

Staying Optimistic: Older Americans' Retirement Expectations Remain Uninterrupted Despite COVID-19 Impact

Zhikun Liu, Ph.D., CFP®, Employee Benefit Research Institute

AT A GLANCE

Employees' retirement expectations have played important roles in predicting retirement decisions, making policy proposals, and designing financial products and services to help American workers better plan for their future retirement. From stochastic retirement readiness model design to Social Security benefits projection estimations and from defined contribution (DC) plan saving strategy to Monte Carlo retirement goals success rate calculations, people's expected retirement age is a crucial factor for industry advisors, academics, and financial planners to design retirement services and projection models, study decision behaviors, and make sound advice for their clients. In this *Issue Brief*, we focus on investigating the potential influence of COVID-19 on the participants' working and financial situations in 2020, as well as their decisions regarding retirement and Social Security claiming ages.

Key Findings:

- Based on the 2020 Health and Retirement Study (HRS), COVID-19 had affected elderly American adults' work and financial situations to a large extent. But the retirement expectations of these respondents seem to remain the same despite the impacts.
- The average percentages of participants who reported their work was affected by COVID-19 do not differ substantially by their demographic and economic status variations (such as age groups and wage cohorts). However, among those respondents with relatively fewer years of education, male participants are more likely to report their job was affected by the COVID-19 pandemic than female participants.
- Although there is generally a natural upward trend for elderly American adults to expect a later and later retirement age, this natural trend of delaying retirement has no statistically significant relationship with the COVID-19 pandemic.
- Elderly American adults did not adjust their retirement expectations significantly, including planned retirement age and Social Security benefit claiming age, despite many respondents indicating that the COVID-19 pandemic had impacted their work and financial situations in the 2020 HRS.

According to the 2020 HRS, approximately 60 percent of the respondents reported that their work was affected by the COVID-19 pandemic, 55 percent of them said they had to stop work entirely, 15 percent of them lost their job permanently, and about 20 percent of them indicated that their work became harder or more risky or dangerous. However, as far as the financial situation goes, around 76 percent of the participants stated that their financial situation remains the same, and 60 percent of them indicated that their household spending did not change in 2020. On average, no particular wage group indicated that their work was significantly more affected by COVID-19 than other groups. The average percentages of participants who reported COVID-19 impact on their work did not differ substantially across age cohorts, either. Male participants were more likely to report their job was affected by the COVID-19 pandemic than female participants, especially among those cohorts who have relatively fewer years of education. Although generally speaking, there is a natural upward trend for elderly Americans to anticipate a later and later retirement age longitudinally based on the HRS survey from 1992 to 2020, statistical tests demonstrated little relationship between this natural tendency to delay retirement and the COVID-19 pandemic impact. The results of this study imply that elderly American adults' retirement expectations remain uninterrupted despite enduring through the COVID-19 impact on their work and financial situations in 2020.

Zhikun Liu is a Senior Research Associate at the Employee Benefit Research Institute (EBRI). This *Issue Brief* was written with assistance from the Institute’s research and editorial staffs. Any views expressed in this report are those of the authors, and should not be ascribed to the officers, trustees, or other sponsors of EBRI, EBRI-ERF, or their staffs. Neither EBRI nor EBRI-ERF lobbies or takes positions on specific policy proposals. EBRI invites comment on this research.

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Staying Optimistic: Older Americans' Retirement Expectations Remain Uninterrupted Despite COVID-19 Impact

Zhikun Liu, Ph.D., Employee Benefit Research Institute

Introduction

American workers' retirement expectations play important roles in predicting retirement decisions (Haider and Stephens 2007), making policy proposals (VanDerhei 2022), and designing retirement products and services (Blanchett 2015) to help retirees better plan for their retirement future. Research interests in people's retirement expectations have increased significantly in both academia and industry (Beehr 2014; Haider and Stephens 2007; Hanspal et al. 2020, 2021). From stochastic retirement readiness model design to Social Security benefits projection estimations and from defined contribution (DC) plan saving strategy to Monte Carlo retirement-income-replacement goals success rate calculations, people's expected retirement age is a crucial factor for industry advisors and financial planners to design retirement services, projection models, and to make sound advice for their clients.

Retirement expectations determine retirement intentions, and retirement intentions predict retirement behavior. Individuals who want to maintain their desired standard of living when retired will need to accumulate sufficient financial assets with careful preparation and have a more realistic retirement age projection before the actual retirement. A deeper understanding of the significance of retirement age expectations is needed for such preparations. The U.S. Bureau of Labor Statistics (2020)¹ predicted that over 1 out of 4 workers in the U.S. labor force will be 65 or older by 2030, contributing to the sustained decline of the labor force participation rate. Many workers and retirees concur that saving for retirement is more important than other household demands (EBRI Retirement Confidence Survey 2021). Therefore, it is important to study American workers, especially elderly American adults' retirement expectations.

Previous studies have investigated several socioeconomic and demographic factors that might potentially impact elderly American adults' expected retirement age. For instance, using the 2006 and 2008 waves of the Health and Retirement Study (HRS), Szinovacz, Martin, and Davey (2014) found out that debt, assets, education, race, gender, marital status, and income are all factors that are associated with participants' retirement decisions. However, few studies have been published to examine the impact of the COVID-19 pandemic on older American adults' retirement expectations.

In this *Issue Brief*, we focus on investigating the potential influence of COVID-19 on the participants' working and financial situations in 2020, as well as their decisions regarding retirement and Social Security claiming ages. Based on the 2020 HRS, COVID-19 had significantly affected American adults' work and financial situations. But the retirement expectations of these respondents seem to remain the same despite the impacts. This is consistent with the 2021 Retirement Confidence Survey (RCS) conducted by EBRI, which indicates that half of the workers and 72 percent of retirees reported that COVID-19 did not change their confidence in their ability to have a comfortable retirement.²

