

Can Working Longer Solve Our Budget Problems?

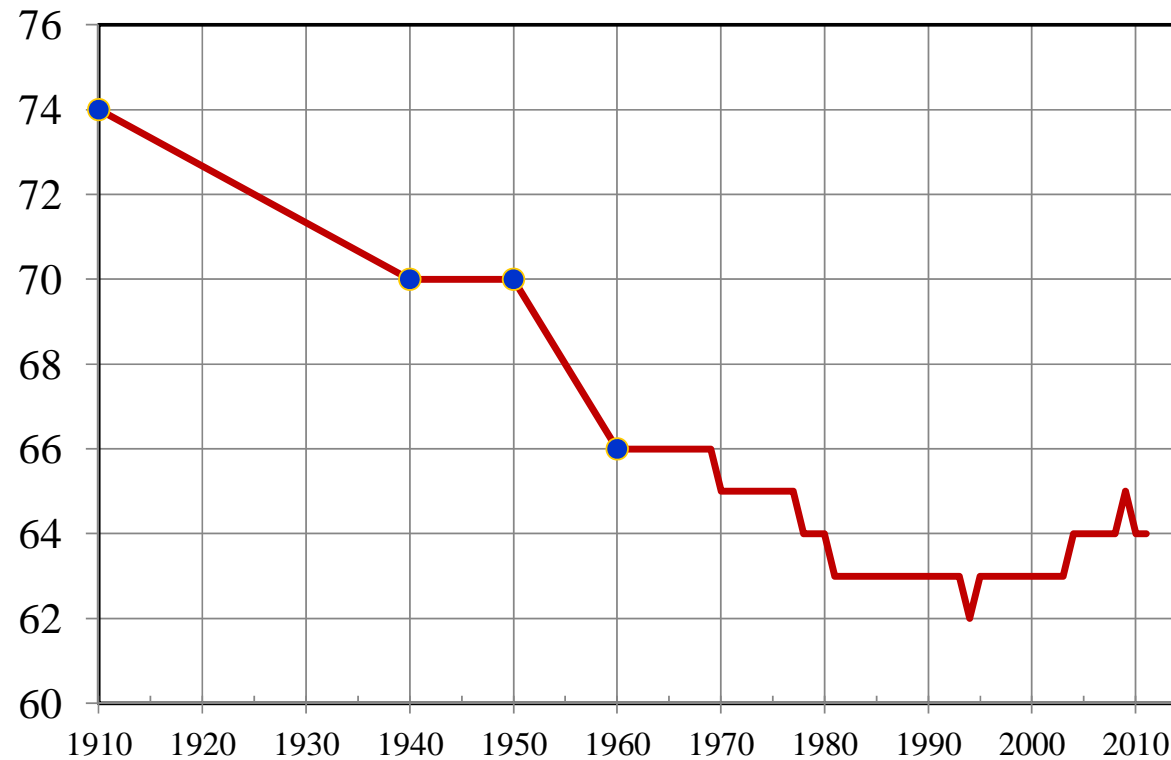


The Brookings Institution
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Gary Burtless
THE BROOKINGS INSTITUTION

Chart 1. Average retirement age of American men, 1910-2011

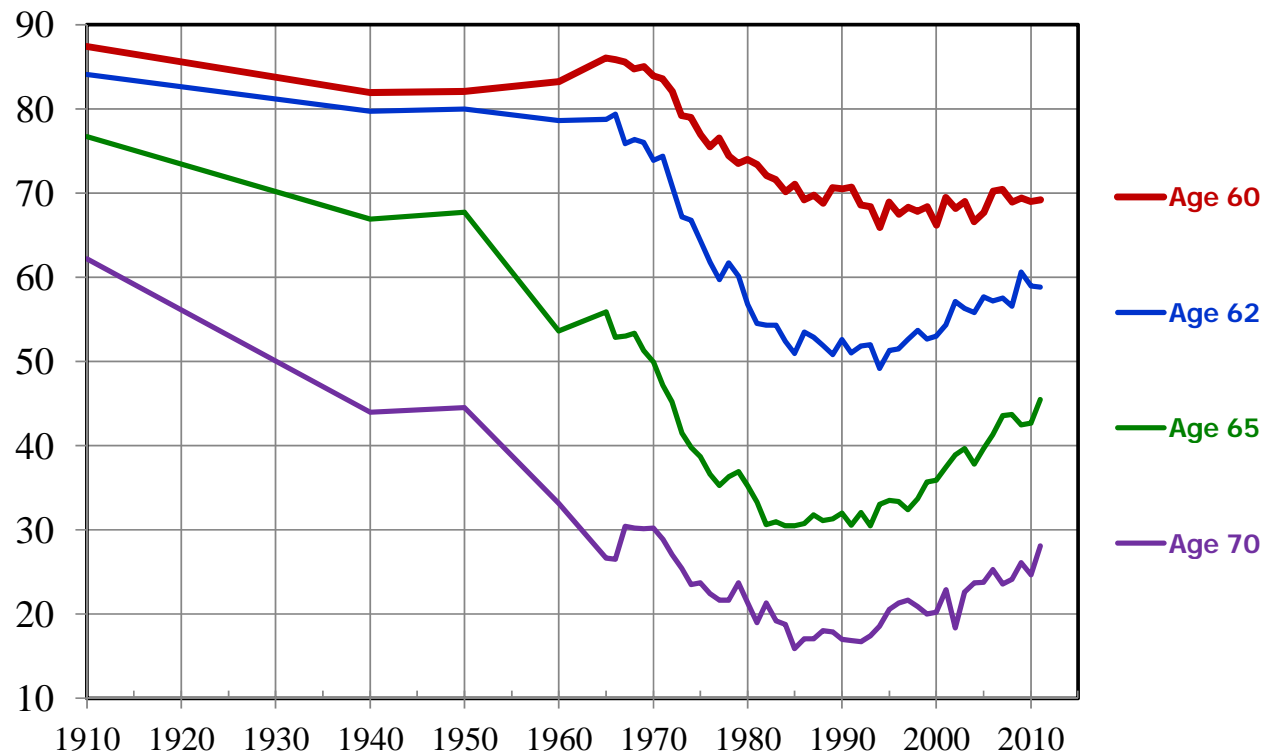
Youngest age at which fewer than 50% of men are in active labor force (in years)



Source: Decennial Census (1910, 1940, 1950, and 1960) and BLS Current Population Survey files (1965-2011).

Chart 2. Labor force participation rates of 60- to 70-year-old men, 1910-2011

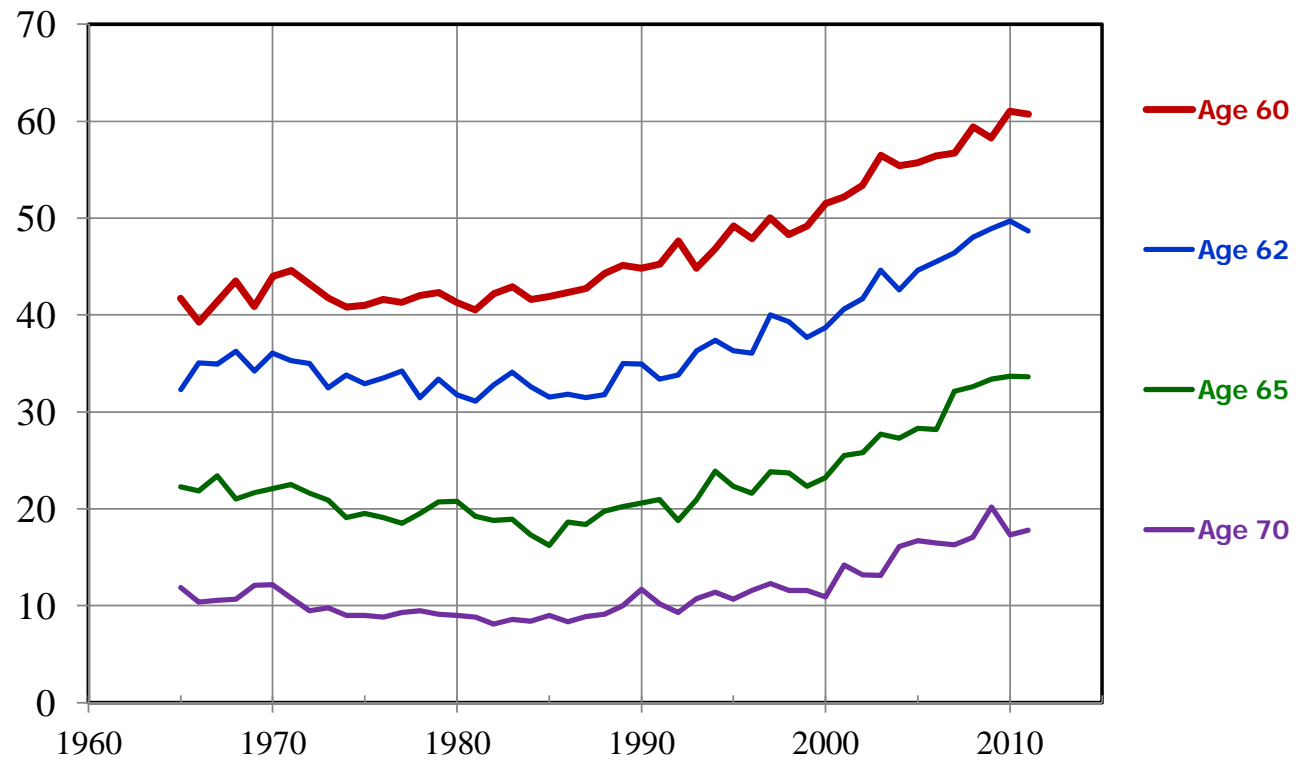
Percent of population in indicated age group



Source: Decennial Census (1910, 1940, 1950, and 1960) and BLS Current Population Survey files (1965-2011).

