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The coronavirus pandemic and older workers



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Executive summary

Older workers are one group of people who are at risk of suffering serious and persistent consequences from the economic turmoil arising from the coronavirus pandemic.

Previous research has shown that unemployment shocks have persistent effects on the employment and incomes of older workers. In particular, older individuals who lose their jobs are less likely to secure re-employment, or to find a job on a similar wage to their previous earnings, than younger workers. Being unexpectedly out of work, or on lower wages, in the years leading up to retirement can have obvious negative implications for retirement resources. Individuals may not be able to save as they were intending, and may even be forced to start drawing on their accumulated savings sooner than planned if they bring forward their retirement. These difficulties could be exacerbated during the current COVID-19 crisis for those with pension savings held in equities, who will have seen the value of their retirement savings fall in the wake of falls in asset prices. Furthermore, in addition to these financial consequences, job loss and involuntary retirement are known to have adverse effects on health.

In this briefing note, we use data from the English Longitudinal Study of Ageing (ELSA) Covid-19 study to examine how the work activity of older individuals has been affected by the pandemic, how older workers' concerns about their job security vary with their individual characteristics, and how retirement plans have already been affected by the crisis. The data were collected in June–July 2020, from a sample of nearly 6,000 individuals in their 50s and older.

Key findings

- 1 Many workers have seen their employment disrupted by the coronavirus pandemic, and older workers are no exception. Nearly one in four employees aged 54 and over, who were working before the crisis, were on furlough in June–July, while among those still working, one in five were working fewer hours. Among the self-employed aged 54 and over, a third were not working, and among those who were working only one in five reported they could carry on their work as normal.
- 2 A significant minority of older people working immediately before the crisis are now retired: 6% of those aged 66–70 and 11% of those aged 71 and older. While some may have been planning to retire around this time anyway, this was not true of half of those surveyed, and it is evidence that the current crisis has already caused some older workers to alter their retirement plans.
- 3 The protection of their own health is an important consideration for older workers. Among those on leave in June–July, the advice to shield or concerns about their own health were the only reason(s) cited for nearly one in six individuals. It remains to be seen how the work status of these individuals changes as the government-supported furlough scheme ends.
- 4 Many people who are clinically vulnerable to coronavirus have, however, continued working outside their homes. Whether this is because they enjoy their work, because they (rightly or wrongly) do not perceive themselves to be at high risk or because they cannot afford to not work is an important unknown.
- 5 Concerns about job security are prevalent and not restricted to those who are on paid or unpaid leave. Among those in employment, 18% were somewhat worried about their job security, while 5% were very or extremely worried.

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- 6 Those aged 54–59 are more worried about their job security than those at older ages. Those with a health condition or disability that limits the amount or type of work they can do are also particularly concerned, and may be one group worthy of particular attention.
- 7 One in eight (13%) of older workers have changed their retirement plans as a result of the pandemic, with 8% planning to retire later and 5% planning to retire earlier. This shows that timing of retirement is an important means of adjusting to financial shocks for some older workers, but it also illustrates how disruptive this crisis has been to major life plans. As individuals are affected by the current crisis in different ways, we would expect some individuals to plan to retire earlier and others to plan to retire later as a result.
- 8 Those currently on paid/unpaid leave are more likely than others to now be planning to retire earlier (5 percentage points more likely than those working not from home). This could be concerning if it represents individuals expecting to enter retirement earlier than they would like because they are discouraged about their prospects of finding new work. Those with more wealth are also more likely than those with less wealth to be planning to retire earlier as a result of the pandemic.
- 9 The effect of stock market falls on pension wealth is one driver of later retirement plans: those with defined contribution (DC) pensions who reported a fall in their wealth are 6 percentage points more likely to be planning to retire later as a result of the pandemic than those with no DC pension wealth. Those working from home are 5 percentage points more likely than other workers to now be planning to retire later, which could suggest changes to working practices are making it easier or more appealing for older people to stay in work.

1. Introduction

The coronavirus pandemic is a crisis that has hit lots of different groups in lots of different ways. Those at advanced ages are at significant health risk (Public Health England, 2020), those at school have seen their education severely disrupted, and those entering the labour market this year face a very challenging start to their careers (Costa Dias, Joyce and Keiller, 2020). Another group that is at risk of being hit particularly hard is older workers.

Research early in the crisis (Joyce and Xu, 2020) highlighted that UK workers aged 25 or younger were most likely to be working in shutdown sectors (such as hospitality, non-essential retail, passenger transport), but the second largest proportion of employees in shutdown sectors was among employees aged 65 or older. Individuals aged 55–64 were also just as likely to be working in the shutdown sectors as those aged 35–54. It remains to be seen how this crisis will pan out over the coming months, and what will be the extent of the unemployment shock facing the workforce. However, even if older workers are no more likely to be made unemployed than other workers, the consequences could still be more severe.

Previous research has found that older workers in the US took longer, and were less likely, to return to work than younger workers following unemployment during the Great Recession (where the rise in unemployment was greater than in the UK) and that they experienced steeper wage losses (Johnson and Butrica, 2012). Research has also highlighted the substantial and persistent negative effects of job loss at older ages on subsequent employment (Chan and Stevens, 2001; Coile, Levine and McKnight, 2014), and the severe and even more persistent financial consequences (Heisig and Radl, 2017).

