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HOW HAS COVID-19 AFFECTED OLDER WORKERS' LABOR FORCE PARTICIPATION?

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Introduction

Working longer helps people secure a comfortable retirement, particularly given the rise in Social Security's full retirement age. Before the COVID-19 crisis, many older workers had internalized this message, and both retirement and Social Security claiming ages were steadily rising. The question is the extent to which the pandemic interrupted this trend.

To provide a benchmark for answering this question, this *brief* (based on a recent study) uses the *Current Population Survey* (CPS) to compare patterns of leaving work and of retiring before and after the pandemic for individuals ages 55 and over.[1] This comparison, which uses the panel nature of the monthly CPS to follow people over time, allows for identifying the factors that made older workers susceptible to job separations during the pandemic; determining whether those who left employment also retired; and reconciling these patterns with recent trends in Social Security claiming.

The discussion proceeds as follows. The first section details the data and methods of the analysis. The second section shows that the pandemic did indeed result in many job exits among older workers – particularly those with less than a college degree, women, Asian-Americans, and those in occupations that did not lend themselves to remote work. The final section concludes that while the pandemic pushed many older adults out of work, it had little impact on retirement and Social Security claiming, which suggests that many might want to return to work if the pandemic continues to recede.

Data and Methodology

The analysis relies on the CPS, a monthly survey of a large sample of U.S. households that asks about labor force status and other economic outcomes. Respondents are surveyed in each of 4 consecutive months; then are out of the sample for 8 months; and then re-enter the sample for another 4 months. The analysis looks at how the labor force status of those ages 55 and over changed between their 4th month in the survey and their last month in the survey (see Figure 1 on the next page). That is, was an individual working in the 4th month still working in the 16th month or had the person left work or retired?

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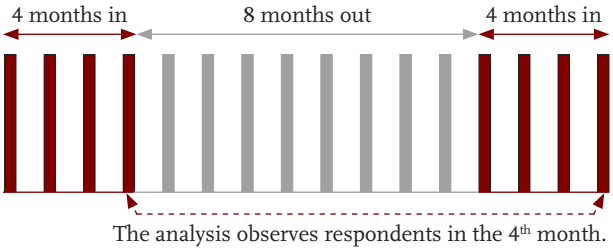
Figure 1. Longitudinal Design of the *Current Population Survey*



Source: Authors' illustration.

The exercise then compares the experience of two groups of workers: "pre-pandemic" and "post-pandemic." The pre-pandemic workers had their initial interviews between January 2018 and March 2019 and their follow-up interviews between January 2019 and March 2020. The post-pandemic workers had their initial interviews between April 2019 and December 2019 and their follow-up interviews during the pandemic period of April-December 2020. The sample window stops in December 2020 to avoid the confounding effect of vaccination efforts. The assumption is that the post-pandemic group would have behaved similarly to the pre-pandemic group had COVID not occurred, so any differences in behavior are broadly attributed to the pandemic.

The empirical approach is to estimate a linear regression model in which the dependent variable is, in turn, an indicator that the worker has left employment and an indicator that the worker has reported being retired. The possible explanatory variables fall into four categories:

1. *Age and Health*. These factors reflect the individual's capacity and comfort with continued work. Age is important both because COVID is more dangerous for older individuals and because older individuals are often eligible to claim Social Security. Poor health makes workers more vulnerable to the virus and work more difficult.[2]

2. *Gender and Race*. Prior research has established that the pandemic and accompanying recession have had a disproportionate impact on women and people of color. Therefore, the analysis examines changes in labor force status by gender, race, and Hispanic origin.

3. *Working Conditions*. The analysis includes a variable for whether the respondent is in an occupation in which work can likely be done remotely. In addition, better-educated workers may have advantages beyond the flexibility to work remotely that may have helped them avoid early retirement. Finally, the analysis accounts for whether the individual is self-employed.[3]

4. *Local Conditions*. The severity of both the pandemic itself and economic conditions around the associated recession could also influence the likelihood of withdrawing from employment or retiring.

