

HOW LONG DO UNEMPLOYED OLDER WORKERS SEARCH FOR A JOB?

BY MATTHEW S. RUTLEDGE*

Introduction

The labor force participation of older workers has been rising since the mid-1990s, an encouraging development since working longer is the most effective way that older individuals can secure an adequate retirement income. Labor force participation, however, includes both workers with jobs and those out of work who are seeking employment. Since the onset of the Great Recession, many more older people are out of work and seeking employment. Whether they find a job, continue to look, or stop searching before finding work, has thus emerged as an important retirement policy concern.

This *brief*, based on a recent study,¹ examines how long unemployed older workers search for a job and identifies the factors – health and demographics, financial resources, and labor market conditions – that could extend or cut short their job search.

The discussion proceeds as follows. The first section introduces the issue of older workers and job search. The second section presents the study's data and methodology. The third section reports general patterns of job search. The fourth section summarizes regression results that relate the probability of ceasing job search to health and demographics, financial resources, and labor market conditions. The final section concludes that job seeking by unemployed older workers declines fairly quickly, with few

actively searching for work after a year of unemployment. The availability of financial resources shortens the search period, while, surprisingly, labor market conditions have little effect.

Unemployed Older Workers and Job Search

Job search has become an increasingly important topic as the number of workers losing their jobs increased sharply with the onset of the Great Recession. As usual, younger workers bore the brunt of job losses in the Great Recession. But for the first time since 1950, the unemployment rate among those age 55 and over topped 6 percent, peaking at 7.3 percent in August 2010.

Previous research sheds some light on what factors might encourage or discourage unemployed older workers in their job search. In terms of health and demographic factors, previous research has shown that women are more likely than men to exit the labor force to care for an ailing spouse, elderly parent, or grandchild and that people married to a non-working spouse are more likely to exit than those married to a working spouse since married couples tend to retire together.²

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A couple of studies offer conflicting evidence on the impact of financial resources on job search. For example, over half of all workers age 62 and over – that is, eligible for Social Security – who lost jobs in the Great Recession left the labor force within nine months, as opposed to less than 30 percent of those age 50-61.³ On the other hand, the availability of extended unemployment insurance (UI) benefits in periods of high employment delays labor force exits. That study, however, focused on the behavior of all workers, not just older workers.⁴ In terms of labor market conditions, previous research has shown that high unemployment is associated with more labor force exits by older workers.⁵ Less is known, however, about the effect of high unemployment on the *duration* of an unemployed older worker's job search.

Data and Methodology

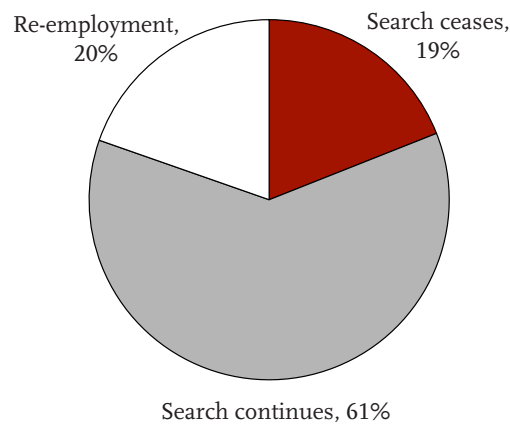
The following analysis explores the association between job search duration and three types of factors – health and demographics, financial resources, and labor market conditions.

The analysis is based on a sample from the 1996-2008 panels of the *Survey of Income and Program Participation (SIPP)*. The sample includes individuals observed leaving a job between the ages of 55 and 70 and who do not retire before the next interview. The study then notes in each subsequent month whether the worker finds a job, continues to search, or stops searching for work.⁶ The final sample includes 4,702 individuals, among whom 2,126 (or 45 percent) stopped searching at some point during their time in the SIPP sample.

