Point of View

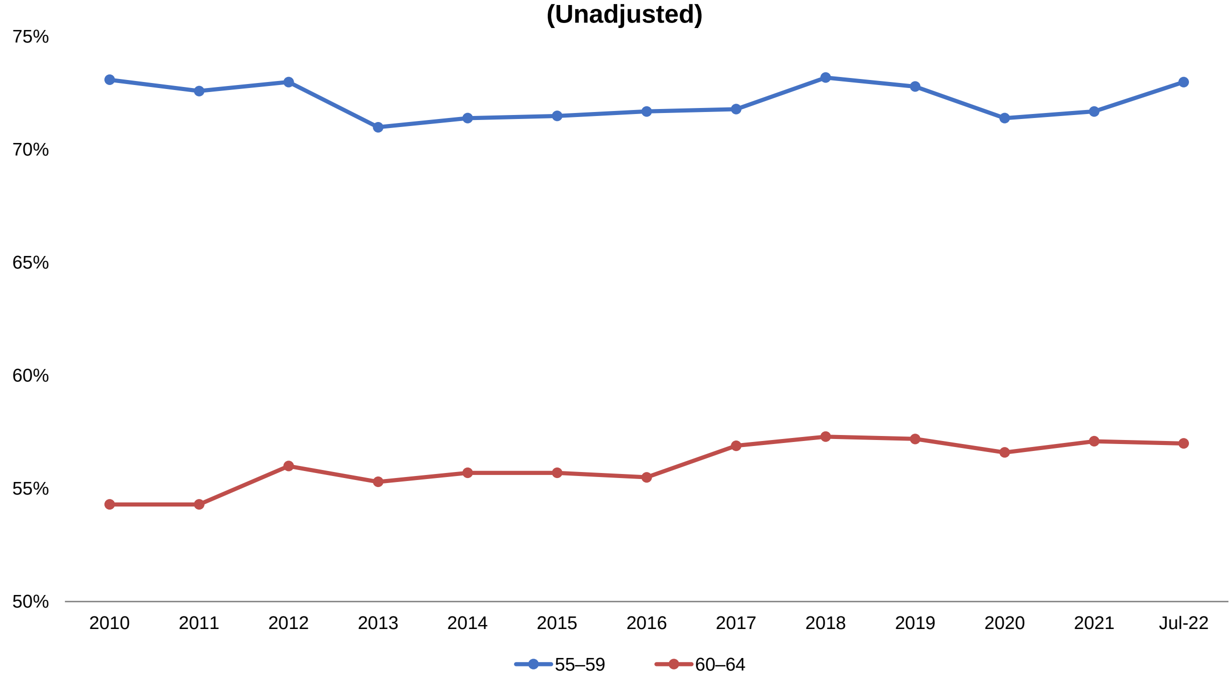
From the Retirement Security Research Center

A View From EBRI's Retirement Security Research Center: Real World Insight About the Great Resignation's Impact on Work, Benefits, and Retirement Trends

"The Great Resignation" is a term coined in April of 2021 by organizational psychologist Anthony Klotz, who predicted that the COVID-19 pandemic would lead to pent-up resignations. For workers ages 55–64, this seemed to be playing out during the early pandemic, as viewed in data from the Bureau of Labor Statistics. Between December 2019 and December 2020, as analyzed by the Employee Benefit Research Center (EBRI), participation rates dropped from 72.8 percent to 71.4 percent for those ages 55–59 — the lowest since 2015. Participation rates dropped from 57.2 percent in 2019 to 56.6 percent in 2020 for those ages 60–64, the lowest since 2016, as shown in the figure below.[1]

However, since 2020, a rebound has occurred: participation rates rose in 2021, ending the year at 71.7 percent for those ages 55–59 and 57.1 percent for those ages 60–64. By July 2022, labor participation settled at 57 percent for those ages 55–59 and at 73 percent for those ages 60–64. In other words, participation levels are now at or just below the highs since 2010.

