Data from the 1992 wave of the Health and Retirement Study are used to examine the incidence of job displacement among workers ages 51 through 60. The average displaced worker experiences a loss in earnings of 39%. Households which contain a displaced worker have incomes 24% lower than the household of an average worker. Little of these lost earnings are replaced through pension income. The rate of health insurance coverage is 16% lower among displaced workers. As with other labor market outcomes, non-Whites on average are the most economically vulnerable following displacement.

Key Words: Income, Wealth, Employment

Late Life Job Displacement

Kenneth A. Couch, PhD

Although recent evidence indicates that the overall rate of job displacement has not changed since the early 1980s (Farber, 1993; Herz, 1991), the incidence of job displacement among workers ages 55 to 64 has increased in the past decade from being the lowest of any cohort to being the highest (Gardner, 1995). Prior studies also report that rates of reemployment following displacement are lower among older than younger workers (Flaim & Sehgal, 1985; Gardner, 1995; Herz, 1991; Horvath, 1987). Despite these increasing rates of displacement and relatively poor experiences afterwards, no paper has specifically investigated displacement among older workers. The research presented here builds on the prior literature by investigating the incidence and impact of job displacement among workers ages 51 through 60.

One reason for examining this specific age cohort is that none of the workers are age-eligible for social security retirement benefits and many would not yet qualify for other sources of long-term income replacement such as private pensions. This means that older displaced workers must rely primarily upon themselves and their households in adapting to the loss of employment. While many displaced workers will be reemployed quickly, prior research indicates that even those workers will experience long-term losses in their earnings. Moreover, there is reason to believe that the earnings losses associated with displacement will be larger for older workers. Older workers typically have more seniority, and if they leave a job where they have built up specific knowledge which is not easily transferable to another employer, they would be expected to experience larger losses of earnings than younger, less experienced workers. The loss of health care and other employer provided benefits might also expose older workers to more financial risk than a younger worker due to the association of aging with the onset of physical problems.

Another concern for older workers who are displaced prior to normal retirement ages is how this will affect their accumulation of assets for retirement. If a displaced worker has difficulty being reemployed at their prior level of earnings, planned saving for retirement may not occur and the worker may be forced to consume assets which had initially been accumulated for retirement.

However, the higher rates of nonemployment among older workers following displacement may reflect something other than economic hardship. Displaced workers could be receiving private pension income, and this may explain why many exit the labor force. Although private pension eligibility and receipt will be examined here, previous research suggests that relatively few of the individuals who qualify for private pensions would elect to receive them at these ages (Burkhauser, Couch, & Phillips, 1996).

Most of the prior research regarding displaced workers has used the Displaced Workers' Surveys (DWS), a supplement to the January Current Population Survey (CPS) at two year intervals since 1984. Using those data, it is common to define displacement as the loss of a job in which the worker had been employed for at least three years due to plant closure or layoff. Those data provide sufficient samples to examine the average displaced worker, but the sample sizes available for examining specific age groups, as will be done here, are prohibitively small.

As an alternative, data from the first wave of the Health and Retirement Study (HRS) allow individuals who have lost jobs due to plant closure or layoff...
to be identified. Because of the emphasis of the HRS on an older (ages 51 through 61 in 1991) cohort, the number of observations available is larger than would be the case if the DWS were used (see Appendix, Note 1). Also, the HRS was designed to obtain measures which are more important for older workers such as their household's net worth. Because the HRS data provide a larger sample size and more information than the DWS for older workers, they are used here.

To place the experiences of older Americans and their families following job displacement in context, a brief review of the existing literature will be provided. Then, the data will be described followed by a discussion of a series of tables regarding the incidence of job displacement and its impacts. Among the topics discussed will be the incidence of job displacement and its correlates, the reemployment experiences of displaced workers, the losses in earnings that occur for the individual and their household, the availability and use of pensions as a substitute for earned income, changes in health insurance coverage, and differences in the net worths of the households of displaced workers relative to others.

Prior Literature

The literature regarding job displacement and its subsequent impacts has grown substantially since the early 1980s. The major findings of that literature will be discussed here. More detail may be found in a recent survey (Fallick, 1996). Two topics have dominated the literature which examines job displacement. First, what is the incidence of job displacement and has it changed over time? Second, how are employment and earnings affected by job displacement?

As each DWS has been released, papers have been published which document the incidence of job displacement in the current survey and contrast it with findings from prior surveys (Flaim & Sehgal, 1985; Gardner, 1995; Herz, 1991; and Horvath, 1987). From these as well as integrative studies by Farber (1993) and Gardner (1995) which make use of data from several of the DWS, a picture emerges of the incidence of job displacement and its evolution during the decade of the 1980s.