It is difficult to identify exactly the reasons why older workers are less likely to return to the labour market, and why those who do find it harder to replace their previous level of earnings. However, concerns include the obstacles of retraining (with older workers often having different formal qualifications to younger workers and more firm- or role-specific knowledge and skills), the difficulty of finding new

positions with flexible working arrangements, age discrimination in hiring practices, and individuals themselves being too discouraged to actively seek work.

Being unexpectedly out of work, or on lower wages, in the years leading up to retirement can have obvious implications for retirement resources. Individuals may not be able to save as they were intending, and may even be forced to start drawing on their accumulated savings sooner than planned if they bring forward their retirement. These difficulties could be exacerbated in the current crisis for those with pension savings held in equities, as they will have seen the value of their retirement saving fall in the wake of market turmoil (Crawford and Karjalainen, 2020). Those close to retirement may not be able to simply wait for fund values to recover before drawing on their savings, as younger individuals can – leaving them with the choices of saving more, retiring later or having lower income in retirement.

It should also be stressed that the consequences of job loss are not all financial. There are significant health costs of unemployment at any time, and while many older workers may withdraw from the labour market and retire, this should not be viewed as costless. Previous literature has demonstrated the negative effects of job loss and involuntary retirement on physical and mental health (Gallo et al., 2000; Mandal and Roe, 2008; Riumallo-Herl et al., 2014).

How older workers are faring in this ongoing crisis is therefore of great concern. While for some their proximity to retirement might limit the extent that they are adversely affected by the crisis, for many others it will be a danger – leaving them at risk of substantially lower earnings, and reduced accumulated pension wealth, over a period when they were planning to prepare financially and emotionally for retirement. Targeted policy action may well be needed to ensure that these individuals do not experience severe and very persistent financial and mental health consequences from this crisis.

Some evidence is starting to emerge on how older workers in the UK have been affected by the pandemic so far. Recent research has highlighted the increase in the number of older adults seeking unemployment benefits, the proportion of older workers on furlough, and concerns about persistency of unemployment at older ages (Ageing Better, 2020). In the US, research has highlighted an increase in retirement rates among older workers since the start of the pandemic (Coibion, Gorodnichenko and Weber, 2020).

In this briefing note, we contribute important evidence on this topic in three respects. First, in Section 2, we examine how the economic activity of individuals with different characteristics has been affected by the pandemic. This enables greater understanding of, for example, the role of individuals' health in changes in work activity, and how well individuals may be able to weather unemployment shocks. Second, in Section 3, we examine individuals' expectations about work in the future and their worries about job security, again documenting how this varies across different types of people. This allows us to highlight groups who feel particularly vulnerable and who may therefore be of greater concern. Finally, in Section 4, we document changes in individuals' retirement plans so far and we seek to understand the drivers of these changes.

The data we draw on come from the English Longitudinal Study of Ageing (ELSA) COVID-19 study, which was conducted in June–July 2020. The survey collected data from nearly 6,000 existing members of the ELSA panel survey, who have been interviewed every two years for up to the last 18 years. Combining data from the new COVID-19 questionnaire with existing information on respondents from the 2018–19 ELSA interviews enables a detailed examination of how older workers have been affected by the crisis, and how the effects vary depending on their wealth, health and wider circumstances.¹

¹ For further information on the ELSA Covid-19 survey, see Addario et al. (2020).

2. Work activities

The proportion of older individuals engaged in paid work has been increasing for many years, driven in particular since 2010 by increases in the state pension age (see Department for Work and Pensions, 2019). Around 70% of ELSA respondents aged 54–65 reported that they were working immediately before the coronavirus crisis, while 13% were retired, 4% unemployed, 8% permanently sick or disabled and 5% looking after home or family. (The equivalent figures for those aged 66 and older are 11%, 86%, 1%, 2% and 1%, respectively, which do not sum to 100 due to rounding.)

Changes in work activities

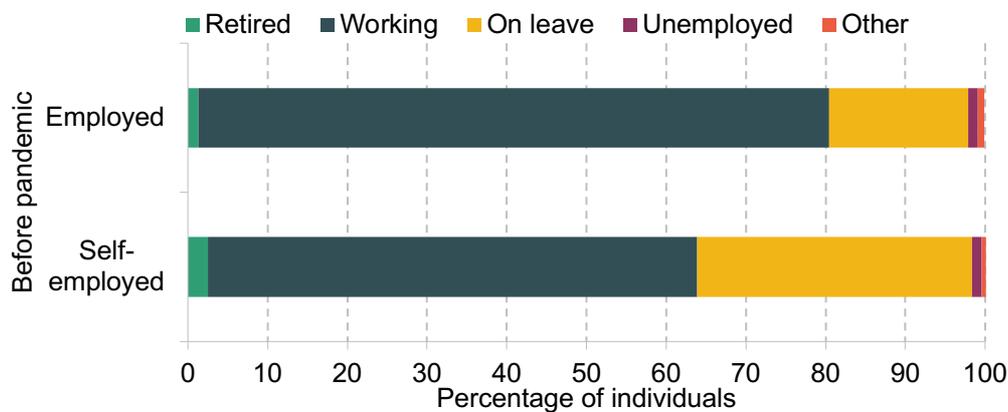
Figure 2.1 describes the self-reported status in June–July for those who reported that they were employed or self-employed immediately before the crisis. Among those employed before the pandemic, 17% were on paid or unpaid leave when interviewed.² In virtually all cases, this was paid leave – most likely through the government-supported furlough scheme³ – with just over half (59%) reporting being paid 80% of their previous salary and 29% reporting being on full pay. Very few individuals were unemployed, with the government-supported furlough scheme having protected employment in the short term. One-third of those who were self-employed before the pandemic were not currently working when interviewed.

