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HOW HAVE OLDER WORKERS FARED DURING THE COVID-19 RECESSION?

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Introduction

The good news, as a recent CRR *brief* suggests, is that older workers were not disproportionately affected by the COVID-19 Recession with respect to initial job losses.[1] However, many older workers, like their younger counterparts, did experience layoffs. How did they fare?

The specific question addressed in this *brief* is the prevalence of job exits among older workers and the extent to which they led to outright retirement. The analysis compares the results across earnings levels and to other benchmarks – the Great Recession and the strong economy of 2019. Using the *Current Population Survey* (CPS), the *brief* focuses on two age groups of workers: 1) those approaching retirement (ages 50-61); and 2) those of retirement age (62+), who may be more likely to exit the labor force entirely.

The discussion proceeds as follows. The first section describes the CPS data. The second section presents the results for those ages 50-61, and the third section presents the results for those 62+. The final section concludes that, not surprisingly, recessions generally hit low earners harder than high earners. And, for low earners as a group, the COVID Recession was slightly worse than the Great Recession. Interestingly, the oldest high earners (ages 62+) did worse in the COVID Recession than they did in the Great Recession, both in terms of general labor force exits and outright retirement.

The CPS Data

The unique sampling structure of the CPS makes it possible to follow people who were working just prior to COVID into the recession. Specifically, individuals are interviewed in a total of eight months during a sixteen-month period. In the fourth month of interviews, they are asked detailed questions on earnings. Then, the person has eight months off, followed by another four months of interviews. This structure means that the earnings data are collected exactly one year before their last interview.

The data are used to examine older workers' employment during several periods. For the COVID Recession, the analysis follows people who were working in October-December 2019 into the same period in 2020 to capture the COVID shock. To provide context, the *brief* conducts a similar analysis for the

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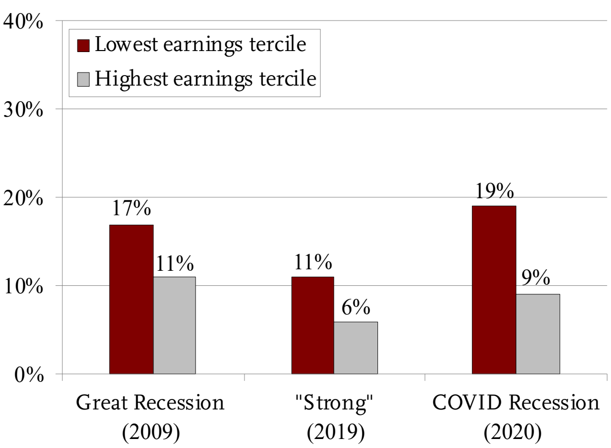
Great Recession, exploring the period from August-October 2008 to the same period a year later, when unemployment peaked. Finally, the results for 2019, which involves following workers from April-June 2018 to the same period in 2019, show the pattern during a strong labor market.

Results for Workers Ages 50-61

The results are presented first for workers ages 50-61, using two separate measures of "not working." The first measure is a broad concept, which includes those who are unemployed, out of the labor force but not retired, and retired.[2] The second measure consists only of those who report being retired, a subset of the broader metric.

Figure 1 shows the percentage of those ages 50-61 in the lowest and highest weekly earnings terciles who were no longer working during the period reported, but were working a year earlier. Those in the middle earnings tercile (not depicted for simplicity) experienced changes that fell in between these two groups.

Figure 1. Percentage of Workers Ages 50-61 No Longer Working Relative to a Year Earlier, Great Recession, 2019, and COVID Recession

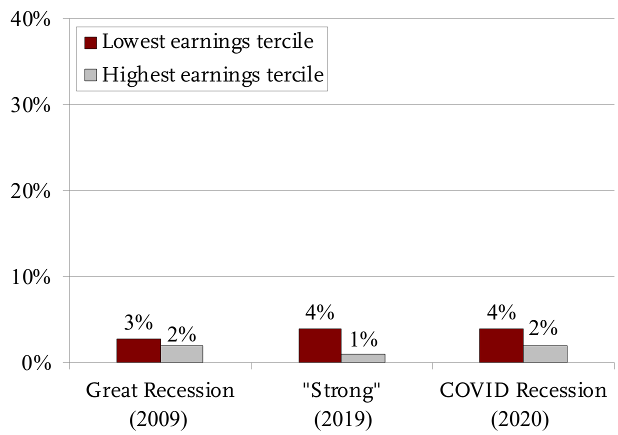


Note: The specific periods covered are: Great Recession (August-October 2009); "Strong" Economy (April-June 2019) and COVID Recession (October-December 2020).
Source: Author's calculations from the *Integrated Public Use Microdata Series Current Population Survey* (IPUMS-CPS) (2008-2009 and 2018-2020), via the University of Minnesota.

The results for the COVID Recession show that 19 percent of low earners who were working in October-December 2019 were not working during the same period in 2020. The comparable number for high earners is 9 percent. Thus, low earners were hurt much more than their higher-paid counterparts. Unfortunately, this pattern of unequal outcomes holds even in good times, as the results for 2019 show. In terms of severity, the COVID Recession is worse than the Great Recession for low earners, but less severe for high earners.

