

Notes

Labor-force Participation Rates of the Population Ages 55 and Older, 2013, p. 2

A T A G L A N C E

Labor-force Participation Rates of the Population Ages 55 and Older, 2013, by *Craig Copeland, Ph.D., EBRI*

- The labor-force participation rate for those ages 55 and older rose throughout the 1990s and into the 2000s, when it began to level off but with a small increase following the 2007–2008 economic downturn.
- For those ages 55–64, the upward trend was driven almost exclusively by the increased labor-force participation of women, whereas the male participation rate was flat to declining. However, among those ages 65 or older, the rate increased for both males and females over that period.
- This upward trend in labor-force participation by older workers is likely related to workers' current need for continued access to employment-based health insurance and for more years of earnings to accumulate savings in defined contribution (401(k)-type) plans and/or to pay down debt. Many Americans also want to work longer, especially those with more education for whom more meaningful jobs are available that can be performed into older ages.
- Younger workers' labor-force participation rates increased when that of older workers declined or remained low during the late 1970s to the early 1990s. But as younger workers' rates began to decline in the late 1990s, those for older workers continuously increased. Consequently, it appears either that older workers filled the void left by younger workers' lower participation, or that higher older-worker participation limited the opportunities for younger workers or discouraged them from participating in the labor force.

Labor-force Participation Rates of the Population Ages 55 and Older, 2013

By Craig Copeland, Ph.D., Employee Benefit Research Institute

Introduction

As the baby boom generation ages, the American work force is following suit. In fact, the percentage of workers ages 55 and older has sharply increased.¹ This is occurring during a time when workers are bearing more responsibility for funding their retirement expenses, as private-sector workers today more commonly have a defined contribution (401(k)-type) plan (which typically requires workers to contribute). Employment-based retiree health insurance is increasingly scarce,² and those who have it are likely finding that their share of the cost is increasing. Consequently, more workers are finding it necessary to remain in the work force so they can continue to accumulate additional retirement savings, to forestall withdrawing funds from savings, and/or so they can keep or gain access to employment-based health insurance.

Moreover, the 2014 Retirement Confidence Survey (RCS) found that a growing percentage of workers expect to retire at later ages both because of the reasons described above and/or because of an increased desire to continue to work.³ As a result, the American labor force as a whole is undergoing a significant period of aging that appears likely to continue.

This article examines the most recent U.S. Census Bureau data on labor-force participation among Americans ages 55 and older in 2013, including an analysis of the trends following the economic recession that started in late 2007—early 2008 and the slow recovery thereafter. The labor-force participation rate measures the fraction of individuals within a specific group (in this case those 55 or older) who are working or actively pursuing work.⁴

The first section uses annualized data on labor-force participation from the Current Population Survey (CPS), available from the Bureau of Labor Statistics website. However, these data provide only an overall picture, with few specific demographic details.⁵ In order to examine additional demographic trends of the U.S. population, the second section uses data from the March 2013 Supplement to the CPS.⁶

Overall Annual Labor-Force Participation Rates

The Bureau of Labor Statistics provides annualized numbers for the civilian, noninstitutionalized population and the labor force from the CPS, which is conducted by the U.S. Census Bureau. These numbers are used to calculate the percentage of this population that is in the labor force.

The percentage of civilian, noninstitutionalized Americans near or at retirement age (age 55 or older) in the labor force declined from 34.7 percent in 1975 to 29.4 percent in 1993. However, since then the overall labor-force participation rate of this group has steadily increased, reaching 40.5 percent in 2012—the highest level over the 1975–2013 period—before decreasing to 40.3 percent in 2013 (Figure 1).

The labor-force participation rate for men ages 55 and older followed the same pattern through 2010, falling from 49.4 percent in 1975 to 37.7 percent in 1993 before increasing to 46.4 percent in 2010. In 2011, the men's rate slightly decreased/flattened out to 46.3 percent, but it increased again in 2012 to 46.8 percent before slipping to 46.5 percent in 2013. While the most recent levels are not above the 1975 level, they are clearly still higher than the low point in 1993. On the other hand, the labor-force participation rate of women in this age group was essentially flat from 1975 to 1993 (23.1 percent and 22.8 percent, respectively). But after 1993, the women's rate also increased, reaching its highest level in 2010 (35.1 percent), where it remained from 2011 to 2013.

Within each age sub-group among those ages 55 and older, labor-force participation rates increased from 1975 to 2010. Starting in 2011, the labor-force participation rate continued to rise among those ages 65 years or older (Figure 2), while the rates declined for those ages 55–64. For those ages 65 and older, the rate increased from 13.7 percent in 1975 to 18.7 percent in 2013.⁷ For those under 65, the rate reached 73.3 percent in 2010 for those ages 55–59 (up from 65.1 percent in 1975), while among those ages 60–64, the rate reached 55.2 percent in 2010 (compared with 48.2 percent in 1975). Yet, by 2013, the rates for both of these groups decreased to 72.4 percent and 55.0 percent, respectively.

The increase in labor-force participation for the age groups below age 65 was primarily driven by the increases in female labor-force participation rates, as the male labor-force participation rates of those ages 55–59 and 60–64 were lower in 2013 than they were in 1975 (Figure 3). The male age groups of individuals ages 65 or over showed trends that were flat to increasing (ages 65–69 having the only significant increase). However, the overall trend among each male age group ages 65 and older has been upward since 1993, with each age sub-group above its 1975 level.

