



Older Unemployed Workers Following the Recent Economic Recession

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Summary

Although the economic recession that began in December of 2007 has officially ended, unemployment rates still remain close to 10%. Especially hard hit have been older workers, aged 55 and older, for whom unemployment rates have reached historical highs. A combination of an increase in the number of older individuals re-entering the workforce and a limited number of job openings (i.e., weak demand for labor) is responsible for their historically high unemployment rate.

Older unemployed workers face a unique set of challenges, distinct from those of their younger counterparts. The magnitude of these challenges will vary depending on individual circumstances. For example, although age discrimination laws may help older workers retain a job, these laws are less effective for older workers who have become unemployed and are searching for a new job as hiring discrimination cases may be harder to prove than termination cases. Following the recent economic recession, there is a significant number of job applicants for many positions, providing potential employers with a much broader pool of applicants from which to choose. In deciding whom to choose, many employers may view older workers as more costly in terms of both compensation and health care costs relative to younger workers.

Furthermore, most public programs providing income support and health insurance for the unemployed are targeted toward those who have recently lost their jobs (regardless of age). For example, unemployment insurance generally does not provide assistance to the older unemployed who may be returning to the workforce after an extended absence (e.g., retirement). In many cases, their ability to access other resources will depend on their age. For example, some older workers may not be eligible for public programs such as Social Security and Medicare until they reach a certain age. In addition, restrictions on access to retirement savings and home equity under a reverse mortgage are also tied to age. Finally, although the enactment of health care reform will eventually improve access to health insurance coverage for the older unemployed under the age of 65, most of these provisions will not be effective until 2014.

Unemployed older workers also experience longer durations of unemployment compared to younger cohorts. Older workers are unemployed, on average, over five weeks longer than their younger counterparts. About 41% of those aged 55 and older are unemployed for more than one year, compared with 34% of younger workers. Longer durations and less time to replenish lost income before retiring may lead to a less secure future retirement.

This report first looks at historical trends in unemployment and labor force participation among older workers, the reasons for becoming unemployed, and the duration of their unemployment. It then identifies the challenges that certain subgroups of older workers may face and the availability of financial resources and health insurance coverage during their spell of unemployment.

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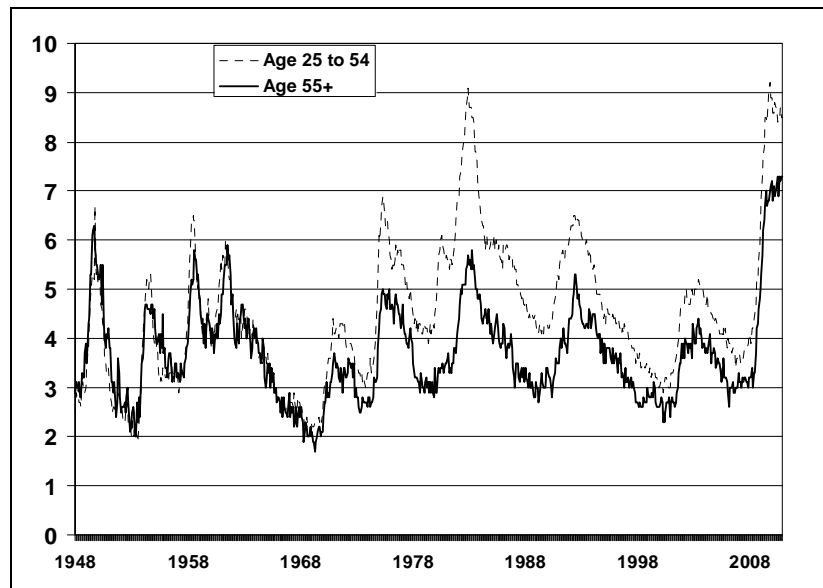
Introduction

Although the economic recession that began in December of 2007 officially ended in June 2009, it has been a “jobless recovery” with unemployment rates near historical highs. Especially hard hit have been older workers, aged 55 and older. This report first looks at historical trends in unemployment and labor force participation among older workers, the reasons for their unemployment, and the duration of unemployment. It then identifies the challenges that certain subgroups of older workers may face and the availability of financial resources and health insurance coverage during their spell of unemployment.

Trends in Unemployment

Unemployment is defined as not having a job but actively looking for work.¹ The share of those aged 16 and older in the labor force, without a job and actively looking for work equaled the reported unemployment rate of 9.8% in November 2010, a nearly doubling of the 5.0% rate experienced when the recession began in December 2007. Compared with previous years, the unemployment rate for older workers has reached historical highs (see **Figure 1**). At the same time, unemployment rates for younger workers aged 25 to 54 are similar to levels experienced in 1982 and have not yet reached historical highs.