Throughout the period covered by the DWS, the overall rate of displacement has not increased (Farber, 1993; Gardner, 1995). The composition of those displaced, however, has changed. In cross-sections from the first few DWS, young workers have a higher rate of displacement than older workers. In the most recent survey, the rate of displacement among all workers is actually lower than among workers ages 55 and older (Gardner, 1995).

Another compositional change has occurred since the first DWS. Gardner (1995, p. 46) reports that "During the 1981–82 period, more than half of all displaced workers had lost manufacturing jobs." By the 1992 DWS, this proportion had fallen to 22%. This decline was mirrored in a reduction of the concentration of displacement among blue collar workers during the same period.

These studies have also detailed the proportion of the affected workers who are reemployed, unemployed, or exit the labor force following displacement. Horvath (1987) reports that among workers who had 3 years of tenure prior to displacement and who had lost their job in the preceding two years, in January of 1986, 73% of those ages 25 to 54 were reemployed versus 47% of those ages 55 to 64. Lower rates of reemployment among relatively older workers are common in all of the studies based on the DWS.

These descriptive studies also document the decline in earnings which is experienced by a typical displaced worker. Several examine the proportion of workers whose wages decline by more than a threshold amount, such as 20%. Herz (1991, p. 8) reports that among displaced workers who find a new job, 25% experience a decline in earnings of 20% or more but that 29% experience an increase of 20% or more. For a similar set of workers in 1986, Horvath (1987) reports that 27% experience a decline in earnings of 20% or more but that 27% also experience an increase of 20% or more. Gardner (1995) examines the change in median weekly earnings and reports a decrease from $515 to $473, or 8%. One weakness of these studies is that they only provide these calculations for those who are reemployed and possibly underestimate the impact of displacement on earnings.

A set of studies which use a multivariate approach have also examined the impact of displacement on subsequent employment and earnings. Rather than describing the incidence of job displacement per se, these studies focus on identifying covariates associated with either reemployment or earnings changes. Two studies have examined what factors are associated with cross group or industry differences in reemployment shortly after displacement (Farber, 1993; Ruhm, 1991a). Another has examined the duration of the effects (Ruhm, 1991b).

Farber (1993) considers job losses which have occurred in the previous two years among workers with at least three years of job tenure. He reports that women, minorities, and older workers (ages 55 to 64) are less likely to be reemployed using the DWS data. This examination, however, contrasts rates of reemployment across the population of displaced workers. In contrast, Ruhm (1991a) uses data from the Panel Study of Income Dynamics (PSID) and compares the experiences of displaced workers to a control group of similar individuals at risk of displacement. Ruhm (1991a) concludes that displacement does "not have particularly adverse impacts on the employment levels of non-Whites, blue collar occupations, or long tenure workers" (p. 521). He argues that once a control group is used, many of the cross-group differences in post-displacement reemployment observed in studies which do not use a similar methodology become statistically insignificant.

Ruhm (1991b) also examined the long-term reem-
ployment prospects of displaced workers. Ruhm (1991b, p. 322) concludes that, “Four years after displace-
ment, job losers are out of work only one
week more than their nondisplaced counterparts.” Thus, while all groups are adversely impacted by
job displacement in the short run, displaced work-
ers are employed at rates similar to those who were
never displaced within several years.

The multivariate analyses which have focused on
the earnings losses associated with job displacement
examine both the gross loss as well as how much
of it may be attributed to factors such as age,
general experience, specific experience, and transi-
tions across industries following displacement (Car-
rington, 1993; Carrington & Zaman, 1994; Farber,
1993; Jacobson, LaLonde, & Sullivan, 1993; Kletzer,
1989; Madden, 1988; Neal, 1995; Ong & Mar, 1992;
Ruhm, 1991b). Ruhm (1991b) also examines whether
the earnings losses are only temporary or are per-
manent in nature.

The average earnings loss reported by these stud-
ies ranges from 10 to 25% (Carrington, 1993; Car-
rington & Zaman, 1994; Farber, 1993; Kletzer, 1989;
Jacobson et al., 1993; Ruhm, 1991b). The smallest
earnings loss is found by Ruhm (1991b) who exam-
ines their size four years after displacement. Earn-
ings losses appear to be greatest immediately fol-
lowing displacement, are moderated over time, but
do not disappear. As with the descriptive studies,
the calculations described here only include reem-
ployed workers so they potentially underestimate
the impact of displacement on earnings.