In contrast, female labor-force participation rates for those ages 55–59 and 60–64 increased sharply from 1975–2013, despite some leveling off in 2010–2013 (Figure 4). The 1975 rate for females ages 55–59 was 47.9 percent, compared with 67.2 percent in 2013. The older female age sub-groups also trended upward, though not as sharply as the 55–64 age groups.

Labor-Force Participation Rates: March Supplement to the CPS

This section examines labor-force participation rates using the March Supplement to the CPS in order to show greater detail about demographic trends. The civilian, noninstitutionalized population is analyzed, along with the portion of this population that is employed, looking for a job, or on a layoff (meaning the entire labor force). Since these rates are for March 2012 (the most recent available data from this source), they are different from the annual numbers presented in the previous section. However, the same trends outlined in the first section also are present here (Figure 5): The overall participation rate reached a low point in 1992, and then increased through 2010, leveling off in 2011 with an increase again in 2012. The male rate followed somewhat the same U-shape trend except for a slight decline in 2011 preceding an increase in 2012. In contrast, the trend among females was essentially upward across the entire time period.

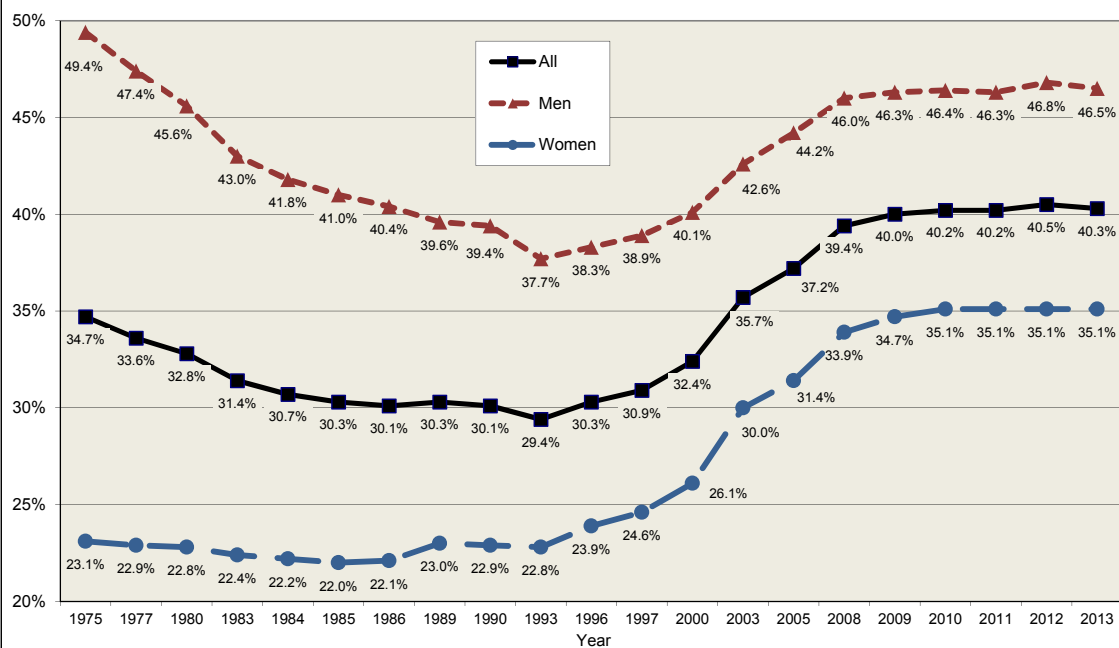
Race/Ethnicity—Labor-force participation is higher than it was in the middle 1990s across each race/ethnicity group examined (Figure 6). White Americans and those in the “other” category have had higher rates of labor-force participation in the most recent years. Hispanic Americans’ rate was just below that of white Americans, with Black Americans having the lowest labor-force participation rate. In 2012, the participation rates increased for white and Hispanic Americans, but declined for the black and “other” race/ethnicity categories.

Educational Level—The labor-force participation rates of those ages 55 and older showed relatively small changes from 1987–2012 across each educational-attainment group (Figure 7). However, the labor-force participation rates of those with a higher level of education showed an upward trend from 1993 that flattened out in the most recent years, including declines for those with graduate and professional degrees in 2010–2012, and for those with college degrees in 2011–2012. The rates for those with lower levels of education showed a flat-to-slight upward trend over that period, with some increases in 2010–2012. Overall, as workers’ educational attainment increased, their labor-force participation rate also increased. For example, in 2012, 60.7 percent of individuals with a graduate or professional degree were in the labor force, compared with 23.9 percent of those without a high school diploma.

