



LABOR FORCE TRANSITIONS, INCOME CHANGES, AND POVERTY ENTRIES AMONG OLDER WORKERS DURING THE COVID-19 PANDEMIC

*Research conducted by Callie Freitag and Heather D. Hill, University of Washington
September 2022*

The COVID-19 pandemic disrupted labor force participation, especially for older workers. Early exit from the labor force can have significant impacts on older adult's economic wellbeing for the rest of their lives. This paper uses data from the Current Population Survey to examine changes in labor force transitions, income, and poverty entries among workers aged 50 and older during the COVID-19 pandemic.

Labor Force Exits and Poverty Entries During the COVID-19 Pandemic

Economic downturns, like the one caused by the COVID-19 pandemic, can change retirement plans by prompting early retirement or inducing workers to remain in the labor force longer. These changes in the timing and circumstances of later-life labor force transitions can have significant impacts on the income sources available to those making the transition—and thus the likelihood of experiencing poverty. For example, Social Security receipt predicts poverty among those who claim benefits before full retirement age but is protective against poverty among those who claim their benefits after reaching full retirement age (Lu et al., 2021)¹. Studies of older worker's labor force participation during the first year of the pandemic have shown massive early declines in employment, but only slight increases in retirement (Goda et al., 2021; Quinby et al., 2021)². To date, no studies have examined how older workers labor force exits during the pandemic are associated with changes in income and entries into poverty.

This study uses data from the Current Population Survey to examine changes in labor force transitions, income, and poverty entries among workers aged 50 and older during the COVID-19 pandemic. We ask the following questions:

- (1) How did older Americans labor force transitions change during the COVID-19 pandemic?
- (2) How did the association between labor force transitions and income levels change during the COVID-19 pandemic?
- (3) How did the association between labor force transitions and poverty entries change during the COVID-19 pandemic?

¹ Lu, P., Shelley, M., & Liu, Y.-L. (2021). Reexamining the poverty cycle in middle and late adulthood: Evidence from the Health and Retirement Study 2002–2014. *International Journal of Social Welfare*. <https://doi.org/10.1111/ijsw.12454>

² Goda, G. S., Jackson, E., Nicholas, L. H., & Stith, S. S. (2021). *The Impact of Covid-19 on Older Workers' Employment and Social Security Spillovers* (No. w29083). National Bureau of Economic Research. <https://doi.org/10.3386/w29083>; Quinby, L., Rutledge, M. S., & Wettstein, G. (2021). *How Has COVID-19 Affected the Labor Force Participation of Older Workers?* (CRR WP 2021-13). Center for Retirement Research at Boston College. <https://cfsrdrc.wisc.edu/2021-rdrc-annual-meeting.html>



Retirement and Non-Retirement Exits Slightly Increased During the Pandemic

Overall, we find that retirement and non-retirement labor force exits did increase in the first year of the pandemic relative to the year prior. Yet, we contextualize these increases—particularly the increase in retirement transitions—as generally keeping pace with the trends over the last decade (**Figure 1**). We also found generally stable associations between demographic characteristics and labor force transitions throughout the pandemic. Some exceptions to the generally stable trends and associations included a higher likelihood of non-retirement labor force transitions for women early in the pandemic compared to men, and a declining probability of retirement among older workers living in households with children. We also found increases in non-retirement transitions among older workers identified as Hispanic and increases in retirements among older workers of another or multiple racial/ethnic identities at the start of the pandemic compared to other racial/ethnic groups.