Figure 1. Historical Trends in Unemployment Rates
January 1948 through November 2010

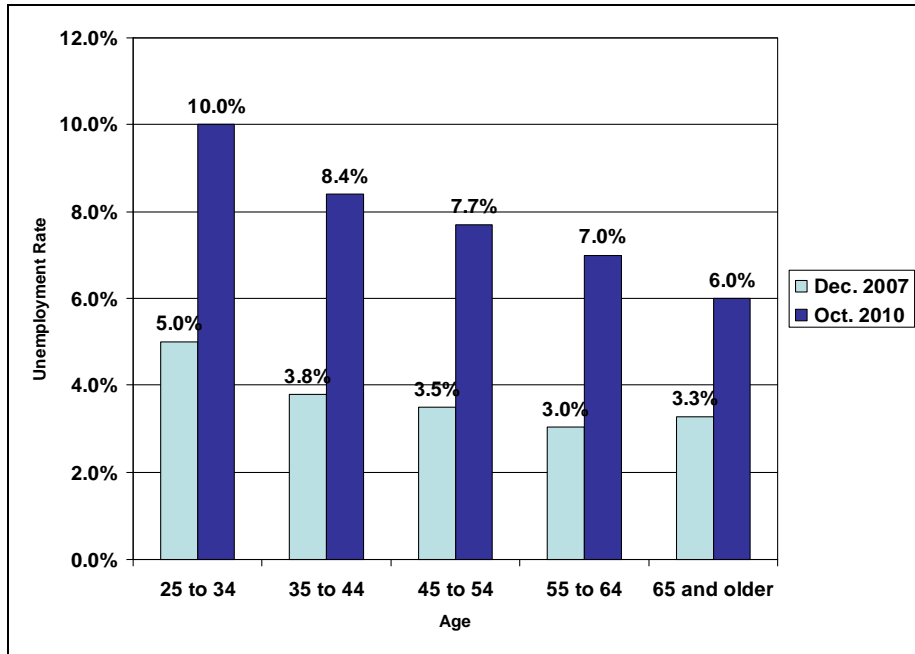


Source: Bureau of Labor Statistics

¹ The official Bureau of Labor Statistics unemployment definition is “not having a job, actively looking for work the prior 4 weeks and available to work.”

Younger workers, those aged 25 to 34 years old, generally experience the highest unemployment rates (in absolute terms) during both good and bad economic times. For all age groups under age 65, unemployment rates have more than doubled since the recession began in December of 2007 (see **Figure 2**).²

Figure 2. Unemployment Rates by Age
December 2007 and October 2010



Source: Bureau of Labor Statistics, *Employment Situation Reports* for December 2007 and October 2010.

When looking at the unemployment rate, two key numbers are used. The numerator is the number of workers unemployed and actively looking for work and the denominator is the population considered part of the workforce (i.e., the labor force).³ Since as they age, many older workers retire and exit the labor force, the labor force participation rate (which determines the size of the labor force) becomes an important indicator of unemployment among older workers. As shown below, during the recent economic recession, the reason unemployment rates have reached historical highs for older workers is not only a weak demand for labor but also increased labor force participation among older workers.

Historical Trends in Labor Force Participation Rates

Labor force participation rates for individuals aged 65 and older have varied over time. Over the past few decades, by age 65, the majority of men and women are retired and are no longer

² The Bureau of Labor Statistics (BLS) publishes summary tables of the most recent unemployment data each month based on the CPS Monthly Supplement. However, in order to provide greater detail on characteristics of unemployed older workers, the remainder of this report relies on CRS analysis of BLS’s monthly data file which lags the published data by one month.

³ The labor force participation rate is the ratio of employed and unemployed to the total population within a group.

considered part of the workforce. In the past, lower labor force participation rates at age 65 among older men most likely reflected the availability of Social Security and Medicare.⁴ More recently, however, labor force participation rates for men age 65 and older have begun to slowly reverse their downward trend reflecting: improved health at older ages; jobs that have become less physically demanding; and the elimination of the earnings test for Social Security.⁵ In addition, the transition from traditional defined benefit pensions to defined contribution (i.e., 401(k)) plans has left some retirees with lower guaranteed income in retirement, prompting some to delay retirement. Recent survey data support this trend reporting an increasing number of individuals aged 65 and older who still want to work either for financial or non-financial reasons.⁶

Labor force participation rates for older workers aged 55 to 64 have also varied over time. In the 1970s and 1980s, there was an increased trend toward retirement at earlier ages for men in this age group. This most likely was in response to a combination of early retirement incentives in private pensions, and broad access to employer-sponsored retiree health insurance which provided a bridge to Medicare coverage.⁷ Unlike men, labor force participation rates of women, actually began to increase during this time period. By the 1990s, labor force participation rates for men aged 55 to 64 began to reverse their downward trend. The reduction in early retirement incentives in traditional defined benefit pensions along with declines in the availability of employer-sponsored retiree health insurance, reduced the financial incentive to retire prior to the age of 65.