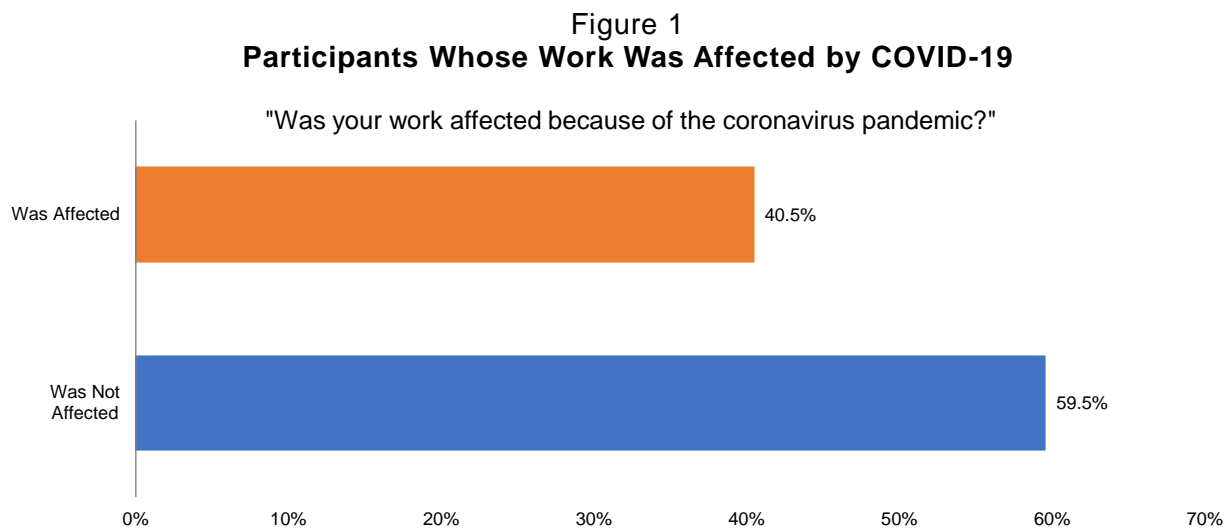
About the Data

The data used in this study are from the HRS, a nationally representative longitudinal survey of more than 37,000 individuals over the age of 50 from 13,000 households in the U.S., conducted by the Institute for Social Research at the University of Michigan. The core HRS survey has been conducted biennially since 1992, and the most recent 2020 wave contains a new COVID-19 section that recorded the participants' responses to various pandemic-related questions, such as whether and how the pandemic affected the respondents' work and financial situations. This research focuses on the potential factors that could alter the participants' retirement expectations that are related to the COVID-19 pandemic. The analysis variables from the HRS 2020 Core Early Release (Version 1.0) are combined with the RAND HRS 1992-2018 V1 longitudinal data file, as well as the cross-sectional tracker file for this study. The cross-sectional analysis sample of this study primarily utilizes the new COVID-19 section recorded in the 2020 wave, which contains a little over

10,000 participants. The longitudinal analysis sample collects all respondents who answered the retirement expectation questions from the 1992 wave to the 2020 wave, which contains about 2,000 participants on average in each wave.

COVID-19 Impact on Older American Adults

According to the HRS 2020 Wave Core data, many respondents indicated that the COVID-19 pandemic had impacted their work and financial situations. This finding coincides with findings from other surveys and research. For instance, according to the Bureau of Labor Statistics (2020), a significant segment of older people was working in sectors impacted particularly hard by the pandemic, such as the retail industry, so they might have an elevated risk of unemployment and income drop. The following figures illustrate the impact of COVID-19 on the 2020 HRS survey respondents.



As Figure 1 indicates, approximately 60 percent (3,141) of respondents reported that their work was affected by COVID-19 vs. 40 percent (4,624) reported it was not. At the time of publication, the 2020 HRS Core survey weight file has not yet been released by the Institute for Social Research at the University of Michigan, so we tested the result difference between unweighted and weighted summary statistics using the weight file from the previous (2018) survey wave. When the 2018 Wave individual sample weight is applied, the percentages in Figure 1 above change to 57.2% (not affected) vs. 42.8% (affected), representing an estimated population of 41,723,386 nationwide. (Since the results differences are not significant, the figures in this *Issue Brief* report the unweighted results in the main text and show the weighted results in the footnotes for each figure, until the weight files for the HRS 2020 Core wave are released by the Institute for Social Research.)

Figure 2
Respondents Who Had to Stop Work Entirely

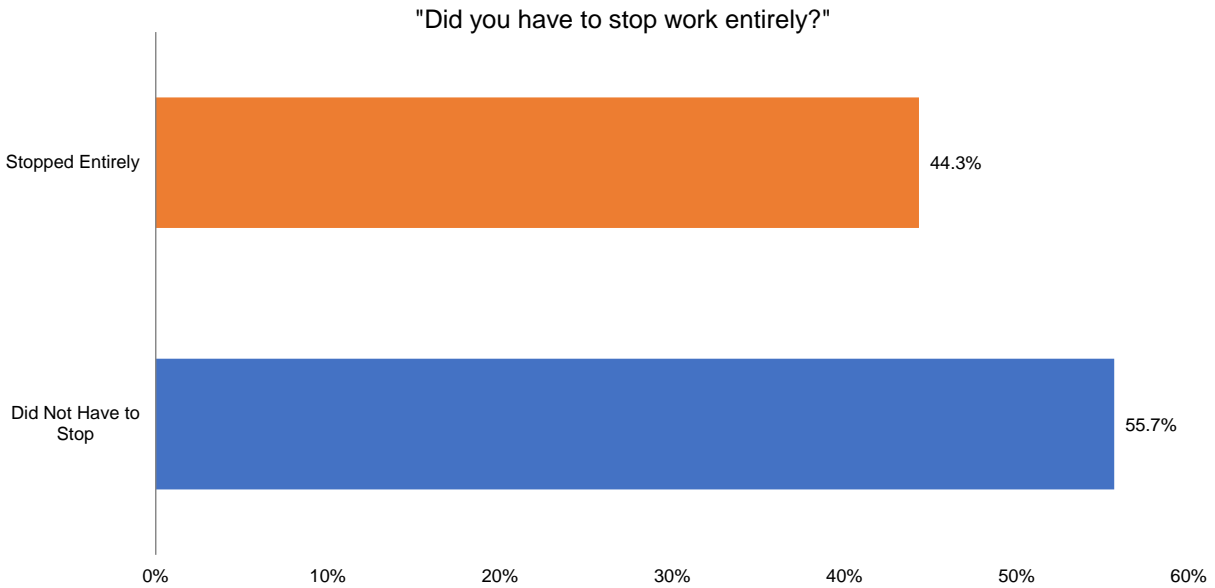
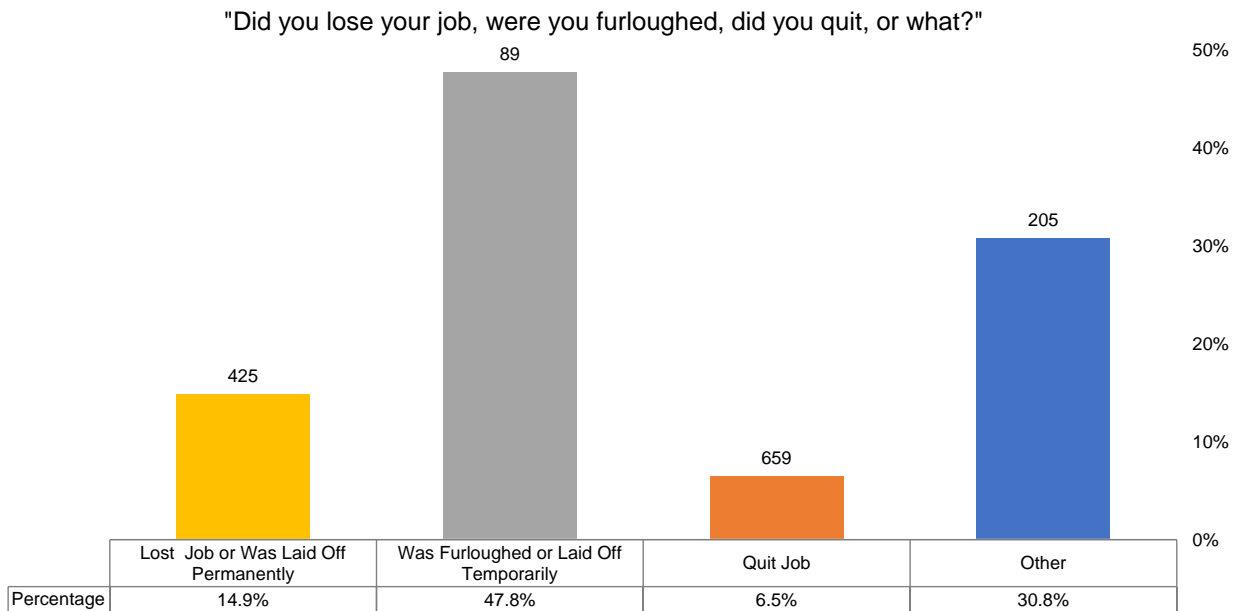