² This is lower than the 25% of jobs involving an older person estimated to be furloughed by the Office for National Statistics (ONS, 2020a).

³ In March 2020, the government introduced a new furlough scheme – officially called the Coronavirus Job Retention Scheme – to help employers pay their workers. Instead of laying off workers, if employers kept them on payroll by placing them on furlough (temporary leave), the government would pay 80% of their salary, up to £2,500 per month. Employers could choose to continue to pay their staff a higher proportion of their usual salary, but at their own cost.

It is not only those who are now on paid or unpaid leave, or who are not currently working, whose employment has been affected by the coronavirus crisis. Among those still working as employees, around one in five (21%) were working fewer hours than before the crisis, while nearly one in ten (9%) were working more hours. Among the self-employed, only 27% reported that they could ‘carry on their work as normal’.

Figure 2.1. Self-reported economic activity in June–July 2020



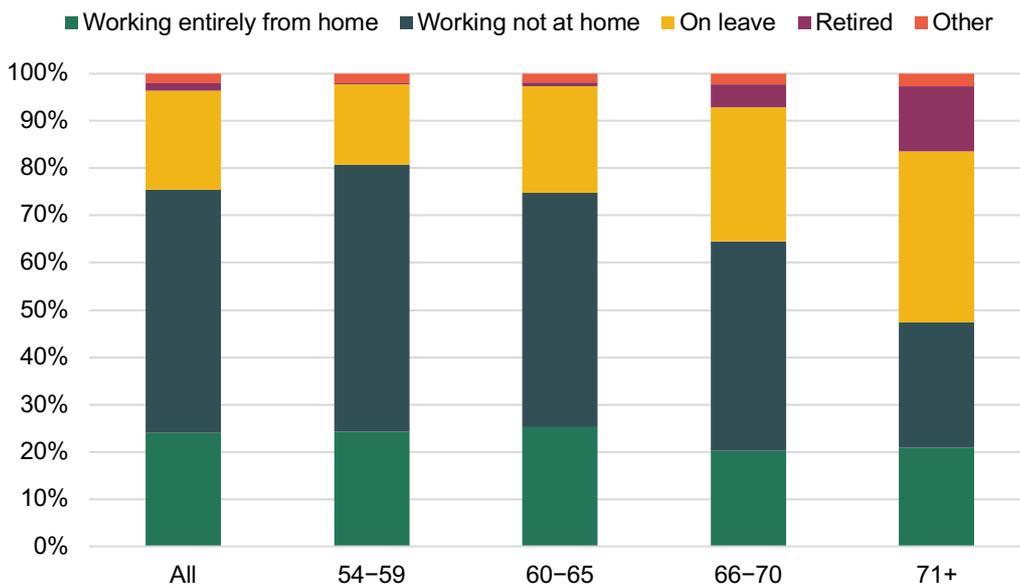
Note: Individuals who were employed or self-employed immediately before the crisis. ‘Other’ includes those permanently sick or disabled, or looking after the home. ‘On leave’ includes employees who are on paid or unpaid leave and the self-employed who report not currently working.

Work activity and age

Figure 2.2 describes the work status in June–July 2020, among those who were employed or self-employed immediately before the crisis, for different age groups. Consistent with other research (Gustafsson, 2020), the proportion of individuals ‘on leave’ (i.e. on paid or unpaid leave from employment, or self-employed and not currently working) is increasing with age – 28% of those aged 66–70 were on leave compared to 17% of those aged 54–59. However, this figure does reveal that a significant minority of those working immediately before the crisis reported being retired by June–July: 5% of those aged 66–70 and 14% of those aged 71 and older. While some of these individuals may have been planning to retire around now anyway, this is not true of all. Robust analysis is inhibited by small sample sizes, but among the 41 individuals who have retired since the start of the crisis, only half reported that they left work because they were ‘planning to retire around now’

anyway’. This is evidence that the current crisis has already caused some individuals to alter their retirement plans. It will be important to monitor how this evolves as the furlough scheme ends and an increasing number of older workers are faced with unemployment.

Figure 2.2. Work status (for those working before the crisis), by age



Note: Those working immediately before the crisis only. ‘Other’ includes unemployed, permanently sick or disabled, and looking after home or family. ‘On leave’ includes employees who are on paid or unpaid leave and the self-employed who report not currently working.