Labor Force Participation Rates During the Recent Economic Recession

During the recent economic recession, there were two countervailing forces affecting labor force participation rates among older workers. On the one hand, increased uncertainty in the economy encouraged older workers to delay retirement and remain in the workforce longer. According to the 2010 EBRI Retirement Confidence Survey, nearly one-quarter (24%) of respondents have postponed their planned retirement in the past year. Among the reasons cited for delaying retirement are the poor economy (29%), changes in their employment situation (22%), inadequate finances (16%), and a need to make-up for losses in the stock market (12%).⁸

On the other hand, rising unemployment rates led some workers to become discouraged and stop looking for a job altogether. In the case of older workers, those who became discouraged may have decided to retire earlier than planned and drop out of the workforce altogether and, thus, are

⁴ Gary Burtless and Robert A. Moffitt, "The Effect of Social Security Benefits on the Labor Supply of the Aged," in *Retirement and Economic Behavior*, Henry J. Aaron and Gary Burtless, eds., (Brookings Institute, 1984).

⁵ R. Johnson, B. Burtrica, and Corina Mommaerts, "Work and Retirement Patterns for the GI Generation, Silent Generation, and Early Boomers: Thirty Years of Change," Retirement Policy Discussion Paper Series, July 2010.

⁶ EBRI 2010 Retirement Confidence Survey, March 2010.

⁷ See the following: Lynn Karoly and Jeannette Rogowski, "Effects of Access to Post-Retirement Health Insurance on The Decision to Retire Early," *Industrial and Labor Relations Review*, vol. 48, no. 1, October 1994; and James H Stock and David A. Wise, *Pensions and the Option Value of Work, and Retirement*, *Econometrica*, vol. 588, 1990.

⁸ Employee Benefit Research Institute, *The 2010 Retirement Confidence Survey: Confidence Stabilizing, but Preparations Continue to Erode*, Issue Brief, March 2010.

no longer counted in the official estimates of the unemployed as evidenced by research on previous recessions.⁹

The net effect of these countervailing forces has been an increase in the labor force participation of older workers since the recession began in December 2007. Among workers aged 55 to 64, labor force participation rates increased 1.5 percentage points between December 2007 and May 2010. For those age 65 and older, they increased 1.0 percentage point. In percentage terms, these represent a 2.3% increase in labor force participation rates for those aged 55 to 64 and a 6.0% increase for those aged 65 and older, over the same time period.¹⁰

Reasons For Unemployment

The circumstances leading to unemployment vary among individuals. As noted earlier, unemployment is defined as not having a job and *actively* looking for work. Some may be unemployed because they lost their job through permanent or temporary layoffs. Others are considered unemployed and looking for work because they are entering or re-entering the workforce after taking time off to take care of family or to test the waters of retirement. The majority of the unemployed fall in the first category of a job loss. The unemployed aged 55 to 64 experience similar percentages of layoffs as compared with those aged 45 to 54, with about 68% reporting the recent loss of a job as a reason for being unemployed (see **Table 1**).

The second largest category of unemployed are those individuals entering or re-entering the workforce after an extended absence but are unable to find work (see **Table 1**). The share of the unemployed falling in this second category is highest among the youngest and oldest cohorts. Within the youngest cohort, there are significant differences by gender. This is not surprising that a higher share of unemployed younger women (42%) are entering or re-entering the labor force as compared to younger men (21%). Census data show that the majority of younger women, aged 25 to 34, exited the workforce initially to care for family, while the majority of men in this same age group had left the workforce after becoming discouraged because they could not find a job. For those aged 65 and older, however, there are no gender differences for those entering or re-entering the workforce as the majority in this age group cite retirement as the main reason why they were not in the workforce initially.¹¹

Finally, and not surprisingly, since jobs still are scarce, the smallest category are persons who become unemployed by voluntarily leaving their employers. Among older workers, this represents those voluntarily retiring. In October of 2010, 7% of men aged 65 and older voluntarily left, compared to 5% of women in the same age group.

⁹ Till M. Von Wachter, Jae Song, and Joyce Manchester, *Long-Term Earnings Losses Due to Mass Layoffs During the 1982 Recession: An Analysis Using U.S. Administrative Data from 1974 to 2004*, Unpublished Manuscript, Columbia University.

¹⁰ CRS estimate based on analysis the data files from the Monthly Supplement to the Current Population Survey, Bureau of Labor Statistics, December 2007 and May 2010.