Job Search Patterns

Following the individuals in the SIPP over the course of their panel provides information on their job search patterns. Figure 1 presents the average job-search outcomes in any given four-month period. Over that time frame, 20 percent of older job seekers find employment; nearly as many – 19 percent – stop looking; and 61 percent keep searching.

FIGURE 1. AVERAGE JOB SEARCH OUTCOMES FOR OLDER WORKERS IN ANY FOUR-MONTH PERIOD



Source: Rutledge (2013).

Figure 2 presents the typical job search pattern over the full four-year time span that individuals spend in the SIPP. At the end of each four-month period, the figure shows how many are still looking for work, as well as the proportions that have moved into re-employment and stopped searching. The key message is that older workers drop out of the job search process very quickly, as evidenced by the rapid decline in the size of the gray bar in the figure.

FIGURE 2. DISTRIBUTION OF UNEMPLOYED OLDER WORKERS BY JOB SEARCH STATUS



Source: Author's estimates from the U.S. Census Bureau, *Survey of Income and Program Participation (1996-2008)*.

Factors that Affect Job Search

The study then estimates a multinomial regression to examine three types of factors that could affect job search behavior: health and demographics, financial resources, and labor market conditions. The possible outcomes in any given month are re-employment, cessation of job search, or continuation of job search.⁷

Figure 3 presents various factors associated with the cessation of job searches. In terms of the health and demographic factors, older workers are more likely to stop searching if they are:

- in fair or poor health or if they have a work-limiting health condition;
- female; or
- married with a non-working spouse.⁸

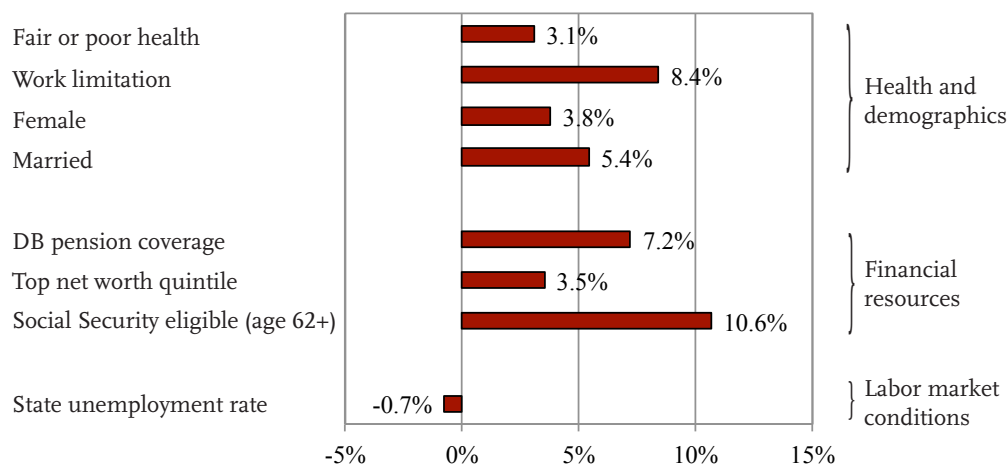
In terms of financial resources, the results clearly indicate that the availability of resources shortens, rather than extends, job searches. In a given four-month period, workers are more likely to stop searching if they are:

- covered by a defined benefit pension;
- wealthy; and
- eligible for Social Security retirement benefits.⁹

Labor market conditions, as measured by the state unemployment rate, have a surprisingly small effect. A 1-percentage-point increase in the state unemployment rate is associated with a 0.7-percentage-point decrease (rather than the expected increase) in the likelihood that workers stop looking for work. Figure 4 on the next page gives the predicted likelihood that workers age 62 stop looking, by the number of months since beginning their search, with state unemployment rates of 5 percent and 8.3 percent, the average rate experienced during the Great Recession. When unemployment is at the higher level, workers are somewhat less likely to stop looking in the early months of their job search, and somewhat more likely to stop looking after a year of unemployment, but the differences are not substantial.

