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

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Unprecedented Job Losses During COVID-19 Pandemic

Employment Levels Relative to Pre-Recession Peak

Months Relative to Peak Employment

- 1981
- 1990
- 2001
- 2007
- 2020

Source: BLS series CES0000000001
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)

Source: BLS series LNU02300094, LNU02300096, LNU02324938, LNU02324941
Employment Changes around COVID Recession

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

Source: BLS series LNU02300060, LNU02300095, LNU02324938, LNU02324941
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

- UE Rate (1 point)
- COVID Cases (per 100 pop)
- COVID Tracker (10 point)
- Teleworkable

Comparison between Pre-COVID and During COVID.
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!
References