¹¹ CRS analysis of data from the Annual Supplement to the Current Population Survey from Bureau of Labor Statistics, March 2010.

Table 1. Percentage of Unemployed by Reasons for Unemployment, by Age
as of October 2010

| | Age 25 to 34 | Age 35 to 44 | Age 45 to 54 | Age 55 to 64 | Age 65 and Older |
|------------------------|-----------------|-----------------|-----------------|-----------------|------------------------|
| All Unemployed | | | | | |
| Lost Job | 50% | 60% | 67% | 68% | 54% |
| Temporary Lay-off | 12 | 12 | 12 | 9 | 12 |
| Voluntarily Left | 8 | 7 | 6 | 5 | 6 |
| Re-Entrant/New Entrant | 30 | 21 | 16 | 18 | 27 |
| Men | | | | | |
| Lost Job | 59% | 68% | 73% | 70% | 55% |
| Temporary Lay-off | 15 | 14 | 13 | 10 | 11 |
| Voluntarily Left | 6 | 5 | 4 | 4 | 7 |
| Re-Entrant/New Entrant | 21 | 13 | 10 | 16 | 28 |
| Women | | | | | |
| Lost Job | 40% | 50% | 58% | 65% | 53% |
| Temporary Lay-off | 8 | 9 | 9 | 7 | 15 |
| Voluntarily Left | 11 | 9 | 7 | 6 | 5 |
| Re-Entrant/New Entrant | 42 | 31 | 25 | 22 | 27 |

Source: CRS Analysis of Current Population Survey Monthly Employment Data, October 2010.

Note: Totals may not add to 100% due to rounding.

Duration of Unemployment

The older unemployed tend to have longer durations of unemployment, on average, than younger workers. As shown in **Table 2**, older workers are unemployed, on average, over five weeks longer than their younger counterparts. About 41% of those aged 55 and older are unemployed for more than one year, compared with 34% of younger workers. Both older men and women experience similar durations of unemployment. Among older men, their average duration of unemployment is 45 weeks, compared to 44 weeks on average for older women.

Table 2. Duration of Unemployment

As of October 2010

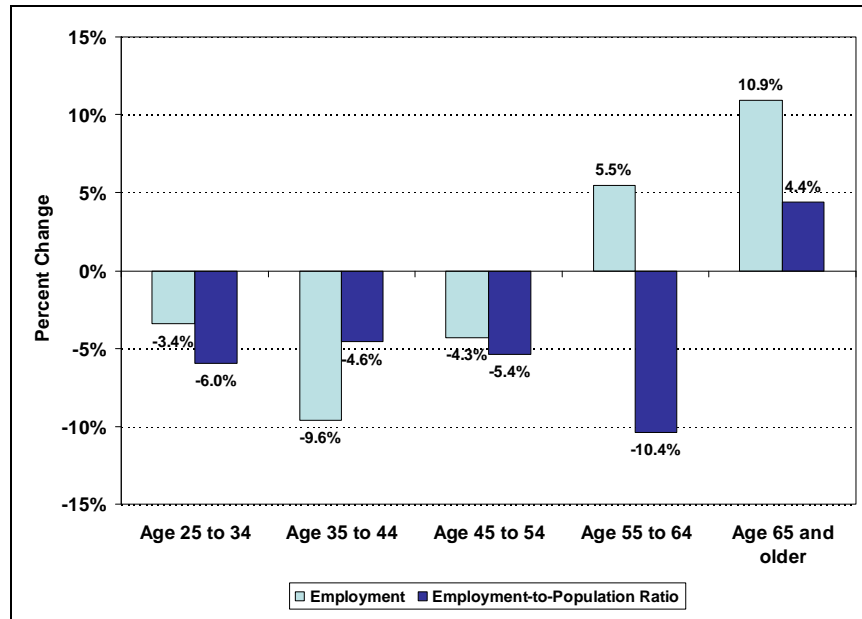
| Percent Distribution of Duration | | | | | | | |
|----------------------------------|--------------------|---------------|----------------|----------------|-----------|------------------|-----------------|
| | Fewer than 5 Weeks | 5 to 14 Weeks | 15 to 26 Weeks | 27 to 51 Weeks | 52+ Weeks | Average in Weeks | Median in Weeks |
| All Unemployed | | | | | | | |
| Age 25 to 54 | 17% | 20% | 16% | 14% | 34% | 37 | 25 |
| Age 55 and older | 12% | 16% | 16% | 15% | 41% | 44 | 35 |
| Men | | | | | | | |
| Age 25 to 54 | 17% | 19% | 15% | 14% | 36% | 39 | 28 |
| Age 55 and older | 13% | 15% | 16% | 14% | 42% | 45 | 37 |
| Women | | | | | | | |
| Age 25 to 54 | 16% | 21% | 17% | 13% | 32% | 36 | 23 |
| Age 55 and older | 11% | 17% | 17% | 16% | 40% | 44 | 33 |

Source: CRS Analysis of Current Population Survey Monthly Employment Data, October 2010.

