

EMPLOYMENT TRENDS AMONG OLDER INDIVIDUALS

To analyze the long-term and pandemic-related changes in the labor force behavior of older Americans, I've assembled the relevant data from 1948 through 2022. See the attached table above for the detailed findings (the tabs at the bottom show the different gender and age groups).

Background. The older population is enormous: nearly 100 million Americans are now 55 or older. Their labor force behavior has undergone, and to some degree continues to undergo, several major influences: the rise and increasing generosity of Social Security Old Age benefits (and subsequent modest retrenchment, including raising the age of retirement); the rise and decline of private sector pensions; the historical expansion of women in the workforce (and a lesser reduction of men who work); and the changing size of various birth cohorts (especially the post-World War II baby boom generation); and more recently, the pandemic.

These factors are so significant that it is impossible to understand changes in the labor force behavior of older Americans without looking at the patterns separately by gender and narrowly-drawn age brackets. I have therefore assembled the data both broadly (all individuals older than 55 and 65, respectively) and narrowly (5-year age brackets by gender, from ages 55 through 74). The most detailed data are only available for 1967 forward, and I have included the decade-long bracket for 55-64 year-olds because this series is available since 1948. There are now almost 2 million workers who are 75 or older – not radically fewer than the number of 70 to 74 year-old workers – but BLS doesn't subdivide data by age for these oldest individuals.

To provide context, I have also included the trends for U.S. prime-working-age individuals who are 25 to 54 years old, plus international trends regarding employment, life expectancy at birth, and the age of retirement.

The decline in labor force participation among older Americans has prompted debates over whether these individuals may be temporarily dropping out of the labor force due to the pandemic, or even permanently retiring. The primary source for all U.S. analyses is the *Current Population Survey* (CPS), which is the basis for the official unemployment rate. The CPS includes a question about whether individuals are not in the labor force because they are retired, although unfortunately BLS doesn't publish these results regularly (although researchers have analyzed the results, using the microdata). Because I haven't yet used the microdata, I haven't included CPS retirement data, although I have reviewed the published research based upon it. As the decision to retire is not necessarily a single, permanent act – especially during a time of stress and uncertainty such as a recession and a pandemic – I don't believe that the retirement data provide a definitively better substitute for the published, more broadly-defined, BLS data.

Given continuing employment increases through 2022 among the elderly – except for those 75 and older – there isn't a good reason to believe that the pandemic decline is permanent. Nor should the U.S. decline be of great concern, given that the U.S. has one of the highest elderly employment rates in the world for 65 to 74 year-olds, and the highest in the world for those 75 and older. The U.S. decline was concentrated among those 65 and older, as by 2022 the employment rates for those aged 55 to 64 had almost returned to the pre-pandemic 2019 level. It also should be kept in mind that the pandemic decline in employment among older individuals aged 55 and older wasn't characteristic of the experience of many other countries, as explained in the final section below.

To highlight the main patterns in the attached tables, I have used boldface **red** to highlight the low points for labor force participation rates, the employment-to-population ratio, and the unemployment rate (in which the "low" point is the highest unemployment rate). It should be kept in mind that, due to misclassification during the pandemic, the true unemployment rates for 2020 were almost certainly higher than the published data. The high points for the labor force participation rates and the employment-to-population ratio are shown in boldface **purple** (I haven't highlighted the lowest unemployment rates, because until recently these were generally low for older Americans), and sometimes in **boldface** only for modern peaks in the case of men. Periods during which there was no increase or even a decrease are shown with a **yellow** background.

Long-term Trends

Although the Social Security Act was signed in 1935, regular benefits only began to be paid in 1940, and early retirement benefits at age 62 didn't begin until 1961 for men (1956 for women, although there were far fewer retirees among women at that time). Therefore it's unsurprising that in the immediate post-World War II period most men continued to work: more than 85 percent of 55 to 64 year-old men in 1948, and nearly half of men older than 65.

On the other hand, despite prevalent paid work among women during World War II, by 1948 only about one-third of even 25 to 54 year-old women worked in 1948, less than a quarter of 55 to 64 year-old women did so, and less than 10 percent of women over 65.

Thereafter, for several decades the gender trends moved in opposite directions, with older men increasingly less likely to work, and women increasingly more so.

The proportion of 55 to 64 year-old men who worked fell more or less steadily from 87 percent in 1948, to 63 percent by 1994, before reversing direction and rising more or less steadily to 70 percent in 2019, on the eve of the pandemic.

In contrast, 55 to 64 year-old women became much more likely to work. Defying popular misconceptions, most of this change occurred during the 1950s. Increases continued, but at a slower pace in the 1960s, and between 1969 and 1983 – the peak years of the feminist movement – the employment-to-population ratio among 55 to 64 year-old women actually fell. Between 1983 and 2008 the proportion rose more or less steadily, from 39 to 57 percent, when it stalled until 2016, and again rose – albeit slightly – to a pre-pandemic peak of 58 percent in 2019.

