

"US Economy Needs the Retirees Who Fled COVID-19"

Pandemic left an unexpected absence of older American workers

By AMARA OMEOKWE

The Covid-19 pandemic has boosted retirements among baby boomers, further straining the tight labor supply and leaving a hole for employers to fill.

Older workers who could least afford to retire early—those with lower incomes and less education—have been more likely to leave the workforce during the pandemic, researchers have found. The question is whether their retreat is temporary or permanent. Some retired because of Covid-19 fears, and others after failing

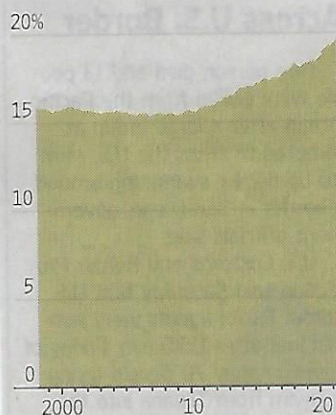
to find suitable work.

The rising value of stocks, homes and other assets also has prompted a group of more affluent boomers to also retire earlier than expected, economists said. Other researchers believe the rise in the number of retirees is because fewer of them are re-entering the workforce.

The shifting labor force is complicating the work of economic policy makers trying to determine which jobs lost in the pandemic will return and how many American workers will be available to fill them. So far, it isn't clear if recent retirees will be lured back to work by better jobs and pay—or because they miss their working lives—and how many are gone for good.

In September, the U.S. had 5 million fewer jobs than it had before the pandemic, Labor Department data show. Yet employers have reported high rates of unfilled openings in such industries as leisure and hospitality, manufacturing and transportation, contributing to slowdowns in production and the delivery of services.

Share of working-age U.S. population that is retired



Note: Seasonally adjusted
Source: Federal Reserve Bank of Philadelphia

Hiring difficulties have also increased competition for workers and put upward pressure on wages. There were 10.4 million unfilled jobs in the U.S. at the end of August, according to the Labor Department, exceeding the roughly 8.4 million unemployed Americans looking for work.

Fed governor Randal Quarles said he didn't expect workforce participation rates to return to pre-pandemic levels. "One reason is that a disproportionate number of older workers responded to the initial shock of the Covid event by retiring," he said. A slower rebound in workforce participation could keep pressure on wages, potentially leading Fed officials to raise interest rates sooner than anticipated.

The Federal Reserve Banks of Kansas City and Dallas are among the groups tracking retiree growth. The share of the population in retirement from February 2020 to April this year was higher by 1.5 million people than it would have been if the 2019 retirement

trend had continued, according to the Dallas Fed.

The proportion of Americans 16 and older who weren't in the workforce because of retirement reached a seasonally adjusted 19.6% in the third quarter this year compared with 18.5% in the pre-pandemic fourth quarter of 2019, according to the Federal Reserve Bank of Philadelphia.

With the baby boomer generation reaching old age, economists acknowledge that some who retired in the pandemic would have likely done so over the next few years anyway. Many employers wish they had waited.

Veronica Primus, 69 years old, retired in June from her job as a literacy coach with the Richland School District in Columbia, S.C. "My principal said, 'You can't stay another year?'," recalled Ms. Primus, who planned to work two more years. "And I said, 'No, I'm tired.'"

Ms. Primus said one reason she retired was that she believed educators would be under pressure to close student achievement gaps caused by the pandemic, and she didn't want the stress.

She plans to expand her education consulting business to stay busy and supplement her retirement savings and Social Security benefits. After five decades working in education, she said she would first take a few months to "take a pause, take a breath."



Help wanted

While many younger workers who left the labor force early in the pandemic have since rejoined, older workers haven't returned in the same numbers, according to Labor Department data. Among Americans in the prime working ages of 25 to 54, the labor-force participation rate—the proportion of those working or seeking work—rebounded to a seasonally adjusted 81.6% in September from 79.8% in April 2020, at the start of the pandemic.

For Americans 55 and older, the rate was 38.6% in September, virtually unchanged from April a year ago, the data show.

Even before the pandemic, overall labor-force participation in the U.S. was falling as the nation's population aged. The rate hovered at about 63% before the pandemic, down

from its peak of roughly 67% in the 2000s.

The pickup in retirements during the pandemic highlighted the phenomenon, said Jed Kolko, chief economist at Indeed, a jobs website. "The size of the working-age population is growing more slowly than it used to," he said.

Kevin O'Connor, 58, said working from home in the pandemic helped him realize that he didn't want to go back to the frequent travel schedule normally required for his job at LogicMark, a medical-systems manufacturer. He retired in June, a couple of years before he had planned.

Mr. O'Connor, who lives in the Minneapolis metropolitan area, said he looked forward to seeing his grandchildren more often and maybe spending winters in a warmer city. He credited the performance of his savings portfolio with helping solidify his decision to retire early. For him, he said, "the economy didn't come to a screeching halt."

Stephanie Aaronson, director of the economic studies program at the Brookings Institution, said while retirement decisions typically stick, some seniors could return to

work if they see improved working conditions. She cited the rise in labor-participation rates among older Americans late in the last economic expansion, when a tight labor market coaxed some back to work.