Employment Growth

In **Figure 3**, employment growth between December 2007 and October 2010 among older cohorts was positive, while for younger cohorts employment growth was negative over the same time period. Looking only at employment growth suggests that older workers are being hired at a faster rate than younger workers. For example, while overall employment growth for those aged 65 and older was 10.9% between December 2007 and October 2010, employment growth for those aged 35 to 44 was a -9.6% during that same time period. However, this statistic does not take into account the aging of the population which means that older workers comprise a growing share of the workforce. One way to disaggregate the effects of an aging population and increased demand for older workers is to look at the growth rates in the *employment-to-population ratio*. As shown in **Figure 3**, the growth in the employment-to-population ratio since the recession began still shows positive growth among older workers aged 65 and older, at 4.4%, but growth rates become negative for those aged 55 to 64 at -10.4%. Younger cohorts across all ages experience negative growth rates under both measures. Despite positive growth in employment for older workers, the number looking for a job far exceeds overall growth in employment leading to the higher unemployment rates discussed earlier.

Figure 3. Alternative Measures of Employment Growth, by Age
December 2007 to October 2010



Source: Bureau of Labor Statistics, *Employment Situation*, December 2007 and October 2010.

Challenges Facing Older Unemployed Workers

Workers who become unemployed at older ages may experience a less secure retirement. First, job loss at older ages results in less time to replenish lost income before retirement. Second, those older workers looking for employment are experiencing longer durations as compared with their younger counterparts. Both of these reasons can adversely affect long-run retirement security.

Older unemployed workers face a unique set of challenges, distinct from their younger counterparts. These include age discrimination and difficulty accessing affordable health insurance coverage outside of the employer market. The magnitude of these challenges will vary depending on their individual circumstances. For example, although age discrimination laws may benefit those older workers in retaining a job, these laws are less effective for those older workers who have become unemployed and are searching for a new job. Furthermore, most public programs providing income support and health insurance for the unemployed are targeted toward those who have recently lost their jobs (regardless of age). These programs generally do not provide assistance to the older unemployed who may be returning to the workforce after an extended absence (e.g., retirement). The following discusses these challenges in greater detail.

Older Workers and Job Retention

Studies have found older workers may have an advantage in retaining their jobs as compared to their younger counterparts.¹² This advantage may be due to a combination of longer tenures, age

¹² Richard Johnson and Corina Mommaerts, *Age Differences in Job Loss, Job Search, and Reemployment*, Presentation at the 12th Annual Joint Conference of the Retirement Research Consortium, August 5-6, 2010, Washington, D.C.

discrimination laws, and perceived positive attributes by employers. For example, longer tenure provides the advantage of seniority when decisions about who to layoff occurs. In addition, workers over the age of 40 are protected against age discrimination practices through the Age Discrimination and Employment Act (ADEA).¹³ The ADEA makes it unlawful “to fail or refuse to hire or to discharge any individual or otherwise discriminate against any individual with respect to his compensation, terms, conditions, or privileges of employment, because of such individual’s age.” Recent data from the Equal Employment Opportunity Commission show that age discrimination claims have risen over the past few years. Merit resolutions, which represent charges with outcomes favorable to the charging party, increased 15.6% between 2007 and 2008.¹⁴ During the same time period, monetary benefits related to age discrimination claims (and excluding those obtained through litigation) increased 26%. Although data recently released for 2009 show some subsiding of these claims, merit resolutions were still 10% above the levels experienced prior to the recession in 2007.¹⁵

In addition to age discrimination protections, survey data suggest that employers have more favorable attitudes toward older workers in some areas, relative to younger workers, but less so in others. On the one hand, older workers are viewed as more experienced, to have a stronger work ethic, and are more reliable (see **Figure 4**). Another more recent survey found other positive attributes of older workers, including the need to preserve the firm’s intellectual capital and ability to train and mentor others.¹⁶ On the other hand, the employers surveyed did not consider older workers to be as creative or to have as much initiative as younger workers (see **Figure 4**).