Figure 2 shifts the focus from being not employed in any way to the narrow concept of being retired. The percentage of workers ages 50-61 moving to retirement is quite small in all three periods, which is to be expected given the age group under consideration.

Figure 2. Percentage of Workers Ages 50-61 Who Were Retired a Year After Working, Great Recession, 2019, and COVID Recession



Source: Author's calculations from the IPUMS-CPS (2008-2009, 2018-2020).

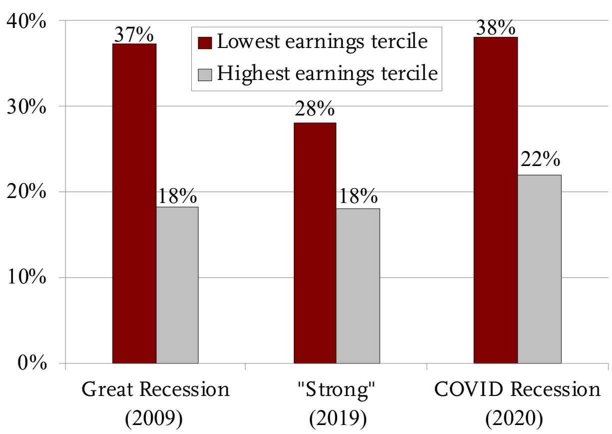
Further, the outcome during the pandemic does not look very different from 2019 – a year with a strong labor market – nor, for that matter, from the outcome during the Great Recession. Since this group is not yet eligible for Social Security, they tend not to classify themselves as "retired."

The next question is whether these patterns hold for workers ages 62+, who have access to retirement benefits and could be more likely to exit the labor force permanently.

Results for Workers Ages 62+

A much larger percentage of workers in this older group shift their employment status from one year to the next relative to those ages 50-61. Despite the greater movement, the pattern by earnings remains the same: previously-working low earners are much more likely not to be working than their higher-paid counterparts (see Figure 3). And comparing the COVID Recession with 2019 shows that low earners experienced a disproportionately large increase in the percentage not working when the economy closed down. Relative to the Great Recession, the percentage of low earners not working is virtually the same. But, interestingly, high earners show a larger percentage not working than during the Great Recession.

Figure 3. Percentage of Workers Ages 62+ No Longer Working Relative to a Year Earlier, Great Recession, 2019, and COVID Recession

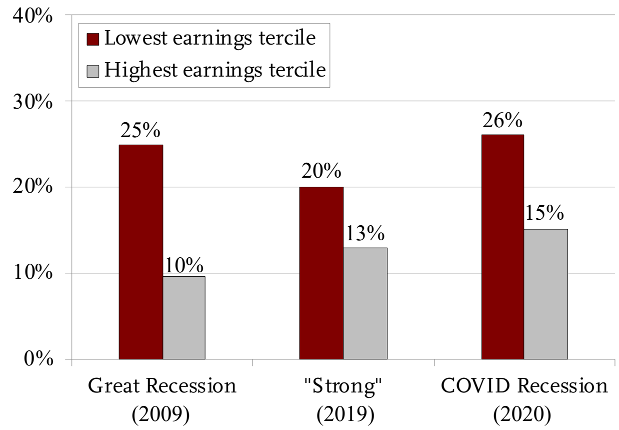


Source: Author's calculations from the IPUMS-CPS (2008-2009, 2018-2020).

Figure 4 presents the percentage of workers ages 62+ in the previous year who were retired a year later. For low earners the pattern looks very similar to that shown in Figure 3. They were more likely than high earners to retire; they experienced a disproportionately large increase in the likelihood of retirement compared to high earners as a result of COVID; and their COVID experience looks very similar to their experience in the Great Recession. In two respects, the pattern for high earners is just the reverse – lower percentages retired and a smaller increase in retirement due to COVID.

The interesting and unexpected result is that – looking just at high earners – a much higher percentage of this group moved into retirement during the COVID Recession than during the Great Recession. Perhaps this pattern reflects the fact that COVID was particularly dangerous for older people, and those who could afford to retire opted to leave the labor force.

Figure 4. Percentage of Workers Ages 62+ Who Were Retired a Year After Working, Great Recession, 2019, and COVID Recession



Source: Author's calculations from the IPUMS-CPS (2008-2009, 2018-2020).

Conclusion

While recessions hurt older workers generally, low earners – not surprisingly – suffer more than their higher-earning counterparts. And, low earners, as a group, fared slightly worse in the COVID Recession than they did in the Great Recession. The interesting result is that the oldest group of high earners (ages 62+) did worse during the COVID Recession than they did in the Great Recession on two fronts: general exit from the labor force and outright retirement.

Endnotes

1 Munnell and Chen (2021).

2 This measure also includes people who report having a job but say that they are not currently working.

References

Munnell, Alicia H. and Anqi Chen. 2021. "COVID-19 Is Not a Retirement Story." *Issue in Brief* 21-4. Chestnut Hill, MA: Center for Retirement Research at Boston College.

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