Retirement Trends in United States, 2000-2022

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Retirement Trends

Retirement trends are important to the national economy. Retired individuals represent a large and growing proportion of the U.S. population, and, much of their income is provided through government-sponsored income transfers (e.g., Social Security) or is subsidized through income tax deductions and deferrals (e.g., defined benefit and defined contribution pension plans).

Retirement is most often defined with reference to two characteristics: withdrawal from the paid labor force and receipt of income from Social Security, pensions, and/or other retirement savings vehicles. Some people might be considered to have retired based on one part of the definition but not the other. For example, individuals who have retired from careers in law enforcement or the military often continue to work for many years at other jobs while also receiving pensions from their prior employment. In such cases, having retired from a particular occupation does not necessarily mean that one has retired from the workforce. This Insight presents self-reported monthly data from the Current Population Survey, which defines retirement as a worker aged 50 and older who self-identifies as retired and proves to be out of the labor force upon follow-up questions.

Figure 1 shows that the share of the population aged 16 and over who were retired stayed relatively stable at 15%-16% from 2000 to 2011 before steadily increasing over the January 2012 (16.1%) to March 2022 (19.3%) period. Much of the increase since 2012 is attributed to the relatively large number of baby boomers (i.e., those born between 1946 and 1964) who are gradually attaining retirement age. This composition effect is reflected in the *age-adjusted retirement share*—the share of the population that would have retired if the age distribution of the population were held at 2008 levels (the year those born in 1946 turned age 62, the early eligibility age under Social Security). The downward trend in the age-adjusted retirement share from 16.6% (January 2000) to 14.6% (February 2020, the time immediately before the COVID-19 pandemic) suggests that workers of a given age are not generally retiring at higher rates.

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Figure 1. Retired Workers as a Share of the Population Aged 16 and Older
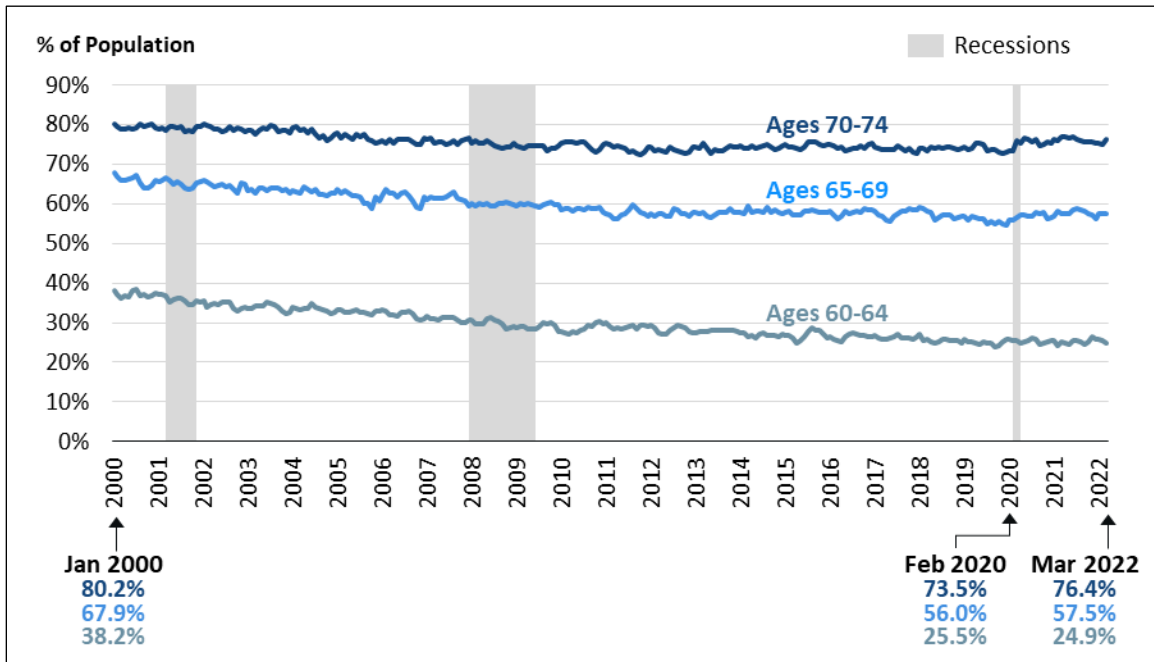
January 2000 to March 2022
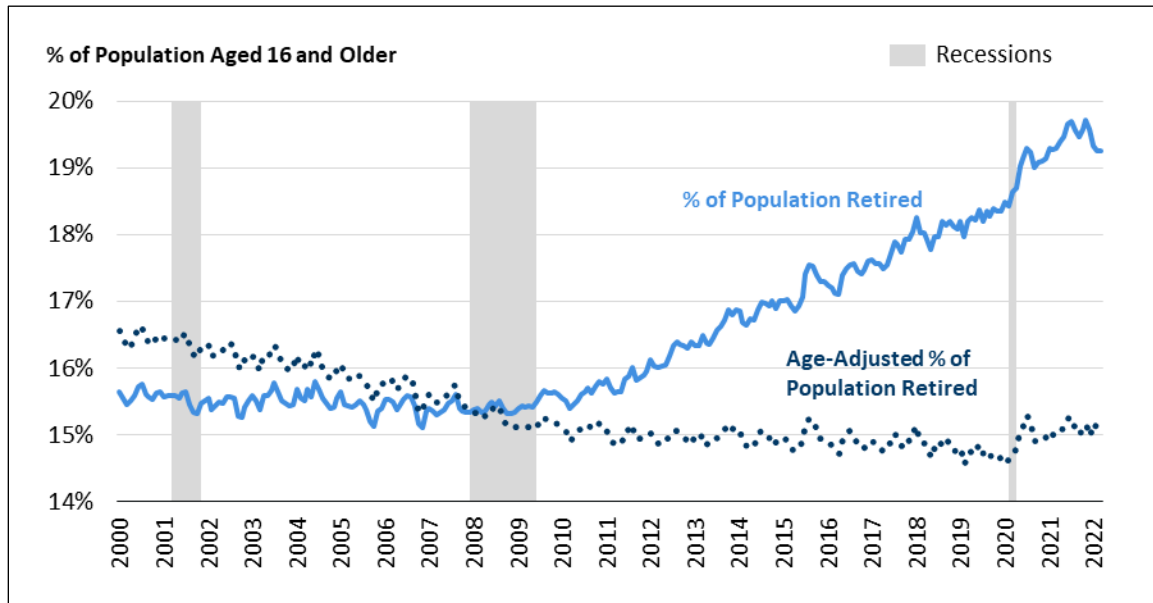
Source: CRS analysis of the Current Population Survey data. Recession dates obtained from National Bureau of Economic Research (NBER), "US Business Cycle Expansions and Contractions," http://www.nber.org/cycles/cyclesmain.html.