Studies which have decomposed the gross earn-
ings loss have often focused on whether specific
industry skills and total years of experience are
rewarded following job displacement (Carrington,
1993; Kletzer, 1989; Neal, 1995; Ong & Mar, 1992). If
earnings are closely related to industry specific
skills, reemployment in the same industry following
displacement should be related to higher earnings.

These studies support the view that individuals
develop industry specific skills which are not easily
transportable to new employers following job dis-
placement. Carrington (1993) and Neal (1995) both
report that those who switch industries following
displacement have the largest earnings losses. Klet-
zer (1989) concludes that the importance of industry
specific skills varies across industries since blue col-
lar workers experience earnings reductions related
to seniority which are larger than those observed
among white collar workers.

Most of these studies do not examine differences
in experiences across race, gender, or age partitions
of the sample (see Appendix, Note 2). Where con-
trols for age, gender, and ethnicity are included,
most report that they are not significantly related to
the observed earnings losses once tenure and edu-
cation are controlled. The only exceptions are in the
research of Farber who finds that age is associated
with reduced post displacement earnings and Ong
and Mar who report that age, being Hispanic, and
being female are each associated with lower post-
displacement earnings.

One study explicitly examines whether minorities
and women have higher or lower earnings losses
than Whites. Madden (1988) concludes that follow-
ing displacement, minority men experience larger
earnings losses than White men but that the earn-
ings losses are larger for White women than Black
women. She suggests that when other researchers
pool minority men and women together, they do
not find these differential impacts due to aggrega-
tion bias. She also reports that age is associated
with larger earnings losses.

Data

Before proceeding to the examination of job dis-
placement among older workers, it is important to
describe the basic sample which will be used
throughout the paper. The HRS contains information
on 9,758 individuals ages 51 to 61. Those who are age
61 would be most likely to alter their behavior in
response to the availability of social security retire-
ment benefits at age 62 so they are excluded from
this study. This reduces the sample size to 8,963.

In order to calculate rates of displacement, the
group of individuals at risk of displacement must be
identified from this age-eligible population. Persons
at risk of displacement are defined to be those who
were employed in 1989 and had been with the same
employer for at least five years. 4,282 of the observa-
tions in the HRS on individuals ages 51 through 60
meet this standard for being at risk of displacement.

From the group of individuals who are at risk of
displacement, those who are displaced must be
selected. To be displaced, a person must report
they lost a job in 1990 or 1991 in which they had at
least five years of prior tenure. This window of two
years duplicates the two year retrospective window
which has been used in much of the prior descrip-
tive research based on the Displaced Worker Sur-
veys (Flaim & Sehgal, 1985; Gardner, 1995; Herz,

The method of determining whether a person
was displaced depends on whether they were
employed at the date of their 1992 HRS interview.
If a person was employed, an examination of their job
history was conducted to determine if they had
exited a job in 1990 or 1991 due to business closure
or layoff in which they had at least five years of
tenure prior to 1990. If so, they were counted as a
displaced worker.

If a person was unemployed, the record of their
most recent employment was examined. If that job
ended in 1990 or 1991 due to business closure or
layoff and they had at least five years of tenure in
the position prior to 1990, the person was counted
as a displaced worker. If a person was unemployed,
their job history was also examined. If they had
exited a job in 1990 or 1991 due to business closure
or layoff in which they had at least five years of
 tenure prior to 1990, they were counted as dis-
placed. In total, 204 age-eligible individuals were
found to be displaced from the 4,282 at risk. The
definition adopted in the paper of a permanent job
as one which lasts more than five years is necessitated by the data since jobs must have a minimum duration of five years to be recorded in the employment history section of the survey. For prior jobs, a variety of detail regarding compensation and the type of occupation is available.

Displacement and Its Effects

The importance of job displacement as both a social and economic phenomenon depends upon how often it occurs. Table 1 shows the population of individuals ages 51 through 60 in the United States at the date of the 1992 HRS. Of the total population of more than 21 million, 10.4 million, or about half, were at risk of displacement; i.e., they had held a job for at least five years prior to 1990. Of those at risk of displacement, 492 thousand were displaced in 1990 or 1991. As shown in the last column of the table, 4.7% of this age group was displaced (see Appendix, Note 3).

This estimate is made over a window of two years spanning 1990 and 1991. So, it should be comparable to those from the DWS which have used a two year window. During the period from 1991 through 1992, Gardner (1995) reports a displacement rate of 4.5% for those ages 55 to 64 who have at least three years of predisplacement tenure. This compares well with the displacement rate of 4.7% in Table 1 for workers ages 50 through 60 with five years of predisplacement tenure.