Conclusion

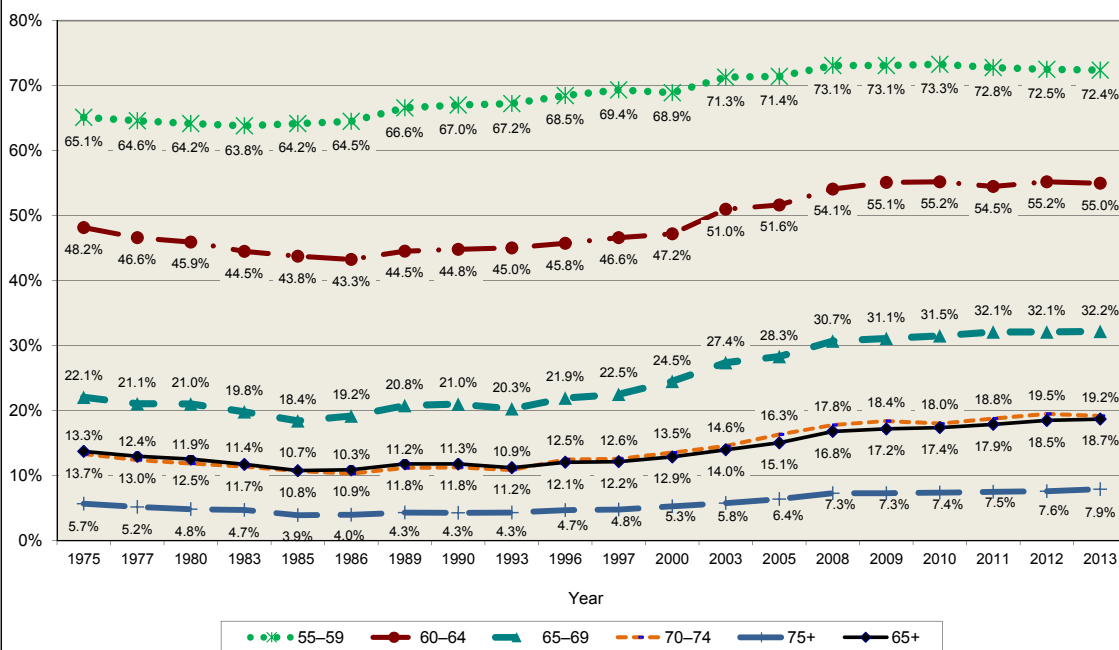
The labor-force participation rate for those ages 55 and older rose throughout the 1990s and into the 2000s, when it began to level off but with a small increase following the 2007–2008 economic downturn. For those ages 55–64, the

Figure 1
Annual Civilian Labor-Force Participation Rate for
Americans Ages 55 and Older, by Gender, 1975–2013



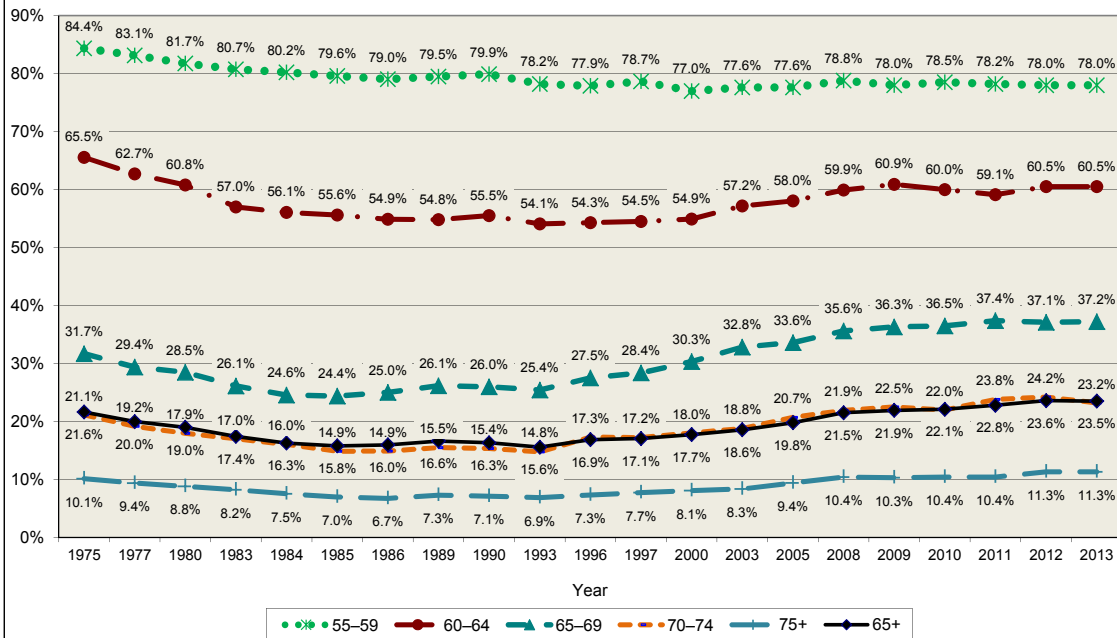
Source: U.S. Department of Labor, Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey--Civilian Labor Force Participation Rate," <http://www.bls.gov/data/home.htm>

Figure 2
Annual Civilian Labor-Force Participation Rate of
Americans Ages 55 and Older, by Age, 1975–2013



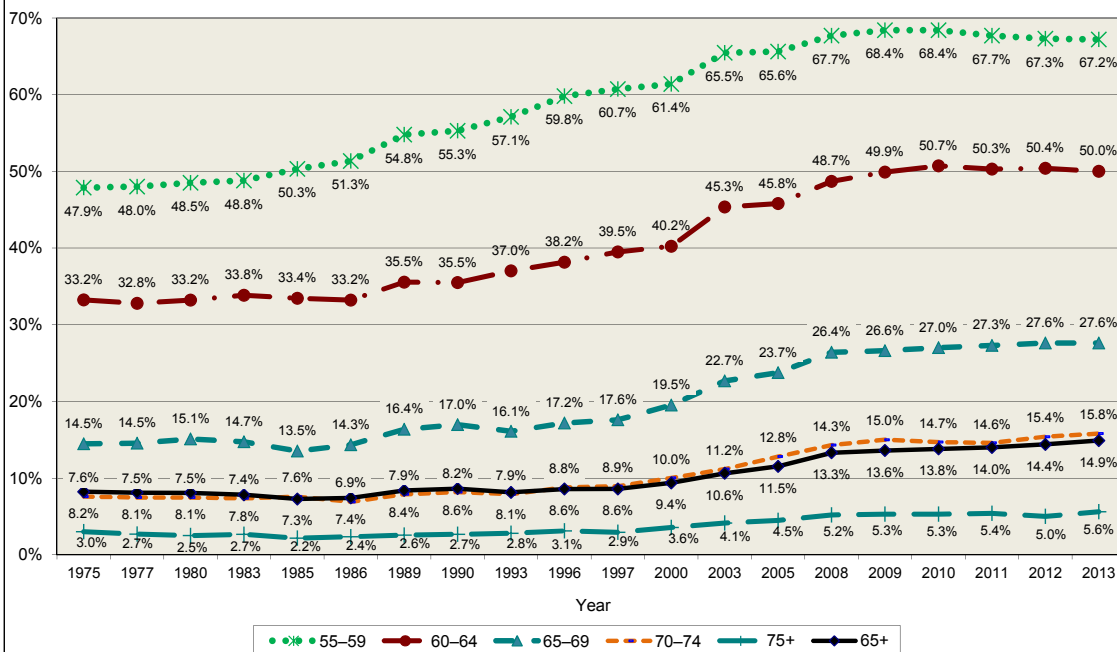
Source: U.S. Department of Labor, Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey--Civilian Labor Force Participation Rate," <http://www.bls.gov/data/home.htm>