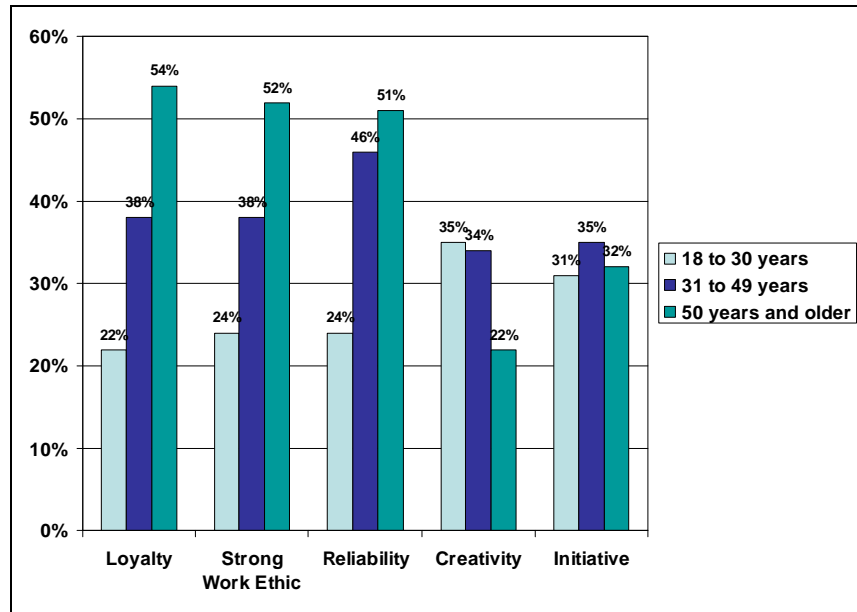
¹³ CRS Report RL34652, *The Age Discrimination in Employment Act (ADEA): A Legal Overview*, by Jody Feder.

¹⁴ Merit resolutions include negotiated settlements, withdrawals with benefits, successful conciliations, and unsuccessful conciliations.

¹⁵ Equal Employment Opportunity Commission, *Age Discrimination in Employment Act, FY1997-FY2009*, <http://www.eeoc.gov/stats/adea.html>.

¹⁶ Careerbuilders.com Survey as reported in Plan Sponsor Press Release, *Pre-Retirees Are Asking to Stay On*, July 22, 2009.

Figure 4. Percentage of Employers Attributing Certain Traits to Workers by age



Source: Pitt-Catsoupes, M. Smyer, M. Matz-Costa, C. and Kane, K. *The National Study Report*, (Research Highlight No. 4). Boston College, Center on Aging and Work/Workplace Flexibility, 2007.

Older Workers Looking For A Job

Older workers looking for a job may face a disadvantage as many employers view older workers more costly in terms of both compensation and health care costs. In terms of compensation, older workers may expect to be paid what they earned at their prior job, which may be a higher wage than younger workers would be willing to accept. Health care costs also increase with age which raises the perceived cost of older workers to potential employers.¹⁷ This differential is even greater for Medicare eligible workers (those over age 65). For these workers, employers are primary payers over Medicare.

There are also non-monetary aspects that may discourage employers from hiring older workers, such as the perception noted above that older workers are less creative and have less initiative as compared to their younger counterparts. Also, age discrimination laws may be less effective when it comes to hiring practices of employers. Enforcement data show that ADEA claims tend to focus more on terminations than on hiring practices. Among ADEA-related charges received by the EEOC in 2006, 40% dealt with discrimination in discharge or layoff decisions, whereas only 8% pertained to hiring.¹⁸ Hiring discrimination cases may be harder to prove than termination cases. Thus, these laws may not help those older unemployed re-entering the workforce or those career workers changing occupations.

¹⁷ Alicia Munnell, Steven Sass, and Mauricio Soto, *Employer Attitudes Toward Older Workers*, Issue Brief: Center for Retirement Research, July 2006.

¹⁸ David Neumark, *The Age Discrimination in Employment Act and the Challenge of Population Aging*, National Bureau of Economic Research, Working Paper 14317, September 2008.

The empirical research measuring the extent of age discrimination in hiring is mixed. One study found that workers under the age of 50 were 42% more likely to get an interview than those aged 50 and older.¹⁹ Yet, another study found less significant results on the effect of age discrimination laws on hiring.²⁰ Both of these studies were during a time period when economic activity was stronger and there was strong demand for workers of all ages. As economic activity has slowed, there are numerous job applicants for many positions, providing potential employers with a much broader pool of applicants from which to choose.

Resources Available to Older Workers

Unemployed older workers have some options to supplement their income and to access affordable health insurance coverage during their spell of unemployment. In many cases, their ability to access these resources will depend on their age. For example, some older workers may be eligible for public programs such as Social Security and Medicare when they reach a certain age. In addition, restrictions on access to retirement savings and home equity under a reverse mortgage are also tied to a certain age. The following section briefly summarizes the various resources available to older unemployed workers given their age and other factors. More detailed information about each of these options can be found in the CRS reports cited under each option.