To identify how each of these factors influences labor market behavior pre-pandemic and to identify the impact of the pandemic, the regression model takes the form:

$$\text{Labor outcome (Leave work, Retire)} = f(\text{Factors (1-3)} + \text{Pandemic group} + \text{Factors (1-3) x Pandemic group} + \text{Local conditions})$$

The initial variables reflect how the first three sets of factors described above were associated with labor outcomes before the pandemic.[4] The second variable indicates whether the individual is a member of the pandemic group, which had their second interview during the pandemic. The factors are then interacted with the pandemic-group variable to estimate how the relationships changed during the pandemic.

In interpreting the results, a positive coefficient on one of the initial variables – those that capture effects before the pandemic – indicates that the factor is positively associated with employment exit or retirement under normal circumstances. A positive coefficient on one of the variables capturing interaction effects indicates that the factor is associated with *greater* exit or retirement *during the pandemic*, relative to normal circumstances. Hence, these interaction effects are the main focus of this study.

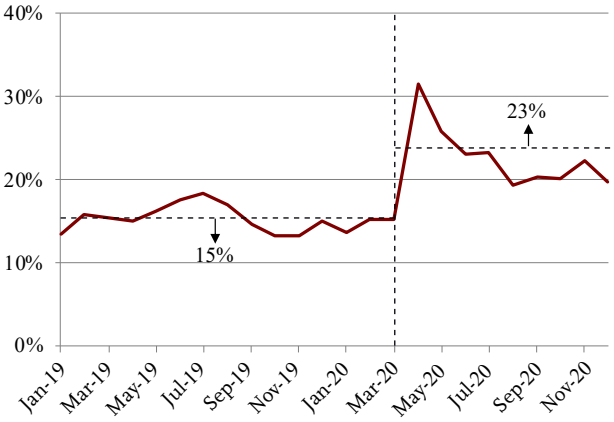
Results

This section first describes the results for leaving employment and then for being retired. It then assesses preliminary evidence on Social Security claiming.

Leaving Employment

The share of workers leaving employment changed sharply with the onset of the pandemic. Before the outbreak, about 15 percent of older workers would leave employment within a year. This percentage rose sharply in April 2020 to 31.5 percent (see Figure 2). In subsequent months, a lower percentage of older people left but the percentage remained near or above 20 percent during the rest of 2020. Overall, the share of people ages 55 or older who left the workforce during the pandemic increased by a statistically significant 7.6 percentage points.

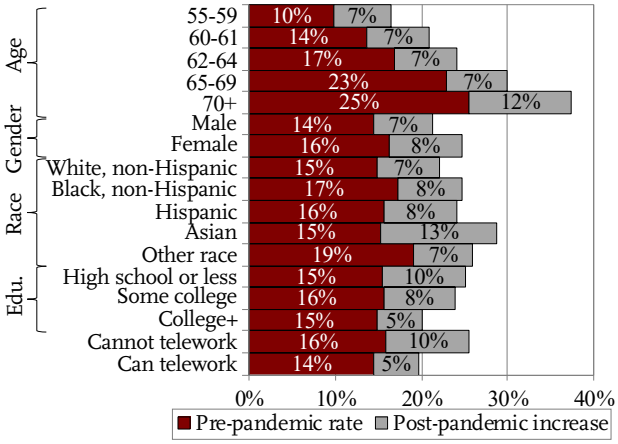
FIGURE 2. SHARE OF WORKERS AGES 55+ LEAVING THEIR JOBS OVER THE COURSE OF A YEAR, 2019-2020



Note: The x-axis represents the end date of the one-year interval for each group of survey respondents.
Source: Authors' estimates from *Current Population Survey* (CPS) (2018-2020) via U-Minnesota's IPUMS-CPS database.

The key questions are which groups were more likely to leave employment before the pandemic and which groups saw the largest increases (without controlling for other characteristics). The results (shown in Figure 3) are consistent with previous findings in the literature. Pre-COVID, the probability of leaving employment increased with age: 10 percent left at ages 55-59, but 25 percent left at ages 70 or older. Post-COVID, most of the age groups saw a 7-percentage-point increase in the share of individuals leaving work. The effect of COVID was slightly larger for women: an 8-percentage-point increase, compared to 7 points for men. Most racial groups saw increases of 7 to 8 points, but the increase among Asian-Americans was 13 points.[5] College graduates saw only a 5-point increase, while those with a high school diploma or less saw a 10-point increase.[6] Not surprisingly, a large difference occurs between those with jobs that do and do not lend themselves to remote work.

