



CALIFORNIA BUDGET PROJECT

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## Even During the Economic Downturn, More Californians Are Working Later in Life

**CALL TODAY AT 11:00 A.M. FOR MEDIA ONLY**

SACRAMENTO - During this economic downturn, employment rates have declined for many Californians. That's not the case, however, for Californians who are age 55 to 69, according to a new report by the California Budget Project, a nonpartisan public policy research group.

The new report, *More Californians Are Working Later in Life*, shows that the share of Californians working at or near retirement age has increased significantly since the mid-1990s. In 2008, 63.0 percent of Californians age 55 to 64 were working, compared to 54.8 percent in 1995. In addition, 29.7 percent of Californians age 65 to 69 were working in 2008, an increase of 9.4 percentage points from 1995. But bucking a trend seen during the downturns of the 1980s and 1990s, when employment rates for older Californians declined, the employment rate of older Californians rose between 2007 and 2008. The employment rate for Californians age 65 to 69 rose by 4.5 percentage points between 2007 to 2008, from 25.2 percent to 29.7 percent.

Increased employment rates for Californians in their late 50s and 60s reflect a number of factors, including improved health, longer life expectancy, and a declining share of physically demanding jobs, as well as the inability to afford retirement.

"The good news is that some Californians are choosing to work longer because they can," said Alissa Anderson, deputy director of the CBP and author of the report. "The bad news is that for other Californians, working later in life is a necessity, reflecting the fact that they can't afford to retire, at least not at the traditional retirement age."

Declining retirement security points to the importance of ensuring the vitality of Social Security, an important source of income for retirees that helps reduce poverty. Nationally, 64 percent of people age 65 and older depended on Social Security for at least half of their income in 2006, and nearly one-third (32 percent) depended on Social Security for 90 percent or more of their income.

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The report also finds that:

- **The employment rate of women at or near retirement age increased considerably more than that of similarly aged men during the current downturn.** This difference may reflect the fact that men in this age group disproportionately work in sectors that have experienced sharp declines during the recession, such as construction and financial activities.
- **Both financial and non-financial factors motivate people at or near retirement age to work; however, the need for money is most frequently cited.** In a 2006 national survey, 72 percent of workers age 55 to 59, and 60 percent of workers age 60 to 65, said that the need for income to live on was one of the primary reasons for working.
- **The recent decline in the stock market has taken a toll on many individuals' retirement savings, increasing the incentive for those at or near retirement age to continue working.** Nationally, total assets in defined contribution pension plans and Individual Retirement Accounts lost \$2.8 trillion (32.2 percent) of their value between September 30, 2007 and December 2, 2008, reducing retirement savings for many Americans.
- **The recent drop in home prices contributes to diminished retirement security for homeowners.** The value of the median-priced California home declined by 53.7 percent between May 2007 and January 2009, reducing the amount of equity available for older Californians during retirement.
- **Fewer workers may be able to afford to retire at the traditional retirement age because job-based pension and retiree health coverage have declined.** The share of private-sector California workers with a job-based pension plan declined from 46.1 percent in 1980 to 37.7 percent in 2005, and national data show that workers without job-based pension plans retire later than those with pensions.
- **The shift from "defined benefit" to "defined contribution" pension plans has increased the incentive to work later in life.** Defined benefit plans guarantee workers a fixed benefit based on their salary and years of experience, regardless of the return on the investments in their plan. In contrast, the retirement benefits of defined contribution plans are not guaranteed and depend in large part on workers' success in investing their funds, as well as the performance of the stock market.

The report is available at [www.cbp.org](http://www.cbp.org). **The CBP will hold a call about the report at 11:00 a.m. today for media only. The call-in number is (800) 290-9461, and the password is WORKING. To reserve a spot, contact Lisa Gardiner at (916) 444-0500 or [lgardiner@cbp.org](mailto:lgardiner@cbp.org).**

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*The California Budget Project (CBP) engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. Support for the CBP comes from foundation grants, publications, and individual contributions. Please visit the CBP's website at [www.cbp.org](http://www.cbp.org).*