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PANDEMIC ACCELERATES RETIREMENTS, THREATENING ECONOMIC GROWTH

Nearly 1.5 million over-55-year-olds exited the job market as recession, virus weighed on opportunities.

By Amara Omeokwe
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The proportion of older workers participating in the labor force is hovering at its worst level since the onset of the coronavirus pandemic, raising the prospect that many of these Americans may have permanently left the workforce, potentially impairing future economic growth.

The labor force participation rate – the proportion of the population working or seeking work – for Americans age 55 and older has fallen from 40.3 percent in February of 2020 to 38.3 percent this February – representing a loss of 1.45 million people from the labor force.

The participation rate initially fell much more for prime-age workers, those between ages 25 and 54, from 82.9 percent in February last year to 79.8 percent in April, but has since jumped 1.3 points, to 81.1 percent in February of this year. By contrast, participation for older workers has shown no rebound from last spring.

Lydia Boussour, lead US economist at Oxford Economics, said the unique health risk to older people during the pandemic has likely deterred them from rejoining the workforce in greater numbers. Public-health officials have warned that the risk of severe illness from Covid-19 increases with age. Among those who contract the virus, the death rate for those age 50-64 is nearly nine times that of those age 30-39, according to the Centers for Disease Control and Prevention.

Many of these workers appear to have retired and thus may not return even when the public-health crisis is over. The proportion of the working-age population not in the workforce due to retirement rose to 19.3 percent in the fourth quarter of 2020 from 18.5 percent a year earlier, just before the pandemic, according to government data compiled by the Federal Reserve Bank of Philadelphia.

That is roughly 2.4 million workers who left the labor force due to retirement since the pandemic's onset, more than double the number who did so in 2019, according to Ms. Boussour's analysis.

"Historically, the likelihood of seeing workers who decided to retire come back into the labor force is quite low," she said. "So we do think that some of the drop in the participation rate with older workers is likely to remain permanent."

The exit of older workers contributed to the reversal of gains in the overall labor force participation rate that occurred during the economic expansion following the 2007-2009 recession.

That decline is especially worrisome because it comes as an aging population has already been holding down growth in the US labor force. Economic output depends on the number of workers and how productive each worker is. Thus, the decline in participation, if not reversed, could weigh on growth.

Declining participation could also undercut US productivity, said Teresa Ghilarducci, a professor of economics at the New School who studies retirement issues.

Productivity – output per hour – reflects how efficiently workers complete tasks. Older workers often bring experience and expertise gained over many years to the workplace, said Ms. Ghilarducci. "Pushing older people out of the labor force before they're ready, you lose a lot of the nation's resource."

Ms. Ghilarducci added that some of these older workers may have had little savings, and retirement could force them to turn to the social safety net, such as Medicaid and elderly assistance programs. Job losses during the pandemic have been concentrated in low-wage industries. Less than 40 percent of families in the bottom half of the US income distribution are invested in a retirement plan, according to Federal Reserve data covering 2019, the most recent available.

"If you don't get people to a comfortable retirement, then instead of having them be stable, you're going to have them be the most vulnerable in society," Ms. Ghilarducci said.

For older workers who are out of work but choose not to retire, it can take longer to find work than their younger counterparts. The average length of unemployment for workers age 55 to 64 was 32.5 weeks in February 2021, up sharply from 25.9 in February last year, according to an AARP analysis of Labor Department data. That was considerably longer than for the unemployed as a whole, whose average unemployment spell in February was 27.2 weeks.

Meanwhile, among the unemployed respondents to a recent AARP survey of adults age 40-65, more than half were worried that their age would limit job-finding opportunities.

The good news is that with a vaccine-driven reopening and fiscal stimulus expected to boost growth to its fastest this year since the 1980s, job prospects could brighten for older workers who haven't yet retired.

Susan Weinstock, vice president of financial resilience programming at AARP, said she had recently been hearing more from employers expressing interest in hiring older workers, whereas that hadn't been the case earlier in the pandemic.

"It feels different from the Great Recession," Ms. Weinstock said. This time, "it wasn't the economy that fell off the cliff because of other things. It was the pandemic," she said.