Work activity and financial situation

Several studies have highlighted that it is those in higher paid occupations that are better able to work from home, and are less affected by the shutdowns associated with physical distancing requirements (Gardiner and Slaughter, 2020; Davenport and Levell, 2020). Table 2.1 shows how the changes in work status and hours vary with household income and wealth (where individuals are divided into five roughly equal groups according to their total household income or wealth, adjusted for household size). There are a number of important patterns.

Table 2.1. Work status (for those working before the crisis), by income and wealth

	Status in June–July (% of individuals)				Change in hours* (% of individuals)	
	Working entirely from home	Working not at home	On leave	Retired	Reduced hours	Increased hours
Least wealthy	15.9	61.7	18.6	0.7	19.7	7.8
2	17.1	58.9	20.5	1.7	23.4	5.3
3	23.4	49	25	1.2	15.3	11.2
4	29.5	43.8	21.3	2.6	23.6	10.9
Wealthiest	35.3	40.9	20.8	2.1	18.5	10.4
Lowest income	16.6	49.1	28.8	2.1	19.5	5.1
2	19.4	57.7	18.8	2	17.3	5.3
3	18.2	58	20.5	0.9	20.2	7.9
4	29	49.3	18.8	1.4	19.8	8.7
Highest income	37.6	40.9	19	1.7	24.2	17.9

Note: Individuals in paid work immediately prior to the crisis only. 'On leave' includes employees who are on paid or unpaid leave and the self-employed not currently working.

*Change in hours is for employees only. Income is equivalised total household income in 2018–19. Wealth is total household net financial wealth per person.

First, individuals in higher income households, and individuals in higher wealth households, are most likely to be working from home (for example, 35% of individuals in the top fifth of the wealth distribution were working from home, compared with 16% of individuals in the least wealthy fifth of workers).

Second, while it is workers with the lowest household incomes who are most likely to be on leave, even among the richest fifth of individuals 19% were on paid or unpaid leave or were self-employed but not currently working. There is less evidence of an association between wealth and the proportion of individuals who are on leave.

Finally, there is little clear pattern between income or wealth and the proportion of individuals who have reduced hours. However, those with the highest household incomes were much more likely to have increased in their hours of work.

Health and work

For older workers, the protection of their own health is a more important consideration than it is for younger workers. Older workers are more likely to have pre-existing health conditions that leave them at greater risk of severe illness from COVID-19. Furthermore, ONS analysis (ONS, 2020b) suggests that workers aged 55 and older are as likely as those under 55 to work in occupations with the highest risk of exposure to COVID-19, and are over-represented in some occupations such as care escorts and ambulance staff (excluding paramedics).

The rich health data collected by ELSA every two years enable us to identify those who are ‘clinically vulnerable’ (i.e. those at higher risk of severe illness).⁴ Respondents are also asked whether they have been advised that they are at risk of severe illness if they catch COVID-19 and that they should self-isolate. Those who reported that they have been advised in this way we define as ‘extremely clinically vulnerable’.

⁴ This includes those aged 70 or older, and those under 70 with an underlying health condition that is included in the list recommended for a flu jab each year: those with chronic mild to moderate respiratory diseases, chronic heart disease, chronic kidney disease, chronic liver disease, chronic neurological conditions, diabetes, a weakened immune system, or those who are seriously overweight.

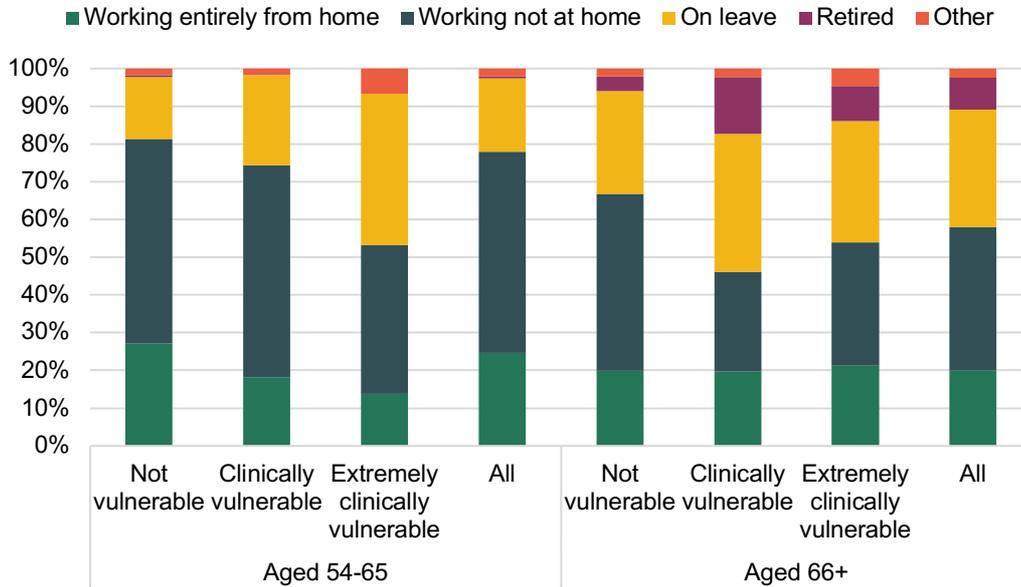
Among those aged 54–65, 69% of the clinically vulnerable and 44% of the extremely clinically vulnerable were working (employed or self-employed) immediately before the coronavirus crisis (compared with 70% of all 54–65 year olds). Among those aged 66 and older, 7% of the clinically vulnerable and 6% of the extremely clinically vulnerable were working, compared with 10% of all those aged 66 and older.