Civilian U.S. Labor Force Participation Rates for Those Ages 55–64
(Unadjusted)



Source: U.S. Department of Labor, Bureau of Labor Statistics, "Labor Force Statistics from the Current Population Survey," https://www.bls.gov/cps/

[1] Copeland, Craig, "Labor Force Participation and the Pandemic: Making Sense of the Changes," *EBRI Issue Brief*, no. 532 (Employee Benefit Research Institute, July 8, 2021).

As the COVID impact wanes, how are workers re-entering the work force? What challenges will they face in regaining a job at a similar level to what they had before they left the labor force? And how will they approach retirement planning — by working longer, saving more, or reducing their lifestyle expectations?

These are some of the questions tackled by EBRI's Retirement Security Research Center (RSRC) Partners as they sought to synthesize EBRI and other research in order to understand labor force trends and the anticipated impact on company benefit structures and retirement patterns.

> EBRI's Retirement Security Research Center (RSRC) is a separate think tank within EBRI, the mission of which is dedicated to understanding retirement savings and spending patterns using empirical and survey data, as well as simulations. This understanding, in turn, provides a framework for solutions and informed policy discussions that can best help improve outcomes. Members of the RSRC are American Funds/Capital Group, Ameriprise Financial, BlackRock, Empower Retirement, J.P. Morgan, Mercer, NEFE, PGIM, Principal Financial Group, SS&C Technologies, and Transamerica Retirement. Special thanks to Lorie Latham for facilitating this discussion.

Impact of an Evolving and Revolving Work Force

EBRI's RSRC partners started by evaluating the impact of an evolving and revolving work force, noting several key themes when it comes to the complex topic of labor force trends — all pointing to an expectation of continued evolution and change.

Theme #1: Observed labor force trends are specific to population cohorts.

Observed labor force trends do not cut across population cohorts evenly, which will have an impact on how employers prepare and respond. Below are key trends that may have a material impact on work patterns and benefit needs.

Uneven balance of power? While it can be debated, largely speaking, through COVID and due to the tight labor market, employees have marginally had an upper hand relative to employers in many industries. However, there are important nuances to this insight related to a longer-term power imbalance: The RSRC members noted that some employee cohorts benefited more than others during the pandemic and that the ability to make demands has not been even among all worker segments. Indeed, EBRI research finds that those remaining out of the work force by 2021 were disproportionately Americans without a college degree. In particular, among those without a high school diploma, the decline in the number in the labor force from the end of 2019 went from 670,000 at the end of 2020 to 1.1 million at the end of 2021 and 1.2 million by July 2022. Furthermore, the number of Americans with some college — but not a bachelor's degree — who were out of the labor force in July 2022 vs. the end of 2019 reached 3.9 million. In contrast, the number of Americans with a bachelor's degree or higher who were in the labor force increased by 2.8 million by July 2022 compared with December 2019.[2]

Change in Labor Force Participation by Education Level, 2019 – July 2022

No High School Diploma	1.2 million ↓
Some College	3.9 million ↓
Bachelor's Degree or Higher	2.8 million ↑

Source: Bureau of Labor Force Statistics.

