Stalled Jobs Recovery Pushed 1.1 Million Older Workers Out of the Labor Force

Schwartz Center for Economic Policy Analysis
New School for Social Research
Summary of findings

- **Renewed Labor Force Exit**: Older workers’ labor force participation rate dropped since August, and is now at its lowest point of the recession. 1.1 million older workers exited labor force since August.

- **No Jobs Added**: Although older workers’ unemployment rate fell in January, the decline was driven by unemployed workers leaving the labor force rather than finding jobs.

- **Deepening Inequalities**: Since October, the decline in employment for Black, Hispanic, and Asian older workers was more than twice that of white older workers.
Labor Force Participation: Older Worker Recovery Erased

Figure 1: Older Workers’ Labor Force Participation At Lowest Point In Pandemic
Labor force participation rates, percent change from January 2020

- Mid-career workers (35-54)
- Older workers (55+)

Notes: Participation rates indexed to January 2020 values.

Labor force participation rate: The proportion of the population that is either employed or actively looking for work.
Labor Force Participation: Older Worker Recovery Erased

Figure 1: Older Workers’ Labor Force Participation At Lowest Point In Pandemic
Labor force participation rates, percent change from January 2020

1.8 million labor force exits

Notes: Participation rates indexed to January 2020 values.
Labor Force Participation: Older Worker Recovery Erased

Figure 1: Older Workers’ Labor Force Participation At Lowest Point In Pandemic
Labor force participation rates, percent change from January 2020

Notes: Participation rates indexed to January 2020 values.

1.0 million return to labor force

Labor force participation rate: The proportion of the population that is either employed or actively looking for work.
Labor Force Participation: Older Worker Recovery Erased

Figure 1: Older Workers’ Labor Force Participation At Lowest Point In Pandemic
Labor force participation rates, percent change from January 2020

-6%  -5%  -4%  -3%  -2%  -1%  0%
Percent Change in Labor Force Participation Rate
Jan 2020 Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec Jan 2021

Notes: Participation rates indexed to January 2020 values.

1.1 million labor force exits

Labor force participation rate: The proportion of the population that is either employed or actively looking for work.
Labor Force Participation: Older Worker Recovery Erased

Figure 1: Older Workers’ Labor Force Participation At Lowest Point In Pandemic
Labor force participation rates, percent change from January 2020

1.9 million labor force exits through 2020 because of the pandemic recession

Labor force participation rate: The proportion of the population that is either employed or actively looking for work.

Notes: Participation rates indexed to January 2020 values.
Deepening Racial Inequalities in Employment

Figure 3: Increasing Racial Disparities in Employment
Employment-to-population ratios, percent change from January 2020

Source: SCEPA calculations based on IPUMS Current Population Survey data.
Looking forward:
Stalled recovery will exacerbate retirement gaps

- As pandemic is brought under control, older workers have a deeper hole to dig out of than they did 3-5 months ago
- Labor force exit increases the risk of early, involuntary retirement
- Longer spells of joblessness also increase the risk of retirement asset drawdowns
- Inequalities in the recovery will translate into larger retirement wealth gaps
Thank you!
Questions?

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Appendix: Employment-To-Population Ratio Divergence By Age

Figure 4: Overall Drop and Divergence in Employment Between Older and Mid-Career Workers
Employment-to-population ratios, percent change from January 2020

Employment to population ratio: The proportion of the population that is employed
Appendix: Increase in labor force non-participation

Figure 5: The Population of Older Americans not in the Labor Force Grew at 3 Times the Normal Rate

Note: Seasonally adjusted. "Actual" series shows cumulative increase in the 55+ not-in-labor-force population since January 2020 and includes expected labor force exits that would have occurred due to aging and retirement. The "Without Covid-19" series plots cumulative growth in not-in-labor-force population assuming constant labor force participation rate and actual population growth (smoothed over the period January 2020-January 2021).
Unemployment Rate: Down for the Wrong Reasons

- Older workers’ unemployment rate fell 0.7 percentage points, from 6.0% to 5.3%, in January.
- But this decline was driven by unemployed older workers leaving the labor market rather than finding new jobs or returning to old ones.
- Overall, no new jobs were added for workers 55 and older in January.
Appendix: Labor Force Exit