Figure 2.3 shows the economic activity in June–July for those who were working before the crisis. Those at higher risk of severe illness were now more likely to be ‘on leave’ (on paid or unpaid leave from employment, or self-employed but not currently working) – this was reported by 24% of clinically vulnerable people aged 54–65 compared with 16% of people of the same age who were not vulnerable. However, it is striking that around half those who were working before the crisis and who are clinically vulnerable are still working outside their homes. There is only a small sample of such individuals in the data (82), which limits robust detailed analysis, but many of these individuals are key workers (64%), and over one in four (26%) thought that their work, as it is currently conducted, involves a high risk of infection from COVID-19. It is an important unknown whether those who are clinically vulnerable have continued to work – and, in particular, to work outside their homes – because they enjoy their work, because they (rightly or wrongly) do not perceive themselves to be at high risk, or because they cannot afford not to work.

Among those aged 66 and older, a greater proportion of clinically vulnerable people are now on leave (37%), though over a quarter (26%) still continue to work outside their homes. A sizeable group of these clinically vulnerable people (15%) report that they are now retired – suggesting that they have now more permanently withdrawn from the labour market. While some will have been planning to retire around now anyway, this is not true of all, and this ‘unplanned’ retirement could have detrimental effects on the quality of life of these individuals, which could persist beyond the pandemic.

It remains to be seen how the work status of clinically vulnerable people will change as the prevalence of COVID-19 in the population evolves, and as the government-supported furlough scheme comes to an end. At that point, there may be greater pressure from employers for employees to return to work, and there will be greater financial consequences for those who do not return to work.

Figure 2.3. Work status (for those working before the crisis), by clinical vulnerability



Note: Those working immediately before the crisis only. 'Other' includes unemployed, permanently sick or disabled, and looking after home or family. 'On leave' includes employees who are on paid or unpaid leave and the self-employed who report not currently working. Values for the 'extremely clinically vulnerable' should be treated with caution due to small sample sizes.

Around half of the clinically vulnerable or extremely clinically vulnerable employees who were on leave in June–July reported that at least one of the reasons why they stopped work was because they were laid off or that their employer closed. Among all older workers who were on leave, for nearly one in six (16%) the only reason(s) they gave were that they were advised to self-isolate or that they were worried about their health – in other words, they were not required to stop working by their employer.

If clinically vulnerable people are put in a position of having to choose for themselves whether or not to continue working, and having to bear the financial consequences of that choice, while also being concerned for their own health, this could be a very difficult choice indeed.

3. Work expectations

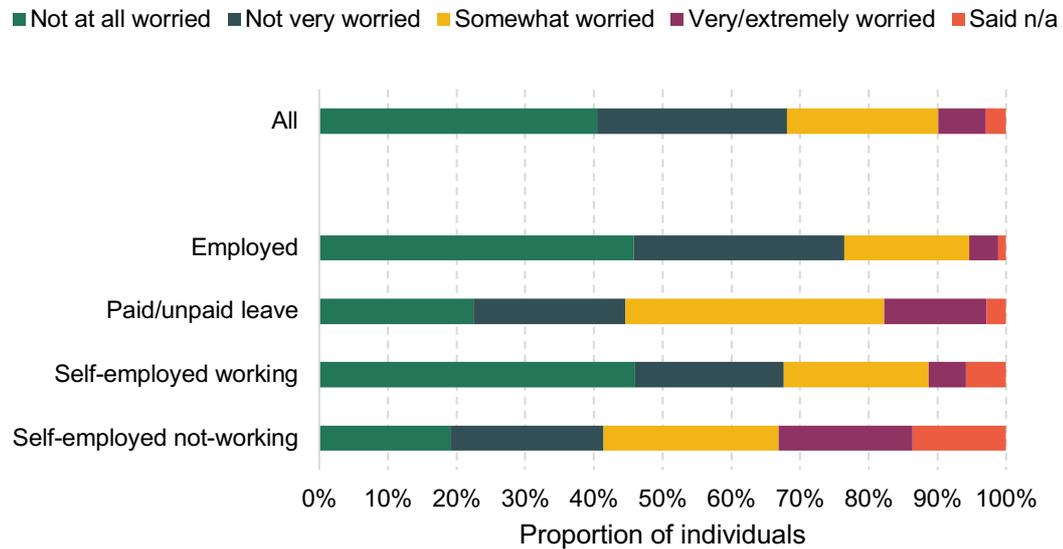
The economic turmoil caused by the pandemic and physical distancing policies is likely to affect how worried people are about their job security, both those on furlough as well as those still working.