Figure 3
Annual Civilian Labor-Force Participation Rate of
American Males Ages 55 and Older, by Age, 1975-2013



Source: U.S. Department of Labor, Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey--Civilian Labor Force Participation Rate," <http://www.bls.gov/data/home.htm>

Figure 4
Annual Civilian Labor-Force Participation Rate of
American Females Ages 55 and Older, by Age, 1975-2013



Source: U.S. Department of Labor, Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey--Civilian Labor Force Participation Rate," <http://www.bls.gov/data/home.htm>

upward trend was driven almost exclusively by the increased work force participation of women, whereas the male participation rate was flat to declining. However, among those ages 65 or older, labor-force participation increased for both males and females over that period.

This upward trend in labor-force participation by older workers is likely related to workers' current need for continued access to employment-based health insurance⁸ and for more years of earnings to accumulate savings in defined contribution (401(k)-type) plans and/or to pay down debt. Older Americans, particularly those in the private sector, increasingly have considerably less access to guaranteed levels of income (such as pensions) or health insurance benefits when they retire (outside of government programs). Continued employment provides the opportunity for a source of income outside of Social Security, more of a chance to get their financial situations in better condition, or to postpone making tough financial and/or life style decisions.

However, financial concerns are not the only incentives involved here. There also is an increased desire among many Americans to work longer, particularly among those with more education, for whom more meaningful jobs are available that can be performed well into older ages. The recent economic downturn did not alter the trend of older workers in the labor force; rather, it appears that this remained the trend, as more opportunities for older workers exist that correspond to their increased educational attainment.

In fact, the increase in the percentage of those 55 or older in the labor force increased with the higher incidence of more highly educated people in this age group. This was seen particularly with the sharply increased share of those 55 or older in the labor force with bachelor's and/or graduate degrees that occurred from 1987 through 2003 (19.4 percent in 1987 to 32.2 percent in 2003), after which more gradual increases resulted, reaching 36.7 percent in 2012 (Figure 8). In contrast, the percentage with no high school diploma decreased sharply during those years, from 26.7 percent in 1987 to 11.0 percent in 2003, before continuing to fall to 7.2 percent in 2012.

This increase in the labor-force participation rate of those 55 or older has led to a discussion of whether older workers, particularly those with higher educational attainment, are displacing or preventing younger workers from obtaining employment. During periods of economic growth, an increase in the number of both older and younger workers could result, but with flat growth in the number of workers, it is not clear whether older workers are preventing younger workers from obtaining employment, or if the total number of workers would have been even lower without the extended participation of older workers.

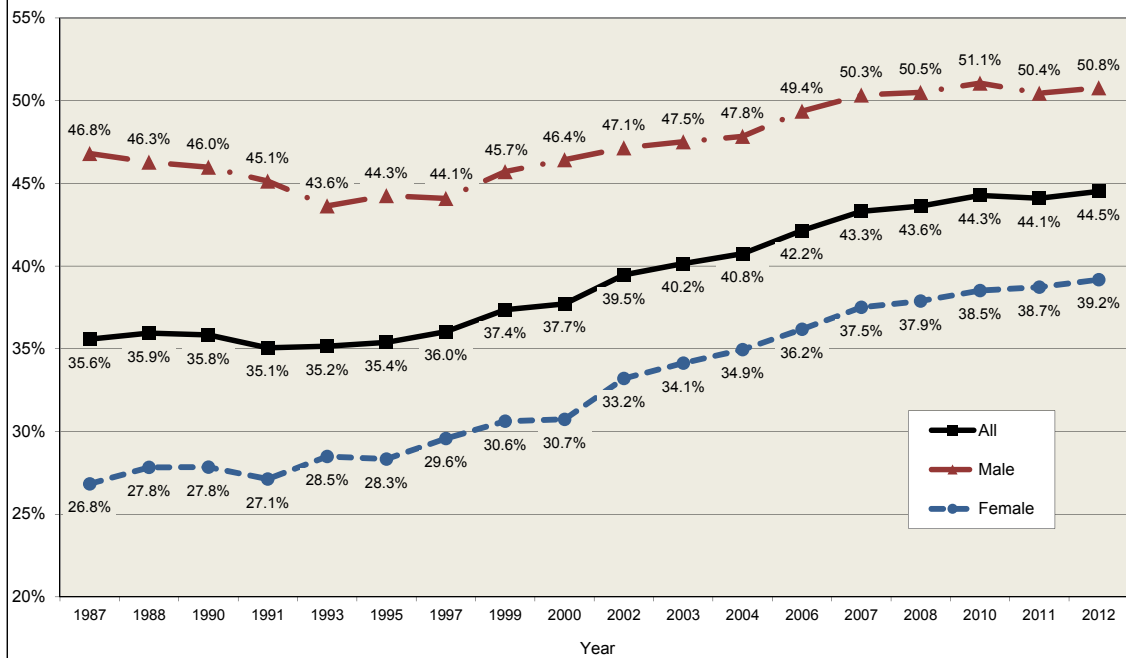
Regardless, two results are clear from the data.