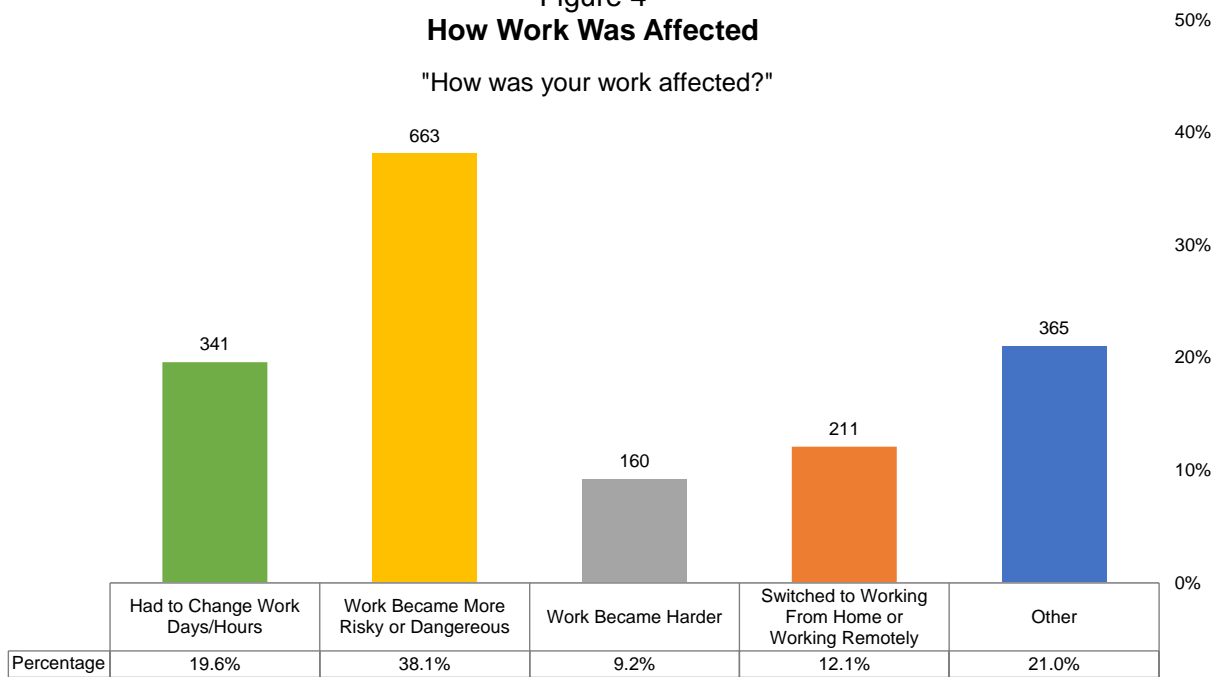
Figure 2 shows that more than 55 percent (1,388) of the respondents reported that they had to stop work entirely vs. 44 percent (1,743) reporting not having to stop.³

Figure 3
What Happened to Participants' Jobs



According to Figure 3, for those who answered the "what happened to job" questions,⁴ 14.9 percent of the respondents reported that they lost their job or were laid off permanently, 47.8 percent said they were furloughed or laid off temporarily, about 6.5 percent indicated that they quit their jobs, and 30.8 percent reported "other" (such as change in work days/hours, etc.).⁵

Figure 4
How Work Was Affected



In the “how work was affected” question, 21.0 percent of the respondents reported that they had to change work days/hours, 12.1 percent indicated that their work became more risky or dangerous, 9.2 percent of the participants said their work became harder; 38.1 percent switched to working from home or working remotely, and 19.6 percent reported “other.”⁶ As Figure 4 demonstrates, the majority of the workers in the HRS survey were able to adjust to their work situation changes and continue to work from home or remotely, which could potentially help them to avoid financial hardships and retirement plan changes due to income disruptions caused by the pandemic.

Figures 1–4 depict a picture of how COVID-19 affected older American adults’ work situations in 2020. Although the impact on the work situation is significant according to the HRS survey, it does not necessarily translate into severe negative financial hardships or retirement plan changes, possibly due to government subsidies, policy nudges, reduced spending from lockdowns, work-from-home opportunities, and other creative methods to ensure the resiliency of retirement outlooks. To figure out whether this is the case, the financial situation and spending data in HRS are investigated.

Figure 5
Financial Situation

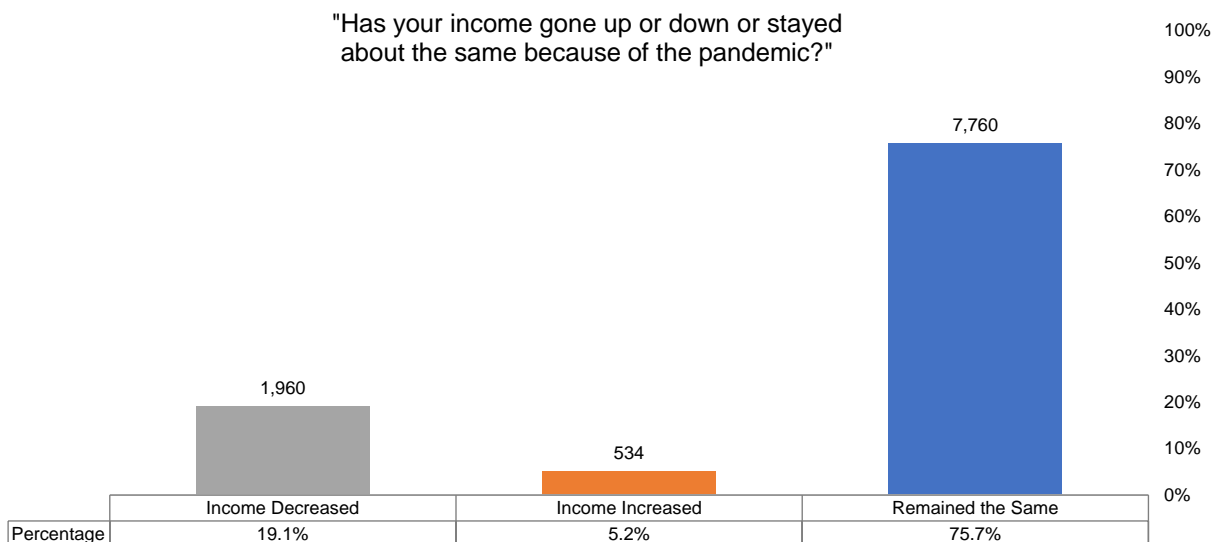
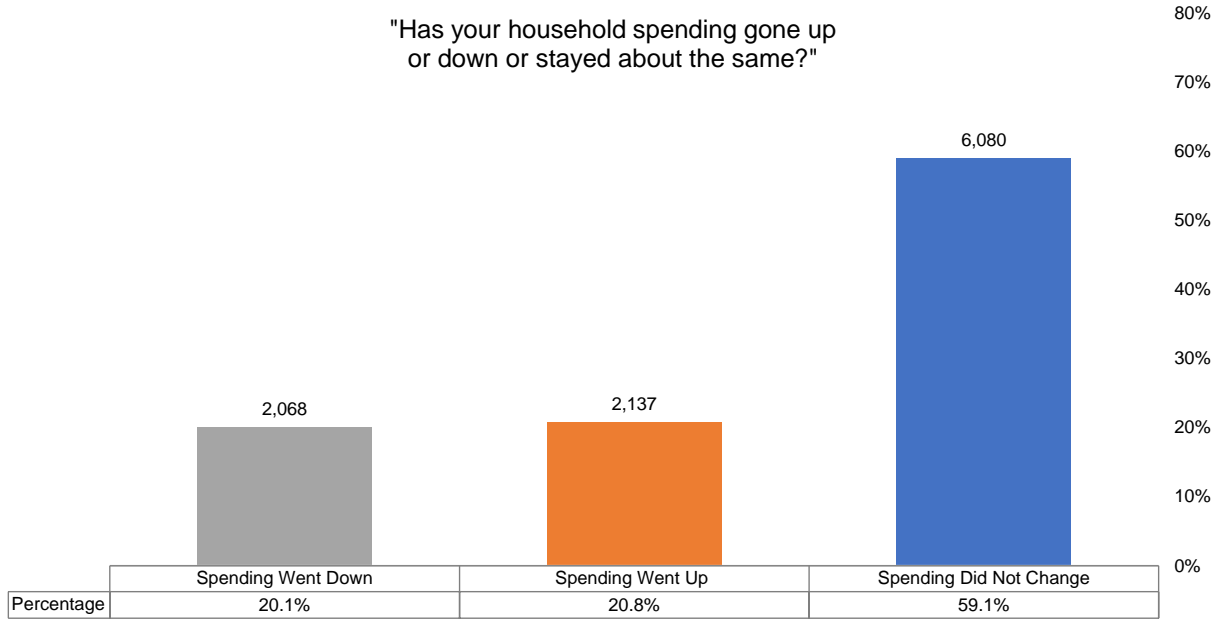