Beyond the total rate of displacement, the final column of Table 1 allows for comparisons across groups and for tests of differences in their rates of displacement. For example, across the aggregate groupings of men and women, the proportions displaced are equal, .047. Similarly, no clear pattern is evident in the displacement rates across individual ages in Table 1. There are also no statistically significant patterns across the larger age groupings provided in the table for women, Whites, and non-Whites. Males, however, appear more likely to be displaced from ages 51 through 55 than 56 through 60. Also, the displacement rate among non-Whites (.062) is 41% higher than for Whites (.044). Using the standard errors provided, this racial difference is significant at the 5% level (see Appendix, Note 4).

Prior research has established that higher levels of education and seniority reduce the likelihood of layoff. Table 2 shows the average education and job tenure in 1990 of the group of workers at risk of displacement and of those who were later displaced.

Average education does not vary significantly across workers at risk of displacement relative to those who were displaced for any of the demographic breakdowns provided in the table except...
for non-Whites. There are, however, significant cross-
group differences in education if one looks down
the columns of the table to consider either the
group of at-risk workers or those displaced. At-risk
White workers on average had 13.1 years of educa-
tion while minorities had only 11.8. Displaced White
workers had 13.3 years of education on average rel-
ative to 10.7 years for non-Whites. The difference in
education across the White and minority groups for
at-risk workers suggests that minorities should be at
a higher risk for job displacement. Among minori-
ties, it also appears that the less educated have a
greater chance of displacement.

Average job tenure prior to 1990 is 2.6 years
higher for the at-risk group relative to those who
are later displaced. Considering the demographic
groups in Table 2, males, Whites, and non-Whites
who are displaced appear to have significantly
lower job tenure than the at-risk group. No signifi-
cant difference in predisplacement tenure is seen
across displaced and at-risk women workers.

Again, if the groups of at-risk and displaced work-
ners contained in the individual columns are consid-
ered, significant differences in tenure are observed
by race and gender. Men have significantly more
tenure than women and Whites more than non-
Whites. Although there is no difference in the dis-
placement rates of men and women, the lower job
tenure of non-Whites appears to explain, in part,
their higher rates of displacement.

In the early 1980s, displacement was strongly
influenced by the industry of employment and type
of occupation in addition to personal characteris-
tics. Although recent evidence indicates those pat-
terns have moderated among all workers, older
workers may nonetheless be concentrated in de-
clining industries. Table 3 examines the extent to
which job displacement is concentrated among
blue and white collar occupations as well as major
industrial groupings for older workers.

Upon examination, Table 3 indicates that the pro-
portions of blue and white collar workers who are
displaced are similar, .045 versus .048. Across indus-
tries, manufacturing accounts for 22% of the em-
ployment of the at-risk group of workers and a
slightly more than proportional amount of the job
displacement observed, 25%. The components of
service employment (transportation, government,
wholesale and retail trade, finance, insurance, real
estate, and services) employ 67% of the at-risk
group of workers and account for a roughly propor-
tional 63% of the observed displacement.

The incidence of displacement is roughly equal
across occupations and industries. The primary vari-
ations observed in the rate of displacement appear
to be associated with the lower education and job
tenure of minorities. One wonders how successful
displaced workers, and minorities in particular, will
be in finding new employment.

Table 4 considers the labor force status of work-
ers displaced in 1990 and 1991 at the date of their
1992 HRS interview. The columns of the table show
how many workers were initially displaced, what propor-
tion had paid employment at the date of sur-
vey, what proportion were unemployed, and what propor-
tion were out of the labor force. Among all
displaced workers in the preceding two years, 73%
were reemployed at the date of survey, 18% were
employed, and 10% had left the labor force (see
Appendix, Note 5).

Across the demographic breakdowns by gender
and race, significantly more women exit the labor

<table>
<thead>
<tr>
<th>Table 3: Displacement Rates by Industry and Occupation Among Individuals Ages 51 Through 60</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industry</strong></td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>Totals</td>
</tr>
<tr>
<td><strong>Industry</strong></td>
</tr>
<tr>
<td>Mining and Construction</td>
</tr>
<tr>
<td>Manufacturing</td>
</tr>
<tr>
<td>Transportation</td>
</tr>
<tr>
<td>Wholesale and Retail Trade</td>
</tr>
<tr>
<td>Finance, Insurance, and Real Estate</td>
</tr>
<tr>
<td>Services</td>
</tr>
<tr>
<td>Agriculture</td>
</tr>
<tr>
<td>Government</td>
</tr>
<tr>
<td><strong>Occupations</strong></td>
</tr>
<tr>
<td>White Collar</td>
</tr>
<tr>
<td>Managerial and Professional Specialty</td>
</tr>
<tr>
<td>Sales and Administrative Support</td>
</tr>
<tr>
<td>Service Occupations</td>
</tr>
<tr>
<td>Blue Collar</td>
</tr>
<tr>
<td>Precision Production</td>
</tr>
</tbody>
</table>