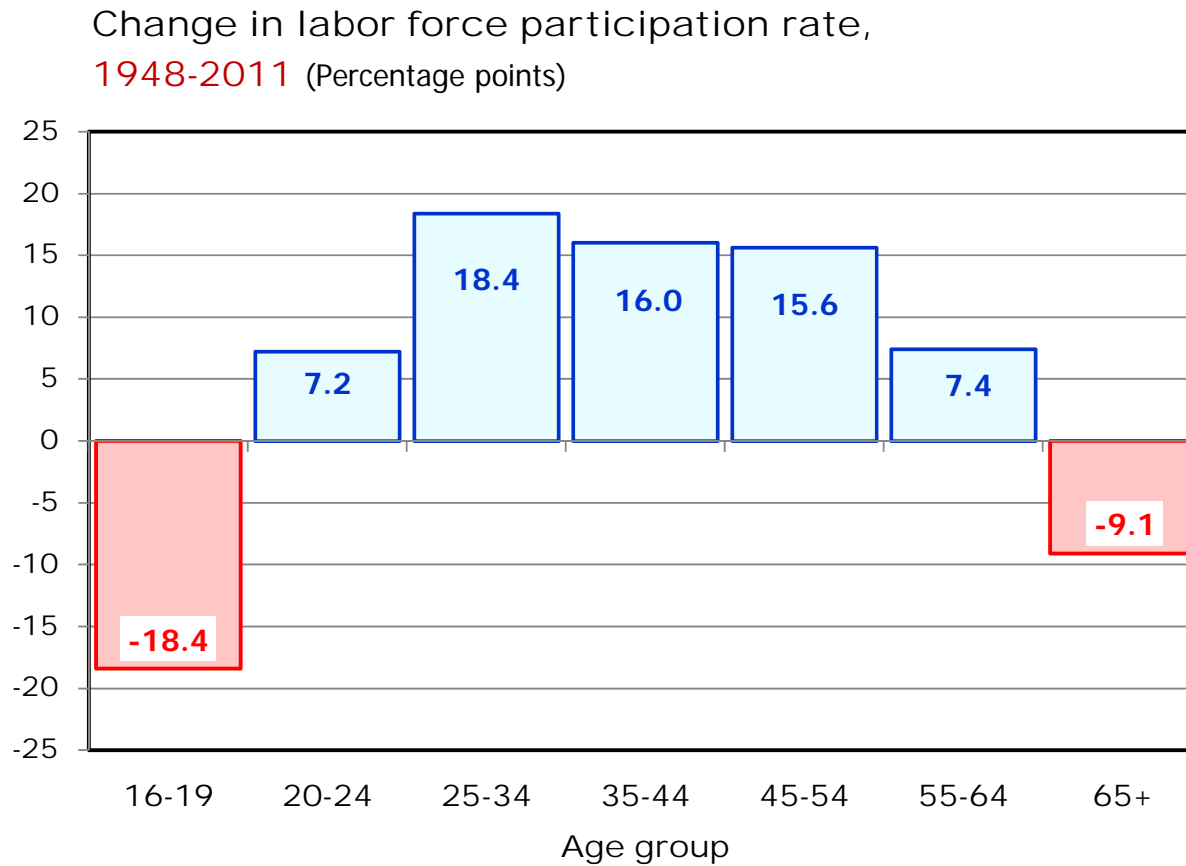
Chart 3. Labor force participation rates of 60- to 70-year-old women, 1965-2011

Percent of population in indicated age group



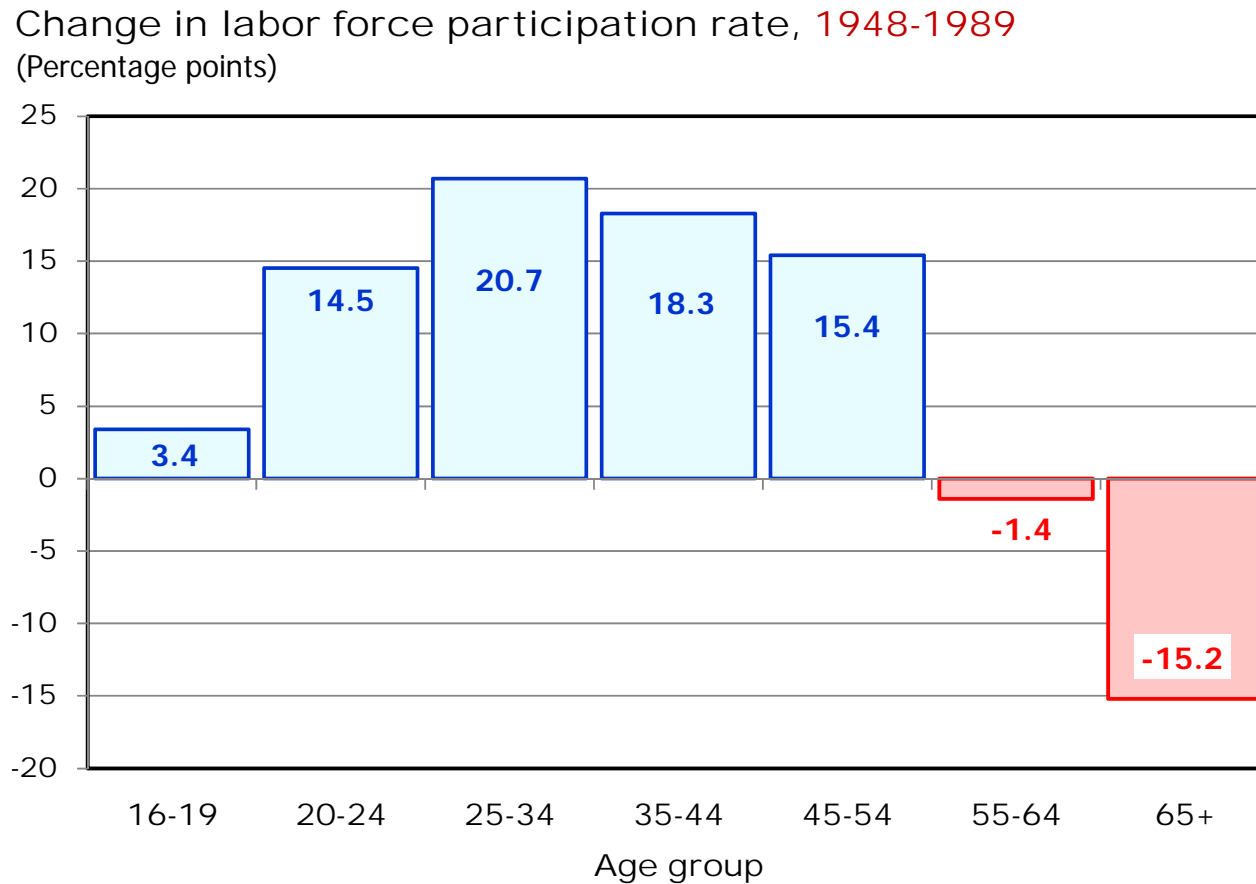
Source: BLS Current Population Survey files (1965-2011).

