Recession hit younger Alabama workers harder

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Much of the debate on the economic recession surrounds the downturn of consumer spending, business investment, housing meltdown, and other aggregate measures. As employers slowly begin to hire more workers, understanding the recession's impact on different segments of the population can provide insightful information for both job hunters and business owners.

One important question is: How does the recession impact different age groups? To answer this question, Auburn University Montgomery's Center for Demographic Research is assessing the disproportional impact of the economic downturn on various age groups in the 67 counties of Alabama.

A report of that study, which will be released in early 2011, will show how older workers, especially those 55 years and older, were impacted by the economic recession in 2009, in comparison to younger workers.

Our analysis is based on the Quarterly Workforce Indicators produced by the Census Bureau's Local Employment Dynamics program. QWI data are from state administrative records and basic demographic information from the Census Bureau.

Preliminary results show that overall, the current economic recession has been less severe on older workers as compared to the younger ones. Older workers are defined as persons 55 and older who were employed during the period of the study. Older workers had a net advantage over the younger workers in terms of employment, earnings and job retention.

We compared the data from the third quarter of 2007, a period of lowest unemployment in the last five years, to the third quarter of 2009 when the unemployment reached its highest level, according to QWI statistics. Clearly, older workers fared better than younger ones.

For example, the percent of Alabama workers who were 55 and older increased from 16.4 in 2007 to 18 in 2009. Twenty percent or more of the total workforce in 22 counties was 55 and older in 2009, compared to only 12 counties in 2007.

Although all age groups registered higher job losses in 2009, the impact was more devastating for younger workers. One important measure of job loss is employment separations, or the number of workers who were employed by a business in the current quarter but not in the subsequent quarter.

Data on employment separations show that older workers were also less likely to lose jobs during the acute recession period than the younger ones. Compared to the year 2007, the percentage of job separations in 2009 were only 15 percent higher for workers 55 and older. Those below age 55 took a 34 percent employment cutback, with the highest loss among those below age 25 (38 percent).

Older persons also had an edge on new employment during the recession period. For example, the percentage of new hires for workers 55 years and older declined by 32 percent in 2009 as compared to 2007. Younger workers had a reduction of new hires of 41 percent during the same period.

The advantage for older workers was not the same across the state. There were more gains in number of new hires for workers 55 and older in 2009 as compared to 2007 in Choctaw (93 percent), Sumter (13 percent), Lowndes and Marengo (5 percent) counties. However, Choctaw's older workers also had the highest percentage of job separations between 2007 and 2009 (87 percent).

There were also significant differences in earnings across age groups. Again, workers 55 and older did better than those below age 55. In fact, the average monthly earnings of workers 55 and older increased by 5.56 percent during the period between 2007 and 2009, compared to only 0.23 percent for younger workers. Those 65 and older gained 8.43 percent increase during the same period; workers below age 25 had the biggest loss (-3.47 percent).

All workers hired in 2009 were paid on average less than those who were hired in 2007. Still, the loss was more substantial for younger workers (7.08 percent) than those 55 and older (3.4 percent). Workers below age 25 were hit harder with a 9.44 percent loss in average monthly earnings in 2009 as compared to 2007 when the economy was at its peak.

Our results are consistent with findings from a 2009 telephone survey of nearly 3,000 adults conducted by the Pew Research Center. Their findings reveal that older people were less likely to report economic losses than younger and middle-aged adults. According to the Pew Research Center survey, persons 18 to 49 have been among the hardest hit in the job market.

Even as some signs of economic recovery are apparent in our state, the younger generations may face more challenges to enter into the job market than older workers. This has been the first significant recession that many younger workers have faced. As a result many workers below age 55 have lost jobs and cut back on spending, while the older workers who have gone through previous economic downturns held better and did not have to drastically change their spending behaviors.

As employers consider the best way to rehire, they should consider the impact of the economic recession on various age-groups. We can not recover until all segments of the population find descent employment. We hope Alabamians, both young and old, will be represented in the workforce as we slowly emerge from this economic recession.

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