---

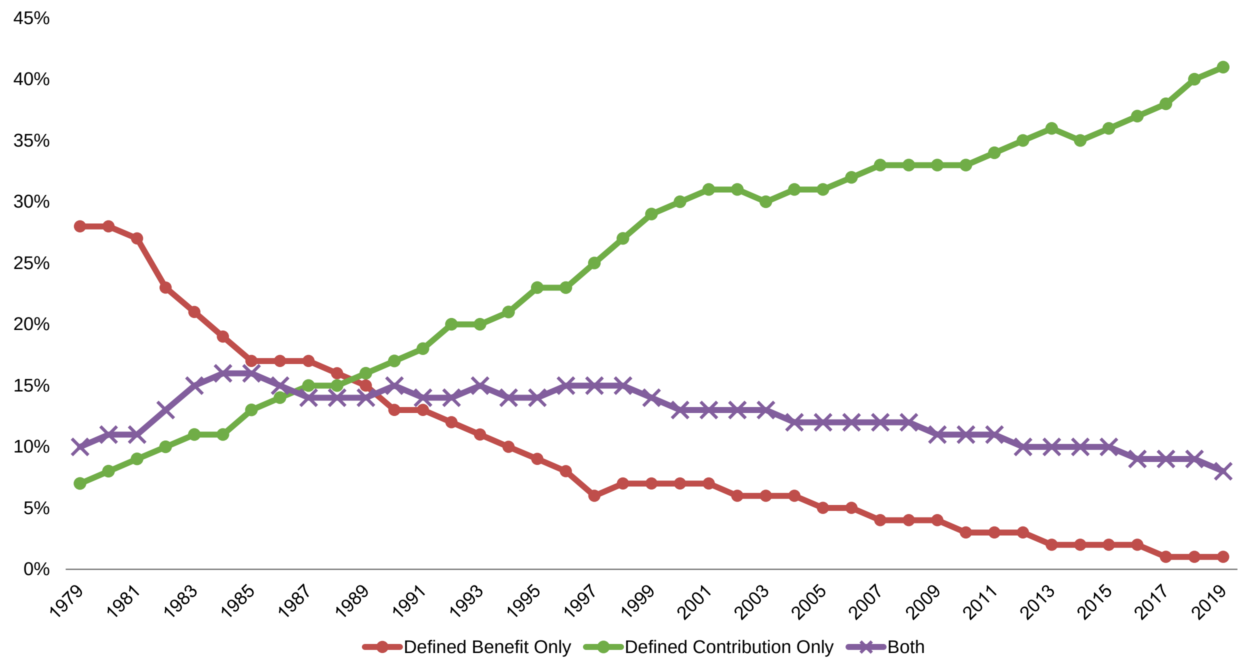
[2] Bureau of Labor Force Statistics available at [One-Screen Data Search (bls.gov).](https://www.bls.gov)

Industry segments, like retail and services sectors, also face greater difficulty in hiring for a variety of reasons, and thus afford greater leverage for workers to demand higher wages, greater work/life flexibility, and better benefits.[3]

Not all Baby Boomers are the same. Another important example relates to the large Baby Boomer cohort, which often is grouped into a single amorphous population. However, there is a necessary distinction to be made between late (or younger) Baby Boomers and early (or older) Baby Boomers.

Early Boomers tend to have accumulated greater retirement savings than late Boomers due to the employment disruption caused by the global financial crisis as well as the COVID-19 pandemic. Other challenges the late Boomer cohort face include the fact that they are the first real defined contribution (DC) savings generation, fewer have access to defined benefit (DB) plans (see figure below), and their Social Security claiming age is delayed to age 67. These population distinctions mean that employers may need to anticipate different work and retirement patterns from late Boomers.

Percentage of Private-Sector Wage and Salary Workers Participating in an Employment-Based Retirement Plan by Plan Type, 1979–2019



Source: U. S. Department of Labor Form 5500 Summaries through 1999. EBRI estimates 2000–2019 using Bureau of Labor Statistics, Current Population Survey, and U.S. Department of Labor data.

Reality vs. intentions. According to EBRI's Retirement Confidence Survey, half of workers *expect* to retire at age 65 or later, differing from the majority of retirees who *actually* retired earlier than age 65. This observed disconnect from what many workers plan to do vs. what they actually do can be attributed to workers' ability to afford to retire earlier than planned. But it can also be due to negative factors, such as work fatigue, poor health, family needs, or being let go by their employer. What will happen if more recent economic circumstances such as high inflation and market turmoil slow or reverse this trend? Does this result in disruption for other generations, who are seeking to advance in their careers? Or is there even a realistic pathway for such re-entry by Baby Boomers seeking to regain prior employment opportunities?

[3] See job openings data from Bureau of Labor Statistics for the high percentage of job openings in the accommodation and food service industry at [Table 1. Job openings levels and rates by industry and region, seasonally adjusted - 2022 M07 Results (bls.gov).](https://www.bls.gov)

Inflation hits various cohorts differently. The impact of inflation on population cohorts varies. For example, individuals on a fixed budget are materially more impacted (i.e., inflation reduces their ability to spend on basic essentials) compared with those individuals who are not on a fixed budget (i.e., they are able to absorb the impact or modify behavior). This is also true of lower-wage workers. The key takeaway is the importance of being attentive to the overall inflationary impact and the way it cuts across various population cohorts disproportionately.