Chart 4. Change in labor force participation rates by age group, both sexes, 1948-2011



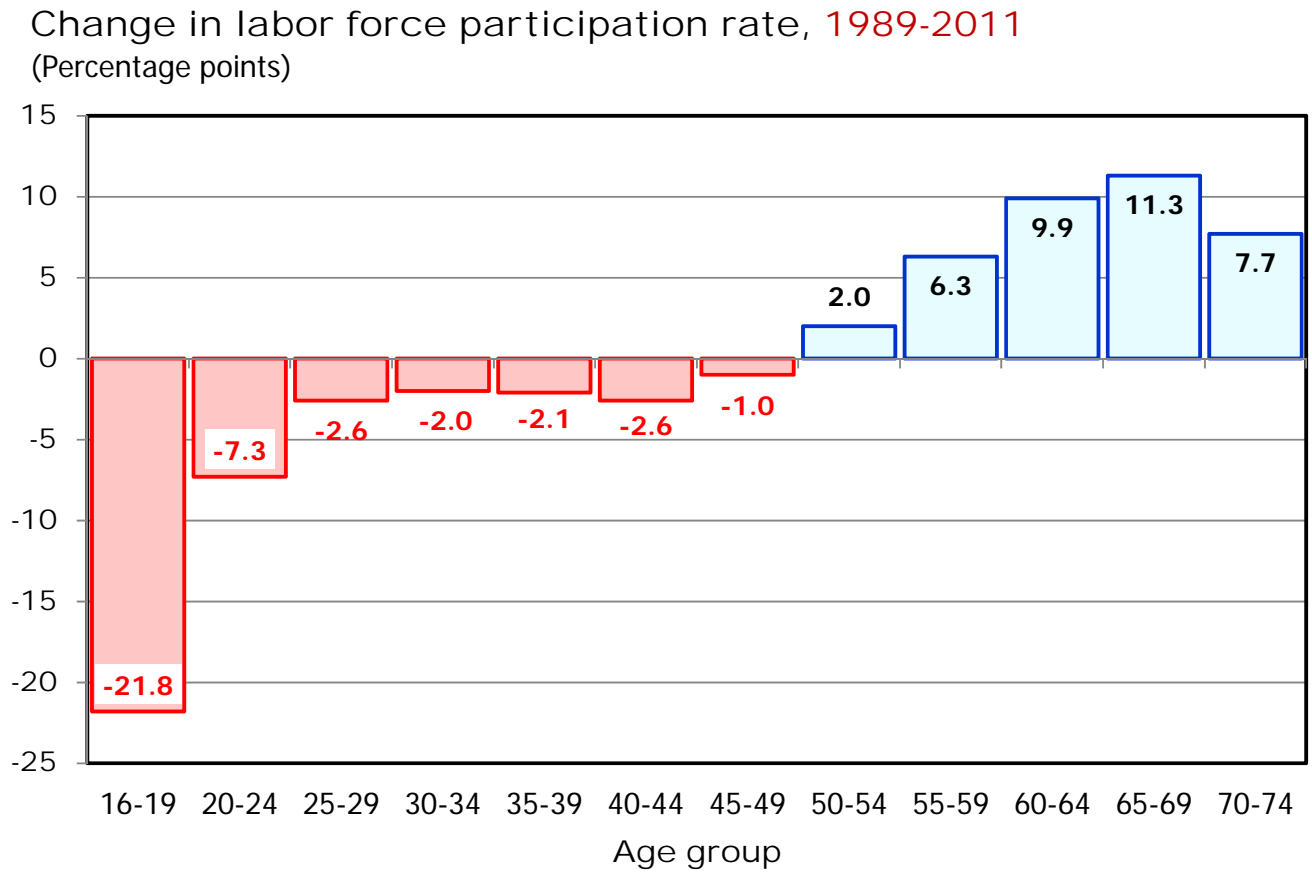
Source: BLS Current Population Survey files (1948 and 2011).

Chart 5. Change in labor force participation rates by age group, both sexes, 1948-1989



Source: BLS Current Population Survey files (1948 and 1989).

Chart 6. Change in labor force participation rates by age group, both sexes, 1989-2011



Source: BLS Current Population Survey files (1989 and 2011).

Chart 7. Age Profile of Hourly Wages, 1985-1991 and 2004-2010: MEN

Hourly wage of 35-54 year-olds = 100

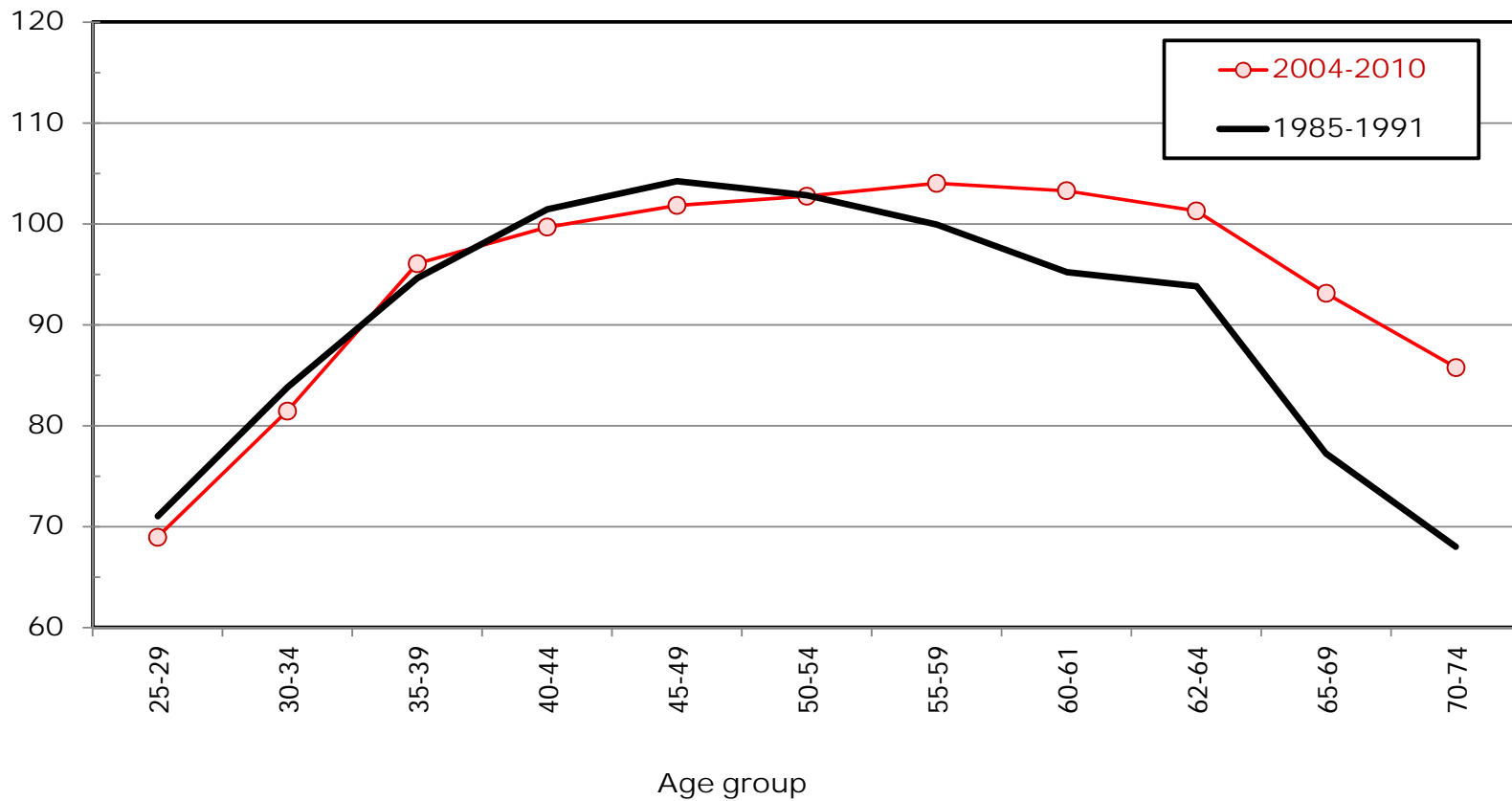
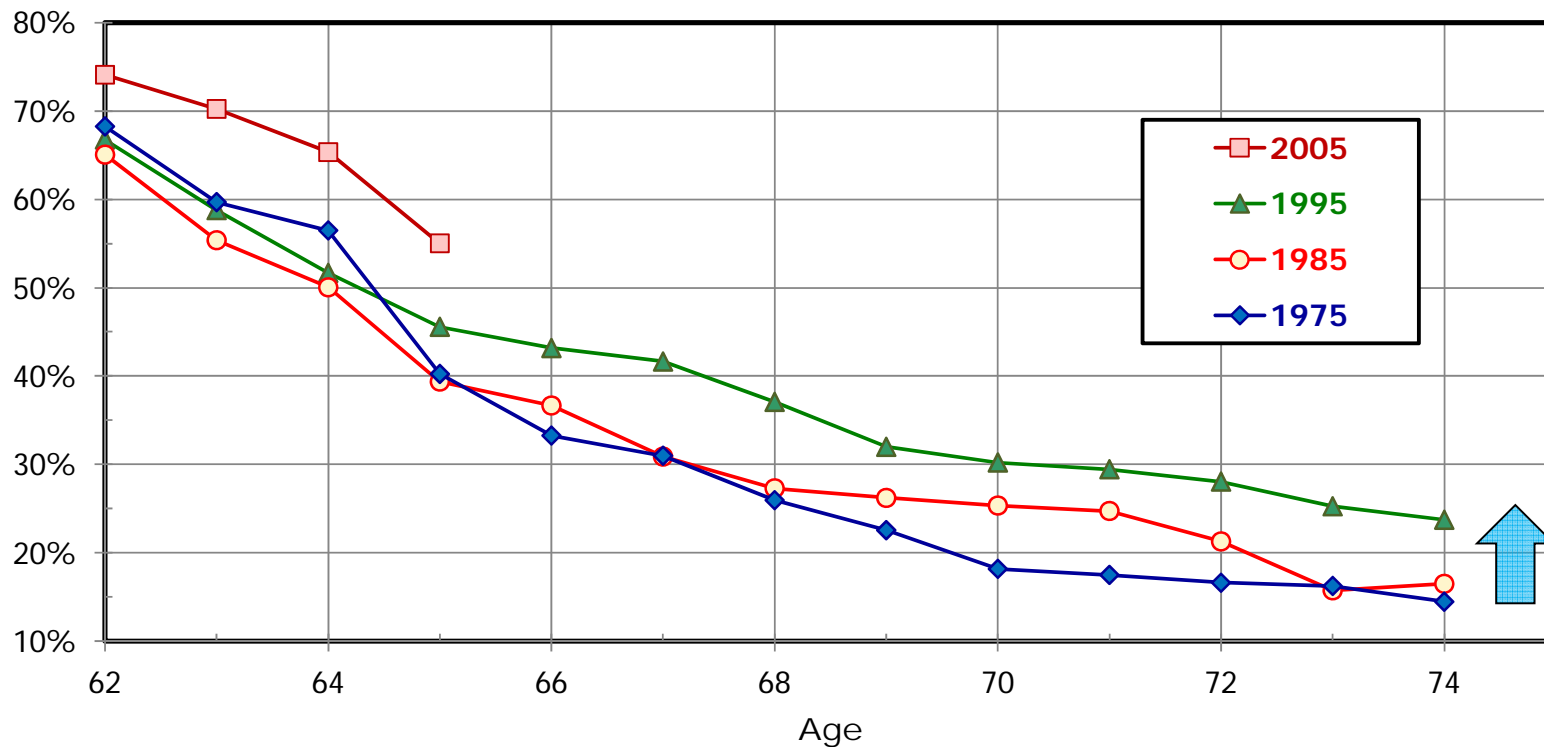