Workers who reported being on paid or unpaid leave were asked to assess how likely they think it is that they will be able to return to their previous employment. Not all of these older workers were optimistic about the likelihood of returning: while 41% thought this was very likely and 43% thought it was fairly likely, 9% thought it not very likely and 6% thought it was not at all likely.

More general concerns about job security are prevalent and not restricted to those who are on paid or unpaid leave. Among those in employment, 18% were somewhat worried about their job security, while 5% were very or extremely worried. This is shown in Figure 3.1. The figures for the self-employed are harder to interpret, as many self-employed reported the question as being ‘not applicable’, but many self-employed who were currently working answered that they were somewhat (or more) worried.

How worried an individual is about their job security likely reflects both the extent to which they feel they are vulnerable to losing their job in the future and how concerned they are about the consequences of that for them. Both of these will vary across individuals, depending on their employment and wider circumstances.

Figure 3.1. How worried, if at all, are respondents about job security?



Note: Excludes individuals who are not currently either employed, on paid/unpaid leave or self-employed.

The estimated association between employees' characteristics and the probability of being at least 'somewhat worried' about their job security is shown in Figure 3.2.⁵ These associations are estimated using a multivariate linear probability model so that for each characteristic the association is estimated holding all other factors constant.⁶

For each characteristic, the estimated effect on the probability of being worried is shown relative to a reference group labelled 'ref'. For example, those currently on paid or unpaid leave are 24 percentage points more likely to be worried about their

⁵ The simple proportion of individuals with each characteristic who are worried about their future job security is provided in Figure A.1 in the Appendix.

⁶ In other words, the positive association between, for example, clinical vulnerability and the probability of being worried is over and above that which arises from a positive association between clinical vulnerability and the probability of being on leave combined with a positive association between being on leave and the probability of being worried about job security.

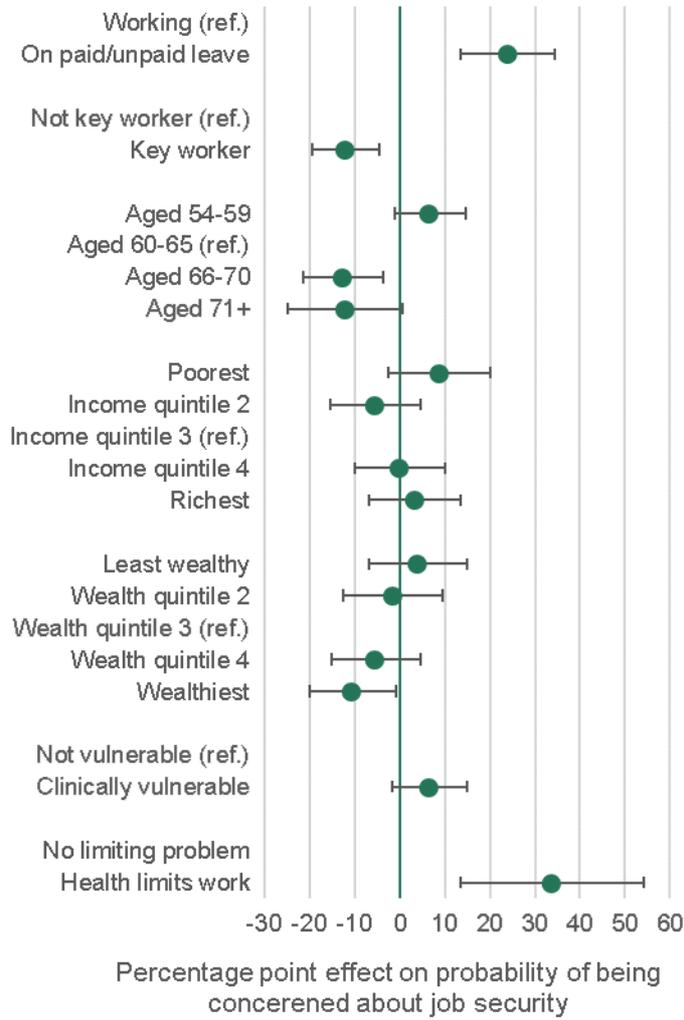
job security than those still currently working. This is likely driven by the greater unemployment risk facing this group. The probability that key workers are worried about their job security is 12 percentage points lower than among other employees.

In terms of individual characteristics, older individuals have a lower probability of being worried about job security than younger individuals (those aged 66–70 are around 19 percentage points less likely to be worried than those aged 54–59). This age gradient is interesting, suggesting that while there might be concern that those made unemployed closer to the state pension age could find it harder to find another job, it is actually older workers aged 54–59 who are most worried – perhaps because an unemployment shock could affect them for more years before their planned retirement than would be the case for those closer to retirement.

There is no significant difference between men and women, between those with different levels of education, or between those in couples and single individuals (not shown in Figure 3.2). There is little correlation between individuals' household income and concern about job security, but there is a significant wealth gradient: the wealthiest fifth of employees are 14 percentage points less likely to be worried than the least wealthy fifth. This could be driven by those with higher levels of wealth having greater ability to weather any financial consequences of job loss.

