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The Impact of the Great Recession on Older Women and Men

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Subcommittee on Primary Health and Aging

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"The Recession and Older Americans: Where Do We Go from Here?"

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Good Morning, Mr. Chairman. I am Heidi Hartmann, President of the Institute for Women's Policy Research and a labor economist with the Ph.D. degree from Yale University. Thank you for the opportunity to testify today and to share the findings from research recently completed by the Institute. To put it briefly, our studies show that seniors have been hit hard by the recession.

Their income from assets and pensions has fallen and they are trying to make up for that by working more. Fortunately, Social Security is there for them and is making up a larger share of their income, at the same time that other sources of income have declined. Among all age groups, only the elderly did not see an increase in poverty during the recession and its aftermath. This income stability is almost certainly a result of the near-universality of Social Security and its important protective features, such as its lifetime guarantee and its cost of living adjustments. It should be pointed out, however, that because of high and rising medical costs for the elderly, the current poverty measure underestimates elders' poverty; use of the CPI-E in setting the annual cost of living adjustment (COLA) for Social Security benefits would more accurately reflect the consumption patterns of the older population.

As a result of the recession, more Americans of all ages are worried about having enough funds for retirement, and fewer feel they are saving enough for retirement. Many are borrowing from their retirement funds or withdrawing money from savings to deal with the slow recovery from the recession. The severe loss in assets as a result of the recession should increase policymakers' concern that those 45-59 years old, who are beginning to enter retirement now and will continue to do so for the next 20 years, will need Social Security benefits even more than the current generation of retirees. Therefore, it is of the utmost importance that Social Security benefits, including the COLA, not be a target of budget cutting, either through direct cuts or an increase in the retirement age. Each one-year increase in the retirement age cuts benefits by approximately 7 percent.

IWPR has published several reports in the past few months that shed light on how the older population has been faring in the recession and recovery. In 2010 we conducted a survey of 2,700 adults, asking them about their experiences since the recession, and, in a few cases we can compare their answers with those given by a similar sample of adults to similar questions in a survey administered in 2007, allowing us to compare response before and after the 2007-2009 recession. Two reports based on the survey were released on October 2. In an earlier study, we analyzed data from the federal government's Current Population Survey between 1999 and 2009, to see what different the recession made in the financial wellbeing of the older population. I would like to summarize that information for you today.

<u>Changes in Income of the 65+ Population</u>

Our analysis of the incomes of the older population (65 years and older), based on the federal Current Population Survey, shows a startling drop in asset income across the past decade, from 1999 to 2009 (Hartmann, Hayes, and Drago 2011). This decade included two recessions, one in 2001, from which the falling asset income of the elderly never fully recovered, and another in 2007-2009, a long and deep recession associated with a banking crisis and a devastating crash in the value of equity and housing assets. While the stock market has recovered somewhat, the value of housing is at about 2003 levels and is expected to fall further (Hayes and Hartmann 2011).

Our analysis was done separately for women and men of different age groups (among those aged 62 years and older) and for all sources of income (Hartmann, Hayes, and Drago 2011). For both women and men, the shares receiving asset income fell between 1999 and 2009 for all older age groups, and the shares of men receiving pension income fell for all older age groups (for women's pension income the picture is more mixed, partly because women increased their labor force participation and therefore increased the likelihood of having pensions).

Asset income fell the most for those between the ages of 65 and 74, by 45 percent for women and 40 percent for men. Other older age groups (those 62-64 and those 75 and older) lost about one-quarter to one-third of their asset income.

In contrast to substantial losses in asset income, both the younger old (aged 65-74) and the older old (ages 75 and older) saw their earnings and their Social Security benefits increase across this ten-year period. The share reporting earnings grew by about four percentage points for the entire older population (65 years and older), which was almost a doubling for women (see Figure 1). Women's earnings doubled or nearly doubled for both age groups, while men's earnings grew by one-quarter to one-third.

Figures 2-5 illustrate trends in the changing dollar values of income sources for the 65+ population (all figures are in 2009 dollars). The figures also show that women generally have less income from all sources than do men.

<u>The Increased Importance of Social Security</u>

According to the IWPR's analysis of the Current Population Survey (Hartmann, Hayes, and Drago 2011), the combination of asset losses (and for men, pension losses) and more income from working resulted in more women and men relying on Social Security for a larger share of their income. Figure 6 shows that the share of women and men relying on Social Security for 80 percent or more of their income grew between 1999 and 2009. For women the increase is 4 percentage points and for men it is 6 percentage points. More than one-third of men aged 65 and older rely on social Security for 80 percent or more of their income and half of women in the same age range do (in 2009). Figure 7 shows that for both males and females the older old rely on Social Security even more than the younger old among each of the three largest race/ethnic groups in the United States. For example, among white women, of those who are 75 and above, 55 percent rely on Social Security for 80 percent or more of their income, a share which is 13 percentage points larger than the share of white women aged 65-74. For Hispanic women the shares of the older old relying on Social Security to that extent are even larger, 68, a share which is 17 percentage points larger than for the younger old. Both Figures 6 and 7 also illustrate that women typically rely more on Social Security than do men.