Chart 8. LFPR at Indicated Ages as a % of LFPR of Cohort at Age 57, Selected Birth Cohorts Attaining Age 60 between 1975 and 2005: **Males**

Labor force “persistence”:

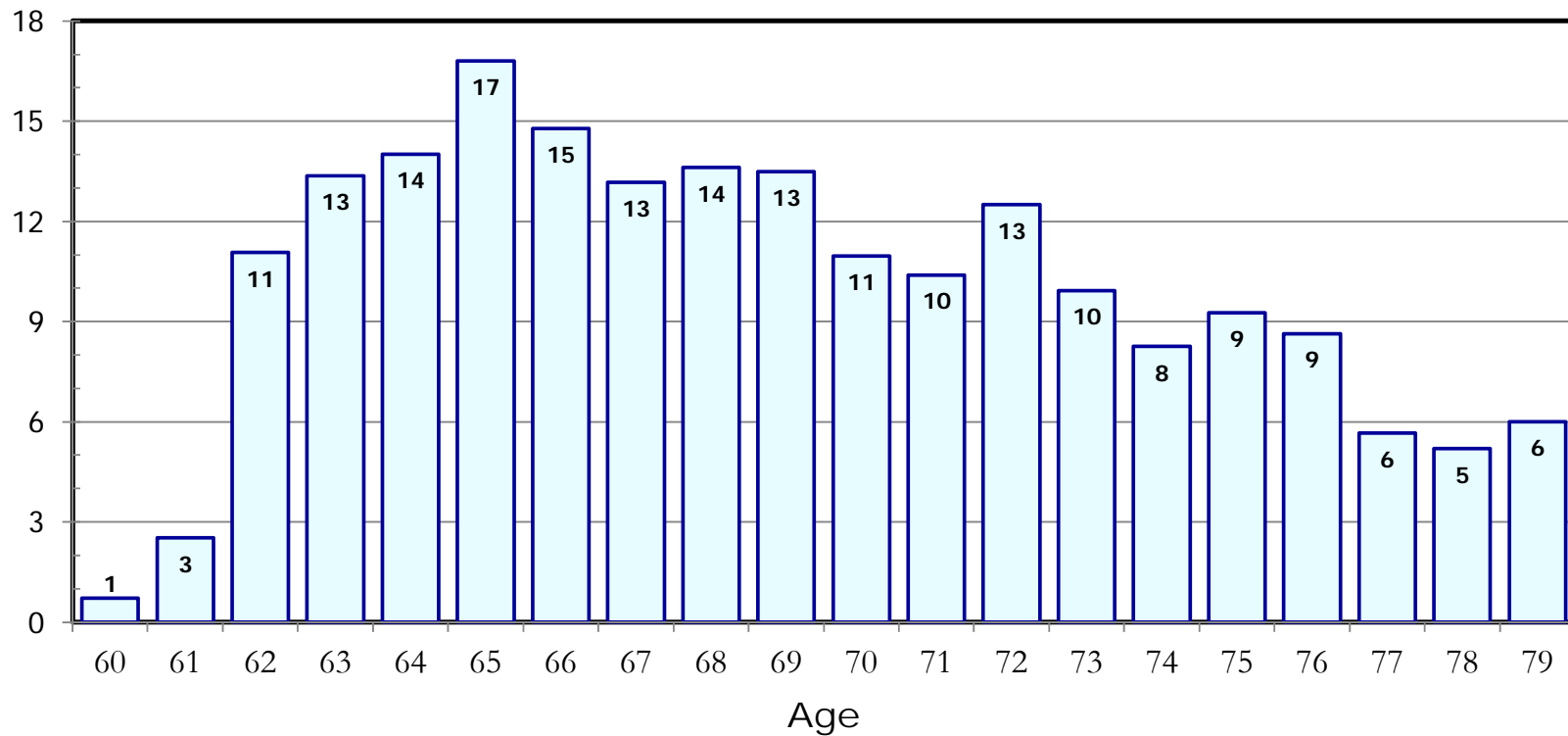
What % of 57-year-old workers are still in LF at indicated ages?



Source: Author's calculations based on Current Population Survey files (1975-2010).

Chart 9. Increase in the LFPR at Indicated Ages as % of Cohort's LFPR at Age 57, 1989 to 2010: **MEN**

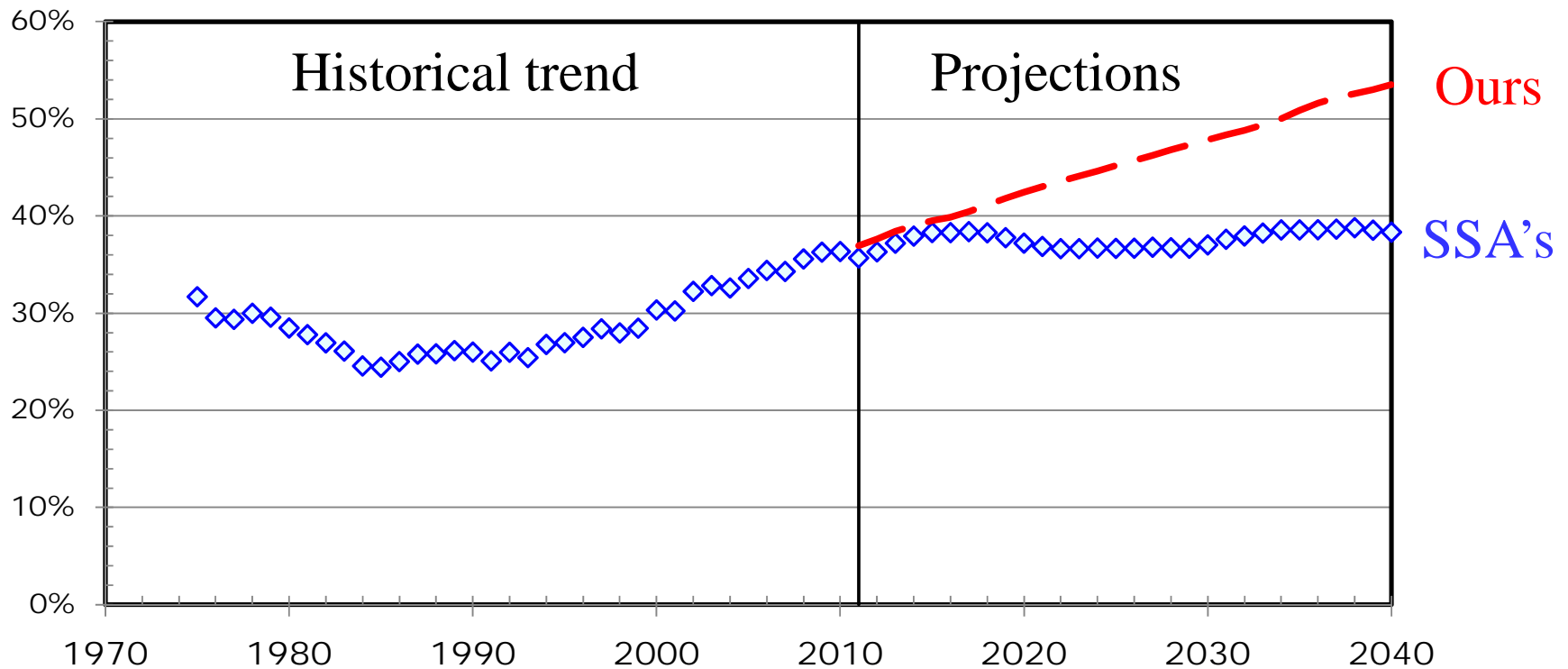
Increase in LFPR at the indicated ages as % of cohort's LFPR at age 57



Source: Author's calculations based on Current Population Survey files (1975-2010).

