

New Report Warns of Slower Economic Growth, Larger Fiscal Burdens If Recent Sharp Drop in Elderly Employment Persists

*Nearly 10 Percent Decline Among 65+ Workforce Since COVID-19 Pandemic Reverses Two
Decades of Rising Average Retirement Age*

CHICAGO, Ill. – Elderly workers have become an increasingly critical driver of U.S. economic growth, accounting for almost 60 percent of all gains in U.S. employment during the 2010s. But since the onset of the COVID-19 pandemic in February 2020, nearly one in ten elderly workers has dropped out of the labor force. According to a newly released report from [The Terry Group](#) and the [Global Aging Institute](#) (GAI), the plunge in elderly employment, if it proves permanent, could worsen the already challenging economic, fiscal, and retirement security outlook in an aging America.

The report, entitled *Rethinking Retirement in an Aging America*, is part of The Terry Group and GAI's jointly published *Critical Issues* series. It examines recent trends in retirement behavior, explores the potential benefits of higher elderly employment, and identifies policy initiatives that could help reignite the trend toward longer work lives once the pandemic is past.

“Working longer as America ages is both natural and necessary,” said Richard Jackson, GAI’s President and author of the report. “Both life spans and health spans have risen dramatically over the course of the postwar era, and retirement ages should rise along with them. Before the pandemic struck, America was on the right track. After falling steeply from the 1950s through the 1980s, elderly labor-force participation bottomed out in the 1990s and began rising again. Once the pandemic is past, it is imperative that we get back on track.”

According to the report, longer work lives would have many benefits for an aging America. In economic terms, they could substantially offset the drag that slower growth in the population in the traditional working years would otherwise have on economic growth. In fiscal terms, the extra tax revenue they generate could help to alleviate the rising burden of old-age benefit spending. In individual terms, they could improve retirement security by increasing the number of years during which workers save for retirement while decreasing the number of years of retirement that need to be financed. According to most gerontologists, longer work lives are also good for the physical health, cognitive function, and emotional well-being of the elderly.

The report identifies several policy initiatives that could make remaining on the job longer more attractive for those older workers who are able to do so, while at the same time protecting those who are not. These include changing Social Security’s benefit formula to include workers’ entire wage histories, rather than just their 35 highest-earning years; applying Social Security’s delayed retirement credit, which currently stops at age 70, up to whatever age benefits are claimed; lowering FICA tax rates for older workers; and making Medicare the primary payer for most Medicare-eligible employees. The report also notes that employers could help by expanding opportunities for partial retirement, phased retirement, and “unretirement.”

“The goal should not be to have everyone work forever,” said Tom Terry, CEO of The Terry Group. “Nor should it even be to have everyone work longer. Some will not be able to, and some will simply prefer not to. But unless a significantly larger share of adults remain productively engaged into their later years, the economic and financial challenges we already face will only worsen.”

“Now is the time to make policy changes that ensure the trend toward longer work lives will resume, or even accelerate, once the pandemic is past,” Jackson added. “Whether America succeeds may well determine whether it prospers while it ages.”

To download a copy of the full *Critical Issues* report, please visit www.terrygroup.com.

About The Terry Group

The Terry Group is an actuarial consulting firm whose consultants and researchers help organizations navigate the complexities of health care, pensions, investments, and employee benefits. We are actuaries, clinicians, and experts in capital markets. We build models, analyze data, and provide expert testimony, working in partnership with our clients to help solve challenging problems and achieve their goals. Our deep experience, superior technical expertise, and passion for continuous learning are central to who we are. To learn more about The Terry Group, visit us at www.terrygroup.com.

About the Global Aging Institute

The Global Aging Institute (GAI) is a nonprofit research and educational organization dedicated to improving our understanding of global aging, to informing policymakers and the public about the challenges it poses, and to encouraging timely and constructive reform. GAI’s agenda is broad, encompassing everything from retirement security to national security, and its horizons are global, extending to aging societies worldwide. To learn more about GAI, visit us at www.GlobalAgingInstitute.org.

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