



WHAT IS THE AVERAGE RETIREMENT AGE?

Deciding when to retire is one of the keys to a secure retirement. There are incentives to staying in the workforce longer, and today's difficult economic environment has also dissuaded many would-be retirees from leaving work.

In a recent paper published by the Center for Retirement Research at Boston College, CRR Director Alicia Munnell looks at the average retirement ages over the last century to see trends and incentives to retire throughout the decades, and answer the question, "What is the average retirement age?"

THE HISTORY OF RETIREMENT

Thinking of 'retirement' as a distinct period in one's life is a very modern concept. Throughout history, mankind has toiled to *make* a living as long as he is living, however few years that may be.

It was the pension for Civil War veterans that brought a sharp, noticeable decline to the percentage of the older male population in the labor force. Before 1880, over 75% of males ages 65 and older were employed. After the first Civil War veteran pension benefit payments began around 1880, older veterans who were eligible retired at significantly higher rates than the population at large.

The percentage of older males in the workforce did not bounce back after the Civil War veterans had lived out their retirements. In the early 20th Century, attitudes towards retirement were beginning to change. The Great Depression left employers disinclined to hire or keep older workers on the payroll.

President Franklin D. Roosevelt signed the Social Security Act in 1935, and the first Social Security benefits began in 1940. Employers everywhere now saw company pension programs as an attractive benefit to recruit and retain their workforce.

→ A QUICK LOOK

- The percentage of older men in the workforce first began to decline around 1880 thanks to Civil War veteran pensions
- After 100 years of decline, the percentage of older men in the workforce then began to increase in the 1980's
- The percentage of women ages 55-64 in the workforce increased from less than 20% in 1950 to 60% in 2010
- Workforce participation of older women is now similar that of older men

Medicare was introduced in 1965 and Social Security benefits increased sharply in 1972. By 1980, one hundred years after the first noticeable decline in working males age 65 and older, the average retirement age hovered around age 62.

THE RECENT REVERSAL

Since the mid-1980's, the average retirement age (defined as the age at which the labor force participation rate drops below 50 percent) has been on the upswing. There are several explanations for this:

- **Social Security** incentivizes people to stay in the workforce as long as possible, with increased benefits each year past Full Retirement Age that claiming is delayed.
- Most employers today offer **defined contribution plans** rather than defined benefit plans. This reduces the built-in incentives to retire, and shifts responsibility for preparedness to the worker.

YMCA Retirement Fund's RESOURCE TOOLKIT

VOL 2 NUMBER 10 OCTOBER 2011

- **Education** levels have increased significantly in the last 30 years. Educated individuals tend to work longer.
- **Life expectancy** has increased, even since the 1980s. People are living healthier lives as well. Like the educated, healthy individuals also tend to work longer.
- Much of employment today is not as **physically taxing** as it once was. The shift from manufacturing to more knowledge-based employment means that older bodies are less worn and tired at the end of a career.
- Women's participation in the workforce has increased. As many **married spouses** wish to synchronize their retirement date, this leaves the husband, who is on average three years older, retiring at an older age if the wife retires at 62.
- Fewer employers today offer **health insurance** for retirees, and health care is more expensive today than ever. Workers have more incentive to retain their employee health care benefits by working until Medicare begins at age 65.

WHAT ABOUT WOMEN?

The role of women went through a historic shift over the 20th century, and their rate of participation in the workforce climbed sharply. Whereas previously, it was predominantly single women ages 35 - 44 who participated in the workforce, by the 1980s and 90s, married women of the same age group participated in record numbers and severed the link between workforce participation and marital status.

Looking at the average retirement age for women throughout recent history is complicated. Since few 20th century women spent very much time in the labor force, their average retirement age has risen dramatically only in the last fifty years.

Today, labor force participation of older women (ages 50-74) is now close to that for older men. The average retirement age for women is 62 and for men, 64.

Women who were working at older ages found themselves facing the same incentives to retire that the men had encountered: eligibility for Social Security benefits at age 62, the enactment of Medicare in 1965, and the increase of Social Security benefits in 1972. Then, beginning in the 1980s, women encountered many of the same incentives to delay retirement that had kept their male counterparts in the workforce: the increase in benefits for delaying Social Security, cost of healthcare, and the decline of defined benefit plans and their incentives to retire early.

DRAWING CONCLUSIONS

Today, the average retirement age for men is 64 and for women, 62, reflecting an upward trend over the past 20 years. Whether this trend will continue upward is a question worth considering. The incentives toward delaying retirement are all still there, and the recent financial crises have left people more vulnerable. (See on the Fund's website *The Financial Crisis and Retirement Readiness*, March 11, 2011.)

Alicia H. Munnell, "What is the Average Retirement Age," Center for Retirement Research at Boston College. Number 11-11, August 2011. The article includes detailed Endnotes and References.