Retirement News Highlights

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Good morning. The baby boomers are (finally) retiring. That could reshape the economy for decades.

By Ben Casselman, Economics Reporter
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Staying power

The U.S. job market has staged a remarkable rebound since the start of the pandemic almost three years ago. The latest government data, released on Friday, showed that 2022 was the second-best year on record in terms of raw job growth, behind only 2021.

Yet the number of people available to work remains substantially smaller as a share of the population than before the pandemic, and some key economic policymakers seem to have all but given up hope that it will grow much in the years ahead. The country has a “structural labor shortage” that is unlikely to be resolved anytime soon, Jerome Powell, the Federal Reserve chair, said last month.

If Powell and his colleagues are right, their prediction has big implications for the U.S. economy. A smaller pool of workers makes it harder to rein in inflation because companies have to raise pay — and, most likely, prices — as they compete for workers. And beyond the inflation debate, an economy in which fewer people are working is one that cannot grow as quickly as in the past.

Are they right? Many economists offered similar warnings of a labor shortage after the last recession ended in 2009. Instead, the work force staged an impressive rebound.

In today’s newsletter, I want to talk about one reason the workers defied expectations a decade ago but are unlikely to now: baby boomers.

Working late

The share of adults who were working or looking for jobs plummeted during the brutal recession and anemic recovery that followed the 2008 financial crisis. Many forecasters expected it to keep falling as the enormous baby boom generation moved toward retirement.

Many boomers put off retiring, however. In 2019, just before the pandemic, 57 percent of Americans in their early 60s were still working, compared with 46 percent of that age group two decades earlier. Improved health and shifting industry patterns — more jobs in offices, fewer in factories — played a

role. So did sheer financial necessity: The housing bust and stock market collapse left many people without enough savings for retirement.

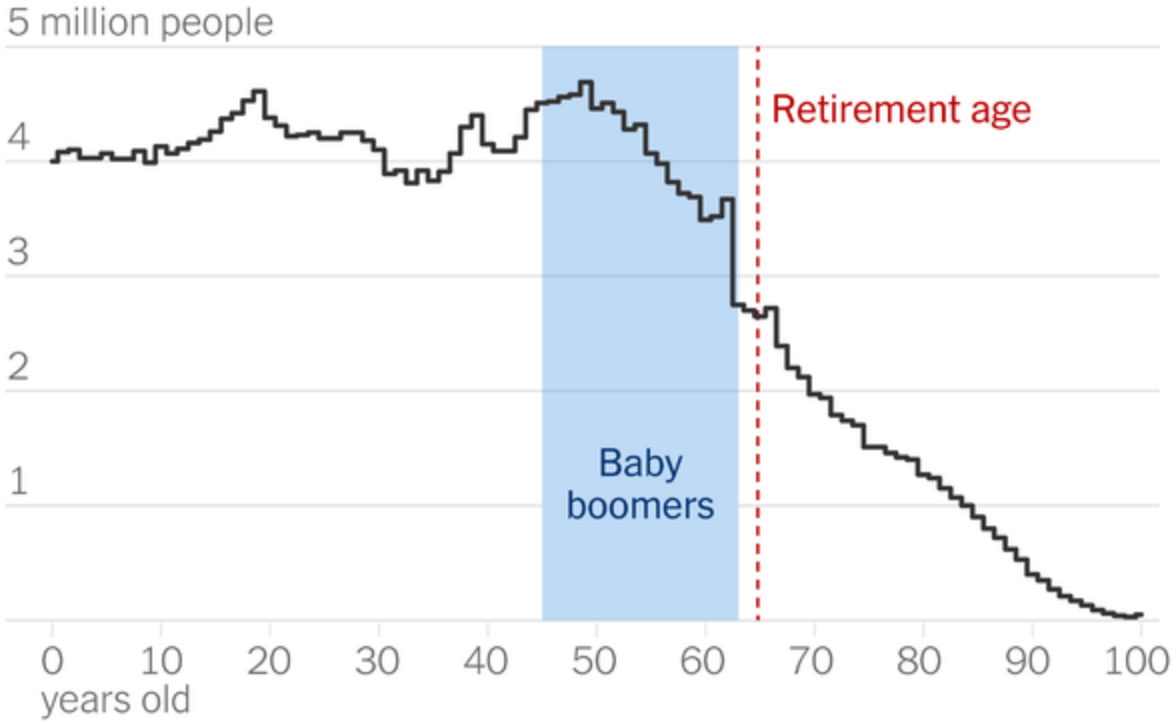
Instead of dropping, the share of workers and job seekers leveled off starting in about 2014, then began to rise slowly toward the end of the decade. That shift partly reflected the strengthening economic recovery, which drew workers off the sidelines as wages rose and opportunities improved. But the importance of the baby boomers is hard to overstate: Virtually all of the growth in the labor force between the end of the Great Recession and the start of the pandemic a decade later came from workers 55 and older.