FIGURE 3. SHARE OF WORKERS AGES 55+ LEAVING THEIR JOBS OVER THE COURSE OF A YEAR, BY WORKER CHARACTERISTICS, 2019-2020

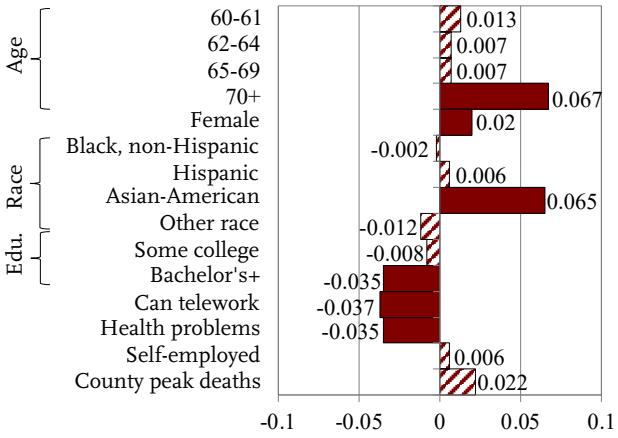


Source: Authors' estimates from IPUMS-CPS (2018-2020).

Although some of these differential changes are large, older workers are often members of multiple groups. The regression identifies which characteristics are most associated with leaving employment.[7] As suggested by some previous studies, age was not a major predictor; workers ages 60-64 (as well as 65-69) were not more likely to leave their jobs than workers ages 55-59 (see Figure 4 on the next page), after controlling for other characteristics.[8] On the other hand, women were 2 percentage points more likely to leave employment. Being Asian-American was associated with an increase of 7 percentage points in the likelihood of leaving employment, compared to identifying as white non-Hispanic. Being Black or Hispanic, in contrast, was not associated with greater employment exits after controlling for other differences. Employment conditions also seem important. College graduates were about 3.5 percentage points less likely to leave employment during the pandemic than individuals without a college degree. That estimate is large and statistically significant even after controlling

for having jobs more amenable to working remotely. The surprising result that workers with more health problems are less likely to leave employment probably reflects the fact that health problems in the CPS are unrelated to COVID.

Figure 4. Regression Results for the Effect of the Pandemic on Job Exits Among Workers Ages 55+, by Worker Characteristics, 2019-2020



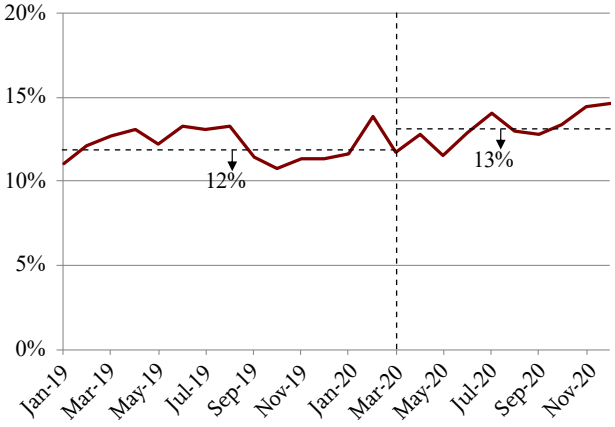
Note: Solid bars are statistically significant.
Source: Authors' estimates from IPUMS-CPS (2018-2020).

Retirement

For individuals ages 55 and over, leaving the workforce is usually combined with the decision to retire, whether voluntarily or involuntarily. But the pandemic was not associated with a large increase in the share of older individuals who report being out of the labor force due to retirement (see Figure 5). The trend is largely flat: the average retirement rate before the pandemic (through March 2020) is 12 percent, compared to 13 percent post-pandemic. That 1-percentage-point difference is statistically significant, but qualitatively small.

With one exception – workers ages 70 and over – no specific group saw a statistically significant increase in their likelihood of retirement. This oldest group of workers was 5.9 percentage points more likely to leave work and retire during the pandemic. Even groups with statistically significant increases in their employment exits – women, Asian-Americans, those with less than a college degree, and workers without access to telework – reported no commensurate changes in their likelihood of retirement.