Financial Resources

Older unemployed workers will have a shorter time period to replenish their lost wage income as compared with their younger counterparts. Available options to supplement their income during a spell of unemployment will depend on their individual circumstances. Those who are involuntarily terminated will face similar options as their younger counterparts, that is, they may be eligible for unemployment compensation.²¹ In addition, older workers who have lost their jobs due to adverse trade conditions may be eligible for Re-employment Trade Adjustment Assistance (RTAA). These types of programs, though, only assist workers who recently lost their job and do not apply to those workers re-entering the workforce after an extended period of time. Older workers between the ages of 55 and 62 who have not worked recently will not have access to unemployment compensation or Social Security benefits and must rely on retirement savings (if they exist), or tap into their home equity. Those older workers who have reached the age of 62 may be eligible for public programs like Social Security, but there are disadvantages to taking Social Security at younger ages. **Table 3** summarizes eligibility and the select features of each of these resources.

¹⁹ J. Lahey, *Do Older Workers Face Discrimination?*, Center for Retirement Research at Boston College, Issue Brief No. 33, 2005.

²⁰ S. Adams, *Age Discrimination Legislation and the Employment of Older Workers*, Labor Economics Vol. 11, pp. 219-41, 2004.

²¹ CRS Report RS22538, *Unemployment Compensation: The Cornerstone of Income Support for Unemployed Workers*, by Julie M. Whittaker and CRS Report RL33362, *Unemployment Insurance: Available Unemployment Benefits and Legislative Activity*, by Katelin P. Isaacs, Julie M. Whittaker, and Alison M. Shelton.

Table 3. Financial Resources Available to Older Unemployed Workers

| Financial Resources | Source of Funds | Eligibility | Select Features |
|---------------------------------------|-----------------------------------|--|--|
| Retirement Savings ^a | IRAs | Age 59 1/2 | <ul style="list-style-type: none"> • 10% Penalty for early withdrawal before age 59-1/2 unless they meet certain exceptions (e.g., disabled, for health care expenses) |
| | 401(k) | Age 59 1/2 | <ul style="list-style-type: none"> • If separated from employer can withdraw without penalty the year in which you turn age 55 • 10% Penalty for early withdrawal before age 55 unless they meet certain exceptions |
| Social Security Benefits ^b | Early Retirement | Age 62 | <ul style="list-style-type: none"> • Supplements income during period of unemployment • Social Security benefits may be reduced if return to work • Actuarial reduction from full retirement age affects beneficiary and spousal benefits |
| | Normal (Full) Retirement Benefits | Age 65 (born 1937 to 1958) to Age 67 (born after 1959) | <ul style="list-style-type: none"> • No earnings penalty if return to work • Benefits are increased for individuals who delay receiving benefits after full retirement age and up to age 70 |
| Access to Home Equity ^c | Reverse Mortgage | Age 62 | <ul style="list-style-type: none"> • Can access home equity and still live in your house • Fees can be high |

| Financial Resources | Source of Funds | Eligibility | Select Features |
|--|---|--|--|
| Re-employment Trade Adjustment Assistance ^d | Wage supplement in lieu of TAA benefits | Aged 50 and older, unemployed due to job loss because of trade reasons | <ul style="list-style-type: none"> • Encourages older workers to take lower paying jobs because supplement provided equal to half the difference in salary between their old and their new job • Eligibility is limited and only available to small number of unemployed adversely affected by trade disruptions |

Source: Congressional Research Service

- a. CRS Report R40192, *Early Withdrawals and Required Minimum Distributions in Retirement Accounts: Issues for Congress*, by John J. Topoleski
- b. CRS Report R41242, *Social Security Retirement Earnings Test: How Earnings Affect Benefits*, by Dawn Nuschler and Alison M. Shelton
- c. CRS Report RL33843, *Reverse Mortgages: Background and Issues*, by Bruce E. Foote
- d. CRS Report RS22718, *Trade Adjustment Assistance for Workers (TAA) and Reemployment Trade Adjustment Assistance (RTAA)*, by John J. Topoleski

Health Insurance Coverage

Access to health insurance coverage among older Americans is strongly correlated with full-time employment. Studies have found that, in 2007, 45% of the uninsured aged 55 to 64 have no full-time workers in their households.²² Recent increases in unemployment of older workers may increase the share of uninsured in this age group.

Similar to the discussion on financial resources, access to health insurance coverage for the unemployed older worker will depend on their individual circumstances. Those under 65 years old and not yet eligible for Medicare may have access to retiree health coverage from their prior employer at full or a subsidized rate, and others may qualify for tax credits for health insurance coverage. Those unable to rely on either of these sources could purchase health insurance in the individual market, which could become costly for older workers especially those with pre-existing conditions. Although the recent enactment of health care reform will improve access to health insurance coverage for the older unemployed under the age of 65, most of these provisions will not be effective until 2014 (see discussion below about the Patient Protection and Affordable Care Act). Finally, although the older unemployed over 65 years old most likely have access to Medicare, premiums and cost-sharing can consume a growing share of income over time. **Table 4** summarizes potential options available to insuring older unemployed workers or older workers who have left the labor market (e.g., retired).²³

²² G. Jacobson, K. Schwartz and T. Neuman, *Health Insurance Coverage for Older Adults*, Kaiser Family Foundation.