Current Population Survey data also show how poverty rates have changed across the recession years (US Census Bureau 2008a, 2009, 2010, and 2011a). Figure 8 shows that in 2007, when the recession had barely begun (December 2007 is the recognized starting point of the Great Recession), poverty, at 8.1 percent was the lowest for those aged 55-59 years old, an age group that is still mostly in the labor force; the next older group (those aged 60-64) had the next highest poverty rate at 9.4 percent; and the oldest group (those aged 65 and older) had the highest poverty rate at 9.7 percent. By 2010, the year after the recession had come to an end (and the recovery had supposedly begun), poverty rates had climbed for the two younger groups, to 10.1 percent for both, while poverty had fallen slightly for the oldest group to 9.0 percent (Figure 6). The increasing poverty rates for those aged 55-64 show the importance of legislation that provides employment assistance to older workers. Older workers are being left out of the recovery. Data show that since June 2009, the month when the economy began to grow again, the number of unemployed older Americans (those 55 and older) has increased, by nearly 3 percent age points, through September 2011, while the number of unemployed in all other age groups fell about 5 to 6 percent points (Rix 2011).

The Decrease in Assets of the Older Population

For a closer look at assets held by the older population, the Federal Reserve Board's Survey of Consumer Finances provides additional information. Bricker and colleagues (2011) studied the net worth of households from data collected before (2007) and after (2009) the recession. More than six of ten households headed by someone aged 55 and older in 2007 lost wealth during the recession. In households headed by someone aged 55-64 in 2007, wealth (net equity in homes and financial assets combined) declined from $257,700 to $222,300 for the average (median) household, or about 14 percent. In households headed by someone aged 75 and older in 2007, wealth declined from $228,900 to $191,000, or 17 percent, between 2007 and 2009.

Financial assets that could produce retirement income (including stocks, pooled investment funds, and retirement accounts) all declined for the average household headed by someone aged 55 and older (Bricker et al. 2011). The median value for all financial assets combined declined from $78,200 to $72,500 in households headed by someone aged 55-64 in 2007, from $63,900 to $48,000 for households headed by someone aged 65-74, and from $41,400 to $39,000 for households headed by someone aged 75 and older. While the value of financial assets fell only about 6 to 7 percent for the youngest and oldest groups, the middle age group, 65-74 years old, saw a 25 percent decline in the value of financial assets in the recession.

Although Census Bureau data are not showing a drop in home ownership among the population 65 and over during the recession, the share of homeowners with indebtedness on their homes increased between 2007 and 2009 by about 3 percentage points and the share owning their homes free and clear dropped by the same amount, from about 68 percent to 65 percent (US Census Bureau 2008b and 2011b). According the AARP Public Policy Institute, this increased indebtedness is raising housing costs for the elderly (Harrell 2011). Between 2000 and 2009, housing cost burdens, as measured by the share of the population paying more than 30 percent of their income on housing, increased for all income quartiles of the population aged 50 and up (including both home owners and renters), by anywhere from 3 percentage points to 10 percentage points. For example, for the second income quartile, those with incomes between approximately $23,000 and $47,000, the share with high housing costs burdens increased from 28 percent in 2000 to 38 percent in 2009 (Harrell 2011).

Experiences of Hardship and Ways of Coping

Not surprisingly, given the length and depth of the Great Recession, many older Americans are experiencing significant hardships. Among women and men 60 years of age and older, women consistently experience more hardship than men, according to their responses to the IWPR-

Rockefeller Survey on Economic Security. At the time of the survey, which was completed in November 2010, women and men report the most difficulty paying for health care and health insurance: 39 percent of women and 20 percent of men find it 'somewhat difficult' or 'very difficult.' Paying monthly utility bills and gasoline or other transportation is also very difficult for 1/3 of women and ¼ of men aged 60 and older. Finally paying for food is difficult for 1 of 5 women and 1 of 7 men aged 60 and above. (See Figure 9.)

