

# Recessions and Retirement: New Evidence from the COVID-19 Pandemic

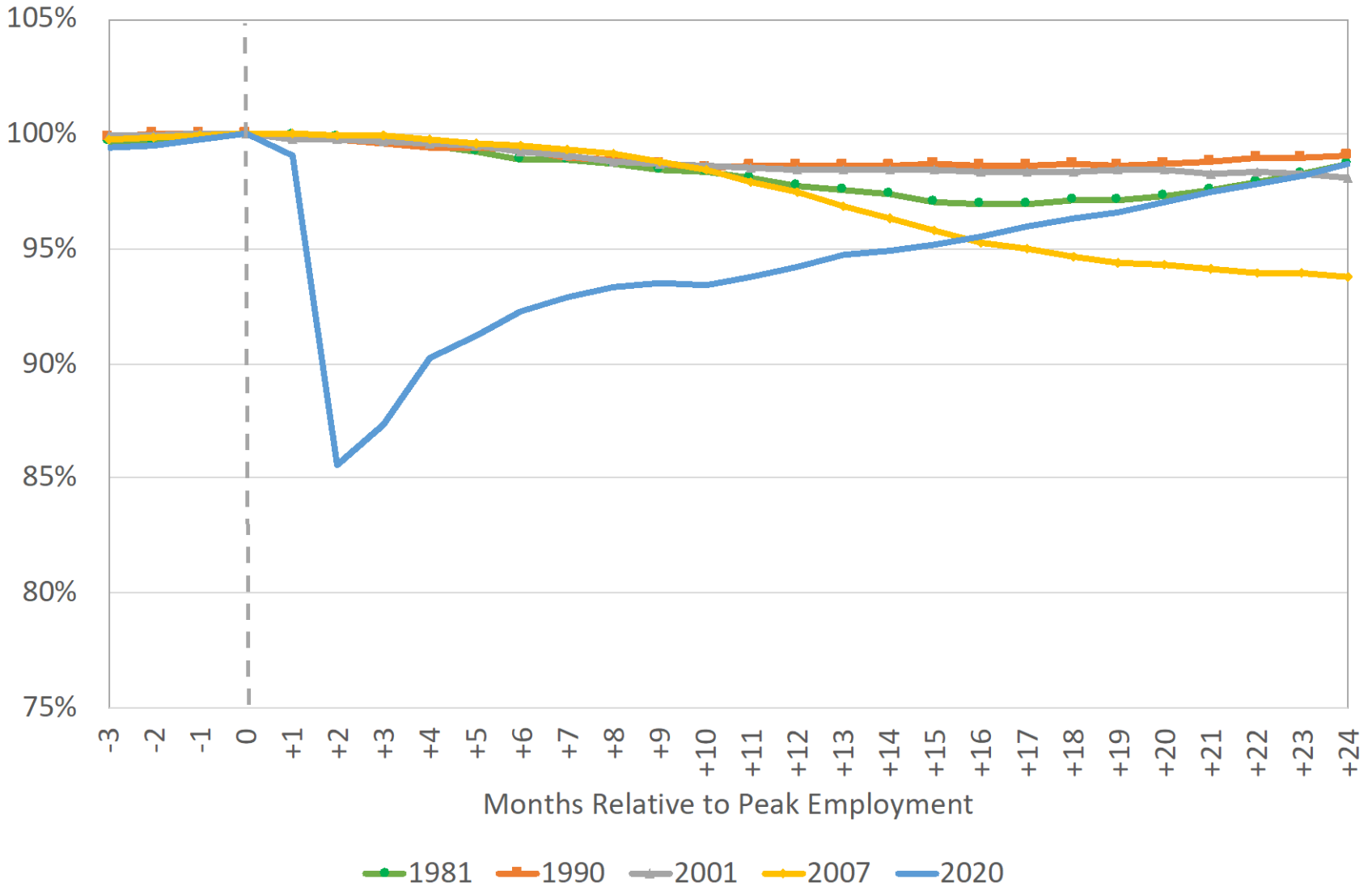
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Pension Research Council Conference  
“Real-World Shocks and Retirement System Resiliency”  
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# Unprecedented Job Losses During COVID-19 Pandemic