Figure 5 reveals that the majority (75.7 percent) of the participants (7,760 out of 10,254) reported their financial situation remains the same. Compared with the 5.2 percent of participants who indicated their income went up, 19.1 percent of participants reported a decrease in income due to COVID-19.⁷

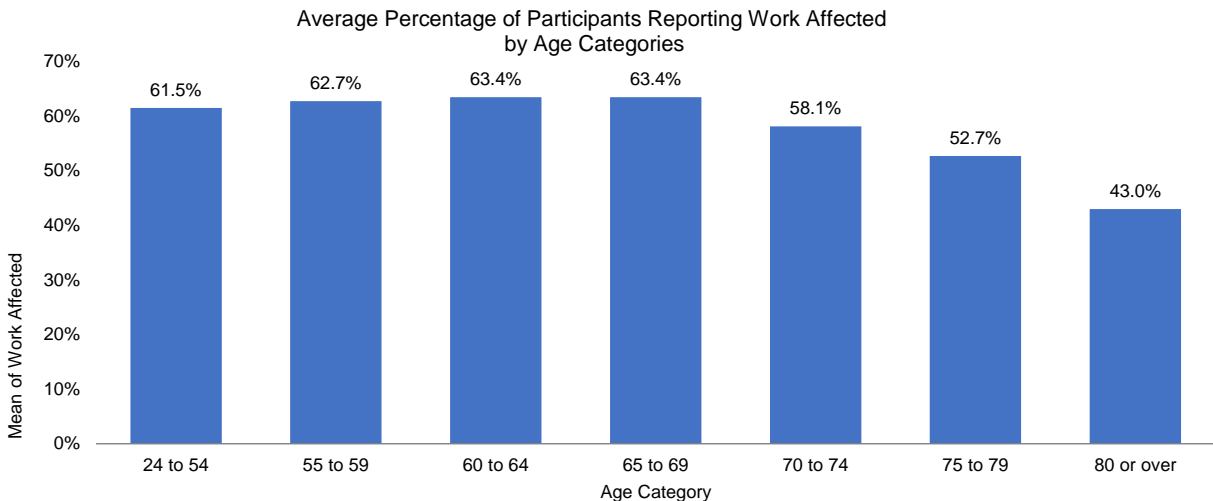
**Figure 6
Household Spending**



As for household spending, a majority (59.1 percent = 6,080/10,285) of the respondents reported that their spending did not change during the COVID-19 pandemic. The number of respondents who reported their household spending went up and down are quite similar: 2,137 (20.8 percent) vs. 2,068 (20.1 percent), respectively.⁸

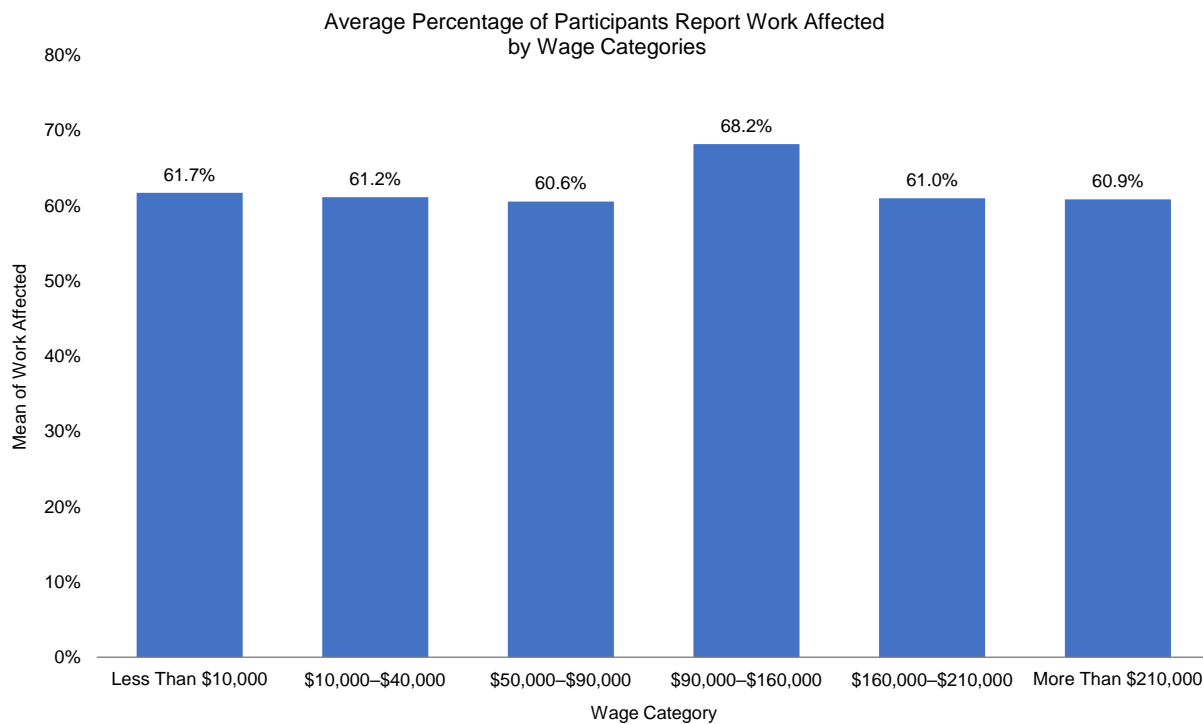
According to Figures 5 and 6, in general, COVID-19 did affect older American adults' financial situations and household spending in 2020, but not as severely as many anticipated. The generalized discovery may or may not apply to each demographic group. So the next step of this study is to investigate whether the different gender, age, income, and education cohorts share the same experience or not. In other words, do the impacts differ based on the participants' demographic and economic statuses?