Social Security Old Age benefits generally became more generous through the 1970s (they were indexed to inflation in 1975). However, several reductions were enacted during the 1980s. The age of early retirement remained at 62, but beginning in 2000 the retirement age to receive full benefits gradually increased from 65 to 67. This likely explains the low point in the 1990s and subsequent rise of the employment-to-population ratio for several male age groups.

For simplicity I haven't detailed the trends for other age groups of older Americans, but the basic trends are similar for men (a post-World War II high followed by a decline, and then a reversal), although the turning points occurred in different years for various age groups. For most age groups among older women, the employment-to-population ratio generally rose over time (with the exception noted above), and for women older than 60, the peak years generally occurred in the immediate pre-pandemic period (this is true for all age groups among older men, although the modern peaks for men are well below the peaks of the immediate post-World War II period).

Pandemic Trends to Date

Unemployment rates. At the height of the pandemic in Spring 2020, older individuals faced greater labor market hardship than prime-working-age individuals, although they had made a better recovery as 2021 progressed. Reviewing the long-term historical pattern, unemployment rates in the current recession are higher for many age groups of older individuals than they were in any previous recession (this was true for all age groups among older women). In a few cases they are about the same as in the previous recession, although due to undercounted unemployment in 2020, it is likely that the more recent rates reflect the true historic peak. This represents a major historical change, as even during the then-historic post-Depression recession of the early 1980s, the unemployment rates among older individuals were relatively low – usually no more than about 5 percent. It is possible that this new development reflects a stronger attachment to the labor force among older individuals over time. Whatever the cause, they are now less likely to drop out of the labor force during recessions.

By 2022, unemployment rates for almost all age/gender subgroups of the older individuals had returned to the pre-pandemic 2019 level (this was also true for individuals aged 25 to 54). The only exception was for the oldest group of men – those 75 and older – whose unemployment rate remained in 2022 nearly one percentage point above the 2019 level (for women at the same age, the unemployment rate had actually *fallen* by .6 percentage points over the same interval). Thus

the trend in unemployment rates among those 75 and older moved in opposite directions for women and men – putting both together, the overall rate for those 75 and older remained in 2022 .3 percentage points higher than the 2019 rate.

Labor force participation and the employment-to-population ratio. In each of the tables attached above, below the main table I have subtracted the ratios of 2022 from those of 2019, to gauge the degree of change from the last year before the pandemic compared with 2022. It is not unusual for these ratios to fall during recessions for younger or older individuals, although this hasn't always occurred among certain older age groups. For example, over the course of the previous recession, the employment-to-population ratio for 25 to 54 year-old men fell by an extremely large 6 percentage points between 2006 (the peak year before the recession) and 2010. The drop for such men in the recessions of the early 1980s was almost as much: 5 percentage points between the peak year of 1979 and 1983. The degree of decline in the labor force participation rate was not as much for such men, although still generally 1 to 2 percentage points.

It is important to keep this perspective in mind when assessing the significance of the pandemic recession declines among older individuals, because after all, no one imagined that the declines among prime working-age men meant that they had permanently abandoned the workforce.

For 25 to 54 year-olds, between 2019 and 2021 the employment-to-population ratio fell by either 2 or 3 percentage points (larger for men than women), whereas the labor force participation rate fell by only about one percentage point – which indicates that most of those who became unemployed retained a strong attachment to the labor force and continued to look for work. By 2022, women's employment rate in fact exceeded the 2019 level, although for men it remained half a percentage point below their 2019 level.

In fact, the same pattern was true for many older workers. For those aged 55 to 64, and 75 or older, the decline in the labor force participation rate over the same 2019 to 2021 timespan was at or below the one percentage point decline among prime-working-age individuals. For older individuals, the decline was heavily concentrated among 65 to 74 year-olds. The largest drops occurred among 65 to 69 year-old women, and 70 to 74 year-old men.

The employment picture continued to improve among older workers between 2021 and 2022. For 55 to 64 year-olds, their employment ratio by 2022 had almost returned to the pre-pandemic 2019 level, although older individuals' 2022 employment rates remained about one percentage point or more below the 2019 level. Both 65 to 69 and 70 to 74 year-olds experienced major employment rate increases between 2021 and 2022 (about a percentage point more), although the employment rates for those 75 and older fell by .4 percentage points between 2021 and 2022. The increases occurred for both men and women between 2021 and 2022 for both 65 to 69 and 70 to 74 year-olds, while the decreases afflicted both genders for those 75 and older.