First, the labor-force participation rates of younger workers increased when that of older workers declined or remained low during the late 1970s to the early 1990s, but as the labor-force participation rates of younger workers began to decline in the late 1990s, the rates for the older workers continuously increased (Figure 9). Consequently, it appears either that older workers filled the void left by younger workers' lower participation, or that higher older-worker participation limited the opportunities for younger workers or discouraged them from participating in the labor force.

Second, the percentage of older workers increased steadily from 1997 to 2012, while the percentage of younger workers declined during this period (Figure 10). In 1997, workers ages 25–54 accounted for 83.9 percent of all workers ages 25 or older, while those ages 55–64 accounted for 12.0 percent, and those ages 65 or older, 4.1 percent. By 2012, those ages 55–64 represented 19.2 percent, and those 65 or older 7.0 percent, while the percentage of workers 25 or older represented by those ages 25–54 had fallen to 73.8 percent. Again, these concurrent trends raise the question: Are older workers filling the void or displacing opportunities for younger workers?⁹

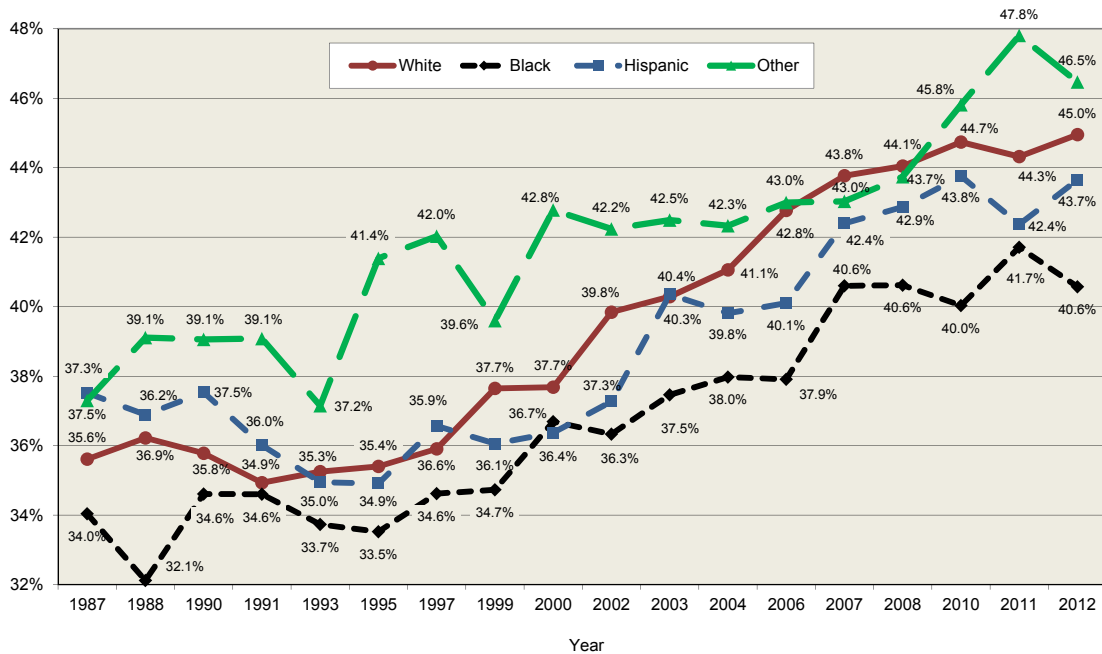
Nevertheless, older workers are more plentiful in the labor force today, whether a result of financial circumstances related to the lack of sufficient or adequate accumulation of resources for retirement or because of the desire to

Figure 5
Civilian Labor-Force Participation Rate for Americans
Ages 55 or Over, by Gender, March 1987–2012



Source: Employee Benefit Research Institute estimates from 1988-2013 March Current Population Survey.

Figure 6
Civilian Labor-Force Participation Rate for Americans
Ages 55 or Over, by Race/Ethnicity, March 1987–2012



Source: Employee Benefit Research Institute estimates from 1988-2013 March Current Population Survey.

continue to remain actively engaged and productive. Whatever their motivation(s), the trends beg the question: Will all workers who need to increase their financial resources be able to find jobs, particularly now that the participation trend favoring higher educational attainment has leveled off?¹⁰ Continued employment in old age is an aspiration for some and perhaps a financial reality for others. It is, however, not something on which workers should depend for the financing of their retirement expenses. Therefore, as many workers have already discovered, or may discover in the future, the road to and through retirement is not always smooth.

Endnotes

¹ For the trend in the percentage of workers by age group from 1987–2004, see Jack VanDerhei, Craig Copeland, and Dallas Salisbury, *Retirement Security in the United States*. Washington, DC: Employee Benefit Research Institute, 2006. In 1987, 28.5 percent of workers were ages 45 or older, compared with 39.8 percent in 2004. By 2012, this number had grown to 44.7 percent.

² See Paul Fronstin and Nevin Adams, "Employment-Based Retiree Health Benefits: Trends in Access and Coverage, 1997–2010," *EBRI Issue Brief*, no. 377 (Employee Benefit Research Institute, October 2012).

