

Aging today: Working longer, retiring later

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Labor force participation among older Americans has increased compared to earlier times. The average retirement age among men, for example, has increased in recent years, reversing a near century-long trend toward earlier and earlier retirement that ended in the mid-1980s. Labor force participation among older women has increased even more, due to both the end of the trend towards earlier retirements and large increases in labor force participation, generally. Because of increases in labor force participation and increasing retirement age of older workers, many employers are implementing age diversity initiatives, but there is uncertainty about which strategies are effective.

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Q: Is there a greater proportion of older workers in the labor force now, compared to the past 10-20 years?

A: Yes. Among workers age 55+ overall, the labor force participation rate is up about 10% compared to about 20 years ago; currently, roughly about 40% of Americans age 55+ are now in the labor force, compared to about 35% in 1975 and 30% in 1993. Among those aged 65+, the labor force participation rate has also increased—to 17% compared to 12% in 1990. However, the increases come mainly from older men (those aged 66+) and from the fact that many more women are in the labor force compared with prior cohorts.

- “The percentage of civilian non-institutionalized Americans near or at retirement age (age 55 or older) who were in the labor force declined from 34.6% 1975 to 29.4% in 1993. However, since 1993, the overall labor-force participation rate steadily increased, reaching 40.2% in 2010—the highest level over the 1975-2010 period,” according to a 2011 analysis of Census Bureau data.¹
- “The labor force participation rate (LFPR) of women aged 60-64, which was almost unchanged over 2 decades, rose by nearly 50% (from 33 to 50%) between 1985 and 2009.” For men aged 60-64, “a LFPR that dropped by 23% age points (nearly 30%) from 1964 to 1985 rose by 5 points by 2009 (a 10% increase),” according to a 2011 report on retirement trends.³
- Among adults “at or over age 55, a higher percentage of men are in the labor force (46.4%) than women (36.4%). While this is a slight reduction for men since 1975 (when almost—49.4%—were in the work force), it is a record high for women,” according to a 2011 analysis of Census data.²
- “The proportion of adults 55-64 working or seeking work increased from 56% to 65% between 1990 and 2010. The proportion of adults 65 and older working or seeking work increased from 12% to 17% over the same period,” according to a 2011 GAO analysis of data from the BLS and Census Bureau.⁴

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Q: Has the age of retirement increased, compared to previous time periods?

A: Yes, but “retirement” has many definitions. The average age at retirement for men has risen to a high of 65 in 2010, from a low of 62 in 1993; the previous high was also 65, in 1976. The median age at retirement declined slightly over the 1995-2005 time period, but it now rising and projected to increase in the future, particularly for women. The average age at retirement is now rising and projected to increase in the future, particularly for women. Retirement rates, defined as transitions out of the labor force, are declining as well, and are lower now than in 1970. The average age of people who are receiving Social Security retirement benefits, however, has remained at 72 years, unchanged since 1960.

- The average age of retirement in 1976 was 65 for men. It declined to 63 in 1980, reaching a low of 62 in 1993. The average retirement age then rose to 63 to 64, and, in 2009, returned to age 65, according to a 2011 analysis of BLS data. [Retirement defined as the earliest age at which fewer than half of the people that age are in still the labor force.]³
- “In the 2000-05 period, the median age at exit [retirement] was 61.6 for men and 60.5 for women, a decline from the medians in the 1995-2000 period of 62.4 and 60.9 for men and women, respectively. The median age at exit estimated for the 2005-10 period, based on the labor force data for 2010 projected by the Bureau of Labor Statistics (BLS) in 2007, indicates no change for men, but a large reversal for women (from age 60.5 to age 62.0),” according to 2008 report based on Current Population Survey data. [Retirement defined as Median age at exit from the labor force calculated from annual averages of the number in the labor force and of the labor force participation rate.]⁷

- “The average age of retired workers has changed little over time, rising from 72.4 in 1960 to 73.7 in 2010,” according to a 2011 report from the Social Security Administration. [Retirement defined as collecting Social Security retirement benefits.] ⁵
- “Retirement rates, which increased notably from 1970-1980 and remained near those levels for several decades, have recently declined. For older age groups, retirement rates are now lower than they were even in 1970,” according to a 2011 analysis of labor force projections. [Retirement defined as not actively participating in the labor force.] ⁶

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Q: Are employers responding to these changes in employment and retirement patterns?

A: To some extent. Employers are recognizing that changing patterns of work and retirement will have implications for their businesses, but many report that they need to be making more progress on age diversity initiatives. There also is uncertainty about what initiatives would be most effective in mitigating potential problems.

- According to a 2011 global survey of business executives, “71% see increased longevity as an opportunity, compared with 43% who consider it a risk. Nearly four times as many see it as wholly an opportunity (39%) than wholly a risk (11%), with one in three (32%) seeing it as delivering both risks and opportunities in equal measure. Relatively few firms (13%) claim to have not considered the implications of rising longevity.” ⁸
- A global survey of executives of 321 large corporations found that 72% report having diversity and inclusion programs focused on age, compared to 81% on gender and 77% on ethnicity. While 32% of companies feel that they have made more progress in promoting age diversity than in other diversity/inclusion efforts, another 28% feel that this is the area in which they need the most improvement, according to a 2011 report from Forbes. ⁹
- Among steps that employers plan to take to mitigate the potential loss of knowledge as older workers retire, more than half say that they will try to keep older workers on as part-time workers or consultants (69%). Other steps include use of a knowledge transfer program to allow workers who are approaching retirement age to mentor or transfer knowledge to younger workers (53%), and succession plans for critical positions (51%). Almost half (46%) will try to entice older workers to remain as full-time employees, according to a 2011 AARP survey of over 1000 HR directors. ¹⁰
- Among respondents to a 2011 global survey of business executives, “nearly one in three (29%) says their firms are not at all effective at adapting human resources (HR) strategies to older workers. One in four (26%) say the same about their ability to transfer knowledge from retiring staff to younger staff.” ⁸

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