Bruce White, 63, was among those who wanted to keep working during the pandemic but couldn't get hired. He said he submitted more than 100 applications after losing his job managing records at a hospitality company in Orlando, Fla., the result of the company's pandemic cost-cutting.

"I was going to work until I was 66 or 67 or as long as I could work," said Mr. White, of Stuart, Fla. "I wasn't ready to start collecting Social Security."

Mr. White, supported by retirement savings and Social Security, said money hasn't been his main concern. Not working is what has taken a toll. Some days, he said, "I was in a funk, didn't want to get up, didn't want to do anything." He believes his age makes him unattractive to employers.

Siavash Radpour, associate research director at the Re-

tirement Equity Lab at The New School, a private university in New York, said some older workers face discrimination in hiring. They may be passed over even in industries with plenty of openings, such as food services, because employers consider the jobs physically demanding, he said. That means some older workers "don't really have the option to come back to the labor force," he said.

'Further behind'

Research suggests that some early exits from the workforce in the pandemic were more pronounced among seniors with less education and lower incomes.

A higher share of workers without a college degree retired before the traditional retirement age of 65 compared with those who had a college education, according to the Retirement Equity Lab. The lab's analysis of census data found that retirement rates for those ages 55 to 64 without a college degree rose by 0.8 percentage point from 2019 to 2021, compared with a decline of 0.6 percentage point for similarly aged workers with a degree.

Boston College's Center for Retirement Research used census data to determine that job losses earlier in the pandemic were steeper among lower-income older workers compared with higher-earning ones.

About 38% of workers aged 62 and older and in the lowest third of weekly earnings no longer held jobs in the fourth quarter of 2020, up from 28% in the second quarter of 2019, according to the analysis from Geoffrey Sanzenbacher, a research fellow at the center.

Among similarly aged workers in the highest third of weekly earnings, 22% weren't working during the fourth quarter of 2020 compared with 18% in the second quarter of 2019.

Workers with less education and lower incomes are less likely to have robust retirement savings and are at higher risk of financial troubles from unplanned retirement, said Mr. Radpour of The New School.

Walter Minard hadn't planned to retire until the pandemic hit. He was going to work at least three more years, he said. But Covid-19 made his job inside a Pella, Iowa, equipment manufacturing plant feel too risky. Mr. Minard, 65, was an inventory coordinator at Vermeer Corp. He took stock of deliveries from truck drivers and couriers, he said, and his desk was in the middle of the plant floor.

Mr. Minard has diabetes, high blood pressure and other health conditions that put him at greater risk for serious illness from the coronavirus. "I felt like if I caught anything or whatever, it would probably kill me," he said. He left his job in April 2020.

He is vaccinated but fears returning to the workplace. His health has worsened since retiring, he said, and he now requires kidney dialysis.

Mr. Minard considers himself retired but burdened with worry. Leaving his roughly \$45,000 a year job—and its company-sponsored health insurance—yielded a financial crisis for his family, he said. Mr. Minard's wife, who worked at a fast-food restaurant, also quit her job at the start of the pandemic over the fear of passing Covid-19 to her husband.

The family fell behind on mortgage payments by about \$16,000, he said. Mr. Minard started collecting Social Security payments, but he said it hasn't been enough to cover daily expenses, the house payment and medical costs.

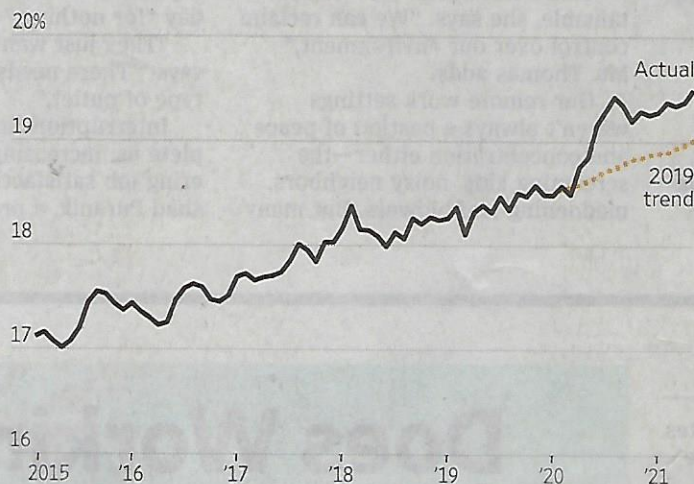
Like many Americans, Mr. Minard had little in retirement savings. A survey from the Fed found that about half of U.S. households in 2019 didn't have retirement accounts.

Mr. Minard gave up his house, he said, because he knew he couldn't afford to keep it. He and his wife moved to a camper trailer, he said, and have begun the process of filing for bankruptcy. "We just kept getting further and further behind," he said.

—Gwynn Guilford
and Nick Timiraos
contributed to this article.

An additional 1.5 million people were retired from February 2020 to April this year than would have been if the 2019 retirement trend had continued.

Share of U.S. population retired



Source: IPUMS-CPS, University of Minnesota via Federal Reserve Bank of Dallas