Respondents were also asked how much hardship they had experienced in the prior year. Two-fifths to three-fifths of women and men said they cut back on household spending, vacations, or entertainment. More than 1 in 5 failed to pay a bill on time. About 1 in 6 women and 1 in 10 men did not fill a prescription. Eight percent of women and four percent of men received food stamps. Six percent of women and three percent of men aged 60 and above said they went hungry in the past year because they could not afford food. (See Figure 10.)

About half of all respondents report that they had lost investments in the prior two years, 48 percent of women and 47 percent of men, and about half of those report that they lost more than 20 percent in value (25 percent of women and 28 percent of men). Proportions among only those 60 and older are about the same (Hess, Hayes, and Hartmann 2011). Among those 60 years and older, about 40 percent (39 percent of both women and men) say they have taken money out of their savings or retirement fund in the year prior to the survey, 10 percent of women and 9 percent of men say they have borrowed against a retirement plan, and 27 percent of women and 23 percent of men that age say they have stopped or reduced contributions to retirement savings (Hayes and Hartmann, 2011).

Older Americans have also borrowed to make ends meet. About 13 percent of women and 14 percent of men aged 60 and up report having increased their credit card debt in the prior year, 5 percent of women and 7 percent of men report taking out a second mortgage or home equity loan, 12 percent of women and 9 percent of men have borrowed from a friend (Hayes and Hartmann 2011). Those who are younger generally report higher rates of tapping into savings for the future and higher rates of borrowing from other sources than the 60 and up age group.

Among all those who have not yet retired, the shares of women and men believing they are saving enough for retirement have dropped sharply. Comparing the 2010 survey results with those from an earlier 2007 survey shows that now only 25 percent of women believe they are saving enough for retirement, a drop of 9 percentage points. Among men, the drop is 10 percentage points, from 45 to 35 percent, in the share who believe they are saving sufficiently for retirement (Hess, Hayes, and Hartmann 2011).

<u>Future Expectations</u>

Americans are increasingly concerned about not having enough money to live on in retirement. Respondents of all ages (18 years and up) were asked about their worries about four potential challenges in retirement—not being able to afford health care, having to go to a nursing home, Social Security being cut back or eliminated, and not having enough money to live on—in both the 2010 survey and an earlier 2007 Rockefeller Foundation survey. Americans expressed increased worry in 2010 on all four dimensions, but the largest increase in worry was expressed for not having enough to live on. In 2007, nearly 2 in 5 women expressed 'a lot' or 'a fair amount' of worry about not having enough to live on in retirement; in 2010, 3 in 5 women did so. For men the increase was from 28 percent to 43 percent (see Figure 11).

The recession has had an even larger effect on people's expectations that their retirement income will be sufficient to maintain their standard of living in retirement. Respondents were asked about their expectations before the recession and when the survey was taken (in November 2010). Adults of all ages show significant declines in that expectation. Those showing the largest drop in the expectation that they will be able to maintain their standard of living are the group from 45 to 59 years old. For women that age the drop was precipitous, from 52 to 25 percent; men's drop was also large, from 52 percent responding they had enough before the recession to only 35 percent responding that way currently. Drops for the other age ranges (18-44 years and 60+ years) are a minimum of 9 percentage points for men and 13 percentage points for women, with the youngest being the most optimistic that they will have enough to maintain their standard of living in retirement (see Figure 12).

Among women and men not yet retired, many more expect to be working in retirement than are likely to do so, not withstanding that the labor force participation rates of older Americans have been rising for at least the last 25 years. Of those not yet retired, fully 72 percent of women and 70 percent of men respond that they expect to work in retirement (Hess, Hayes, and Hartmann 2011). Yet as of 2010, even with substantial increases in labor force participation in recent years for older Americans, only 27 percent of women and 37 percent of men aged 65-69 are working or looking for work, and among those 75 and older, only 8 percent of women and 15 percent of men are working or looking for work. Of those who expect to work after retirement, Figure 13 shows that women are much more likely to respond that they will have to work (41 percent) than men are (29 percent).

Employment data from the Bureau of Labor Statistics show that the labor force participation rates of older workers continued to increase through the recession. Both the number working and the number unemployed grew, at least partly because the share of the population made up of older Americans grew, as the large baby boom cohort aged. As of September 2011, 2.1 million Americans 55 and older are looking for work, making up 15 percent of all unemployed workers. Of older unemployed workers, 61 percent have been unemployed for 27 weeks or more, a share that increased steadily since the beginning of the recession (when only 22 percent of unemployed workers aged 55 and older were unemployed that long). The proportion of older Americans who have been employed for a long time is much greater than it is for younger Americans. The average duration of unemployment for workers under age 55 is 38.6 weeks, while it is 54.8 weeks for those aged 55 and above (Rix 2011).