Chart 10. Historical and predicted labor force participation rates, 1975 to 2040: MEN age 65-69

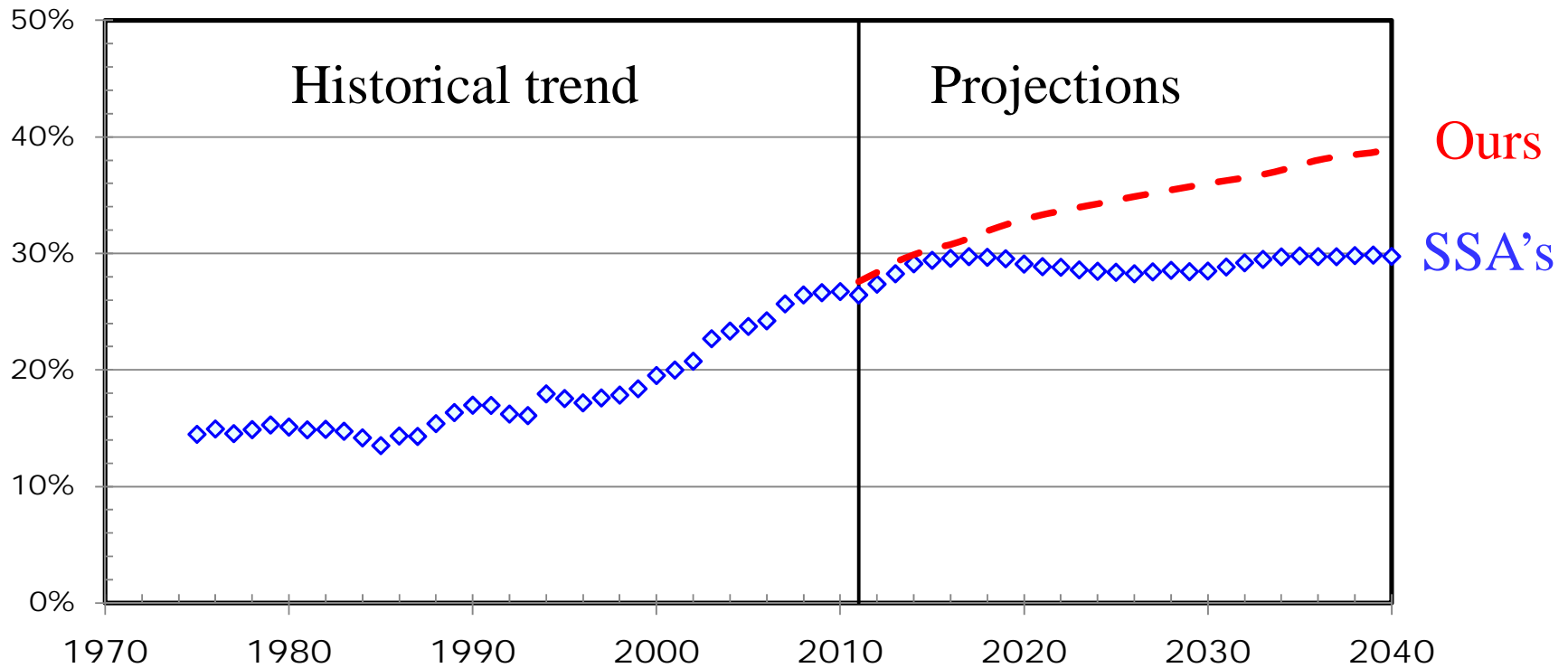
Percent of men who are in the labor force



Source: Social Security Trustees' Report (2011) and author's calculations based on CPS files (1975-2010).

Chart 11. Historical and predicted labor force participation rates, 1975 to 2040: **WOMEN** age 65-69

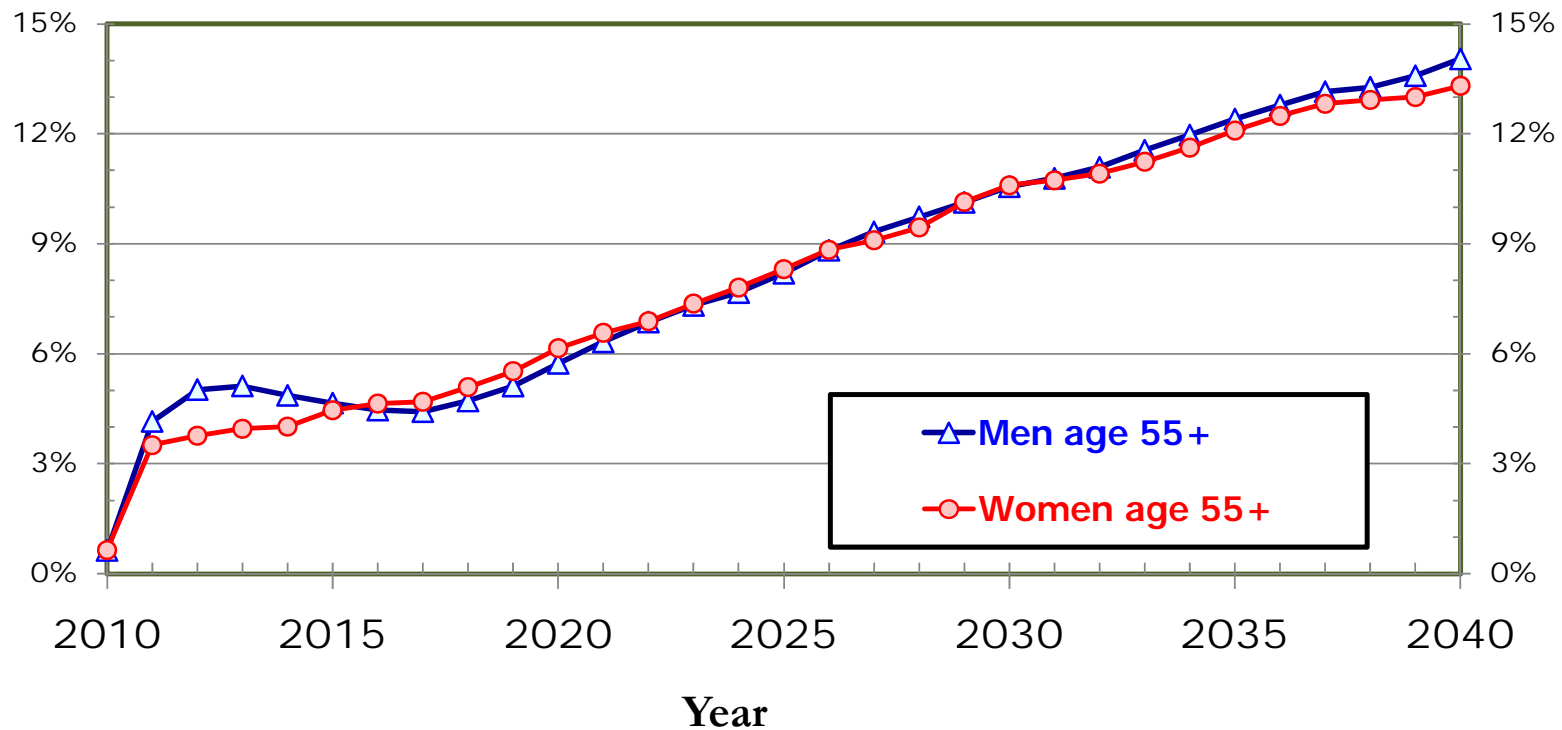
Percent of women who are in the labor force



Source: Social Security Trustees' Report (2011) and author's calculations based on CPS files (1975-2010).

Chart 12. Predicted increase in size of the workforce 55 and older under our alternative scenario, 2010 to 2040

Percent of aged workforce as predicted by the Social Security Trustees
(2011 Trustees' Report)



Source: Social Security Trustees' Report (2011) and author's calculations based on CPS files (1975-2010).

Chart 13a. Which of the elderly will join the workforce?