**Figure 7
COVID-19 Impact on Work Based on Age Categories**



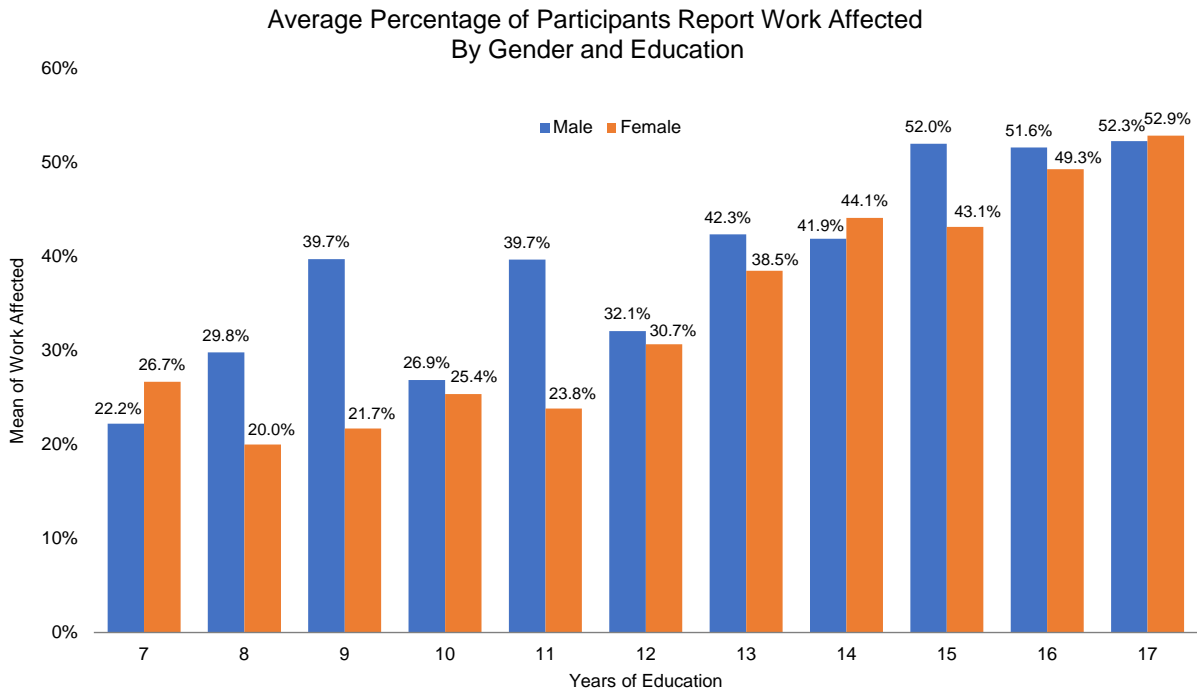
As shown in Figure 7 (after restricting the HRS respondents to those who are “not retired”), the percentages of participants who reported that their work was affected by COVID-19 vary by age group, but not significantly, up to age 75. Specifically, more than 6 out of 10 of those working ages 51–69 reported that their work was affected by the pandemic, with the shares affected dropping to 58 percent and 53 percent for those ages 70 to 74 and 75 to 79, respectively. This finding is consistent with Kobayashi et al. (2021), who also reported the effect of the pandemic on employment varied by age, using the COVID-19 Coping Study, which surveyed 6,938 middle-aged and elderly American adults nationwide.

Figure 8
COVID-19 Impact on Work Based on Wage/Salary Categories



According to Figure 8, it looks like, on average, no particular wage group reported their work was significantly more affected by COVID-19 than other groups. This interesting finding seems to be different from the popular view that individuals with higher socioeconomic status tend to have more resources that may be utilized to cope with COVID-19-related stresses. However, from the average percentage point of view, no wage group in this HRS survey wave claimed that COVID-19 had a considerably greater impact on their job than other groups. As a result, it may provide some explanation for the emerging evidence that higher socioeconomic status does not necessarily alleviate older adults’ anxiety about COVID-19 (Lin & Liu, 2021). Further investigation could be conducted to test whether the severity of the impact differs from higher- to lower-wage cohorts.

Figure 9
COVID-19 Impact on Work Based on Gender and Years of Education



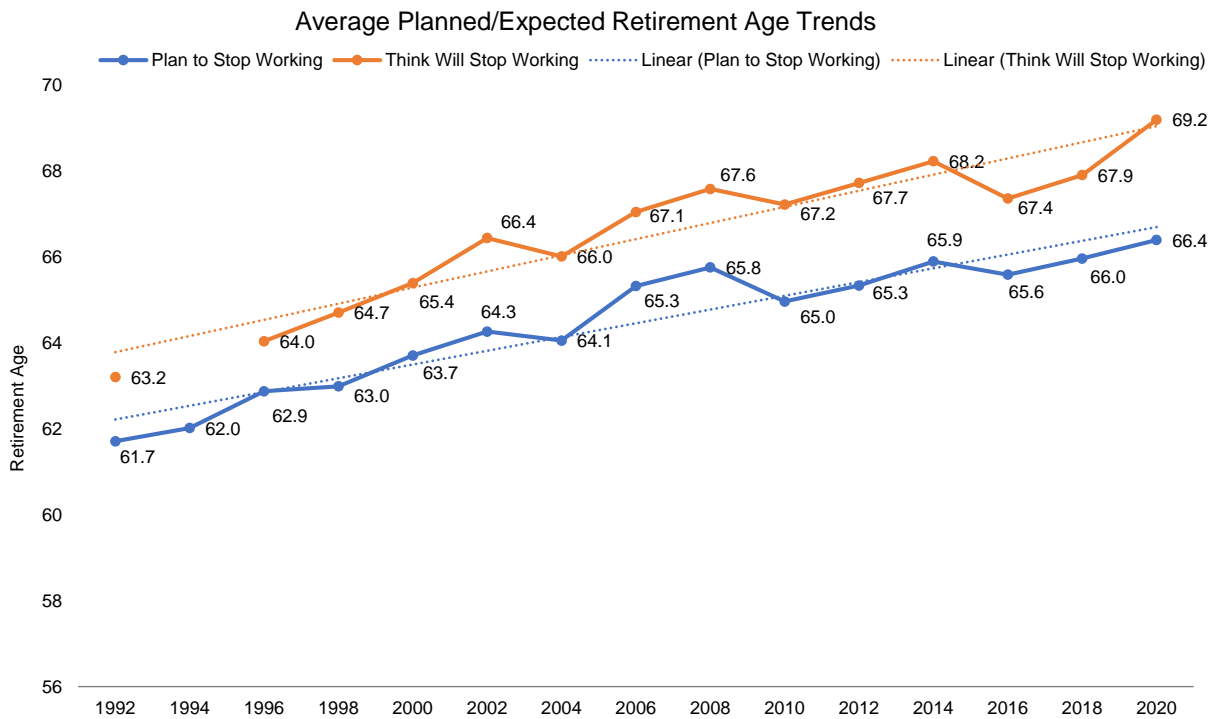
From the average percentage point of view, Figure 9 indicates that male participants are more likely to report their job was affected by the COVID-19 pandemic than female participants, especially among those cohorts who have relatively fewer years of education. Abram et al. (2021) pointed out that work-from-home transitions were most prevalent among respondents with a higher level of education, who were also less likely to experience total job loss. Therefore, although we observe from Figure 9 that higher percentages of more educated respondents report their work was affected, they were more likely to mitigate the impact through work-from-home transitions. (Figures separately describing the relationship between COVID-19 impact on work with education years and gender are included in the appendix as Appendix Figure 5 and Appendix Figure 6, respectively.)