*Based on author's calculations from the 1992 wave of the HRS.
*Standard errors are shown in parentheses.
force than men (15 vs 6%), significantly more non-Whites exit the labor force than Whites (20 vs 7%), and significantly fewer non-Whites are reemployed at the date of the survey (56 vs 77%). Thus, the group with the lowest education and prior job tenure has the lowest subsequent rate of reemployment and the greatest proportion exiting the labor market.

It should also be noted that within each of the demographic groups considered, more of the older workers in the cohort (56–60) exit the labor force than among younger workers (51–55). This pattern is not statistically significant but is relevant to the later discussion of pension eligibility and receipt.

The rates of reemployment observed here are higher for this age cohort than those found in the DWS. This is most likely because the survey date of the DWS is January of the year of interview. Some of the 1992 HRS interviews took place in 1993 which provides a longer time frame within which displaced workers could subsequently become reemployed. This would be expected to raise the proportion of displaced workers observed reemployed in the HRS relative to the DWS as seen here.

Beyond unemployment, the most obvious disruption following displacement is the loss of earned income. Since about one quarter of those displaced are not reemployed by the date of the survey, one would expect a fairly sizable loss in earned income on average. Also, given the relatively bad experiences of non-Whites, they might also be expected to suffer somewhat larger losses in earnings on average.

In the 1992 HRS, information on earnings is collected for the 1991 calendar year. This creates a problem in making before and after earnings comparisons because workers displaced in 1991 would report earnings at the time of leaving their permanent job and those same earnings would be reported as part of their total earnings in 1991. In order to make a pure comparison of earnings on prior jobs relative to earnings in 1991, the figures presented in Table 5 are calculated only for those individuals displaced in 1990. The comparison being made is between annualized earnings at the point of leaving a permanent job in 1990 to annual earned income in 1991. Ninety-four observations are used in these calculations. The calculation for displaced and reemployed non-Whites uses 15 observations. All of the other elements of the table are based on at least 25 observations (see Appendix, Note 6).

Table 5 contains information on the average earnings of all current workers relative to two groups of

### Table 4. Job Displacement and Current Employment Status by Age, Gender, and Race Among Individuals Ages 51 Through 61

<table>
<thead>
<tr>
<th>Age</th>
<th>White Male</th>
<th>White Female</th>
<th>Non-White Male</th>
<th>Non-White Female</th>
<th>Proportion</th>
</tr>
</thead>
<tbody>
<tr>
<td>51</td>
<td>49,177</td>
<td>55,789</td>
<td>41,116</td>
<td>59,177</td>
<td>1.0</td>
</tr>
<tr>
<td>52</td>
<td>54,309</td>
<td>59,066</td>
<td>46,116</td>
<td>63,177</td>
<td>.89 (.08)</td>
</tr>
<tr>
<td>53</td>
<td>56,652</td>
<td>60,066</td>
<td>48,116</td>
<td>65,177</td>
<td>.89 (.07)</td>
</tr>
<tr>
<td>54</td>
<td>70,223</td>
<td>71,066</td>
<td>54,116</td>
<td>75,177</td>
<td>.89 (.06)</td>
</tr>
<tr>
<td>55</td>
<td>55,789</td>
<td>58,066</td>
<td>45,116</td>
<td>60,177</td>
<td>.89 (.05)</td>
</tr>
<tr>
<td>56</td>
<td>50,302</td>
<td>53,066</td>
<td>39,116</td>
<td>54,177</td>
<td>.89 (.04)</td>
</tr>
<tr>
<td>57</td>
<td>30,850</td>
<td>33,066</td>
<td>24,116</td>
<td>36,177</td>
<td>.89 (.03)</td>
</tr>
<tr>
<td>58</td>
<td>41,116</td>
<td>42,066</td>
<td>32,116</td>
<td>44,177</td>
<td>.89 (.02)</td>
</tr>
<tr>
<td>59</td>
<td>39,971</td>
<td>39,066</td>
<td>28,116</td>
<td>38,177</td>
<td>.89 (.02)</td>
</tr>
<tr>
<td>60</td>
<td>43,387</td>
<td>41,066</td>
<td>32,116</td>
<td>41,177</td>
<td>.89 (.01)</td>
</tr>
</tbody>
</table>

*Based on author's calculations from 1992 HRS. Table entries in the last three columns are in the form: mean (standard error).