## Employment Levels Relative to Pre-Recession Peak



# Older Workers Affected by Pandemic Labor Market

- **Labor demand factors**

- Experience job loss at rates similar to younger workers (Farber, 2017)
- Well-represented in hard-hit sectors like service occupations (BLS, 2019)
- Age discrimination increases and effectiveness of protections decrease during recessions (Dahl and Knepper, 2020; Neumark and Button, 2014)

- **Labor supply factors**

- COVID health concerns may be more salient
- Workers age 62+ have access to Social Security

# Recessions and Retirement

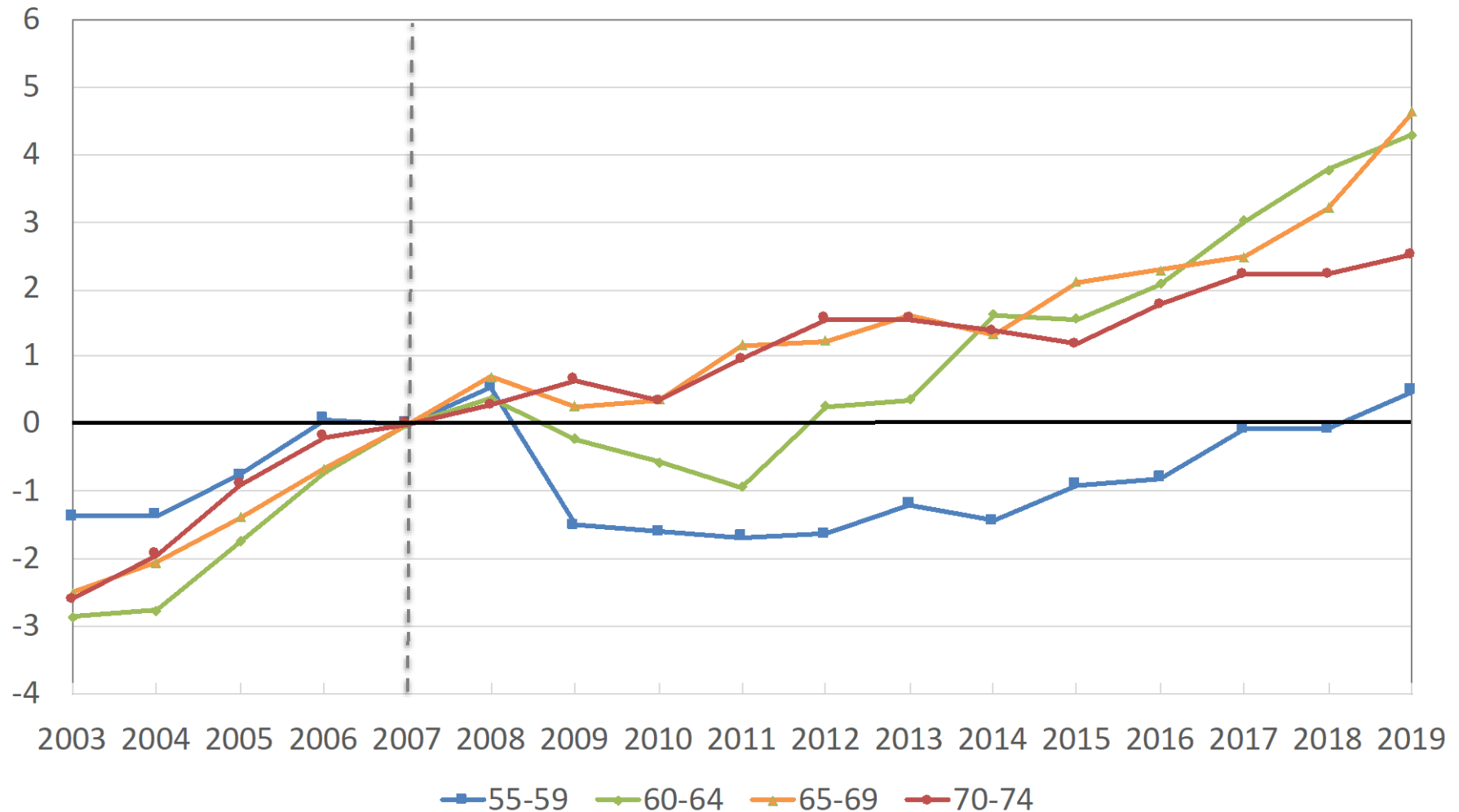
- **Local labor market conditions are a key factor in retirement transitions**
  - Coile and Levine, 2007; Marmora and Ritter, 2015; Hallberg, 2011; Disney et al., 2015; Chan and Stevens, 1999, 2001
- **Labor market conditions near retirement age have long-term effects on retiree well-being**
  - Earlier Social Security claiming, lower Social Security and total income (Coile and Levine, 2011a)
  - Lower survival rates at older ages, plausibly due to lower employment, health insurance coverage and health care utilization (Coile, Levine, and McKnight, 2014)
- **This paper: Revisit the relationship between recessions and retirement in the COVID era**