Retirement Expectations

The focus of this study is to investigate whether elderly American adults' retirement age expectations remain uninterrupted despite the COVID-19 impact. Therefore, we picked two primary independent variables from the HRS dataset to test whether the retirement expectations of the respondents had changed. The first independent variable is the participants' expected retirement age. The second one is their expected Social Security income claiming age.

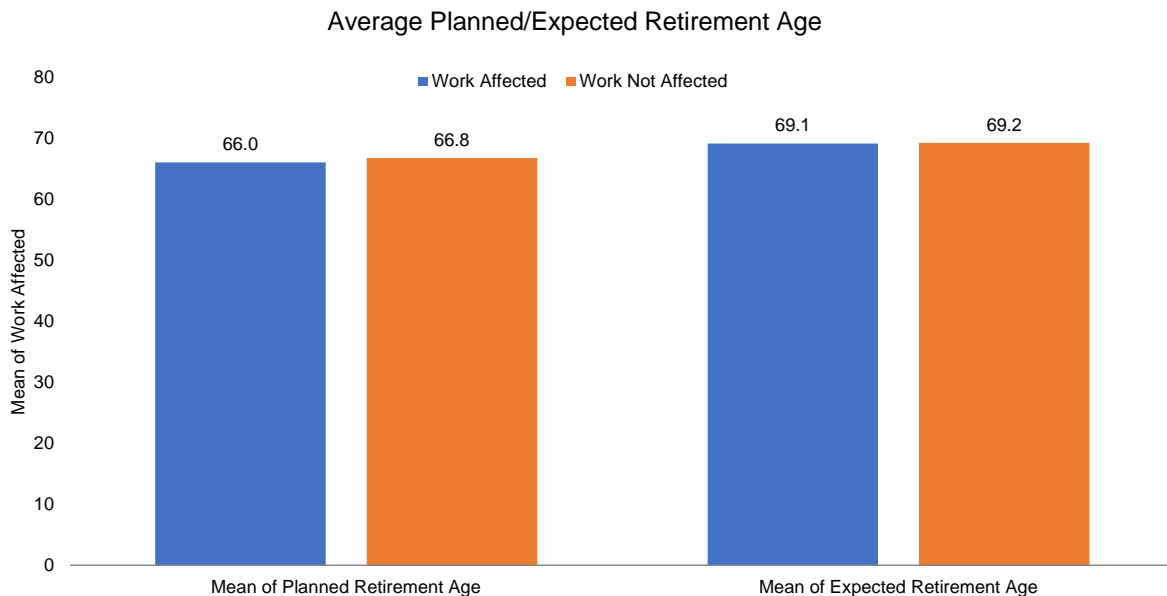
Respondents in the HRS survey answered two questions regarding their expected retirement age. One was about their "planned stop-working age." The other basically asked the same question but changed the narrative to "expected stop-working age." In the 2020 HRS wave, the average age for "planned" retirement was 66.4, indicating the participants would like to stop working around age 66 on average. The average "expected" stop-working age was 69.2, suggesting that the participants think they may have to work until age 69, though they are planning to retire around age 66, on average.

Figure 10
“Planned” and “Expected” Retirement Age Trends From 1992 to 2020



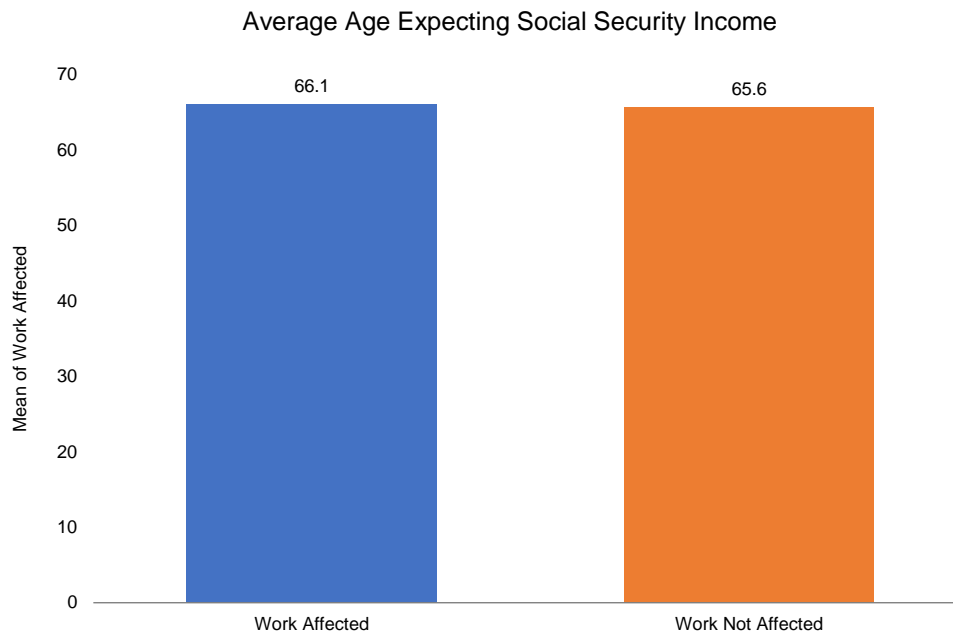
These two questions regarding planned and actual retirement ages were asked for each of the HRS core waves (except for the 1994 wave). Interestingly, there was always a two- to three-year gap between “planned” and “expected” retirement ages from the 1992 to the 2020 waves (see Figure 10). What we are interested in is whether the participants who reported COVID-19 affected their work have changed their planned and expected retirement ages due to the pandemic impact. As the following graph (Figure 11) shows, there are no significant differences between the average planned and expected retirement ages for those who reported their work had been affected by COVID-19 vs. those who reported it had not. Therefore, we can see that, despite the COVID-19 impact on their work situations, elderly working Americans did not change their retirement age projections by much.

Figure 11
Average Planned/Expected Retirement Age by Whether Work Was Affected



What about the average expected age at which to receive Social Security benefits (SSB)? Will those respondents whose work was impacted by COVID-19 potentially delay their Social Security claim? The answer based on the 2020 HRS core wave is yes, but not by much. As Figure 12 indicates below, those whose work was impacted by COVID-19 expected a slightly later SSB claiming age, from 65.6 to 66.1.