It is likely that a continuing slow recovery will mean that many older unemployed workers will never find jobs. Given that our survey research shows that many of these workers are already using their savings and borrowing more, assistance in finding employment is critical for this group to prevent rates of poverty at older ages from increasing in the future. Efforts to increase job growth and provide job training are important policy levers that should be used to increase employment among older Americans, enabling them to rebuild their retirement savings.

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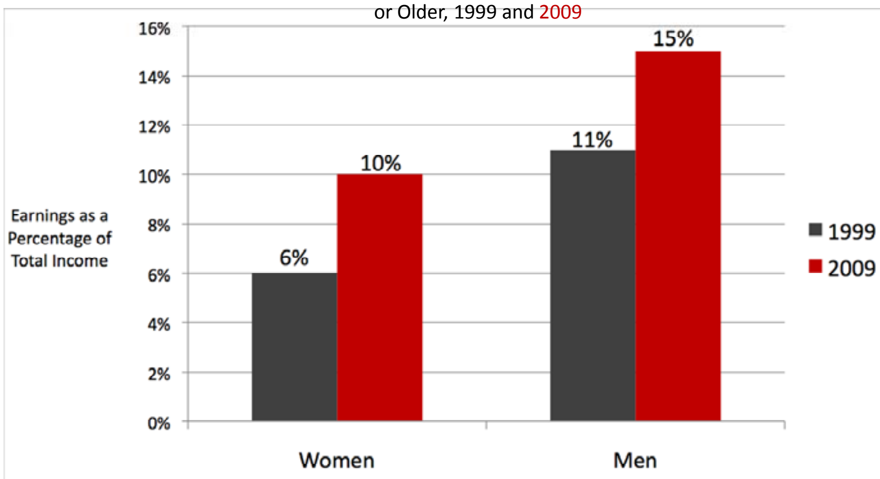
1. Older Americans are working and earning more

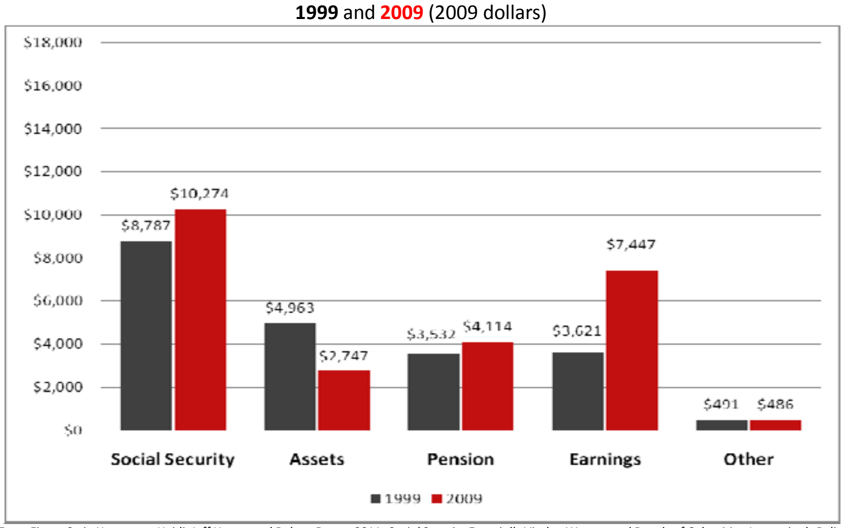
Percentage of Total Income from Earnings for Women and Men Aged 65 or Older, 1999 and 2009



Source: Hartmann, Hayes, and Drago 2011, Figures 1a and 1b. Based on IWPR calculation using the Current Population Survey Annual Social and Economic (ASEC) Supplement. Earnings data are for calendar years 1999 and 2009.

2. Women aged 65-74 increasingly rely on Social Security; asset income is down; earnings & pensions are up

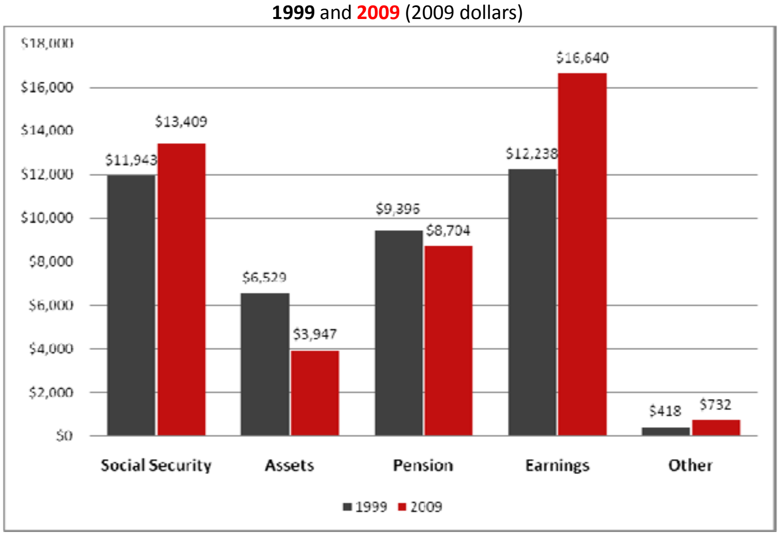
Average Amount Received from Each Income Source by Age for Women Aged 65-74, **1999** and **2009** (2009 dollars)