# Is the Great Recession Instructive for COVID Era?

- **Reasons to expect larger increase in retirement in GR**
  - Labor market rebounded slowly in GR, quickly during COVID
- **Reasons to expect larger increase during COVID**
  - Stock and housing market gains during COVID may lead to earlier retirement; opposite of losses during GR (Bricker et al., 2011; Goda et al., 2011; Helppie McFall 2011, Coile and Levine, 2011b)
  - Unprecedented government assistance (e.g., CARES Act)
  - COVID-related health concerns

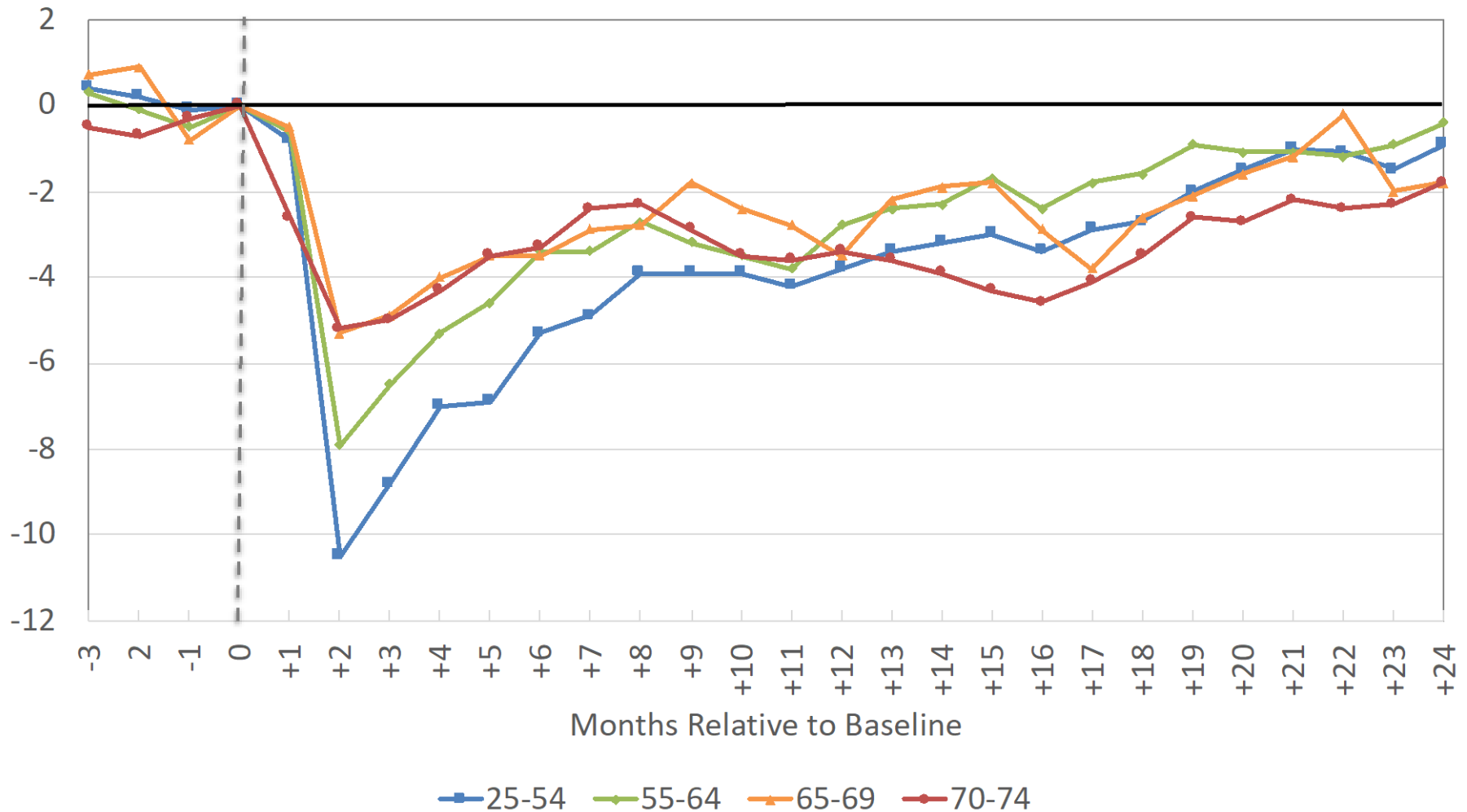
# Employment Changes around Great Recession