### Table 5. Mean Earnings By Age, Gender, Race, and Displacement Status Among Individuals Ages 51 Through 60

<table>
<thead>
<tr>
<th>All Current Workers</th>
<th>All Displaced Workers</th>
<th>Displaced and Reemployed Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>30,870 (539)</td>
<td>32,310 (2785)</td>
</tr>
<tr>
<td>Age 51–55</td>
<td>32,118 (657)</td>
<td>35,579 (4314)</td>
</tr>
<tr>
<td>56–60</td>
<td>29,386 (890)</td>
<td>28,140 (2915)</td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>40,236 (936)</td>
<td>41,567 (4641)</td>
</tr>
<tr>
<td>Race</td>
<td></td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>32,114 (704)</td>
<td>34,566 (3699)</td>
</tr>
<tr>
<td>Non-White</td>
<td>24,403 (458)</td>
<td>22,610 (2289)</td>
</tr>
</tbody>
</table>

*Based on author's calculations from 1992 HRS. Table elements are dollar values and are in the form: mean (standard error).
displaced workers, those who were displaced and reemployed and all displaced workers. The average displaced worker experiences a decline in their earnings of 39% or $12,497 dollars. For the average worker who is displaced and reemployed, earnings decline by 30% or $10,312. As the average displaced worker earns $32,310 in their prior job, this provides a rough estimate of the expected earnings loss for those who are not reemployed.

Considering all displaced workers, women have significantly lower earnings than men and minorities have significantly lower earnings than Whites following displacement. What is to be made of this is unclear. Similar differences existed prior to displacement. Displacement appears to substantially reduce the earnings of all groups. Racial and gender pay differentials observed before displacement are maintained afterwards.

Similar figures are provided in the table for those workers who are reemployed. When the unemployed workers are dropped from the calculations, the current earnings of White and non-White workers are only $2,500 apart. The gap between male and female earnings, however, widens. The negative impact of displacement on the earnings of minorities appears to be associated with their relatively low likelihood of subsequent employment. For women, the negative impact appears to be related to low earnings in their new jobs.

One way that older displaced workers might be able to supplement their earnings is by electing to receive private pension income if they qualify. Those who have more generous pensions might also be expected to exit the labor force and retire early. This, in part, could explain some of the movement out of the labor force observed in Table 4 (see Appendix, Note 7).

Table 6 provides information on current pension eligibility for at risk and displaced workers at the date of the 1992 HRS. As can be seen in the first row of columns 1 and 2 of the table, of all workers at risk, 60% were qualified to receive a private pension if they elected relative to 37% of those displaced. If those exiting the labor force are being influenced by the availability of private pension income, they must first be qualified for receipt. As a group, those who left the labor force were least likely to qualify for a private pension.

Table 7 investigates how many of the eligible workers elected to take the pension income. As can be seen in that table, the rates of pension receipt are basically identical across workers at risk of displacement, all displaced workers, all reemployed workers, and displaced and unemployed workers. Those who were displaced and are out of the labor force take pension income at more than twice the rate of these other groups, but the rate itself is only 18%. None of the displaced women who were not reemployed were receiving pension income. The same can be said of older non-Whites. On the other hand, more than half of all males out of the labor force are receiving pension income.

Table 7 also shows the average amount of pension income for each of the five groups considered (see Appendix, Note 8). Conditional on receipt, the average displaced worker receives $8,545 in pension income. This amount does not vary dramatically whether the worker is reemployed or not. Relative to the average earnings loss for a displaced worker who is reemployed ($10,312), an early pension benefit would replace most of the lost income. However, for a worker who was displaced and not reemployed, the average amount of pension income would probably replace a relatively small fraction of their prior earnings. Considering the average displaced worker’s earnings on the prior job of $32,310,
average pension income for a displaced worker of 
$8,545 would replace 26%. This provides a rough 
calculation of income replacement for a displaced 
worker who is not reemployed.

When the labor force status of displaced workers 
was considered in Table 4, those ages 56 through 60 
were most likely to leave the labor force. The highest 
rate of exit from the labor force was for the older 
group of non-Whites. Table 7 shows that this older 
group (56-60) is not more likely to receive pension 
income and that none of the older minority displaced 
workers are electing to receive pension income.

