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## Unemployment Compensation and Older Workers

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# **Unemployment Compensation and Older Workers**

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*Ensuring Health and Income Security for an Aging Workforce*

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# Introduction

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Career Job (Quinn, Burkhauser, and Myers, 1990)

Bridge Employment (Quinn, 1999)

Chance of displacement (Farber, 1996; Hipple, 1999)

Chance of reemployment (Chan and Stevens, 1999)

Labor force, unemployed, insured unemployed

**Table 1. Labor Force and Unemployment by Age, 1998**

	Total	<=24	25-44	45-64	>=65
Labor Force	137,673	21,939	70,349	41,583	3,847
Percent of LF		15.9	51.1	30.2	2.8
Unemployed	6,210	2,286	2,677	1,125	122
Percent of U		36.8	43.1	18.1	2.0
Percent Insured		8.9	55.4	31.5	2.5

Older workers experience less employment, but have a higher than average chance of receiving UI.

### Table 3. Displaced Workers, 1995-1996

	Age Groups			
	20-24	25-44	45-64	>=65
Displacement Rates	1.9	3.0	3.2	3.5
Among the Displaced:				
Reemployed full-time (%)	60.0	74.8	51.9	20.7
Earnings loss 20%+	-	24.2	31.4	-

Older workers are more likely to be displaced.

Among displaced workers, older workers are more likely to suffer a large earnings loss.

# UI Issues for Older Workers

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Coverage and eligibility

Benefit adequacy and duration

Work incentives

Benefit financing

Interaction with other programs

# Coverage

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UI coverage regards employers

The self-employed are excluded from coverage

A significant number of older workers are self-employed

**Table 5. Employed and Self-employed by Age, 1998**

	Total	<=24	25-44	45-64	>=65
Total Employment (000)	131,463	19,611	67,673	40,460	3,725
Non-Agriculture (%)	97.4	96.9	97.8	97.5	92.6
Wage and Salary	90.5	95.3	91.5	88.1	75.2
Self-employment	6.8	1.5	6.2	9.4	17.2
Agriculture (%)	2.6	3.1	2.2	2.5	7.4
Wage and Salary	1.5	2.6	1.5	1.0	1.4
Self-employment	1.0	0.3	0.7	1.4	5.9



# Coverage

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Self-employment is popular among older workers

Self-employed are excluded from coverage (except for reimbursable in California)

Feldstein and Altman (1998) – individual UI savings accounts

UI self-employment assistance (SEA) programs in ten states

# Eligibility—Initial and Continuing

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Sufficient prior earnings? (Yes)

Job separation involuntary? (No compulsory retirement, 1986)

Continuing eligibility conditions – able, available, active, RSW

UI system was designed for full-time permanent LF members

Part-time employment is common among older workers (Table 7)

**Table 7. Employed and Unemployed Full- and Part-time by Age in the U.S., 1998**

	Age Groups			
	20-24	25-44	45-64	>=65
Total Employment	131,463	19,611	95,259	16,597
Percent of Total Employment				
Full Time	82.3	59.1	88.5	74.3
Part Time	17.7	40.9	11.5	25.7
Percent of Total Unemployment				
Seeking Full Time Work	79.2	65.4	89.5	70.0
Seeking Part Time Work	20.8	34.6	10.5	30.0

# Adequacy of Benefits

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6 percent of those aged 55 to 61 receive UI

UI constitutes less than 2 percent of older workers' household income

One-half wage replacement between maximum and minimum WBA

**Table 9. Benefit and Earnings, 1998**

	Total	<=24	25-44	45-54	55-64	>=65
WBA (\$)	202	157	201	215	216	174
AWW (\$)	487	312	466	578	564	382
Replacement Ratio (%)	41.5	50.3	43.1	37.2	38.3	45.5

Transition from full-time to part-time

Industrial composition of unemployment

**Table 4. Industry Distribution by Age of UI Beneficiaries in the U.S., 1998**

	Total	<=24	25-44	45-54	55-64	>=65
Agriculture/Mining	6.9	8.3	7.1	6.5	5.7	6.4
Construction	15.0	15.0	15.8	14.7	13.0	6.5
Manufacturing	21.5	21.0	20.0	24.6	24.7	14.1
Trans., Util., Comm.	5.1	3.8	4.9	5.6	6.2	5.7
Trade	16.9	19.7	16.8	16.1	15.9	21.2
Fin/Ins/Real Estate	3.7	1.9	3.8	3.5	4.3	5.9
Services	27.4	25.2	28.1	25.7	27.0	36.0
Public Admin.	3.2	4.3	3.1	3.0	2.6	4.1
Other	0.5	0.7	0.4	0.4	0.5	0.2

# Adequacy of Benefits

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The wage replacement ratio declines with age until 65

Bridge employment (Quinn, 1999)

Industrial mix of unemployment

UI and Pensions—1976 federal UI amendments (PL 94-566)

Federal benefits and base period employer benefits offset

Amendments increase income inequality

UI availability has no impact on LFPR of older workers

# Duration of Benefits

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Benefit receipt duration increases steadily with age  
(Table 12)

Labor surplus conditions—UI as a bridge to retirement

1976 the Netherlands

1980s the UK and Germany

1990s socialist transition countries

U.S. labor market 2000—labor shortage conditions

Policies for part-time workers



# Work Incentives

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UI lengthens jobless spells (Feldstein, 1974)

No evidence on how incentive effects of UI vary by age  
(Decker, 1997)

Monitoring work search

The work test appears to be particularly effective for older workers (Johnson and Klepinger, 1991, 1994)

Reemployment incentives: Bonus offers

Pennsylvania the bonus impact decreased with age  
Washington the bonus impact increased with age  
(Decker and O'Leary, 1992, 1995)

# Financing Benefits and Potential New Legislation

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Non-experience rated expansions:

Health insurance premiums for the unemployed

Early retirement unemployment compensation

(Socialized like dependents allowances)

# Financing Benefits and Potential New Legislation

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## Experience rated expansions:

Broadened eligibility for part-time and self-employed

ACUC (1996) – 800 hours in the base period

Higher UI taxes for low wage employers—retail and hospitality

Employees share tax through moderation in wage increases

Reduced subsidies flowing from low-wage low-layoff employers to high-wage high-layoff industries

# Interaction with Other Employment Programs

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UI and Employment Service (ES)—linked via the work test

The UI-ES linkage was renewed by the WPRS system  
Older workers are more likely to exhaust (Table 13)

Claims by telephone weakens the UI-ES link

Workforce Investment Act (WIA) of 1998—One-stop  
Career Centers

No special groups are targeted for services under WIA

# Topics for Future Policy Analysis and Research

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Interaction of UI with pensions

UI changes to help retain older workers in the labor force

The financing consequences of UI program changes

The macroeconomic impact of broadening reciprocity

UI changes should have greater impacts on older workers who have more elastic labor supply