## Absolute Change in Employment-to-Population Ratio (2007 Baseline)



# Employment Changes around COVID Recession

## Absolute Change in Employment-to-Population Ratio (February 2020 Baseline)



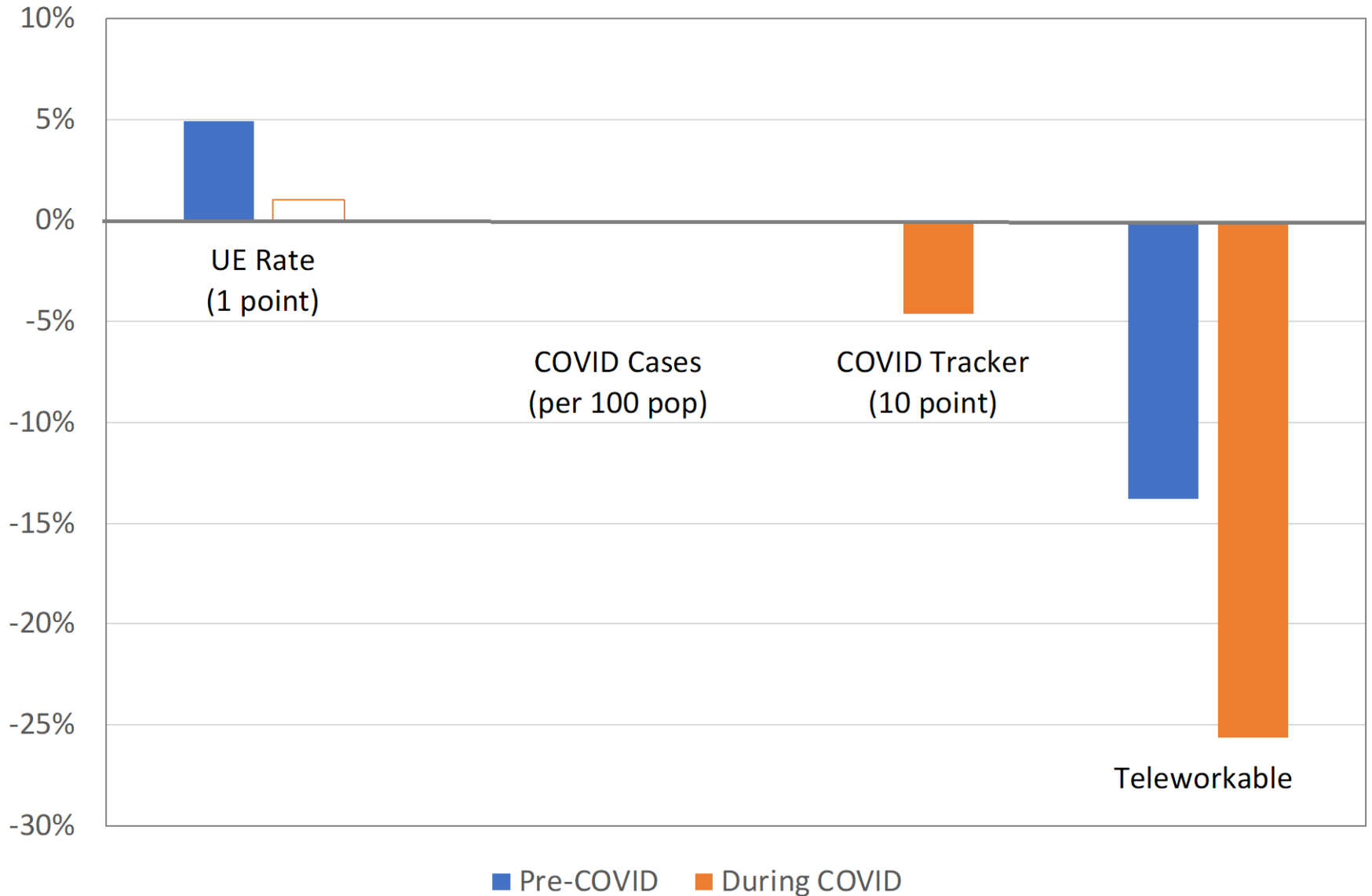
# Our Analysis

- **Estimate models of workers' transitions from employment to retirement that include:**
  - State unemployment rate (BLS)
  - State COVID cases (NYT) and state government responses (Oxford tracker)
  - Whether job is teleworkable (Dingel & Neiman, 2020)
  - Demographics; age, state, year-month effects
- **Use Current Population Survey data for 2017-21**
  - Respondents interviewed 8 times over 16 months, examine monthly transitions
  - Sample is those ages 55-74 and working at first interview