³ See Ruth Helman et al. "The 2014 Retirement Confidence Survey: Confidence Rebounds—for Those with Retirement Plans," *EBRI Issue Brief*, no. 397 (Employee Benefit Research Institute, March 2014).

⁴ The labor-force participation rate is a measure of those in a particular group working or actively pursuing work, which is different from the share of those actually working who fall into a specific category.

⁵ See U.S. Department of Labor, Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey—Civilian Labor Force Participation Rates," available at <http://www.bls.gov/data/home.htm>. See also Craig Copeland, "Labor Force Participation Rates of the Population Age 55 and Older, 2011: After the Economic Downturn," *EBRI Notes*, no. 2 (Employee Benefit Research Institute, February 2012): 2–8, for an earlier analysis of these data.

⁶ The U.S. Census Bureau conducts the CPS for the Bureau of Labor Statistics by interviewing about 57,000 households and asking numerous questions about individuals' work status, employers, income, and basic demographic characteristics. Therefore, the CPS provides detailed information about workers from a broad sample of Americans, making it possible to establish a consistent, annual, and timely trend across numerous worker characteristics and the characteristics of their employers.

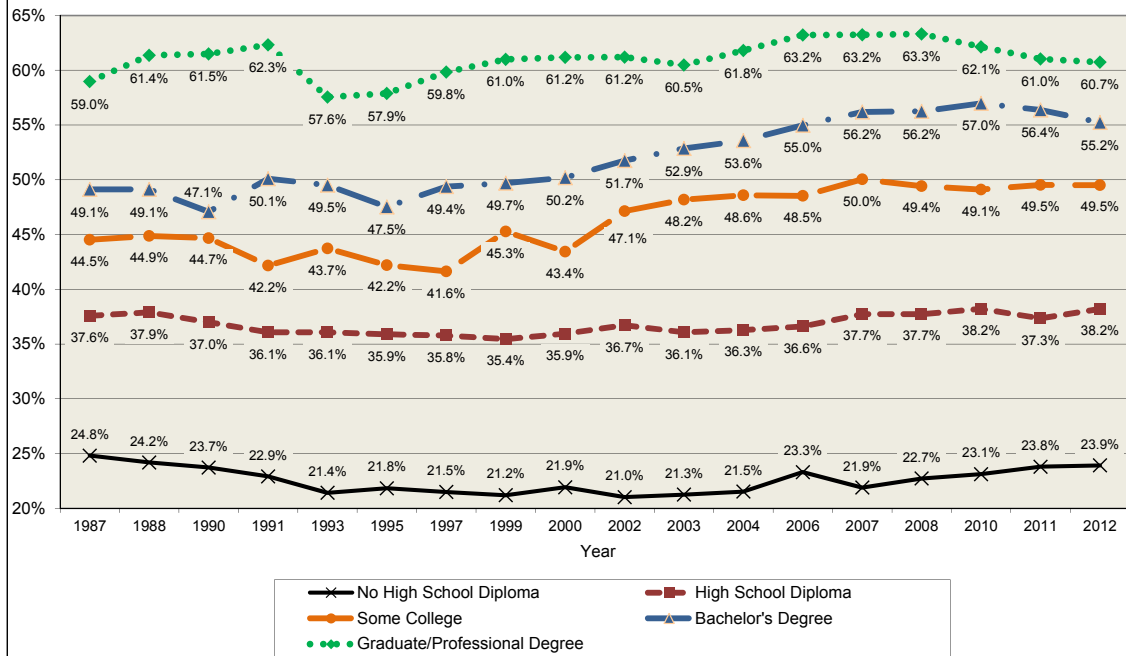
⁷ There was a small decline in the labor-force participation for those ages 70–74 in 2013. However, the 2013 level was still above the 2011 level.

⁸ Any changes that result from the Patient Protection and Affordable Care Act of 2010 (federal health care legislation enacted in March 2010) that has yet to go into effect or full effect could change this dynamic, such as the availability of more affordable health insurance options for people this age.

⁹ See news articles such as Matt Sedensky, "Are Older Workers Taking Jobs From Young? USA Today. January 4, 2014 (<http://www.usatoday.com/story/money/business/2014/01/04/will-surge-of-older-workers-take-jobs-from-young/4305187/>) and Alicia Munnell and April Yanyuan Wu, "Are Aging Baby Boomers Squeezing Young Workers out of Jobs? *Brief* no. 12-18 (Center for Retirement Research at Boston College, October 2012) (http://crr.bc.edu/wp-content/uploads/2012/09/IB_12-18-508.pdf) for further discussion and analysis of this topic.