Based on this evidence, the receipt of private 
pension income does not appear to be a sizable 
fluence on decisions to exit the labor force except 
for males. The low rates of pension receipt among 
women and minorities and the modest amounts of 
income involved are inconsistent with the high 
rates at which they exit the labor force.

Although personal earnings fall significantly and 
are not offset to a great degree by the receipt of 
pension income, the overall impact of displacement 
should be offset to some extent by income received 
by other members of the household. Table 8 exam-
ines the average incomes of households which con-
tain current workers, all workers displaced in 1990, 
and those displaced in 1990 and reemployed (see 
Appendix, Note 9). The figures presented are for 
total household income from all sources. The aver-
age household income for current workers in 1991 
was $59,924. Households of displaced workers on 
average had total incomes which were $14,530 
lower. The difference is somewhat smaller for 
households where the displaced worker was reem-
ployed, $11,000. These comparisons suggest that the 
typical household that contains a displaced worker 
experiences a sizable (24%) loss in income.

<p>| Average Total Household Income in 1991 By Age, Gender, Race, and Displacement Status Among Individuals Ages 51 Through 60 |
|---|---|---|---|---|</p>
<table>
<thead>
<tr>
<th>Age</th>
<th>All Current Workers</th>
<th>All Displaced Workers</th>
<th>Displaced and Reemployed Workers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>59,924 (729)</td>
<td>45,394 (4026)</td>
<td>48,924 (4715)</td>
</tr>
<tr>
<td>51-55</td>
<td>61,848 (906)</td>
<td>47,460 (6070)</td>
<td>42,776 (6798)</td>
</tr>
<tr>
<td>56-61</td>
<td>57,639 (1185)</td>
<td>42,918 (5220)</td>
<td>43,490 (5770)</td>
</tr>
<tr>
<td>Gender</td>
<td>Male</td>
<td>Female</td>
<td>Male</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Total</td>
<td>65,999 (1171)</td>
<td>50,046 (6076)</td>
<td>51,090 (7008)</td>
</tr>
<tr>
<td>Race</td>
<td>White</td>
<td>Non-White</td>
<td>White</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Total</td>
<td>62,454 (930)</td>
<td>46,932 (5289)</td>
<td>49,372 (5706)</td>
</tr>
</tbody>
</table>

*Based on author's calculations from 1992 HRS. Table elements are in the form: mean (standard error).

It should be pointed out that this is an ex post 
comparison which assumes that the households 
containing a displaced worker had similar total 
incomes to those that did not prior to the displace-
ment. This appears to be a reasonable assumption. 
The average displaced worker experienced a reduc-
tion in labor earnings of $12,497. The difference in 
the household incomes of the average current 
worker and the average displaced worker is similar 
to this amount ($14,530).

Across the demographic groups in Table 8, house-
holds which contain a female displaced worker 
receive less income than households containing a 
males displaced worker. Similarly, households con-
taining a non-White displaced worker receive less 
income than households containing a White dis-

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placed worker. However, these same patterns are seen in the at-risk group. Attributing these differentials to displacement would be inappropriate.

Another area where family members may be of assistance is in the replacement of health care coverage. Table 9 examines rates of health care coverage among all workers in the 1992 HRS both from the worker's own employer as well as from coverage through their spouse.

Among all workers, the rate of coverage is 54% from their own employer relative to 80% from their own employer or their spouse's. Prior to displacement, rates of health insurance coverage from one's own employer are not significantly different between Whites and non-Whites although women appear to be less likely to have their own coverage than men. Minorities are less likely to have spousal coverage than Whites.

For displaced workers, the rate of health insurance coverage from their own employer is 32%. The group with the lowest rate of coverage is non-Whites at 26%. Considering coverage from their own employer or their spouse, 59% of displaced workers have health insurance, 21% points less than for all workers. Minority workers also have the lowest rate of coverage including spousal policies, 38%.

Given the drop in personal and household incomes associated with job displacement and the need of households to replace other nonwage benefits such as health insurance, households of displaced workers would be expected to slow down their rate of asset accumulation towards retirement and to perhaps begin spending down assets in order to maintain their lifestyles. Table 10 provides information on the household net worths of all workers who were at risk of displacement, all workers who were displaced, and those who were displaced and reemployed. The household of workers who were displaced and reemployed on average have a net worth which is $68,422 lower than the at-risk group. When all displaced workers are considered, the difference in average net worths becomes larger ($86,310). Households containing a non-White displaced worker have an average net worth ($115,196) which is 46% less than for similar Whites ($228,438) (see Appendix, Note 10). However, a similar pattern is observed in the group of at-risk workers so the differences following displacement should be interpreted with caution. Also, since these are ex post comparisons, it should be borne in mind that an implicit assumption is that households containing displaced workers had similar assets to those which do not prior to displacement. Nonetheless, Table 10 shows that the average minority household is not in as strong a financial position to deal with the impacts of displacement as the average White household.