Finally, while there is no significant difference in levels of concern between those who are clinically vulnerable and those who are not, there is a big difference between those who reported in 2018–19 having a health problem or disability that limited the amount or type of paid work that they could do and those that did not. Those with such a condition are 34 percentage points more likely to be worried about their job security than those without (though there is a high degree of uncertainty around this estimate due to small sample sizes). We cannot unpick the drivers of this – whether these individuals are more worried about losing their jobs, more worried about how they would deal with a spell of unemployment, or more worried about how long it would take them to find another job – but it does highlight that those with health conditions or disabilities that limit the work they can do are one group that is potentially at greater economic risk in the current recession.

Figure 3.2. Estimated association of individual characteristics with concern about job security



Note: Those who are currently employees or on paid or unpaid leave only. Marginal effects from a linear probability model that additionally control for gender, education and whether part of a couple. Bars indicate 95% confidence intervals.

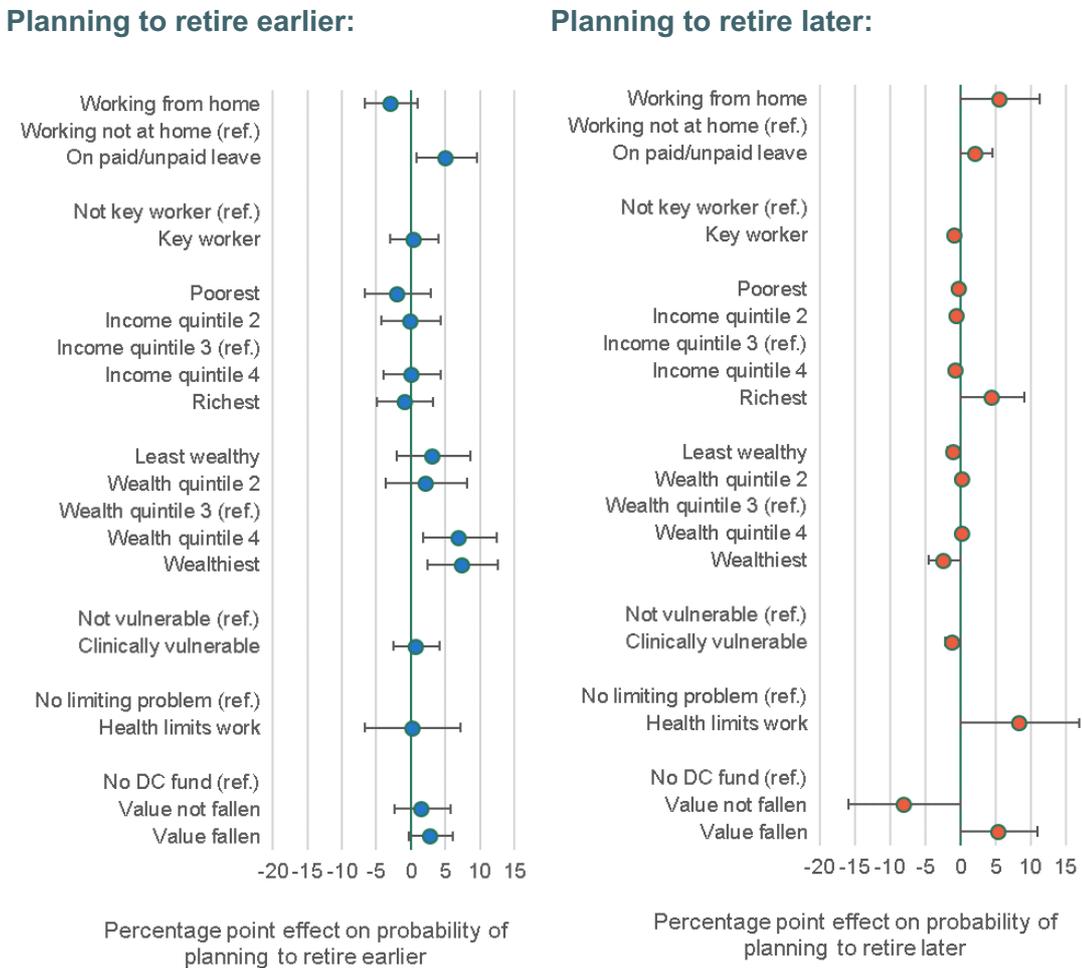
4. Retirement plans

The proximity of older workers to retirement means that some could find their retirement plans affected by the pandemic. Those who have had to stop working protect their own health may choose not to plan to return, given uncertainty around how long the virus may remain in circulation. Those who lose their jobs may struggle to find work, or be discouraged from seeking new employment, and instead choose to retire earlier than they would otherwise have done. Some may plan to work for longer and retire later – such as those who have experienced a financial hit to their wealth or pension funds, or those who are finding new remote ways of working more convenient. As with many aspects of this pandemic, how people are affected and how they choose to respond could be incredibly varied.

At the time of the ELSA Covid-19 Study in June–July 2020, 13% of older workers reported that they have changed the age at which they plan to retire a result of the pandemic: 8% are planning to retire later and 5% are planning to retire earlier. These proportions could well change as the government-supported furlough scheme ends and unemployment rates increase, and as individuals have longer to adjust their expectations in light of the persistence of the pandemic.