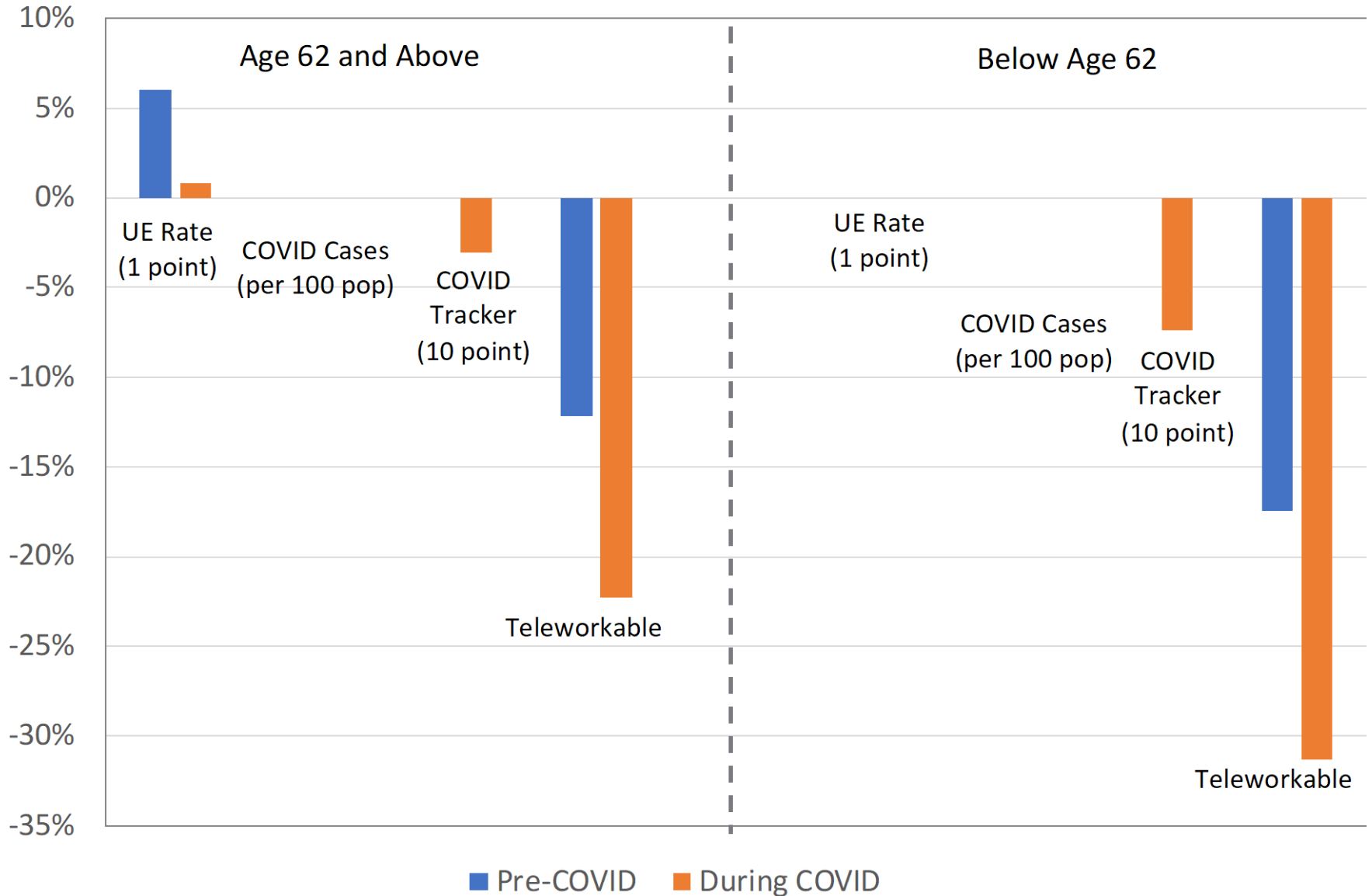
# Main Results

## Effect of Key Factors on Retirement, Relative to Mean



# Results by Age

## Effect of Key Factors on Retirement, By Age



# Conclusions

- **Key findings:**
  - Higher UE rate is associated with higher probability of retirement *before* the pandemic, but there is no such association *during* the pandemic
  - Effect of UE on retirement is *only* for workers 62+
  - Stronger local government response to pandemic is associated with *lower* probability of retirement; local COVID cases do not affect retirement
  - Workers who can telework are less likely to retire & this effect is *stronger* during the pandemic
- **People *are* retiring at a higher rate than pre-pandemic, but we are not entirely sure why**
  - Not more likely to do so in areas with more UE or COVID
  - Suggests a role for common national factors: stock and housing wealth, common fear of COVID, federal policies

# Implications for Retirement System Resiliency

- **Are workers protected from labor market shocks?**
  - Social Security: those 62+ may claim Social Security, though no increase in SS claiming so far (Goda et al., 2021)
  - SSDI: available if eligible, claims rise during recessions (Maestas et al., 2015, Carey et al., 2021)
  - UI: does little to mitigate shock (Coile and Levine, 2007)
  - Health insurance: at risk due to prevalence of ESI, increase of 2.7 million uninsured (Bundorf et al., 2021)
- **Questions for future research**
  - Will increase in retirement be short-lived? Will we see more labor force re-entry?
  - Will there be more SS claiming and more SSDI recipients?
  - What will long-term effects be on retiree well-being?
  - Will long COVID/mortality change retirement patterns?

Thank you!

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