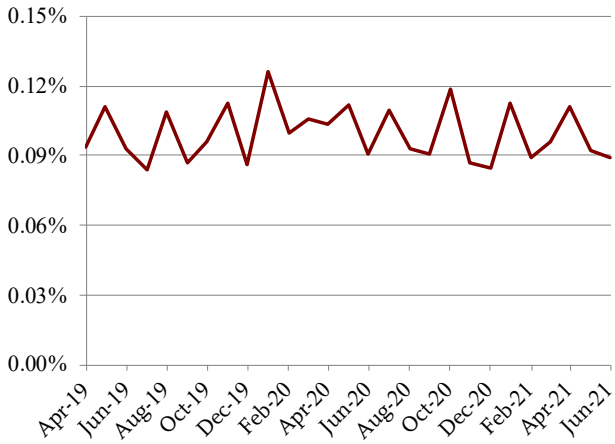
Figure 5. Share of Individuals Ages 55+ Transitioning to Retirement Over the Course of a Year, 2019-2020



Source: Authors' estimates from IPUMS-CPS (2019-2020).

The relatively modest increase in self-reported retirement, concentrated among those over age 70, suggests that Social Security claiming might not have gone up during the pandemic. Most of the workers over age 70 likely claimed before the pandemic since Social Security's actuarial adjustment does not reward workers for delayed claiming past 70. Indeed, Figure 6 shows that the monthly claiming rate for Social Security retirement benefits remained constant between April 2019 and June 2021.

Figure 6. Monthly Social Security Retirement Benefit Applications Relative to the Population Ages 55+, 2019-2020



Source: Authors' calculations from U.S. Social Security Administration (2019-2021).

Conclusion

The pandemic has impacted every aspect of life, work included. This study finds that, on the one hand, employment exit among workers over age 55 dramatically increased during the pandemic, especially for women, Asian-Americans, those with less than a college degree, and those whose occupations were less amenable to remote work.

On the other hand, self-identified retirement increased only modestly over the past year and was concentrated among those over age 70. As this group was likely already receiving Social Security, benefit claiming did not increase markedly.

This discrepancy between leaving work and retiring can be interpreted in two ways. Some older individuals may intend to return to work to the extent that the pandemic continues to recede and vaccination and other medical advances make doing so safer. Others may not intend to return to the labor force but are using other sources of income – such as extended unemployment insurance or federal stimulus payments – to postpone claiming Social Security. It will be fascinating to see how this episode plays out.

Endnotes

1 Quinby, Rutledge, and Wettstein (2021).

2 Due to data limitations, health status in this analysis reflects severe limitations in activity. Specifically, someone is considered to have a health issue if they reported difficulty with hearing, vision, remembering, physical activity, mobility, or personal care. Future research could focus on medical conditions related to COVID, such as respiratory issues, obesity, and diabetes.

3 The effect of the pandemic on the self-employed could be greater or smaller than on employees. On one hand, the self-employed may have greater autonomy to decide where and when they are capable of working under quarantine conditions. On the other hand, the self-employed may own businesses that were more likely to have to shut down due to quarantine or slack conditions.

4 These variables are measured as of the respondents' first interview, pre-pandemic.

5 These results find no difference between Hispanics and non-Hispanics. Lee, Park, and Shin (2021) find that prime-age Hispanic workers were more likely to leave employment than whites. However, younger Hispanic workers are likely to experience very different employment conditions than the older workers considered in this study.

6 Earnings are not included in the regression analysis due to high collinearity with education and telework, but the raw results indicate a substantial difference in the hazard out of employment by earnings. In the bottom half of the earnings distribution, the probability of leaving employment increased by 13 percentage points, compared to only a 3-percentage-point increase for the top half.

7 The full paper (Quinby, Rutledge, and Wettstein 2021) shows summary statistics for the independent variables, separately for the pre- and post-pandemic samples.

8 One exception is workers ages 70 or older: this oldest group saw a 7-percentage-point increase in leaving employment.

References

Lee, Sang Yoon (Tim), Minsung Park, and Yongseok Shin. 2021. "Hit Harder, Recover Slower? Unequal Employment Effects of the COVID-19 Shock." Working Paper 28354. Cambridge, MA: National Bureau of Economic Research.

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