Figure 12
Average Expected Age at Which to Receive Social Security Income by Whether Work Was Affected

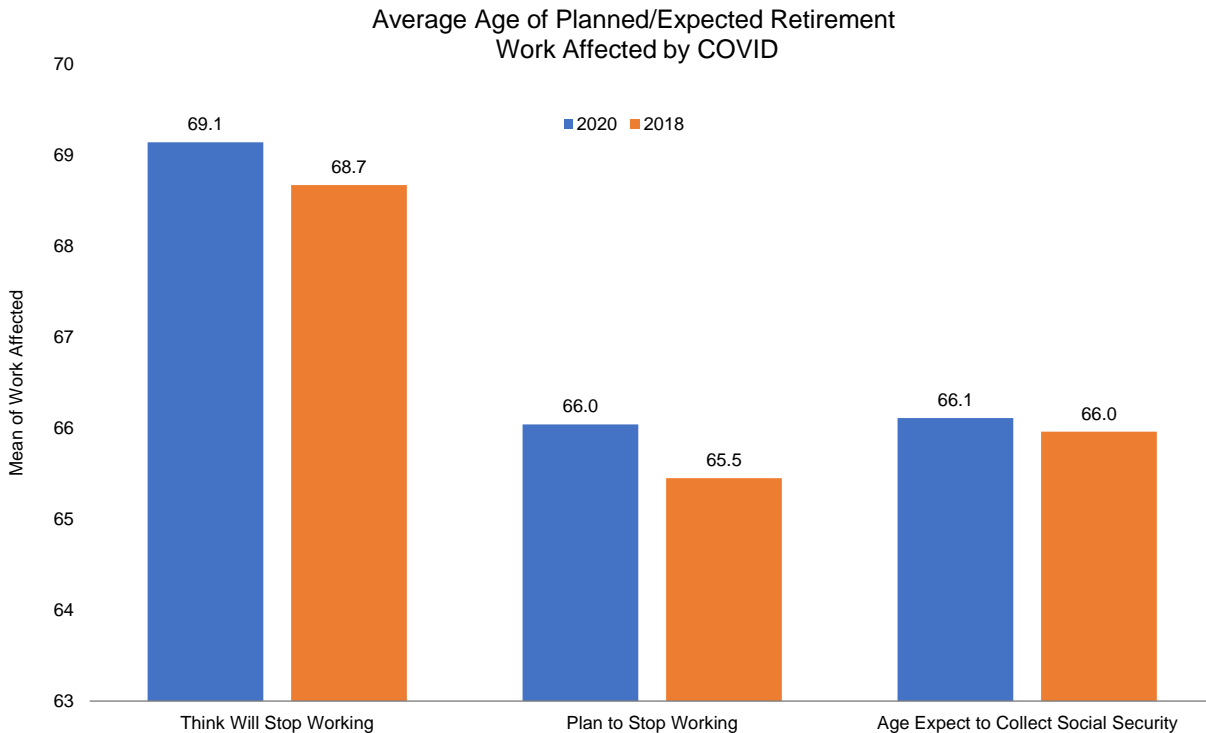


Preliminary ordinary least squares (OLS) regression also supports this finding. As Table 1 in the appendix shows, participants whose work was affected by COVID-19 are on average expecting to receive Social Security benefits about 0.384 years later than those whose work was not affected, controlling for age, gender, marital status, and education years. This difference is statistically significant but not economically significant. Therefore, combining the results in Figures 11 and 12, it is reasonable to hypothesize that the retirement expectations of elderly American adults remain uninterrupted despite the COVID-19 impact. To test the statistical robustness of this hypothesis, we conducted the following OLS and difference-in-difference (DID) econometrics tests to determine whether we can conclude that the respondents in this HRS dataset maintained their retirement decisions in terms of anticipated retirement age and Social Security claiming age, despite reporting the COVID-19 impact on their work situations.

Hypothesis Robustness Tests by Comparing With the 2018 Wave

To make comparisons between the 2020 and 2018 waves, we trace the participants who answered the same questions regarding retirement age and SSB claiming age expectations in both waves and isolate those who reported their work was affected by COVID-19 in their 2020 wave response. Then, we can analyze the response changes between 2018 and 2020 only for the participants whose work was impacted in 2020.

Figure 13
Average Age of Planned/Expected Retirement for Those Whose Work Was Affected by COVID-19 (2020 vs. 2018)



According to Figure 13, although there is a slight delay in terms of planned and expected retirement ages as well as the SSB claiming age for those who reported their work was affected by COVID-19 in the 2020 wave, compared with their responses in the 2018 wave, the difference is somewhat muted.

From Figure 10, we observe a natural tendency from the respondents to anticipate a later and later retirement age from the 1992 HRS survey wave to the 2020 wave. So, we need to mitigate this natural tendency and isolate the COVID-19 effect on participants' expected retirement age delay by introducing the DID analysis, along with the OLS regression. Both the OLS regression results in Table 2 and the DID analysis results in Tables 3 & 4 in the appendix confirmed the insignificance discussed above.⁹

Conclusion

Based on the Health and Retirement Study, elderly American adults did not adjust their retirement expectations significantly in 2020, including planned retirement age and Social Security benefit claiming age, despite many respondents indicating that the COVID-19 pandemic had impacted their work and financial situations in the 2020 HRS survey. The survey responses from the HRS dataset suggest that the average percentages of participants who reported their work affected by COVID-19 do not differ substantially by their demographic and economic status variations (such as age groups and wage cohorts). However, among those respondents with relatively fewer years of education, male participants are more likely to report their job was affected by the COVID-19 pandemic than female participants. Although generally there is a natural upward trend for elderly American adults to expect a later and later retirement age, this natural trend of delaying retirement has no statistically significant relationship with the COVID-19 pandemic. The results of this study imply that elderly American adults' retirement expectations remain uninterrupted despite enduring through the COVID-19 impact on their work and financial situations in 2020.

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Appendix

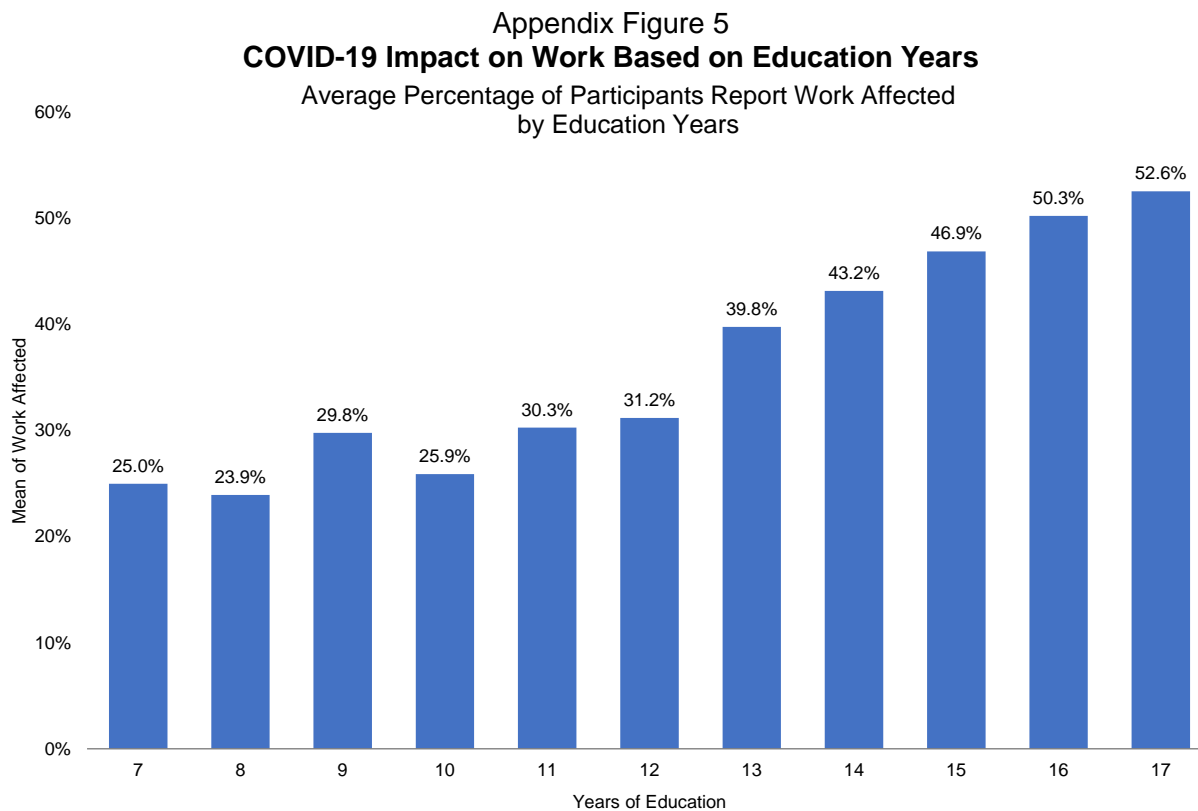
Appendix Figure 1 Ordinary Least Squares (OLS) on Expected Social Security Income Age	
Expected Social Security Income Age	OLS Results
Age in 2020	0.104***
	-0.0123
Female	-0.146
	-0.117
Married	0.284*
	-0.1185
Education Years in 2020	0.135***
	-0.0183
Work Affected (Yes=1, No=0)	0.384**
	-0.1187
N	2,750
Standard errors in parentheses	
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$	