Source: From Figure 3a in Hartmann, Heidi, Jeff Hayes, and Robert Drago. 2011. *Social Security Especially Vital to Women and People of Color, Men Increasingly Reliant*. Report #D494. Washington, DC: Institute for Women's Policy Research; IWPR calculations based on the Current Population Survey Annual Social and Economic (ASEC) Supplement Survey.

3. Men aged 65-74 increasingly rely on Social Security; asset & pension income are down; earnings are up

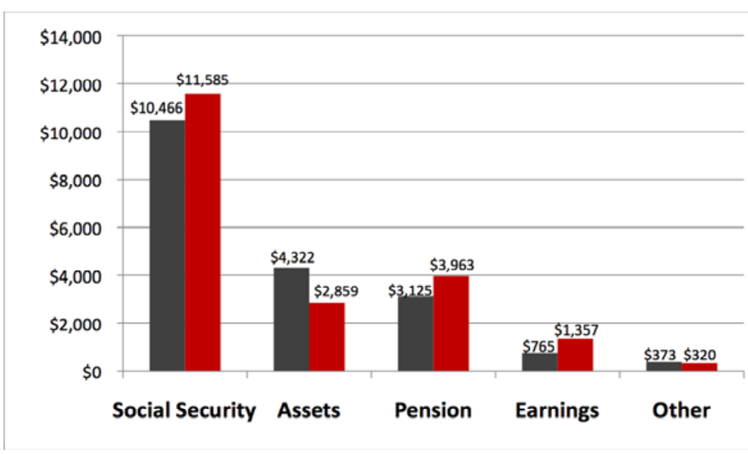
Average Amount Received from Each Income Source by Age for Men Aged 65-74,
1999 and **2009** (2009 dollars)



Source: From Figure 3b in Hartmann, Heidi, Jeff Hayes, and Robert Drago. 2011. *Social Security Especially Vital to Women and People of Color, Men Increasingly Reliant*. Report #D494. Washington, DC: Institute for Women's Policy Research; IWPR calculations based on the Current Population Survey Annual Social and Economic (ASEC) Supplement.

4. Women aged 75 & older increasingly rely on Social Security; asset income is down; earnings & pensions are up

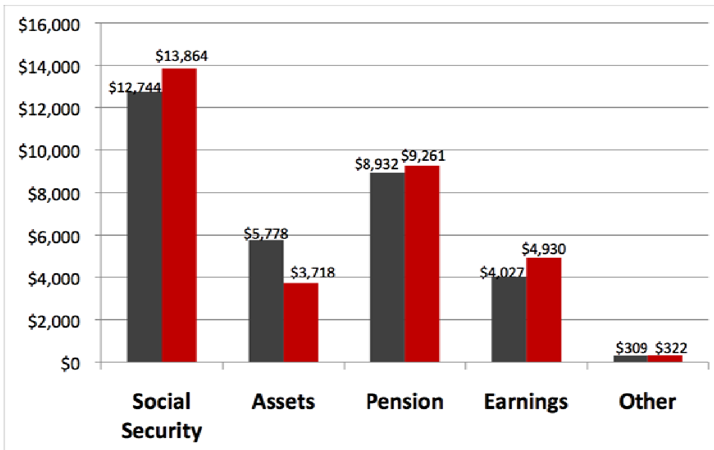
Average Amount Received from Each Income Source by Age for Women Aged 75 or Older,
1999 and **2009** (2009 dollars)



Source: From Figure 3a in Hartmann, Heidi, Jeff Hayes, and Robert Drago. 2011. *Social Security Especially Vital to Women and People of Color, Men Increasingly Reliant*. Report #D494. Washington, DC: Institute for Women's Policy Research; IWPR calculations based on the Current Population Survey Annual Social and Economic (ASEC) Supplement).