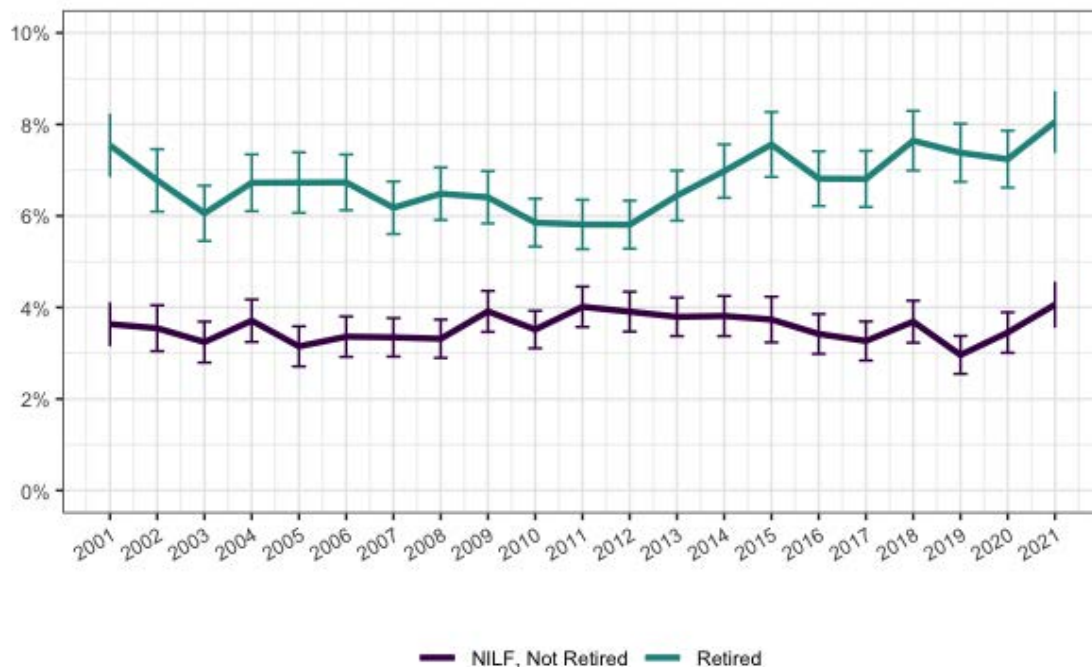


Figure 1. Labor Force Transitions by Type, 2001–2021. *Note.* NILF = Not in labor force. “NILF, Not Retired” signifies those who left the labor force but did not self-report retirement.

Poverty Entries Among Labor Force Leavers High But Steady in Pandemic

We find that transitioning out of the labor force is associated with significant declines in income and a higher likelihood of entering poverty across all years and demographic groups (**Figure 2**). We do not find that the probability of entering poverty changed over the study period, counter to our expectations given the mass employment disruptions caused by the COVID-19 pandemic. The income analysis suggests that COVID-19 relief—economic impact payments and Unemployment Insurance—played a substantial role in mitigating earnings and private retirement income losses for people who transitioned out of the labor force.

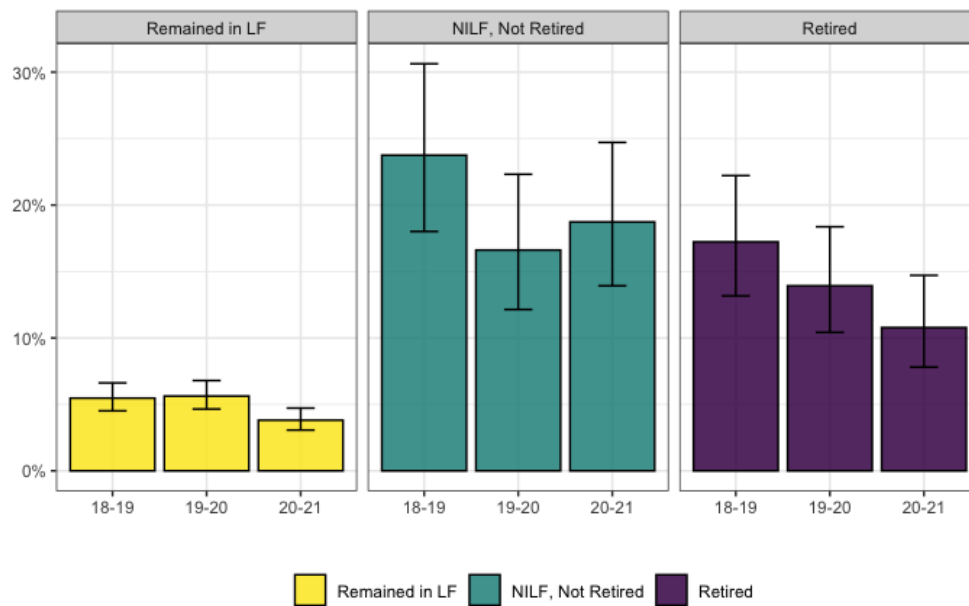


Figure 2. Predicted probability of entering poverty by labor force transition type and year. *Note.* Poverty is estimated using the Supplemental Poverty Measure. Errors bars are 95% confidence intervals. NILF = Not in labor force, LF = labor force, “NILF, Not Retired” signifies those who left the labor force but did not self-report retirement. Years on x-axis indicate year of labor force transition from March to March.

Implications

- The odds of exiting the labor force for retirement increased by 18 percent during the first year of the pandemic compared to the year prior to the pandemic.
- The odds of exiting the labor force for non-retirement reasons increased by 32 percent during the first year of the pandemic compared to the year prior to the pandemic.
- People who exit the labor force, regardless of reason, are significantly and substantially more likely to enter poverty compared to people who remain in the labor force.
- The likelihood of entering poverty did not significantly change throughout the pandemic for those who left the labor force.
- Federal COVID-19 relief and Unemployment Insurance helped protect against losses to earnings and private retirement income for people who left the labor force, regardless of reason, during the first year of the pandemic.

The research reported herein was performed pursuant to a grant from the U.S. Social Security Administration (SSA) funded as part of the Retirement and Disability Consortium. The opinions and conclusions expressed are solely those of the author(s) and do not represent the opinions or policy of SSA or any agency of the Federal Government. Neither the United States Government nor any agency thereof, nor any of their employees, makes any warranty, express or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of the contents of this report. Reference herein to any specific commercial product, process or service by trade name, trademark, manufacturer, or otherwise does not necessarily constitute or imply endorsement, recommendation or favoring by the United States Government or any agency thereof.