Notes: The age adjustment is based on the population distribution in 2008.

The share of retired workers in the 60-74 age group generally declined from January 2000 to February 2020 (see **Figure 2**). For example, about 80.2% of individuals aged 70-74 were retired in January 2000, compared to 73.5% in February 2020. The pandemic reversed the declining trend slightly for relatively older age groups (those aged 65-69 and 70-74) but not for the 60-64 age group. For example, the share of individuals aged 70-74 who were retired was 76.4% in March 2022, which was slightly higher than in February 2020 (73.5%). This trend applied to both men and women, respectively (**Figure 3**), although women were more likely than men to be retired for each age group between 60 and 74 on average.

Figure 2. Retired Workers as a Share of Population by Select Age Groups

January 2000 to March 2022

Source: CRS analysis of the Current Population Survey data. Recession dates obtained from NBER, "US Business Cycle Expansions and Contractions."

Figure 3. Retired Workers as a Share of Population by Select Age Groups and Gender

January 2000 to March 2022
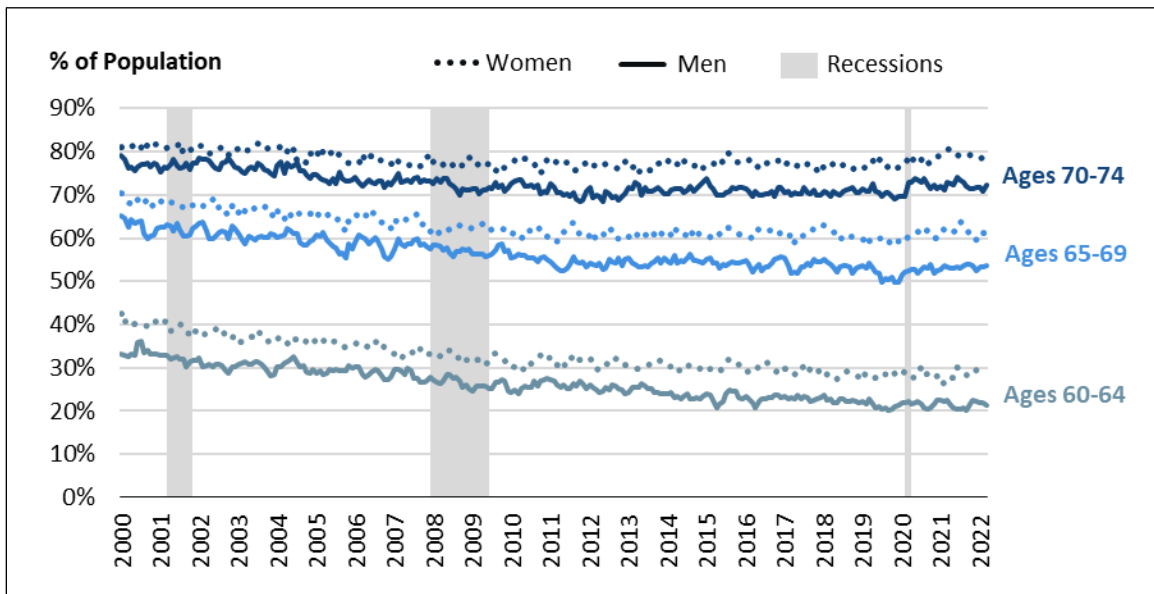
Source: CRS analysis of the Current Population Survey data. Recession dates obtained from NBER, "US Business Cycle Expansions and Contractions."

