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## Explained: The fall and rise in the average retirement age since 1880

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By Editorial Staff    Tue, Mar 3, 2015

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*In a paper entitled "The Average Retirement Age - An Update," the director of the Center for Retirement Research at Boston College describes the factors that drove earlier retirement for 100 years, and the factors that reversed that trend 30 years ago.*

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The average retirement age—based on the age when labor force participation among older workers drops below 50%—was about 64 for men and about 62 for women in the U.S. in 2013, according to a new research brief from the Center for Retirement Research at Boston College.

From about 1880 to about 1980, according to the paper written by CRR director Alicia Munnell, percentage of older adults who were working steadily declined. The decline began as a result of the availability of pensions for Civil War veterans and continued through the development of private pensions and the passage of Social Security.

That “downward trajectory stopped around the mid-1980s and, since then, the labor force participation of men 55-64 and men 65 and over has gradually increased,” writes Munnell, whose research has identified working longer as an important hedge against longevity risk. The following factors, the paper says, account for the turnaround since the mid-1980s:

**Social Security.** The liberalization, and for some the elimination, of the earnings test removed a perceived impediment to continued work. The significant increase in benefits for each year that claiming is delayed between the Full Retirement Age and age 70, has also improved incentives to keep working.

**Pension type.** The shift from defined benefit to 401(k) plans eliminated built-in incentives to retire. Studies show that workers covered by 401(k) plans retire a year or two later on average than similarly situated workers covered by a defined benefit plan.

**Improved health and longevity.** Average life expectancy for men at 65 has increased about four years since 1980, and evidence suggests that people may be healthier as well, particularly the affluent and wealthy. Healthy people tend to work longer.

**Education.** People with more education work longer. The movement of large numbers of men up the educational ladder helps explain the increase in participation rates of older men.

**Less physically demanding jobs.** The shift away from manufacturing to knowledge-based

jobs activities puts less strain on older bodies.

**Joint decision-making.** More women are working, wives on average are three years younger than their husbands, and husbands and wives like to coordinate their retirement. If wives wait to retire until age 62 to qualify for Social Security, that pattern would push their husbands' retirement age towards 65.

**Decline of retiree health insurance.** Combine the decline of employer-provided retiree health insurance with the rapid rise in health care costs, and workers have a strong incentive to keep working to maintain their employer's health coverage until they qualify for Medicare at 65.

**Non-pecuniary factors.** Older workers tend to be among the more educated, the healthiest, and the wealthiest. Until recently at least, their wages have been lower than those earned by their younger counterparts and lower than their own past earnings. This pattern suggests that money may not be the only motivator.

By the same token, the recent leveling off of the average retirement age suggests that some of the factors listed above are no longer having a substantial impact:

- Social Security's delayed retirement credit is fully phased in
- The shift from defined benefit to defined contribution plans is nearly complete in the private sector
- Delay due to the availability of Medicare has played its role
- Education is no longer increasing
- Improvements in health may have stabilized
- Increases in longevity may not be salient

Munnell's bottom-line is that people should work longer if they possibly can, especially if they haven't saved enough yet to maintain an acceptable standard of living in retirement. "Working longer is the key to a secure retirement, she writes. "Monthly Social Security benefits claimed at age 70 are 76% higher than those claimed at 62. The fact that people are always amazed when presented with this information suggests that a major educational initiative may be warranted."