To look more closely for potential effects of labor market conditions on job search activity, the analysis ran separate regression equations for the four sub-periods covering the 1996-2012 period, which included two economic expansions and two recessions. The overall results were broadly similar to the regression for the full period, further suggesting that labor market conditions have only a modest effect on job search activity.

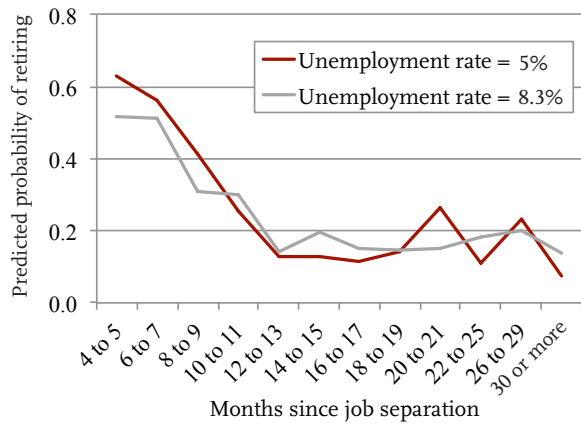
FIGURE 3. FACTORS AFFECTING CESSATION OF JOB SEARCH IN FOUR-MONTH PERIOD, PERCENTAGE POINTS, 1996-2012



Note: All results are statistically significant.

Source: Rutledge (2013).

FIGURE 4. PREDICTED PROBABILITY THAT JOB SEARCHING CEASES, WORKERS AGE 62, BY TIME SINCE JOB SEPARATION AND STATE UNEMPLOYMENT RATE



Source: Rutledge (2013).

Conclusion

The study suggests that older workers have little tolerance for the stressful task of looking for work. The great majority either find a job or stop searching within a year or less. Those who can afford a quicker exit – those who can fall back on Social Security benefits, financial assets, or employer pensions – stop searching even sooner. That local labor market conditions are not substantially associated with job search duration suggests that this impatience has little to do with the difficulty of finding work.

Going forward, unemployed older workers will have less “to fall back on,” which should induce somewhat longer job searches. Social Security benefits will replace a smaller share of pre-retirement earnings. Defined benefit pensions are all but extinct in the private sector, and 401(k)s – which typically have only modest balances – are less likely to support a quick labor force exit. Older workers could also be healthier and less likely to have work-limiting conditions. Whether these changes result in a significant increase in job searches remains to be seen.

Endnotes

1 Rutledge (2013).

2 Metropolitan Life Insurance Company (1999).

3 Johnson and Butrica (2012).

4 Rothstein (2011). To receive UI benefits and be classified as unemployed, a jobless worker must be searching for work. The intensity of the job search required to maintain UI benefits, however, need not be high.

5 See Coile and Levine (2007, 2011a, 2011b); von Wachter (2007); Munnell et al. (2008); Friedberg, Owyang, and Webb (2008).

6 For an older worker to be classified as ceasing to search – for all intents and purposes, “retired” – he must meet three conditions:

- When asked “What is the main reason [you] did not work at a job or business” in that month, the respondent must answer “retired,” “unable to work because of chronic health condition or disability,” “taking care of children/other persons,” or “not interested in working at a job.”
- When asked the number of weeks spent searching for a job that month, the number must be zero.
- The respondent must be observed neither working nor searching for work for at least four months.

This classification is referred to as “loose retirement” in Rutledge (2013).

7 For more on the methodology, see Rutledge (2013).

8 The study found other demographic variables – such as education, income, race, or Hispanic origin – to not be significantly associated with job search behavior.

9 Wealth and Social Security benefits, in addition to increasing the likelihood that an unemployed worker stops searching, also reduce the likelihood that they are re-employed. Rather than allowing such workers to continue to search, the income these resources provide allows them to stop working. Not surprisingly, the likelihood of re-employment is 7 percentage points higher after workers exhaust their UI benefits. UI exhaustion, however, has no significant effect on whether a worker continues or stops looking for work.

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