Initial prediction



Still in workforce

Retired



Retired

Chart 13b. Which of the elderly will join the workforce? Persons on the margin of the workforce



Still in workforce

Retired



Retired

Chart 13c. Which of the elderly will join the workforce? Final prediction with a higher participation rate



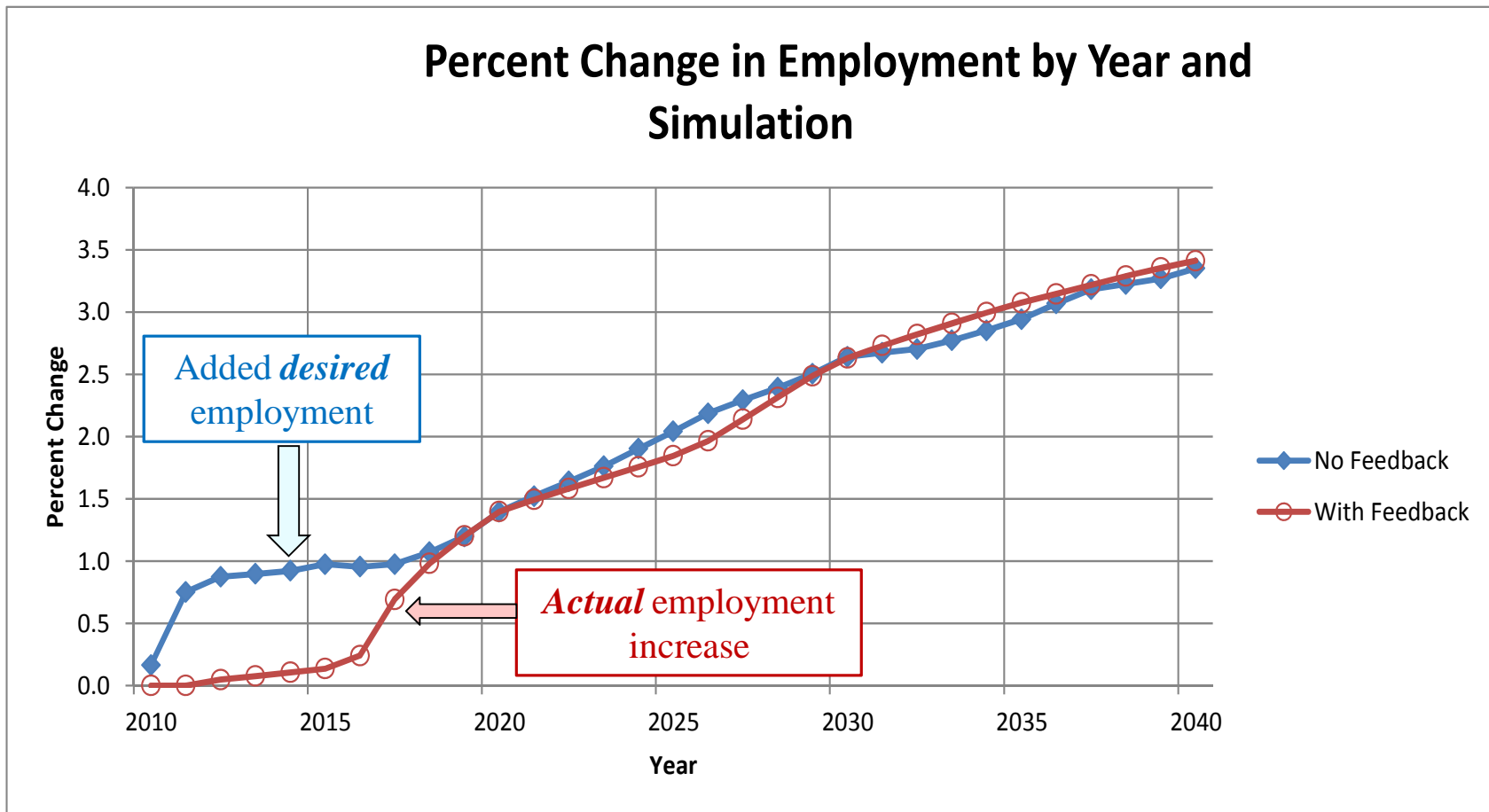
In Workforce



Workforce

Retired

Chart 14. Percent increase in *desired* and *actual* total employment compared with Social Security forecast, 2010-2040

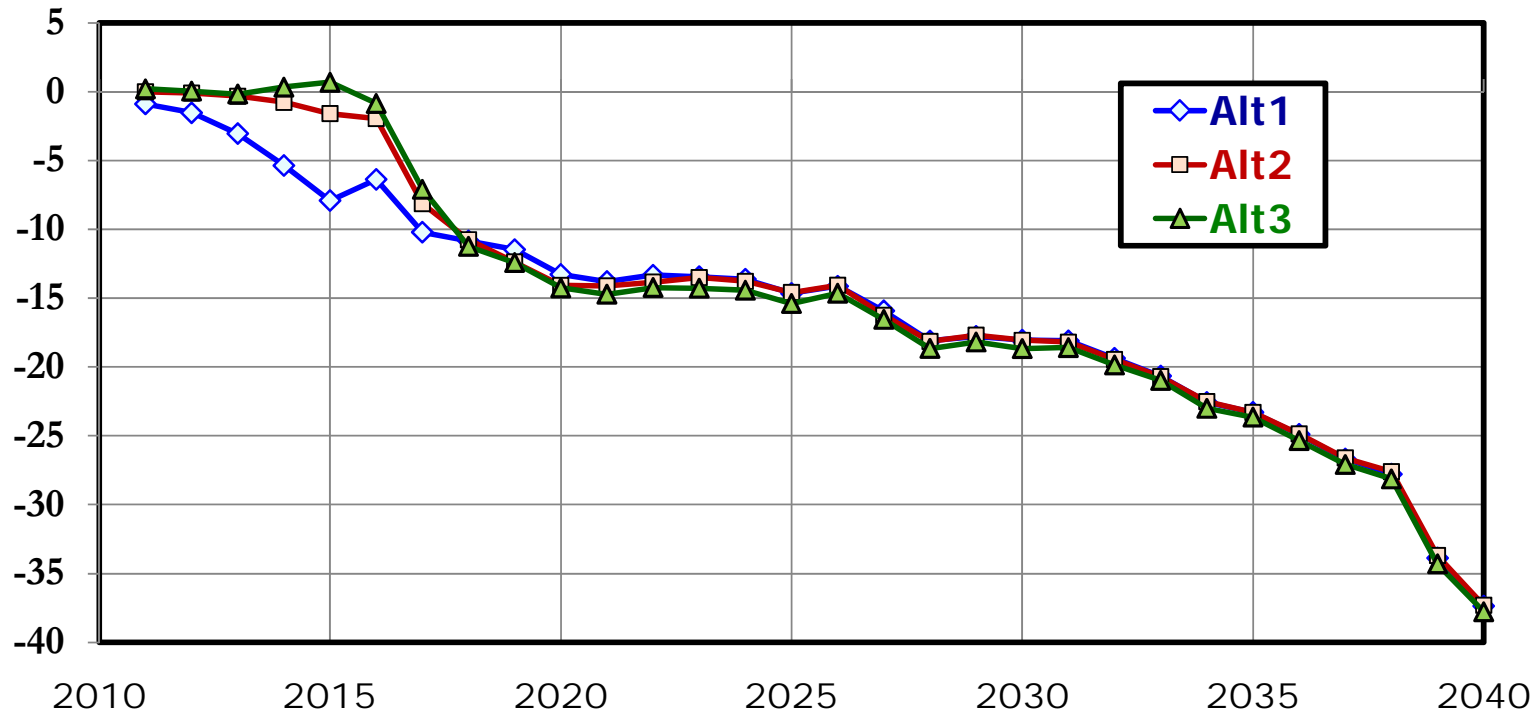


Source: Urban Institute (DYNASIM3) and Moody's.Com calculations.

Chart 15. Impact of later retirement on federal deficit under alternative assumptions, 2011-2040

Change in deficit:

Percent of CBO's "*Current Law*" baseline forecast

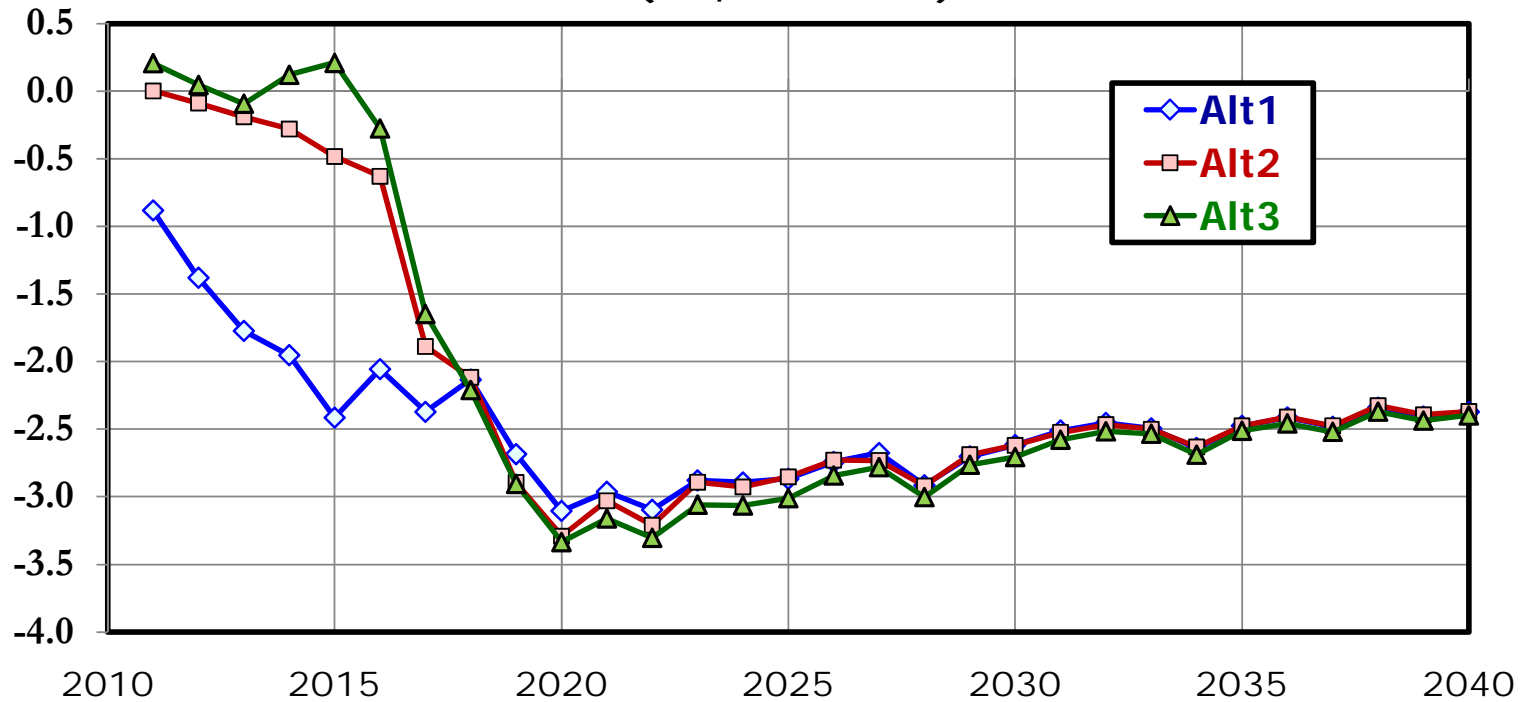


Source: Urban Institute (DYNASIM3) and CBO (2012).

Chart 16. Impact of later retirement on federal deficit under alternative assumptions, 2011-2040

Change in deficit:

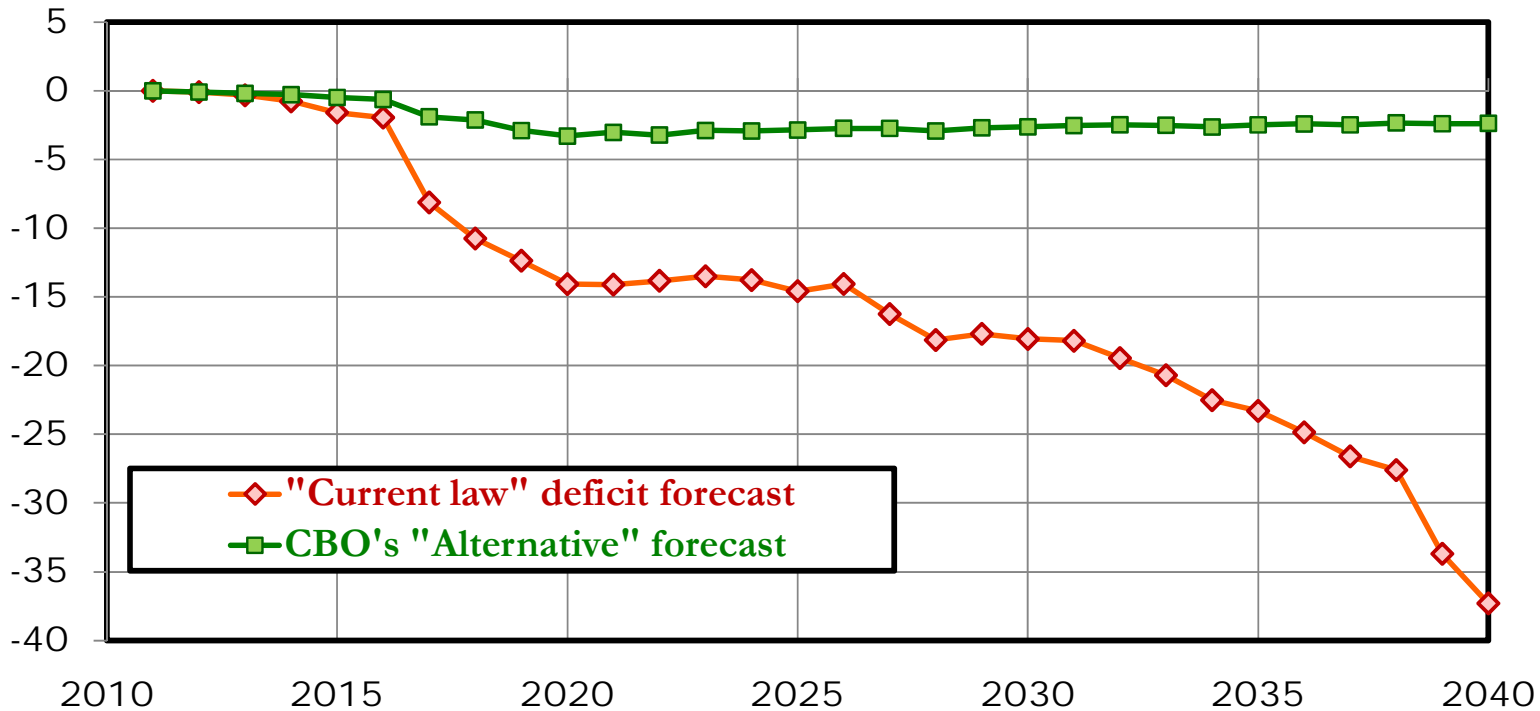
Percent of CBO's "*Alternative*" (i.e., "*realistic*") forecast



Source: Urban Institute (DYNASIM3) and CBO (2012).

Chart 17. Impact of later retirement on federal deficit under alternative CBO forecasts of the deficit, 2011-2040

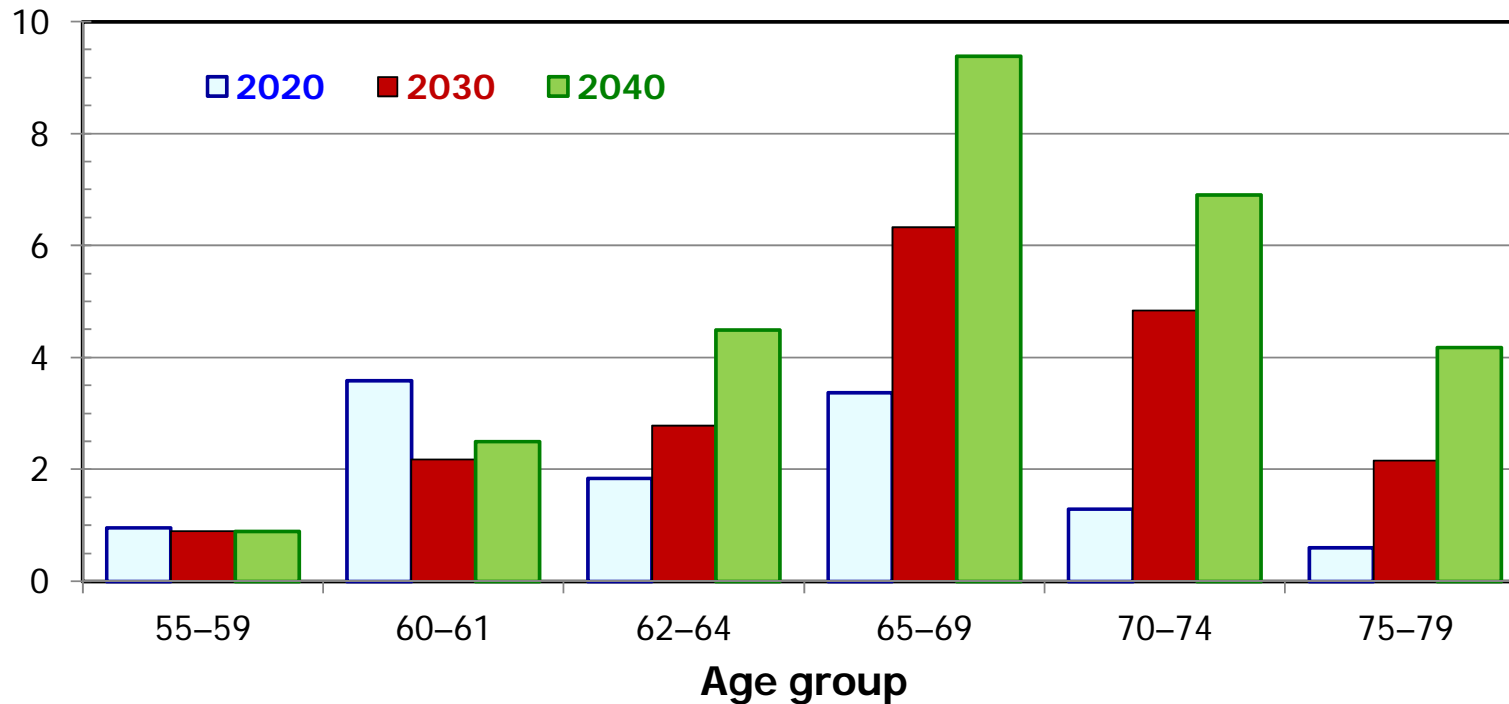
Change in deficit:
Percent of CBO's deficit forecast



Source: Urban Institute (DYNASIM3) "alternative 2" labor supply forecast; CBO (2012).