²³ CRS Report R40165, *Unemployment and Health Insurance: Current Legislation and Issues*, by Janemarie Mulvey.

Table 4. Health Insurance Coverage Available to Older Unemployed Workers

| Health Insurance Coverage | Eligibility | Select Features |
|--|---|--|
| Employer-Sponsored Retiree Health Coverage | A vested benefit similar to a pension so must meet age and service requirements specified by former employer | <ul style="list-style-type: none"> Benefit is becoming less prevalent overtime, less than 1/3 of large employers offer to current retirees High-risk reinsurance program recently implemented provides some financial support to employers providing retiree health coverage^a |
| Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA) Coverage ^b | Involuntarily terminated from employer, employer must be eligible COBRA provider | <ul style="list-style-type: none"> Premium is 102% of health plan's full premium, could consume a large share of income COBRA coverage often cheaper than coverage purchased in the individual insurance market |
| Individual Health Insurance Market ^c | Voluntary enrollment | <ul style="list-style-type: none"> Premiums higher than employer-sponsored market as they vary by age and certain health factors Could purchase a high-deductible health plan to keep premium costs down |
| Health Coverage Tax Credit ^d | Available to RTAA eligibles as well as individuals aged 55 and older and receiving a payment from the Pension Benefit Guaranty Corporation (PBGC) | <ul style="list-style-type: none"> A refundable and advanceable tax credit of 80% through February 12, 2011, and 65% thereafter Limited eligibility and must be enrolled in certain qualified health insurance plans |
| Medicare ^e | Must be age 65 and older | <ul style="list-style-type: none"> Wide range of benefits, but premiums and cost-sharing for certain services can consume a large share of income Low income elderly are also eligible for Medicaid to supplement premiums, cost-sharing and long-term care services |
| Medicaid ^f | Low income individuals who also meet certain criteria | <ul style="list-style-type: none"> Prior to 2014, eligibility criteria limited (over age 65, or pregnant, or have a certain health condition) In 2014 and beyond, eligibility criteria will be expanded |

Source: Congressional Research Service

- a. CRS Report R41235, *Temporary Federal High Risk Health Insurance Pool Program*, by Mark Newsom
- b. CRS Report R40142, *Health Insurance Continuation Coverage Under COBRA*, by Janet Kinzer and Meredith Peterson
- c. CRS Report RL32237, *Health Insurance: A Primer*, by Bernadette Fernandez

- d. CRS Report RL32620, *Health Coverage Tax Credit*, by Bernadette Fernandez
- e. CRS Report R40425, *Medicare Primer*, coordinated by Patricia A. Davis
- f. CRS Report RL33202, *Medicaid: A Primer*, by Elicia J. Herz

The Patient Protection and Affordable Health Care Act

In March of 2010, President Obama signed into law H.R. 3590, the Patient Protection and Affordable Care Act (PPACA; P.L. 111-148) and H.R. 4872, the Health Care and Education Reconciliation of 2010 (P.L. 111-152). The reconciliation bill amends provisions in PPACA. The new laws will, among other things, provide immediate reforms to the health insurance market. These provisions are intended to increase consumer access to health insurance, especially for persons with pre-existing conditions and for other higher-risk groups.²⁴

PPACA will also provide premium and cost-sharing subsidies for certain eligible individuals, which could include some unemployed individuals.²⁵ In addition, PPACA will expand Medicaid to non-traditional groups²⁶ and as noted earlier will cover households earning less than 138% of the federal poverty level, or \$20,107 (in 2010) for a two-person family. Beyond the retiree reinsurance program discussed above, these provisions, would not be implemented until 2014 and beyond. This would result in an interim period between enactment of the legislation and the date it becomes operational when unemployed older workers may need assistance.

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²⁴ See CRS Report R40942, *Private Health Insurance Provisions in the Patient Protection and Affordable Care Act (PPACA)*, by Hinda Chaikind, Bernadette Fernandez, and Mark Newsom.

²⁵ See CRS Report R41137, *Health Insurance Premium Credits in the Patient Protection and Affordable Care Act (PPACA)*, by Bernadette Fernandez and Thomas Gabe.

²⁶ Prior to PPACA there were categorical restrictions for Medicaid eligibility. These include the elderly, people with disabilities, members of families with dependent children, and certain other pregnant women and children.

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