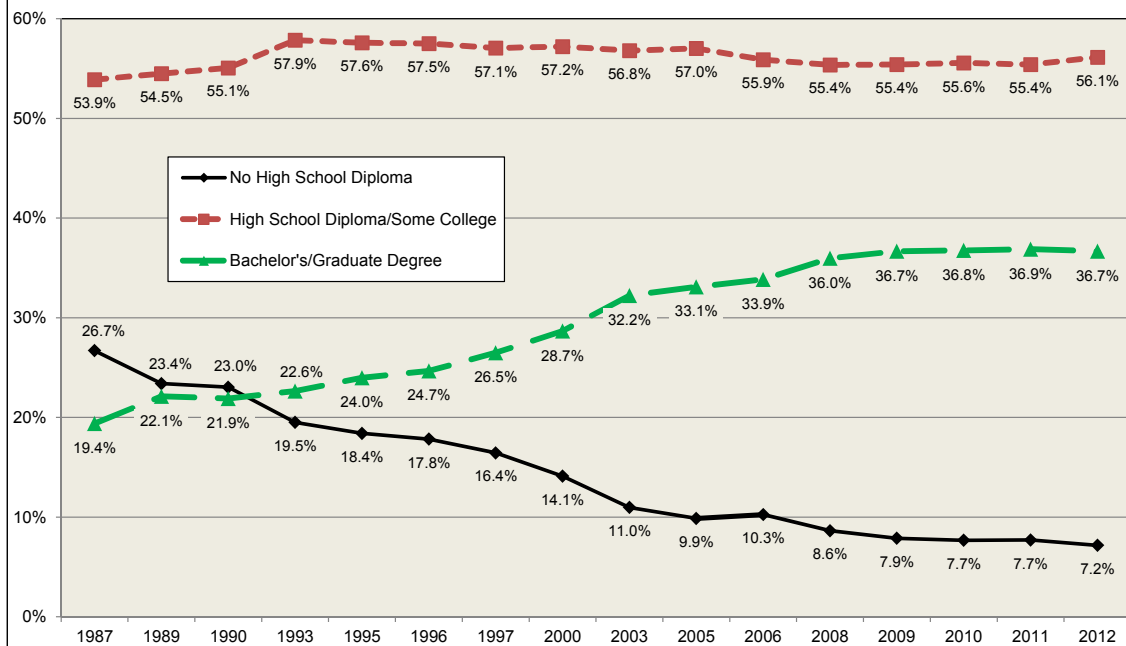
¹⁰ See Helman, et al, (2014, Endnote 3), which found from the 2014 Retirement Confidence Survey that the percentage of workers saying they planned to work for pay in retirement was 65 percent, while just 27 percent of retiree respondents reported that they had worked for pay in retirement. See Gary Burtless, "Can Educational Attainment Explain the Rise in Labor Force Participation at Older Ages?" *Brief* no. 13-13 (Center for Retirement Research at Boston College, September 2013) (http://crr.bc.edu/wp-content/uploads/2013/08/IB_13-13.pdf) for an analysis of future labor-force participation of older workers.

Figure 7
Civilian Labor-Force Participation Rate for Americans
Ages 55 or Over, by Educational Level, March 1987–2012



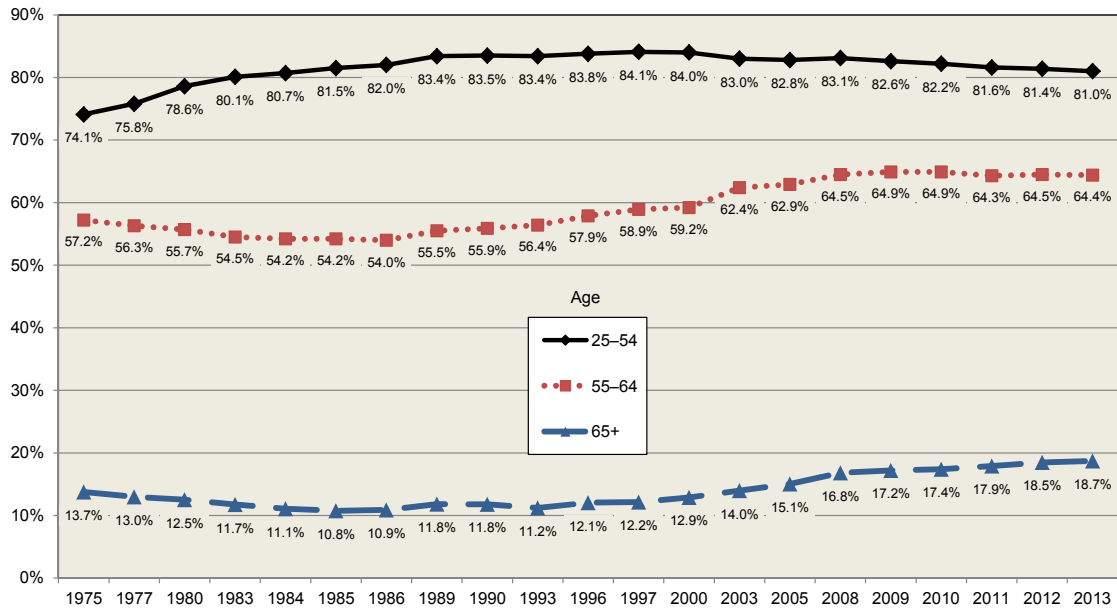
Source: Employee Benefit Research Institute estimates from 1988–2013 March Current Population Survey.

Figure 8
Educational Status of Civilian American
Workers Ages 55 or Over, March 1987–2012