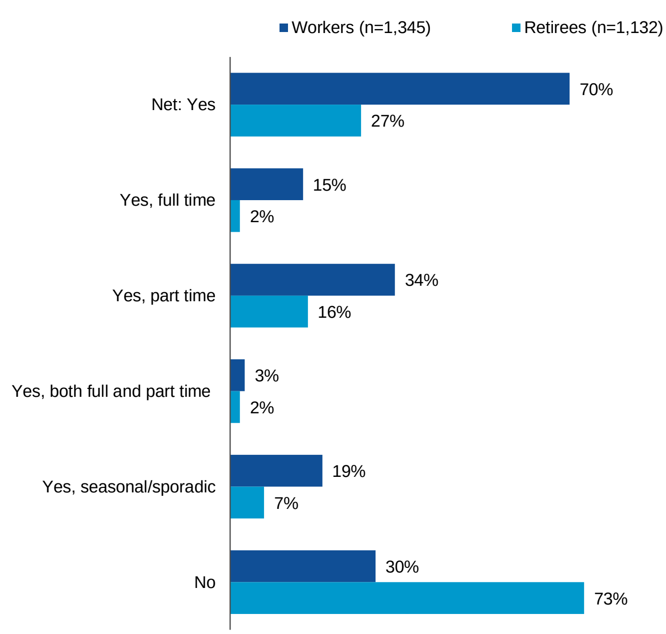
The Great Reshuffle has had a mixed impact on minorities. It is also important to note that the pandemic resulted in a divide for many minority population cohorts disproportionately experiencing job departures, job losses, and pay gaps. However, there has been a significant recovery among certain groups. For example, the Black American labor force participation rate increased between 2020 and July 2022 among those ages 60–64, driven by a dramatic increase in the labor force participation rate of Black males.[4] The White House Council of Economic Advisors (CEA) notes that Black workers are, by and large, entering into higher-wage industries than the ones they are leaving.

However, at the same time we find that Hispanic Americans ages 60–64 saw their labor force participation rate fall substantially below its 2019 level as of July 2022. And the CEA also noted that some Black workers have shifted into industries such as agriculture — a generally low-wage industry — while shifting away slightly from other high-wage industries such as mining.

Theme #2 Importance of work force exit…and re-entry.

The number of people who resign and leave the work force is studied with care. However, rarely are we as attentive to the other side of this equation — people who are re-entering the work force. Are these individuals holding out for better conditions and plan to ultimately return to the work force? Are they on the fence? Or are they permanently separated from the work force? Many take the view that retirement is no longer a binary concept and that fewer people retire overnight — again, data from the Retirement Confidence Survey show that workers continue to be much more likely to expect to work in retirement than retirees actually do.

Do you think you will do any work for pay after you retire / Have you worked for pay since you retired?
Workers planning to retire, Retirees total



Source: 2022 Retirement Confidence Survey

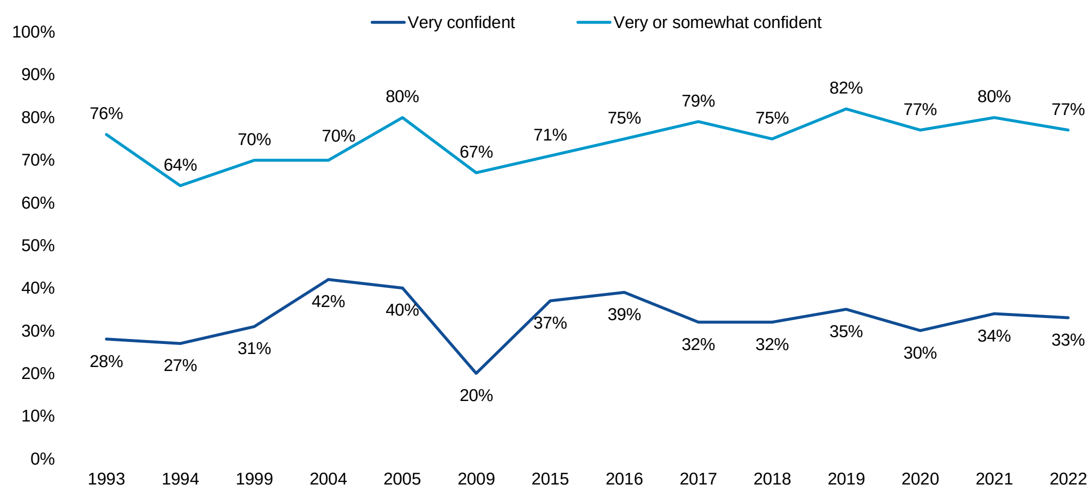
[4] Bureau of Labor Force Statistics, available at [One-Screen Data Search (bls.gov).](One-Screen Data Search (bls.gov))