Conclusion

In many respects, the evidence regarding the incidence of job displacement and its economic impacts upon older workers provided in this article mirror the findings of the broader literature on job displacement. Job displacement appears to be spread proportionately across occupations and industries. Prior job tenure and education both appear to play a role in determining who is displaced.
Following displacement, the average loss in earnings for displaced and reemployed workers (30%) lies at the upper end of the range of equivalent estimates reported by prior studies (10 to 25%) as would be expected given the greater seniority of the age cohort examined. When displaced workers who are not reemployed are included, the estimated loss in earnings rises to 39%. At the time of survey for the 1992 HRS, a sizable fraction of those displaced in 1990 and 1991 were not reemployed (27%), and this suggests that studies which exclude these individuals when measuring the impact of job displacement understate its effects. There is also little evidence that the 10% of the sample who leave the labor force after being displaced are replacing lost earnings through pension income as only 13% of them qualify for private pensions and, of that group, about one fifth take the benefit.

Although the typical displaced worker experiences a sizable loss in personal earnings, their family circumstances appear to buffer the decline in their economic well-being. Labor earnings for the typical displaced worker decline by 39%, while their total family income appears to decline by about 24%. Families also play an important role in increasing the availability of health insurance to displaced workers as they do for nondisplaced workers; 27% of displaced workers obtain their health insurance through their spouse.

While the decline in earnings of the individual is typically buffered by other sources of income in the household, an average reduction of 24% is still quite large. The study offers some evidence that asset accumulation among the families of displaced workers is impacted heavily by this loss of income. This topic merits further research.

These large reductions in personal and family income and the resulting effects on assets are troubling and may have important implications for the post retirement well being of all displaced workers. An additional concern is the apparent pattern exhibited throughout the analysis of disproportionate hardship experienced by the non-White members of the sample. Relative to Whites, the non-White group experiences a greater incidence of displacement, a lower probability of reemployment, lower personal earnings, lower household incomes, and lower rates of health insurance following displacement. It is also apparent that the non-White families have less asset holdings to serve as a buffer until social security income becomes available. While these patterns are explained in part by lower education and job tenure, minorities, as a group, are nonetheless worse off in every dimension examined following displacement. Examining the impact of displacement across these groups following retirement will be the subject of future research.

References


Received November 11, 1996
Accepted October 2, 1997

Appendix

1. Individuals in the sample who were age 61 were not included. If displaced at age 61, they would be most likely to forego a job search and wait to collect social security benefits. Due to their close proximity to social security eligibility, they are not included in the study.

2. It should be recognized that the measures included for tenure and work experience are highly collinear with age. This explains the omission of that variable. The studies all find that workers with greater tenure prior to displacement suffer larger earnings losses. This is similar to saying that older workers would be expected to have larger earnings losses.

3. When the numbers in the tables are reported as proportions, I will refer to them at times as rates or percentages and accordingly multiply them by 100.

4. The formula for making these comparisons assuming independence of the table elements is the difference in two table elements divided by the square root of the sum of their squared standard errors. For the remainder of the article, significance will refer to the .05 level.

5. The totals and proportions do not sum exactly because labor force status could not be assigned to three observations. Thus, the total is slightly larger than the sum of the components.

6. This sample of workers displaced in 1990 is also used in the comparisons of total household income found in Table 8. The sample sizes described here for Table 5 are the same as those used in Table 8.

7. Other possibilities considered were receipt of Survivors and Disability benefits as well as lump sum severance payments. Less than 2% of the sample of
displaced workers received any of these types of payments. Coresidence with children and cash transfers were also considered as a family response. Again, less than 2% of the sample of displaced workers resided with a child or received a cash transfer.

8. These calculations are not provided at a more disaggregated level because the low takeup rate for pension benefits leaves few positive observations.

9. The subgroup of workers displaced in 1990 which is considered here is the same as was used in the calculation of individual earnings contained in Table 5. By considering only those workers displaced in 1990, their total household incomes in 1991 can be assured not to reflect any earnings from the job from which they were displaced. A description of the underlying number of observations available is provided in the text with the discussion of the contents of Table 5.

10. One concern with the information contained in Table 10 is that among some of the demographic groups, displaced workers who are reemployed have lower average net worths than among all displaced workers. However, in each instance where this occurs, the associated standard errors indicate that the two figures are not significantly different.

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