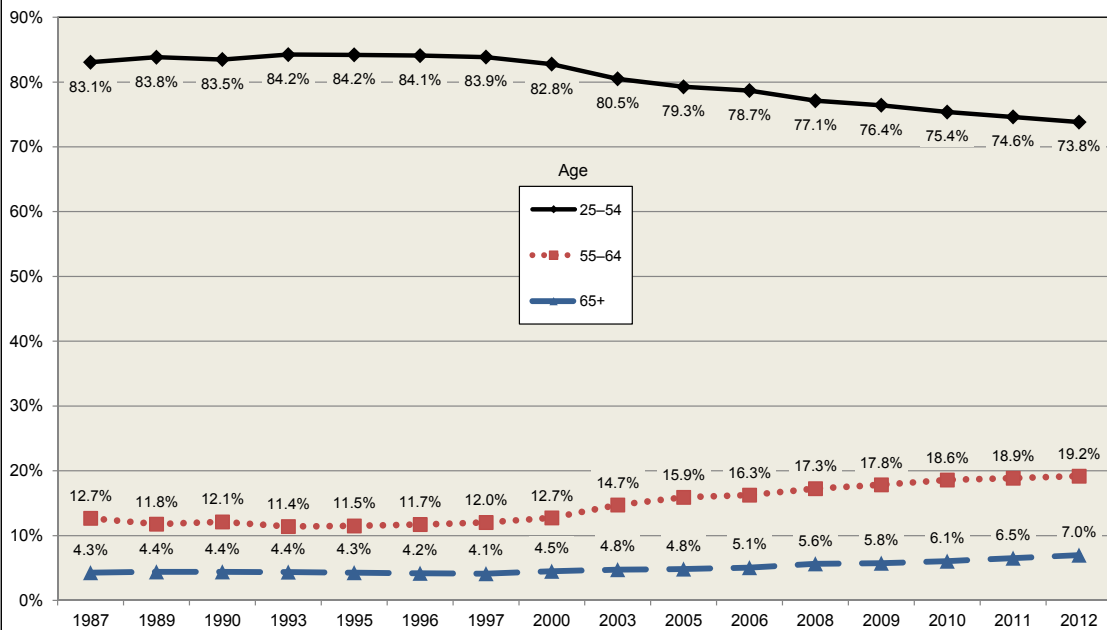
Source: Employee Benefit Research Institute estimates from 1988–2013 March Current Population Survey.

Figure 9
Annual Civilian Labor-Force Participation Rate for
Americans Ages 25 and Older, by Age, 1975–2013



Source: U.S. Department of Labor, Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey—Civilian Labor Force Participation Rate," <http://www.bls.gov/data/home.htm>

Figure 10
Distribution of Civilian American Workers
Ages 25 or Over, by Age, March 1987–2012



Source: Employee Benefit Research Institute estimates from 1988–2013 March Current Population Survey.



Notes

EBRI Employee Benefit Research Institute Notes (ISSN 1085-4452) is published monthly by the Employee Benefit Research Institute, 1100 13th St. NW, Suite 878, Washington, DC 20005-4051, at \$300 per year or is included as part of a membership subscription. Periodicals postage rate paid in Washington, DC, and additional mailing offices. POSTMASTER: Send address changes to: *EBRI Notes*, 1100 13th St. NW, Suite 878, Washington, DC 20005-4051. Copyright 2014 by Employee Benefit Research Institute. All rights reserved, Vol. 35, no. 4.

Who we are

The Employee Benefit Research Institute (EBRI) was founded in 1978. Its mission is to contribute to, to encourage, and to enhance the development of sound employee benefit programs and sound public policy through objective research and education. EBRI is the only private, nonprofit, nonpartisan, Washington, DC-based organization committed exclusively to public policy research and education on economic security and employee benefit issues. EBRI's membership includes a cross-section of pension funds; businesses; trade associations; labor unions; health care providers and insurers; government organizations; and service firms.

What we do

EBRI's work advances knowledge and understanding of employee benefits and their importance to the nation's economy among policymakers, the news media, and the public. It does this by conducting and publishing policy research, analysis, and special reports on employee benefits issues; holding educational briefings for EBRI members, congressional and federal agency staff, and the news media; and sponsoring public opinion surveys on employee benefit issues. **EBRI's Education and Research Fund (EBRI-ERF)** performs the charitable, educational, and scientific functions of the Institute. EBRI-ERF is a tax-exempt organization supported by contributions and grants.

Our publications

EBRI Issue Briefs are periodicals providing expert evaluations of employee benefit issues and trends, as well as critical analyses of employee benefit policies and proposals. **EBRI Notes** is a monthly periodical providing current information on a variety of employee benefit topics. **EBRIef** is a weekly roundup of EBRI research and insights, as well as updates on surveys, studies, litigation, legislation and regulation affecting employee benefit plans, while **EBRI's Blog** supplements our regular publications, offering commentary on questions received from news reporters, policymakers, and others. EBRI's **Fundamentals of Employee Benefit Programs** offers a straightforward, basic explanation of employee benefit programs in the private and public sectors. The **EBRI Databook on Employee Benefits** is a statistical reference work on employee benefit programs and work force-related issues.

Orders/ Subscriptions

Contact EBRI Publications, (202) 659-0670; fax publication orders to (202) 775-6312. Subscriptions to *EBRI Issue Briefs* are included as part of EBRI membership, or as part of a \$199 annual subscription to *EBRI Notes* and *EBRI Issue Briefs*. **Change of Address:** EBRI, 1100 13th St. NW, Suite 878, Washington, DC, 20005-4051, (202) 659-0670; fax number, (202) 775-6312; e-mail: subscriptions@ebri.org **Membership Information:** Inquiries regarding EBRI membership and/or contributions to EBRI-ERF should be directed to EBRI President Dallas Salisbury at the above address, (202) 659-0670; e-mail: salisbury@ebri.org

Editorial Board: Dallas L. Salisbury, publisher; Stephen Blakely, editor. Any views expressed in this publication and those of the authors should not be ascribed to the officers, trustees, members, or other sponsors of the Employee Benefit Research Institute, the EBRI Education and Research Fund, or their staffs. Nothing herein is to be construed as an attempt to aid or hinder the adoption of any pending legislation, regulation, or interpretative rule, or as legal, accounting, actuarial, or other such professional advice.

EBRI Notes is registered in the U.S. Patent and Trademark Office. ISSN: 1085-4452 1085-4452/90 \$.50+.50