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New Research from EBRI:

Older Americans Staying Longer in the Work Force

WASHINGTON—The labor-force participation rate is increasing for older Americans (those age 55 and older) as older workers are faced with higher health costs and economic losses, according to a study published today by the nonpartisan Employee Benefit Research Institute (EBRI).

For those ages 55–64 (the “near elderly”), the increase is being driven almost exclusively by the increase of women in the work force; the male participation rate is flat to declining. However, among those age 65 and older (the elderly), labor-force participation is increasing for both male and females, says the study in the February 2010 *EBRI Notes*, available at www.ebri.org

As the study suggests, workers increasingly are facing more responsibility in paying for their retirement expenses: Private-sector workers who have access to an employment-based retirement plan most commonly have a defined contribution plan (typically a 401(k) plan, financed at least partially with workers’ own contributions), and retiree health insurance is becoming increasingly scarce. Even for those who do have retiree health insurance, caps on what the employer will pay annually for the coverage are being reached and/or surpassed.

Consequently, the study says, workers today have greater incentives to stay in the work force, such as the ability (and in some cases the need) to continue to accumulate assets in defined contribution plans and to have access to employment-based health insurance coverage, instead of having to tap into their savings to pay for their expenses.

The study, based on U.S. Census Bureau data, includes these additional points:

- The percentage of civilian noninstitutionalized Americans age 55 or older who were in the labor force declined from 34.6 percent 1975 to 29.4 percent in 1993. However, since 1993, the labor-force participation rate has steadily increased, reaching 39.4 percent in 2008—the highest level over the 1975–2008 period.
- Education is a strong factor in an individual’s participation in the labor force at older ages: Individuals with higher levels of education are significantly more likely to be in the labor force than those with the lower levels of education.
- The upward trend among the working near elderly and elderly is not surprising and is likely to continue because of workers’ need for access to employment-based health insurance and for more earning years to accumulate assets in defined contribution (401(k)-type) plans—especially after the 2008 downturn in the stock market and economy.
- While some older Americans have a greater need to work to help make their retirement assets last longer or to continue to build up assets, monetary incentives are not the only motivating factor. There also is an increased desire among Americans to work longer, particularly among those with more education, for whom more meaningful jobs may be available that can be done well into older ages.

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