We don't yet know how lasting these declines are, but given that Social Security Old Age applications fell rather than rose during the pandemic, their permanence should not be assumed. As noted above, strong employment growth continued for 65 to 74 year-olds between 2021 and 2022, and if this continues it will further erase the gap that has so far persisted following 2019. Only among those 75 and older did the post-2019 gap widen, and given that U.S. employment rates for this age group are the highest in the world, some diminution is no cause for concern.

The decline in the labor force participation rate among many groups of older Americans following 2019 was so small as to be insignificant, and reflected a strong attachment to the labor force. Between 2019 and 2021, for women aged 55 to 59, 60 to 64, and 75 or older, the drop was only .4 percentage points or less. The declines were generally larger among older men, but even for them the drop was only .6 percentage points among men 75 or older, and .8 percentage points among men who were 60 to 64. As noted above, this picture continued to improve in 2022 except for those 75 and older.

It should also be kept in mind that older individuals are much more at risk of death or lasting disability from coronavirus than younger individuals, so that a decision to temporarily leave the labor force was hardly irrational under the circumstances.

Finally, it is possible that the reluctance of some older individuals to remain out of the labor force may have had beneficial consequences for teenagers. In the several decades prior to the pandemic, many older individuals worked in industries that were formerly dominated by the young, especially in many fast food and retail trade establishments. One of the remarkable developments of the pandemic is that although teenagers were one of the hardest hit groups initially – with one-third unemployed early in the pandemic – they made the quickest and strongest initial recovery, and by 2022 their unemployment rate was nearly 2 percentage points *below* the pre-pandemic level, and had even fallen below the 10 percent level in March and April 2023. Similarly, their employment-to-population ratio in 2022 was nearly two percentage points higher than the 2019 level.¹ To better understand the workforce-related connection between teenagers and older individuals, it would be necessary to examine the industry-specific patterns during the pandemic by age.

U.S. Trends in International Context

International data on employment among older individuals is not as plentiful as would be ideal, but are sufficient to draw general conclusions. International comparisons are a bit tricky, because life expectancies (the U.S. is relatively low, compared to other advanced economies) vary widely. Birth rate trends have also varied significantly in the post-World War II period, making the age distributions greatly differ across countries. The likelihood of women working, and the normal retirement age also differs among nations. To overcome some of these obstacles, I have used three age cohorts to compare employment-to-population ratios: 55 to 64; 65 to 74; and 75 and older (for the last group, non-European data aren't readily available). The most complete data series begins with 1995, the starting year I chose, although it is clear that in the U.S. and several other countries, the trend toward working at older ages began before this.²

The easiest way to determine the difference between the likelihood of working at older ages in the U.S. versus other countries is to compare the U.S. level with the median international average.³ For **55 to 64 year-olds**, the U.S. in the latter half of the 1990s had an employment rate exceeding the international median by more than 20 percentage points. However, this differential then more or less steadily began to narrow, until by 2022 the U.S. level only exceeded the international median by less than four percentage points. Even in 1995, the U.S. level was significantly exceeded by Iceland, and narrowly by Japan. By 2022, a number of countries had employment rates for this age bracket that surpassed 70 percent – the country name for these is highlighted in **boldface** (the U.S. is just below the 70 percent level).

For the next oldest age group – **65 to 74** – the pattern differs, with the U.S. instead roughly maintaining (until the pandemic year of 2020) its numerical gap with other countries over time.⁴ Again, Iceland in 1995 had a much higher employment rate than the U.S. (data for Japan weren't available), and for the most recent years, Iceland, Japan, South Korea, and Estonia's employment rates were higher than the U.S. level. Between 1995 and 2019, the international median employment rate for this age group more than doubled, from 5.0 to 12.6 percent, before receding to about 11 percent in 2021 and 2022. For Iceland, the country that had been the world leader in the likelihood of working both at this age and for 55 to 64 year-olds, the likelihood of working for both age cohorts has tended to diminish over. By 2020, Japan and Korea had higher employment rates than Iceland for both 65 to 69, and 70-74 year-olds, with Japan leading the world for the younger cohort, and Korea in first place for the older cohort.

For the oldest age group of those **75 and older**, the U.S. has often been the country with the highest employment rate, although Portugal had a higher rate than the U.S. between 1999 and 2013. As was true for the next youngest elderly cohort, the U.S. increased its gap with the international median, approximately doubling from about a 3 to a 6 percentage point difference between the late 1990s and 2022. In contrast to younger cohorts, in many countries the likelihood of working past age 75 has diminished over time, while only in the U.S. and several other countries has work become more prevalent at this relatively advanced age. Between 2007 (when international data become much more plentiful) and 2022, the median

¹ See the last spreadsheet attachment for details before and during the pandemic.

² For 65 to 69, and 70 to 74 year-olds, the available data for selected years begins with 1990, which are shown in the attached table.

