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## Many factors point to a longer average working life

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By Editor Test      Tue, Aug 16, 2011

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The pension made the concept of “retirement” possible, starting in the late 19<sup>th</sup> century. Will the decline of the traditional defined benefit pension mean the decline or the compression of retirement?

In a new research brief from the Center for Retirement Research at Boston College, CRR director Alicia Munnell shows that the 100-year trend toward an earlier reversed itself in the mid-1980s. Since then, more older people have been working.

Munnell, co-author with Steven Sass of “Working Longer” (Brookings Institution Press, 2008), believes that retiring later, saving more, and spending fewer years out of the work force may be the only way for some Baby Boomers to avoid running short of money in retirement.

Her new paper, “What Is the Average Retirement Age?” describes the decline in labor force participation among older Americans from about 1880 to 1980. As she explains, it was first brought about by the introduction of a pension for Civil War veterans, then by the creation of industrial pensions as a personnel management tool, then by Social Security.

But, over the past 20 years, labor force participation rates among older people have been rising. The average retirement age for men, which was 65 in 1962, fell to about 62 between 1985 and 1995 but has since risen to 64. The average retirement age for women, which was 55 in the 1960s, has steadily risen to 62 as women’s working habits come to resemble men’s.

She lists the following reasons for the trend toward higher labor force participation among men 55 and older in the last two decades:

- The liberalization, and for some the elimination, of the Social Security earnings test removed an impediment to continued work. The delayed retirement credit, which increases benefits for each year that claiming is delayed between the Full Retirement Age and age 70, provided an incentive to work longer.
- The shift from DB 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.
- People with more education work longer. Over the last 30 years, the movement of more men up the educational ladder helps explain the increase in participation rates of older men.
- Life expectancy for men at 65 has increased about 3.5 years since 1980, and – despite greater use of Disability Insurance benefits – evidence suggests that people are healthier. Health and labor force activity go together.
- With the shift away from manufacturing, jobs now involve more knowledge-based activities, which

put less strain on older bodies.

- 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 retire at age 62 to qualify for Social Security, that would push husbands' retirement age toward 65.
- Workers have a strong incentive to keep working and maintain their employer's health coverage until they qualify for Medicare at 65.

"Will the retirement age continue to increase?" Munnell asks. "The fact that all the incentives associated with the recent reversal will remain in place argues for 'yes.' But there are risks—the move away from career employment, the availability of Social Security at 62, and employer resistance to part-time employment."

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