But not that late

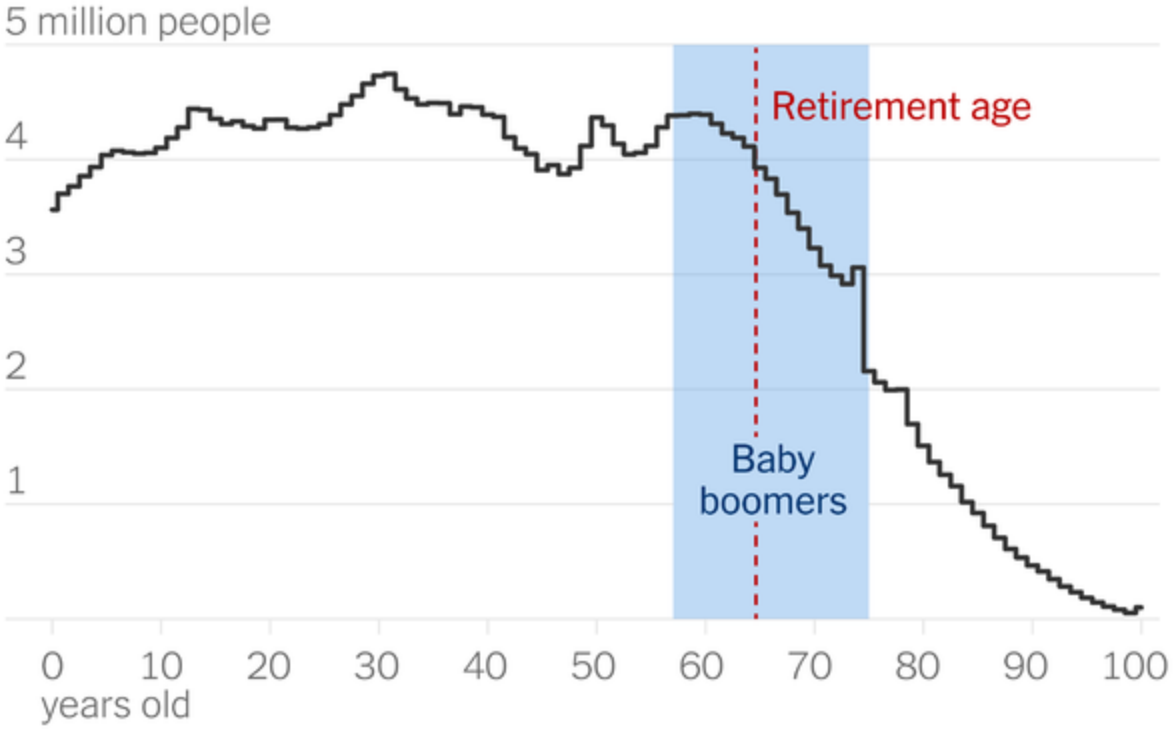
The outsize importance of the boomers is the result of the generation's size: Some 76 million Americans were born between 1946 and 1964. By comparison, just 47 million people were born into the so-called silent generation that preceded the boomers, and 55 million into Generation X. By working just a few years longer than anticipated, the boomers helped reshape the entire labor market for a decade.

The boomers were in their 50s and early 60s when the economy began to emerge from the Great Recession. Today, nearly all of them are in their 60s and 70s, and well over half are past the traditional retirement age of 65, as this chart shows:

U.S. population by age, 2009



U.S. population by age, 2021



Some people plan to keep working into their 70s or beyond, but many do not. The huge increase in home prices and, until last year, the stock market left many with healthy retirement accounts. Others would like to keep working but can't because of ill health or age discrimination.

The pandemic, which made in-person interactions particularly dangerous for older workers, accelerated their departure from the work force. Among Americans ages 55 to 64 — the oldest members of Generation X and the youngest boomers — the share of people who are working or seeking jobs has rebounded to its prepandemic level. But for those 65 and up, that rate remains depressed.

My colleague Jeanna Smialek recently talked to one couple, Alice and Howard Lieberman, who illustrate this trend. The pandemic, and the shift to hybrid instruction, led Mrs. Lieberman to retire from her teaching job earlier than planned, in her late 60s. Her husband retired, too, so they could spend their golden years together. Now, they have left work behind for good.

Looking ahead

Even without the pandemic, the Liebermans would have retired eventually. The recent decline in the work force "was baked in the cake after the baby boom that followed World War II," Aysegul Sahin, a University of Texas economist, told Jeanna.

Other forces could still help counteract the retirement wave. Remote work could make it easier for people with disabilities, parents of young children and others to return to or find work. Increased immigration, if Congress were to allow it, could provide a new pool of potential workers. And the last economic recovery demonstrated the power of a strong job market to attract workers. But the economic tailwind that the boomers have generated for decades is now blowing in the other direction.

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