5. Men aged 75 & older increasingly rely on Social Security; asset income is down; earnings & pensions are up

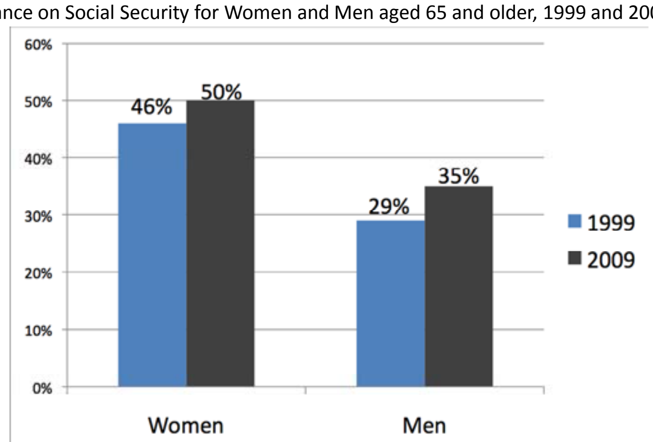
Average Amount Received from Each Income Source by Age for Men Aged 75 or Older, **1999** and **2009** (2009 dollars)



Source: From Figure 3b in Hartmann, Heidi, Jeff Hayes, and Robert Drago. 2011. *Social Security Especially Vital to Women and People of Color, Men Increasingly Reliant*. Report #D494. Washington, DC: Institute for Women's Policy Research; IWPR calculations based on the Current Population Survey Annual Social and Economic (ASEC) Supplement.

6. Reliance on Social Security (80% or more of income) is increasing for both women and men

Reliance on Social Security for Women and Men aged 65 and older, 1999 and 2009

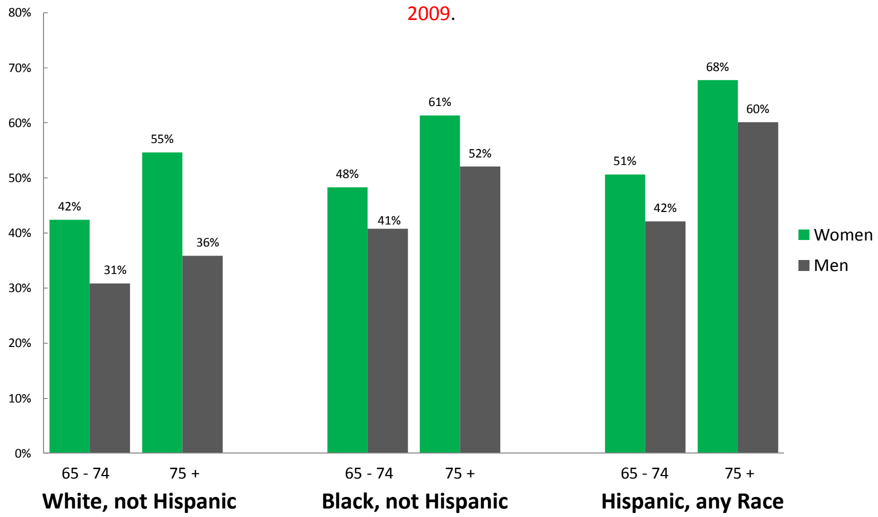


With 80% or More Income from SS

Source: From Figure 4 in Hartmann, Heidi, Jeff Hayes, and Robert Drago. 2011. *Social Security Especially Vital to Women and People of Color, Men Increasingly Reliant*. Report #D494. Washington, DC: Institute for Women's Policy Research; IWPR calculations based on the Current Population Survey Annual Social and Economic (ASEC) Supplement.

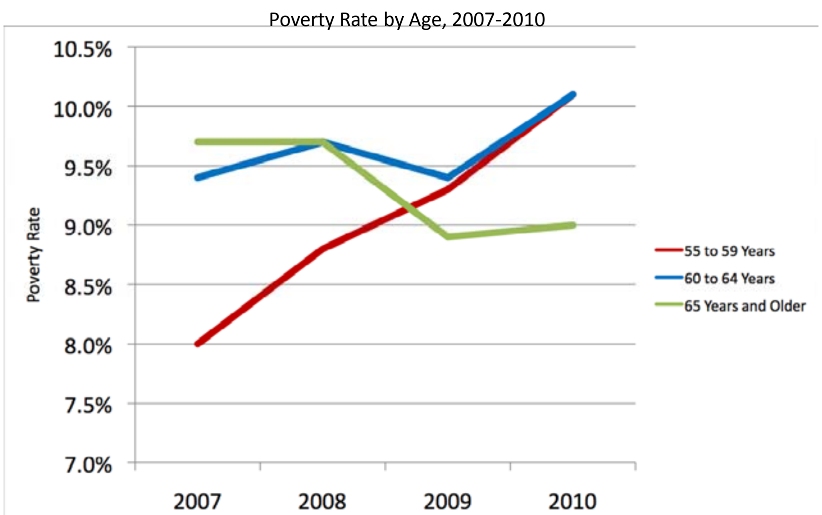
7. Blacks and Hispanics generally rely more on Social Security than do whites & women more than men

Percent of Women and Men with **80% or More of Income from Social Security**, by Age and Race/Ethnicity, 2009.



