working for pay	69.9%	71.6%
Not currently working but looking for work	16.7%	14.1%
Neither working nor looking for work	13.4%	14.4%
Total N	5,027	5,027

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¹ For example, the unemployment rate for persons aged 55 and over was 7 percent at the end of the recent recession in June 2009. The highest it reached in previous recessions was 5.5 percent at the end of the recession of 1981–1982 (U.S. Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, at <http://data.bls.gov/pdq/querytool.jsp?survey=ln>, accessed April 15, 2011).

² Average duration of unemployment for jobseekers aged 55 and over was 20.2 weeks at the beginning of the recent recession and 29.9 weeks at the end; 23 percent of older jobseekers were among the long-term unemployed (27 or more weeks out of work) at the beginning and 38 percent at the end (calculated from data in Table A-36, U.S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, January 2008 and July 2009 at, respectively, <http://www.bls.gov/opub/ee/empearn200801.pdf> and <http://www.bls.gov/opub/ee/empearn200907.pdf>). These figures have continued to rise.

³ See appendix A for the characteristics of the respondents.

⁴ Knowledge Networks, a probability-based online survey research firm, generated a random sample of noninstitutionalized U.S. residents aged 50 and over from a panel representative of the total U.S. population. The Internet survey was administered between October 23 and October 27, 2010. People aged 50 and older were eligible to participate in the survey if “at any time in the past 3 years, since the recession began,” they had (1) worked for pay in any job, including for themselves or in their own business

(even if only for a few weeks or a few months), (2) tried to find a job, or (3) both. The final sample consisted of 5,027 respondents categorized according to their employment status at the time of the survey: (1) currently employed with no recent involuntary unemployment; (2) currently employed with recent involuntary unemployment; (3) unemployed and (4) not currently in the labor force but employed or unemployed at some point in the previous three years. In addition, a subset of respondents were retired but had returned to the workforce and were either employed or looking for work at the time of the survey.

⁵ The 16.7 percent unemployed is not comparable to the official unemployment rate. It is simply the percentage of people in the survey who identified themselves as “not currently working but looking for work.” In contrast to the monthly Current Population Survey from which the official unemployment rate is derived, the AARP Public Policy Institute survey did not specifically ask if the respondent had “been doing anything to find work in the last four weeks.” Nor did it probe about job-seeking activities.

⁶ Just about as many said that they started to collect Social Security Disability Insurance (SSDI) as began collecting pension benefits (7.1 percent and 6.9 percent, respectively). But while receipt of SSDI no doubt helped beneficiaries pay their bills, and while the SSDI program may have seen more applicants than usual during the recession, the stringent criteria for SSDI eligibility mean that it is not a ready source of income for workers or jobseekers struggling to make ends meet.

⁷ Richard W. Johnson and Corina Mommaerts, *Social Security Retirement Benefit Awards Hit All-Time High in 2009*, Fact Sheet on Retirement Policy (Washington, DC: Urban Institute, January 2010), at http://www.urban.org/UploadedPDF/412010_retirement_benefit_awards.pdf.

⁸ U.S. Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, at <http://data.bls.gov/pdq/querytool.jsp?survey=ln>, accessed April 12, 2011.