Explanations for the Overall Decline in Retirement

Research has suggested that a variety of factors may explain the decrease in retirement shares over the January 2000 to February 2020 period. Those factors include Social Security policy changes (e.g., the increase in the full retirement age [FRA], the elimination of the earnings test for those at FRA or older and the increase in the delayed retirement credits for those who claim benefits after FRA); the change in the pension landscape from one comprised primarily of defined benefit plans to one comprised primarily of defined contribution plans; the improvement in health; the decline in mortality rates; the change in job characteristics; and others.

The COVID-19 Pandemic and Related Effects

Evidence shows that the declining retirement trend was paused or slightly reversed for some older age groups after the COVID-19 outbreak began. Research suggests those people chose to retire early, partly because the unemployment rate increased and also because older adults are likely at increased risk for severe illness due to COVID-19 infection. The pandemic may reduce the supply of some older workers in the labor market, particularly those in jobs that bring them in contact with the public or with less access to telework. Research also suggests that people's retirement decisions during the pandemic may be affected by their rising asset values (e.g., housing and stocks), which permit them to maintain a similar living standard without working. Many of these new retirees may decide to return to work depending on personal factors and aggregate market conditions.

Unlike employment data, the number of Social Security benefit claims did not show a pandemic-related increase at the start of the COVID-19 outbreak—that is, the number of Social Security retirement benefit applications stayed relatively stable between 2019 and 2021 (see **Figure 4**). However, data have shown a small increase in retirement benefit applications since the end of 2021. Research suggests that some unemployed older workers may have chosen to apply for Social Security benefits after expanded unemployment insurance benefits expired in September 2021.

Figure 4. Social Security Monthly Retirement Insurance Applications

January 2019 to May 2022
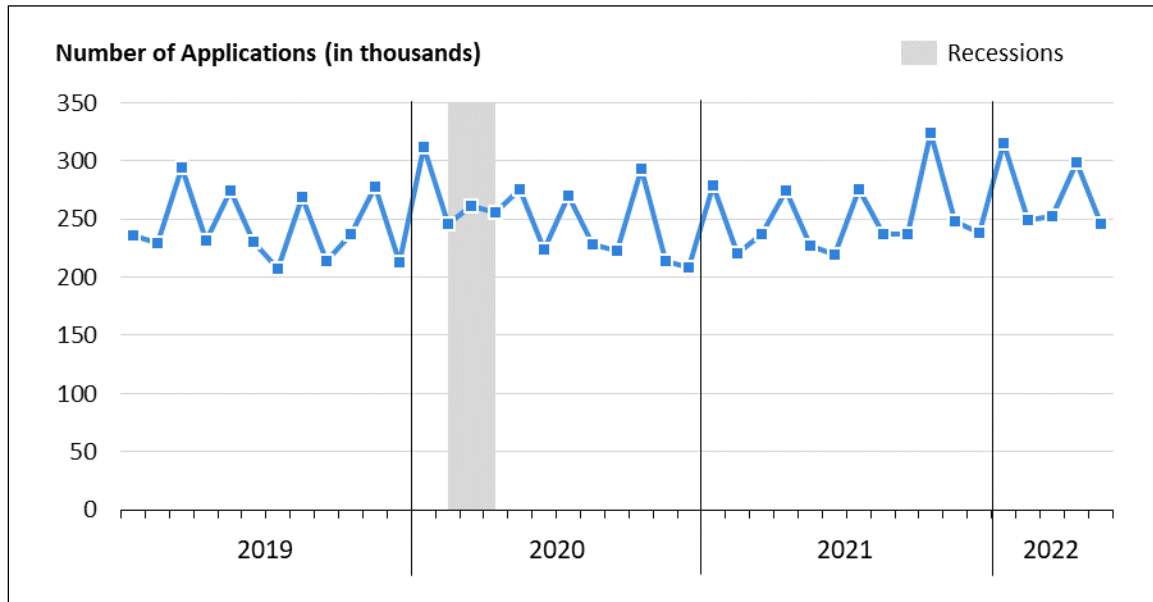
Source: Social Security Administration, *Monthly Data for Retirement Insurance Applications*, https://www.ssa.gov/open/data/retirement-insurance-online-apps-2012-onward.html. Recession dates obtained from NBER, "US Business Cycle Expansions and Contractions."

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