Chart 18. Impact of later retirement on per capita income, by age group, 2020, 2030, and 2040

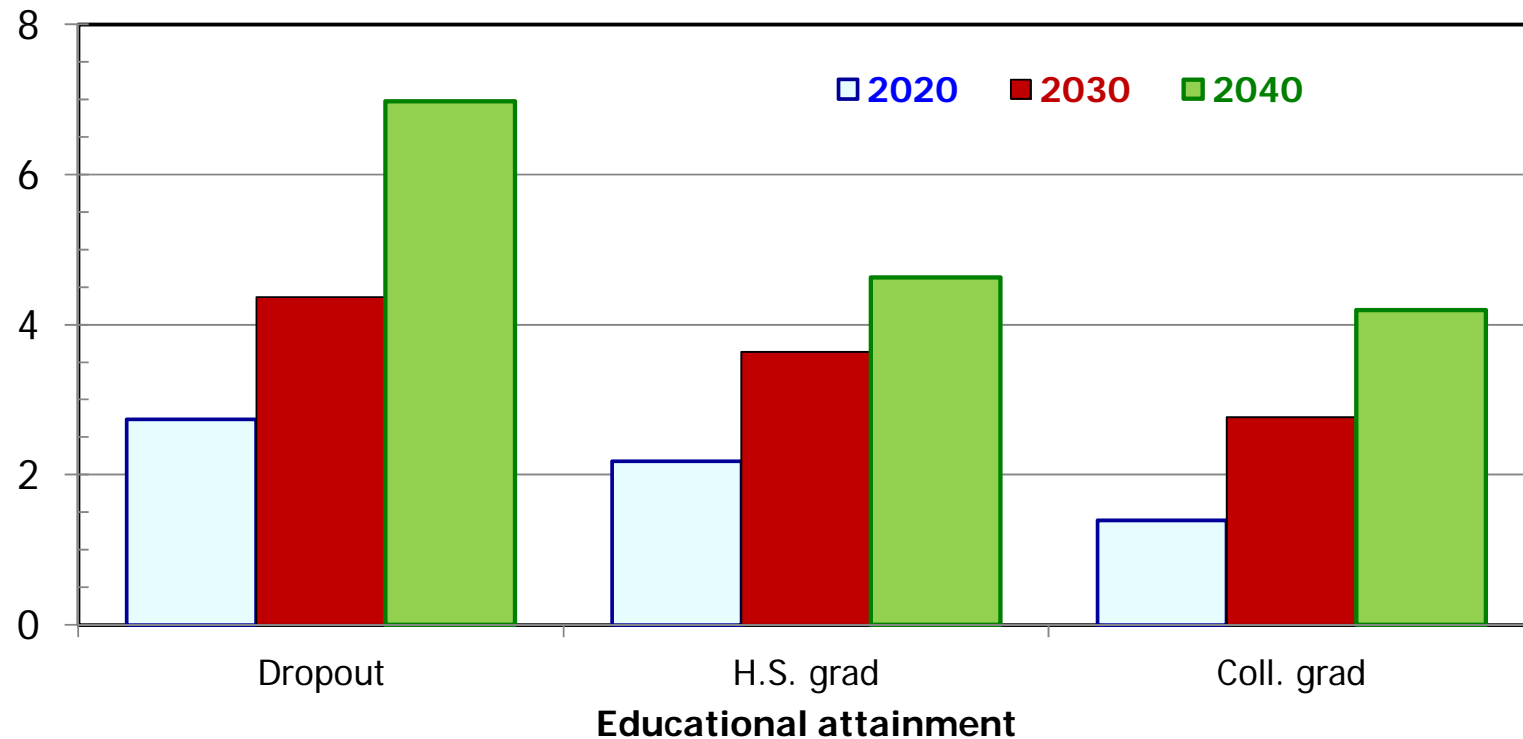
Percent change in income compared with baseline by age group:
2020, 2030 & 2040



Source: Urban Institute (DYNASIM3) "alternative 2" labor supply forecast.

Chart 19. Impact of later retirement on per capita income, by educational attainment, 2020, 2030, and 2040

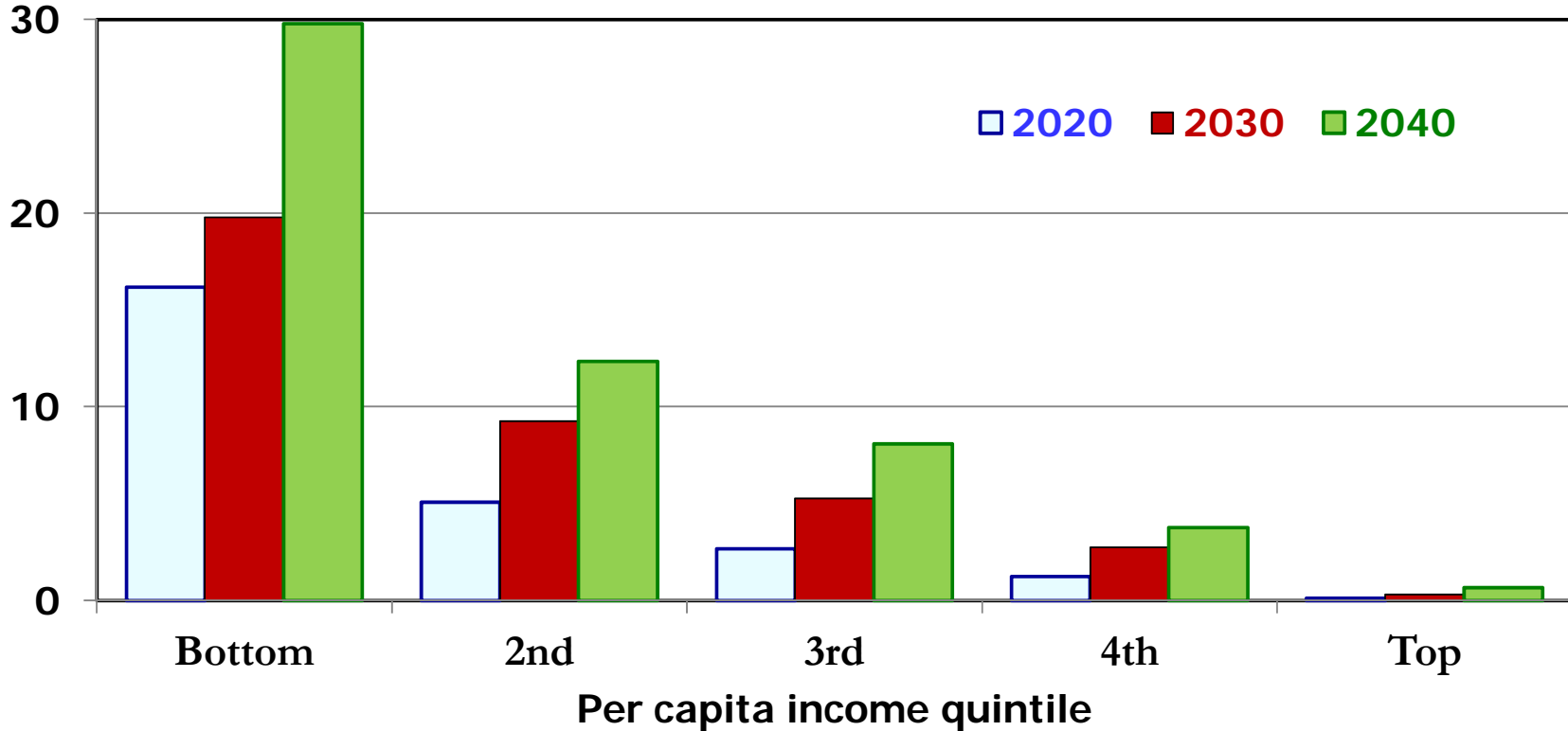
Percent change in income compared with baseline by educational attainment: 2020, 2030 & 2040



Source: Urban Institute (DYNASIM3) “alternative 2” labor supply forecast. Estimates for the population age 55–79.

Chart 20. Impact of later retirement on per capita income, by income quintile, 2020, 2030, and 2040

Percent change in income compared with baseline by income quintile:
2020, 2030 & 2040



Source: Urban Institute (DYNASIM3) “alternative 2” labor supply forecast. Estimates for the population age 55–79.