It is of growing importance to look at both sides of the work force activity equation and also study individuals re-entering the work force in order to have a full picture. It can also be more meaningful to look at work force exit and re-entry over time to avoid a bias from a single point time. This approach will help employers have a more comprehensive picture of the talent pool and retirement patterns.

Theme #3: Asset balances may drive behavior.

Current macroeconomic factors have resulted in significant market turmoil and volatility of retirement balances. The market activity experienced thus far in 2022 may have an impact on employee behavior. Asset values have come down considerably which may have an impact on work force exit and re-entry, as well as retirement patterns. For example, retirement confidence plunged in 2009, following the collapse of the financial markets and in the wake of the Great Recession.

Overall, how confident are you that you (and your spouse) will have enough money to live comfortably throughout your retirement years?
2022 Retirees n=1,132



Source: 2022 Retirement Confidence Survey

Theme #4: The need to solve for income.

The ever-growing need for retirement income solutions with emphasis on help in spending remains front and center. The study of the way people use their retirement balances, the role of required minimum distributions (RMDs), and observed trends of spending all put a finer point on this need. For example:

- EBRI research finds that fewer than one-quarter of individual retirement account (IRA) owners ages 71 or older were found to have withdrawn an amount from their Traditional IRA in excess of their RMD.[5]
- Research also finds that for households taking IRA distributions prior to the age when minimum distributions are required, average spending is considerably larger than average. At age 60, such households have an additional $4,120 in spending, or 7.6 percent more than average. This extra spending persists through age 71, with an average additional spending of 5.3 percent for all years combined.[6]
- At the same time, retirees tend to report that a stated retirement goals is to spend down a small portion of their assets, spend none at all, or grow their assets.[7]

---

[5] Copeland, Craig, "EBRI IRA Database: IRA Balances, Contributions, Rollovers, Withdrawals, and Asset Allocation, 2017 Update," *EBRI Issue Brief*, no. 513 (Employee Benefit Research Institute, September 17, 2020).
[6] VanDerhei, Jack, Kelly Hahn, and Katherine Roy, "In Data There Is Truth: Understanding How Households Actually Support Spending in Retirement," *EBRI Issue Brief*, no. 531 (Employee Benefit Research Institute, June 24, 2021).
[7] Lucas, Lori, "Why Do People Spend the Way They Do in Retirement? Findings From EBRI's Spending in Retirement Survey," *EBRI Issue Brief*, no. 522 (January 14, 2021).

Broadly, the psychologies behind these behaviors are many — fear of running out of money, lack of knowledge regarding how to draw down, and overall uncertainly resulting from macroeconomic factors — and they all reveal an opportunity to provide solutions and education. Most importantly, employers often have the trust of their employees and are wise to identify ways to help retirees achieve a steady stream of reliable income.

These are but a few of the labor force trends to date, but these nuanced trends within population cohorts may be worth tracking to help employers plan.

Employers Adapting and Responding

After our roundtable discussed labor force trends, we transitioned to the role of employers — both what they have been doing to respond and what they can be doing as we go forward to adapt. Importantly, employers have a significant role, but they cannot be expected to solve for everything. The main employer stressor driving activity and planned responses is the ability to attract and retain talent. The tight labor market has heightened this focus considerably. Employers are challenged to balance their time, attention, and budget to solve for the demands of their work force and keep business moving.