³ This isn't a foolproof comparison, because the collection of countries from which the median is calculated varies across time, but it is sufficient to render a general conclusion. See the very bottom of the table for the difference between the U.S. level and the median international average, for all three age cohorts.

⁴ The pattern is erratic from year to year.

employment-to-population ratio for this age bracket changed little, hovering at about 2 percent – by contrast, the U.S. rate rose from 4.8 to 6.7 percent in 2019, before dropping by a full percentage point by 2022.

The impact of the pandemic on the likelihood of older individuals continuing to work has varied dramatically across countries, and the U.S. experience has been by no means typical. For **15 to 64 year-olds**, all the advanced economic democracies except Germany experienced a decline in the employment rate between 2019 and 2020, with the U.S. decline being the greatest. The median decline among these countries was .8 percentage point, compared to a 4.3 percentage point drop in the U.S. (see the second attachment above, which includes fewer countries than the other spreadsheets). This likely reflects stronger employment protections in other countries.

The median country experienced a greater employment rate decline for 55 to 64 year-olds between 2019 and 2020 – a 1.5 percentage point drop, compared to 3.5 percentage points in the U.S. Again, among the advanced economies, the U.S. experienced the largest drop in employment, only exceeded by several much poorer nations. However, it should be noted that in many countries, employment **continued to grow** for this age group between 2019 and 2020 (which is shown by the negative numbers in the column shown in red font in the attached table) – the exact opposite of the U.S. experience.

The same pattern occurred among 65 to 74 year-olds, although both the international median and U.S. declines in employment rates between 2019 and 2020 were smaller -- .9 versus 2.4 percentage points, respectively.⁵ Among the major advanced economic democracies, the U.S. decline was again the largest for this age group. Also similar to the pattern for the 55 to 64 year-olds, the employment rates for the next oldest age cohort continued to rise in many countries between 2019 and 2020.

The contrast between the U.S. and other countries is also shown by the fact that the international median employment rate for 55 to 64 year-olds has **risen** by 3.6 percentage points between 2019 and 2022. In other words, for this relatively large group of countries, most of them have not only recovered from the pandemic drop, the likelihood of employment is now much **higher** than it was before the pandemic. In contrast, the U.S. rate in 2022 was lower than the 2019 level (69.2 versus 69.8 percent). However, for the next oldest group of 65 to 74 year-olds, the U.S. pattern has generally been in line with international trends, as both were lower in 2022 than in 2019, and by a similar degree – declines of 1.4 and 1.2 percentage points in the international median and in the U.S., respectively.

What factors best explain different country employment rates for older individuals. There does not appear to be a strong correlation between prolonged work among the elderly and either the age of retirement or life expectancy at birth (see the first three data columns). This lack of correlation isn't surprising for the age of retirement, for which there is surprisingly little variation across countries. The retirement age in the U.S. (67) is two years above the international median, although U.S. life expectancy is four years below that median.⁶ This means that there is greater pressure in the U.S. than in other countries to continue to devote a higher proportion of individuals' remaining years alive to working. In fact, the difference between life expectancy minus the normal retirement age is six years lower in the U.S. than in other countries.⁷

Nor is there a correlation between inequality and the likelihood of working at older ages, as countries with both low and high poverty rates are among the countries where working at older ages is most common.⁸ The same lack of correlation occurs when examining relatively wealthy versus relatively poor countries, as measured by per capita GDP (in U.S. dollars).

⁵ As noted earlier, unfortunately we don't have data for as many countries in the 65 to 74 year-old group as for the next youngest cohort, and it's possible that the inclusion of these other countries might change the overall pattern.

⁶ Note that the available life expectancy data only include the first year of the pandemic, which significantly shortened life expectancy in many countries (the U.S. among them), although not as much in countries that had high vaccination rates and where the pandemic arrived somewhat later. U.S. life expectancy dropped for two consecutive years in 2020 and 2021, falling to a provisional 76.1 years in 2021.

⁷ The difference between the international median of 14 years and the U.S. average is four years, but as the normal U.S. retirement age is two years above the international median, the effective difference is six rather than four years.

⁸ International poverty rates are essentially measures of income inequality, as – unlike the U.S. poverty rate where the poverty line is set at a fixed income, international poverty rates measures the proportion of the population below half the median income (i.e., a relative rather than a fixed level).

Working patterns at later ages seem best correlated with geographical proximity, although obviously this isn't always true, as at some degree of distance the pattern changes. For example, France and Belgium have similar patterns, as do Japan and Korea, the Baltic centers (Estonia, Latvia, and Lithuania), the U.S. and Canada, and the Scandinavian countries (Denmark, Finland, Iceland, Norway, and Finland). There are certainly exceptions to this pattern, but geographic country proximity explains elderly working patterns much better than the other factors examined here.

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