Source: From Table 4 in Hartmann, Heidi, Jeff Hayes, and Robert Drago. 2011. *Social Security Especially Vital to Women and People of Color, Men Increasingly Reliant*. Report #D494. Washington, DC: Institute for Women's Policy Research; IWPR calculations based on the Current Population Survey Annual Social and Economic (ASEC) Supplement.

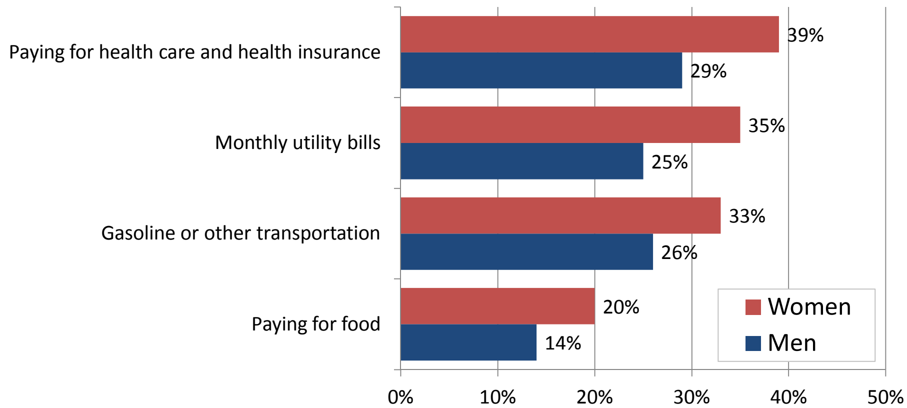
8. Poverty rates for those aged 55-59 and 60-64 are rising, while poverty rates for those aged 65 and older are declining



Source: IWPR analysis based on the 2008- 2011 Current Population Surveys (US Census Bureau 2008a, 2009, 2010, and 2011a).

9. More women than men experience difficulty paying their living expenses; both women and men experience the most difficulty paying for health care and health insurance

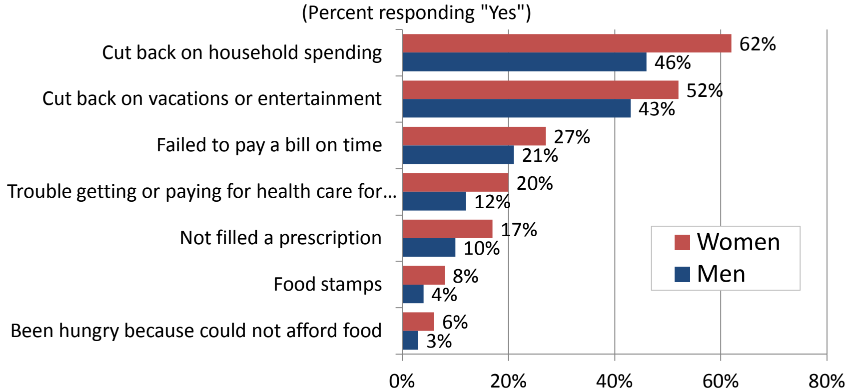
Current Difficulty Affording Living Expenses Among Women and Men Aged 60 and Older. (Percent responding "Very difficult" or "Somewhat difficult")



Source: Hayes and Hartmann. 2011. *Women and Men Living on the Edge: Economic Insecurity After the Great Recession.* IWPR/Rockefeller Survey of Economic Security 2010. (N = 1,094)

