

# WORKING PAPER

## *Executive Summary*

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CENTER for  
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## IMPACT OF THE GREAT RECESSION ON RETIREMENT TRENDS IN INDUSTRIALIZED COUNTRIES

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The Great Recession had a large impact on unemployment rates and employment prospects in the United States and other industrial countries. In April 2013, 48 million adults in Organisation for Economic Co-operation and Development (OECD) member countries were unemployed, an increase of 16 million, or about 50 percent, compared with the number of unemployed in 2007 (OECD 2013, 11). The drop in aggregate demand increased the pressure on employers to dismiss workers, and it reduced the number of new job openings, making it harder for jobless workers to find employment. At the same time the fall in household wealth, caused by declines in asset prices and longer spells of joblessness, probably induced some older workers to postpone retirement and encouraged others to return to the work force. When the recession began in 2008 most wealthy member countries of the OECD were in the midst of a trend toward later retirement as reflected in an upward shift in labor force participation rates after age 60. This paper examines whether the Great Recession and the weak recovery that followed slowed or reversed the trend toward higher old-age participation and employment rates.

Using cross-nationally comparable data on labor force participation and employment-to-population ratios within narrow age groups we estimated trends toward later retirement in 20 OECD member countries in the period after 1989. We compared trends before and after 2007 to measure the effects of the Great Recession. The data show a wide divergence in both levels and trends in labor force participation after age 60. In 1989, for example, the labor force participation rate of 60-64 year-olds ranged from a low of 12 percent in Belgium up to 56 percent in Sweden. Participation rates among 65-69 year-olds ranged between 2 percent and 38 percent in the same year. The cross-national participation-rate gaps are much wider in older age groups than they are among prime-age adults, that is, people between 25 and 54. Among the 20 wealthy countries in our sample, the labor force participation rate of 60-64 year-olds trended upward in 18 of the countries between 1989 and 2007 while the participation rate of 65-69 year-olds rose in 12 of the 20 countries. Only 19 countries provide information about the participation rate of 70-74 year-olds. Of these, 11 saw an increase in 70-74 year-old participation rates between 1989 and 2007. Across the 20 countries supplying information on participation rate trends, the participation rate of 60-64 year-olds increased an average of 0.4 percentage points per year between 1989 and 2007. The participation rate of 65-69 year-olds rose an average of 0.1 percentage points a year, and the participation rate of 70-74 year-olds increased at about half that rate. In all three older age groups the rate of gain in old-age participation rates was faster among women than among men. Notably, however, both sexes experienced statistically significant gains in participation.

We used straightforward time series analysis to test for a break in the trend toward higher labor force participation and employment after 2007. Our results indicate that the average rate of increase in labor force participation slowed in only a handful of countries after the onset of the Great Recession. In terms of labor force participation we found a significant slowing of the trend rate of change in just three of our 20 sample countries. All three—Greece, Portugal, and Ireland—experienced unusually severe recessions. The United States also experienced a significant slowdown in the rate of employment gain (though not participation rate gain) among 60-64 year-olds. Between 1989 and 2007 the employment rate of 60-64 year-old Americans increased at an average rate of 0.53 percentage points a year. Since 2007 it has risen just 0.17 percentage points a year. Of course, much of the slowdown is due to involuntary unemployment rather than labor force withdrawal. Interestingly, employment rates among Americans aged 65-69 and 70-74 continue to increase as fast or slightly faster than was the case between 1989 and 2007.

Averaging across all 20 countries in our sample, the pace of labor force participation gains has accelerated since the onset of the Great Recession. As noted, the participation rate of 60-64 year-old men and women increased at an average rate of 0.4 percentage points a year between 1989 and 2007. Between 2007 and 2012 the participation rate in this age group increased an average of 1.5 percentage points a year. In 12 of the 20 countries, the increase in the trend rate of participation change was statistically significant. The participation rate of 65-69 year-old men and women increased at an average rate of 0.1 percentage points a year between 1989 and 2007. Since 2007 the participation rate in this age group has increased an average of 0.8 percentage points a year across the sample countries. In 13 of the 20 countries, the rise in the trend rate of participation gain was statistically significant. In the oldest age group, 70-74 year-olds, the trend rate of increase in participation rose from 0.05 percentage points a year between 1989 and 2007 to 0.32 percentage points a year after 2007. In 12 of the 19 sample countries the increase in the pace of participation gain among 70-74 year-old men and women was statistically significant.

Notwithstanding the severity of the Great Recession and the weakness of the recovery, our results suggest that the trend increase in old-age labor force participation has accelerated in recent years. Countries that experienced unusually severe downturns, including Ireland and much of southern Europe, represent partial exceptions to this generalization. On the whole, however, the trend toward later retirement has survived the Great Recession.

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