Theme #1: Finding the right benefits balance.

Salary is an important part of attracting and retaining talent, but perhaps of equal importance and focus are the non-compensation-related benefits that are growing in focus. These include retirement planning tools and advice, organizational culture (e.g., diversity, equity, and inclusion), flexibility regarding how retirement benefits can be taken, work environment flexibility (e.g., remote working, unlimited PTO), caregiving options, better job titles, and even pet care or pet-friendly work environments. Employers are having to be creative as they work to bring in talent and fill jobs in order to compete as well as find ways to ensure employees have the right work-life balance, are in a position of financial security, and are on track for retirement to avoid work force management issues later.

Theme #2: Change in focus.

In the days before the pandemic, employers were focused on advancing retirement preparedness and even buying out higher-compensated employees in favor of lower-paid employees. However, there has been a shift in focus with employers now emphasizing overall financial wellness — including emergency savings and student debt. Additionally, post-pandemic child care has been an area in which employers are providing more flexibility and benefits. Employers are faced with having to understand their unique work force and tilt benefits in the direction of tailoring to their unique needs.

Theme #3: Retirement income increasingly imperative.

Employers remain keenly aware that individuals have difficulty understanding how to translate their DC balance into a reliable income stream, and this can be a force that derails retirement. Employers are offering tools that illustrate spend-down strategies over time, impact on balances, and projected income. As importantly, employers are getting closer to offering retirement income solutions that assist retirees in their drawdown strategies.

Theme #4: Engagement and communication should not be overlooked.

Employers are working to keep education and engagement simple, timely, and action oriented. At the same time, diverse work forces call for education and engagement campaigns that are tailored to the needs of cohorts according to their age, gender, race, ethnicity, and more. This is a critical path that must be leveraged to impact and influence employee behavior and, ultimately, financial outcomes.

A Little Foreshadowing…

As our roundtable concluded, we conducted a lightning round and asked our RSRC Partners to list themes they expect to be the key areas of influence in the coming 12–18 months.

1. **Macroeconomic factors are likely to sway the timeline and overall impact.** There was general agreement that inflation puts us in a holding pattern to better understand how both employees and employers will behave and respond. Until we understand whether inflation will be deeply entrenched, how effective and responsive the Federal Reserve will be, and whether some of the transitory factors will fall away, employers and employees will be in a bit of a wait-and-see mode to determine the best course.

2. **Employers may get the upper hand**. The Great Resignation has led to tightness in the labor market and challenges with retention and acquisition of talent. As noted earlier, within some worker segments, this has positioned those employees to negotiate terms in job pursuits. Depending on the path forward, if inflation continues an upward trajectory and/or a recession takes hold, employers may regain power. We could see employers taking more corrective action, slow or freeze hiring and/or instigate layoffs, or even pause in adapting benefit profiles. This, of course, could be industry specific.

3. **Hierarchy of the next dollar will be fluid**. Employers will shift focus on establishing with care how to get the most value out of the dollars spent. This will be tailored to individual work forces within companies — e.g., reviewing the marginal value of retirement benefits such as employer match compared with allocating those dollars to help with child care or emergency savings. The key question will be: What is the best way to allocate monies based on an employer's work force?

4. **A version of remote work is here to stay (for those industries where it is possible)**. Regardless of economic cycles, balance of power, or benefit evolution, the consensus is that flexibility and remote working patterns are now a structural part of our work force. While in-office work will likely still be expected to some degree, employers in most industries will need to figure out how to adapt working environments away from relying on people together in the office full time. This may also lead to global employees — or could lead to outsourcing of jobs to nondomestic workers.

Conclusion

All told, perhaps the age-old quote by Heraclitus, "Change is the only constant in life," applies to our present and future circumstances. Our RSRC Partner discussion uncovered a series of both existing and anticipated changes that have and will continue to require both employees and employers to evolve and adapt to a shifting workplace. The themes discussed by our partners have the potential to meaningfully impact the way we all think about work arrangements, benefit profiles, and retirement planning and patterns.