10. More women than men experienced economic hardship between October 2009 and October 2010

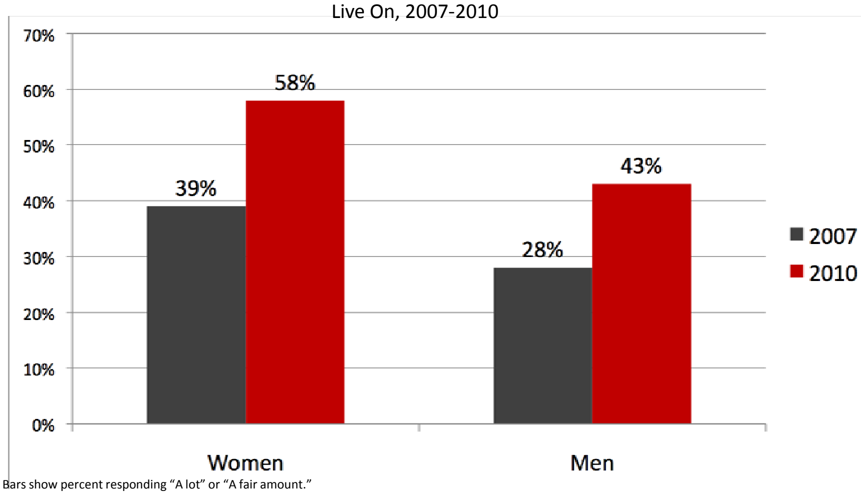
Economic Hardship in the Past Year Among Women and Men Aged 60 or More (Percent responding "Yes")



Source: Hayes and Hartmann. 2011. *Women and Men Living on the Edge: Economic Insecurity After the Great Recession.* IWPR/Rockefeller Survey of Economic Security 2010. (N = 1,094)

11. Women and men increasingly worry about not having enough to live on in retirement; more women worry than men

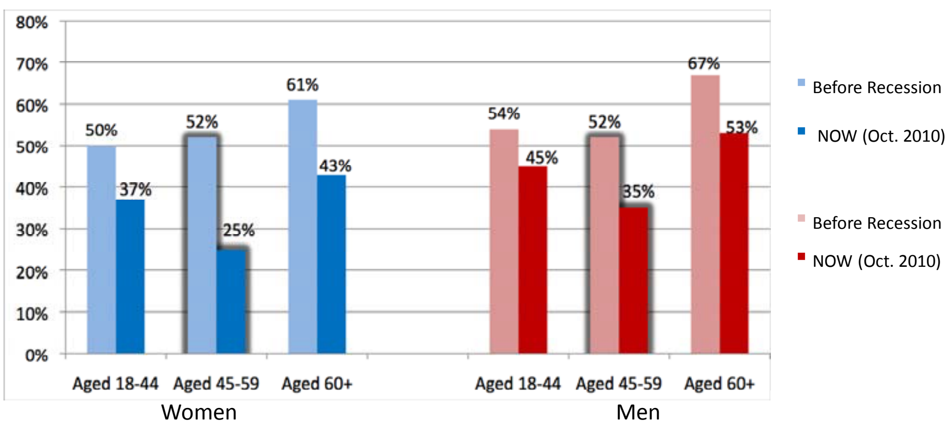
Percentage of Women and Men Claiming to Be Worried About Not Having Enough to Live On, 2007-2010



Note: Bars show percent responding "A lot" or "A fair amount."
Source: From Figures 2.3 and 2.4 in Hess, Cynthia, Jeff Hayes, and Heidi Hartmann. 2011. *Retirement on the Edge: Women, Men, and Economic Insecurity After the Great Recession.* Washington, DC: Institute for Women's Policy Research.
IWPR analysis of the Rockefeller American Workers Survey 2007 and the IWPR/Rockefeller Survey of Economic Security 2010.

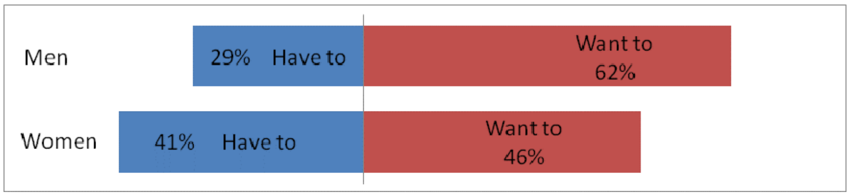
12. Fewer women and men now than before the recession expect that their retirement savings will be adequate to maintain their standard of living in retirement

Percentage of Women and Men Responding that they Expect their Retirement Savings To Be Adequate to Maintain their Standard of Living In Retirement



Source: IWPR analysis from Table 2.2 in Hess, Cynthia, Jeff Hayes, and Heidi Hartmann. 2011. "Retirement on the Edge: Women, Men, and Economic Insecurity After the Great Recession." Washington, DC: Institute for Women's Policy Research.

13. Work in Retirement – Have to or Want to? (People Not Yet Retired and Expecting to Work for Pay After They Retire)



Note: N=1,235
Source: Figure 6.4 in Hess, Cynthia, Jeff Hayes, and Heidi Hartmann, *Retirement on the Edge: Women, Men, and Economic Insecurity After the Great Recession*. Based on analysis of the WPR/Rockefeller Survey of Economic Security 2010.