Appendix Figure 2 Ordinary Least Squares (OLS) on Expected Retirement Age	
Expected Retirement Age	OLS Results
Age in 2020	0.486***
	-0.0232
Female	-0.0799
	-0.3335
Married	0.389
	-0.3312
Education Years in 2020	0.0814
	-0.0518
Work Affected (Yes=1, No=0)	-0.134
	-0.3341
N	1,056
Standard errors in parentheses	
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$	

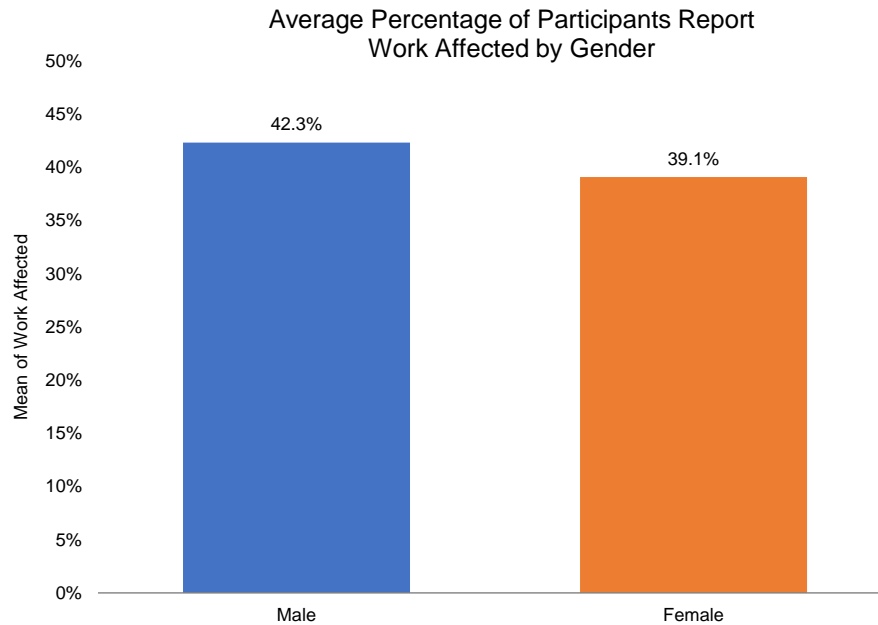
Appendix Figure 3 Difference-in-Difference (DID) on Expected Social Security Income Claiming Age				
Outcome Variable	Age of Expected Social Security Income	Standard Error	t	P> t
Before				
Control	65.531			
Treated	65.96			
Diff (T-C)	0.43	0.123	3.49	0.000***
After				
Control	65.624			
Treated	66.111			
Diff (T-C)	0.488	0.124	3.94	0.000***
Diff-in-Diff	0.058	0.175	0.33	0.74
Number of observations in the DIFF-IN-DIFF: 5,616				
	Before	After		
Control:	1,129	1,068	2,197	
Treated:	1,657	1,762	3,419	
	2,786	2,830		

Appendix Figure 4
Difference-in-Difference (DID) on Expected Retirement Age

Outcome Variable	Expected Retirement Age	Standard Error	t	P> t
Before				
Control	68.776			
Treated	68.666			
Diff (T-C)	-0.11	0.379	-0.29	0.772
After				
Control	69.015			
Treated	69.098			
Diff (T-C)	0.084	0.39	0.21	0.83
Diff-in-Diff	0.193	0.544	0.36	0.722
Number of observations in the DIFF-IN-DIFF: 2,199				
	Before	After		
Control:	442	406	848	
Treated:	680	671	1,351	
	1,122	1,077		



Appendix Figure 6 COVID-19 Impact on Work Based on Gender



Endnotes

¹ Dubina, Kevin, Lindsey Ice, Janie-Lynn Kim, and Michael Rieley, "Projections Overview and Highlights, 2020–30," *Monthly Labor Review*, October 2021.

² The 2021 RCS surveys participants in a wide range of age cohorts annually since 1990 (EBRI & Greenwald Research, 2021), while the HRS surveys the same group of participants who are 50 years or older biannually since 1992. Despite the differences in the survey samples, the results of the two surveys regarding retirement expectations coincide.

³ When the 2018 wave individual sample weight is applied instead, the percentages in Figure 2 change to 61.4 percent (did not have to) vs. 38.6 percent (stopped entirely), representing a sample simulating an estimated population of 17,858,530 nationwide.

⁴ This 2020 HRS survey question asks, "Did you lose your job, were you furloughed, did you quit, or what?"

⁵ After applying the 2018 individual level sample weight, the percentages change to 12.01 percent (laid off permanently), 48.6 percent (laid off temporarily), 4.3 percent (quit job), and 33.4 percent (other), respectively, which represent an estimated population of 6,829,260 nationwide. Although the 2020 wave sample weight is not available from HRS at the point of publication, the results after applying the 2018 weight are similar to the analyses' sample frequency percentages, confirming the estimation.

⁶ When the 2018 wave individual level sample weight is added, the results do not differ materially. The percentages in Figure 4 changes to 20.7 percent (other), 41.5 percent (work remotely), 7.8 percent (work harder), 10.0 percent (work riskier), and 20.0 percent (have to change days/hours).

⁷ When the 2018 individual level sample weight is applied, the percentages change to 17.8 percent (decreased), 5.0 percent (increased), and 76.8 percent (remains the same), respectively, representing an estimated population of 54,534,349 nationwide.

⁸ After the 2018 individual level sample weight is applied, the percentages change to 25.0 percent (went down), 17.3 percent (went up), and 57.3 percent (did not change), respectively, representing an estimated population of 54,534,349 nationwide.

⁹ The OLS regression results in Appendix Table 2 indicate that there is no statistical significance to show the association between the COVID-19 impact on the participants' work situation and their expected retirement age, *ceteris paribus*. In addition, the DID analyses results in Table 3 and Table 4 in the Appendix further demonstrate that there is no statistically significant causal relationship between the COVID-19 effect and participants' retirement discussions shift.

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