Figure 4.1 presents the results of analysis examining the association between individual characteristics/circumstances and the probability that individuals are now planning to retire earlier or later as a result of the pandemic. These associations are estimated using a multivariate multinomial probit model so that for each characteristic the association is estimated holding all other factors constant. (The simple proportions of individuals with each characteristic who are now planning to retire earlier or later as a result of the pandemic are provided in Figure A.2 in the Appendix.) For each characteristic, the estimated effect on the probability of being worried is shown relative to a reference group labelled ‘ref’.

Figure 4.1. Estimated association of characteristics with retirement plans



Note: Those in paid work immediately before the crisis only. Marginal effects are from a multinomial probit model with three outcomes: now planning to retire earlier, now planning to retire later, and no change. Specification additionally controls for age, gender and education, and whether an individual is in a couple. Bars indicate 95% confidence intervals.

Those currently on paid or unpaid leave are more likely to be now planning to retire earlier than those currently working: 5 percentage points more likely than those who are working not entirely at home. This suggests that some of those facing an unemployment shock are already planning not to return to work. We cannot say whether this is because their preferences for leisure have changed, because they are concerned about potential exposure to COVID-19 at work, or because they are discouraged about their chances of finding new employment.

Those working entirely from home are around 6 percentage points more likely to be now planning to retire later as a result of the pandemic than those working outside the home. This suggests that changes to work arrangements have altered the retirement plans of some individuals.

In terms of financial resources, there is little association between income and the probability that an individual is now planning to retire earlier, but those with the highest incomes are nearly 5 percentage points more likely to be now planning to retire later. While it is not obvious what the drivers of this are, this could be related to the greater proportion of the highest income individuals who are working more hours than they were immediately before the crisis. Household wealth is not associated with the probability that individuals are planning to retire later, but those with the higher levels of wealth do appear to be more likely to be planning to retire earlier – particularly compared with those in the middle of the wealth distribution.

Perhaps surprisingly, there is little difference in the change in retirement plans between those who are clinically vulnerable or extremely clinically vulnerable and those who are not. However, it is worth noting that the retirement plans we document are only for those who are currently employees (either working or on paid/unpaid leave). As shown in Figure 2.3, a significant proportion of those aged 66 and older, who are clinically vulnerable, report that they are now retired. It could therefore be that those who are clinically vulnerable and are planning to retire earlier as a result of the pandemic have already retired. It is also striking that those with a health condition or disability that limits the amount or type of work they can do are nearly 8 percentage points more likely to now be planning to retire later than those without such a condition (though this is quite imprecisely estimated due to small sample sizes). This is perhaps surprising, given that Figure 3.2 revealed that these individuals are also, on average, more worried about their job security, but it further marks this group as one of potential concern.

Finally, the other group that is significantly more likely to be planning to retire later as a result of the pandemic is those with defined contribution pension funds (in 2018–19) who reported in June–July that the value of their accumulated pension had declined since before the pandemic.⁷ These individuals (all else equal) are estimated to have a 5 percentage point greater probability of now planning to retire later than those without any defined contribution pension saving. This highlights that the work decisions of older workers over the coming years are an area of interest not just in terms of who has lost jobs, and how have they dealt with that unemployment shock, but also because some older individuals will need to work longer in order to postpone retirement at a time when asset prices are low, to increase their retirement savings, or to reduce the years of retirement they need to finance given negative wealth shocks. The ability of these individuals to work longer will be crucial for their future living standards in retirement.

⁷ It is worth noting that it might not be all individuals who have a defined contribution pension that have been adversely affected – merely those who were aware enough of market fluctuations and the exposure of their pension saving to know that the value had declined.

5. Conclusion

Given the nature of the current crisis, many different groups are going to be badly affected, though all in different ways and for different reasons. Older workers are a group of people who are at risk of suffering serious and persistent consequences from the pandemic. Those who have lost their jobs, or will do so when the government-supported furlough scheme ends by November, may find it hard to get back into work or to find work on similar terms to those they previously enjoyed. Some vulnerable people may face a difficult choice between going out to work, and protecting their own health. These unemployment shocks could have severe implications for individuals' retirement saving and therefore very long-term effects on their living standards in retirement. Furthermore, those entering into an early retirement could suffer the adverse health implications previously found to be associated with job loss and involuntary retirement.

The research presented in this briefing note has shown that older individuals – no doubt in common with many others – are concerned about their future job security. This is particularly true of those currently on leave, those aged 54–59, and those with a health condition or disability that limits the amount or type of work they can do.

There is already evidence that some individuals have retired earlier than they previously planned as a result of the pandemic, particularly those who are above the state pension age and who are clinically vulnerable. Some 5% of older workers also report that they are now planning to retire earlier as a result of the pandemic, with this particularly being the case for those currently on leave and those with higher levels of wealth. If this is because of changing preferences after a spell out of the labour force, then policymakers need not necessarily be concerned. However, for some individuals, it may be because they are discouraged from seeking new work rather than because they want to retire per se.

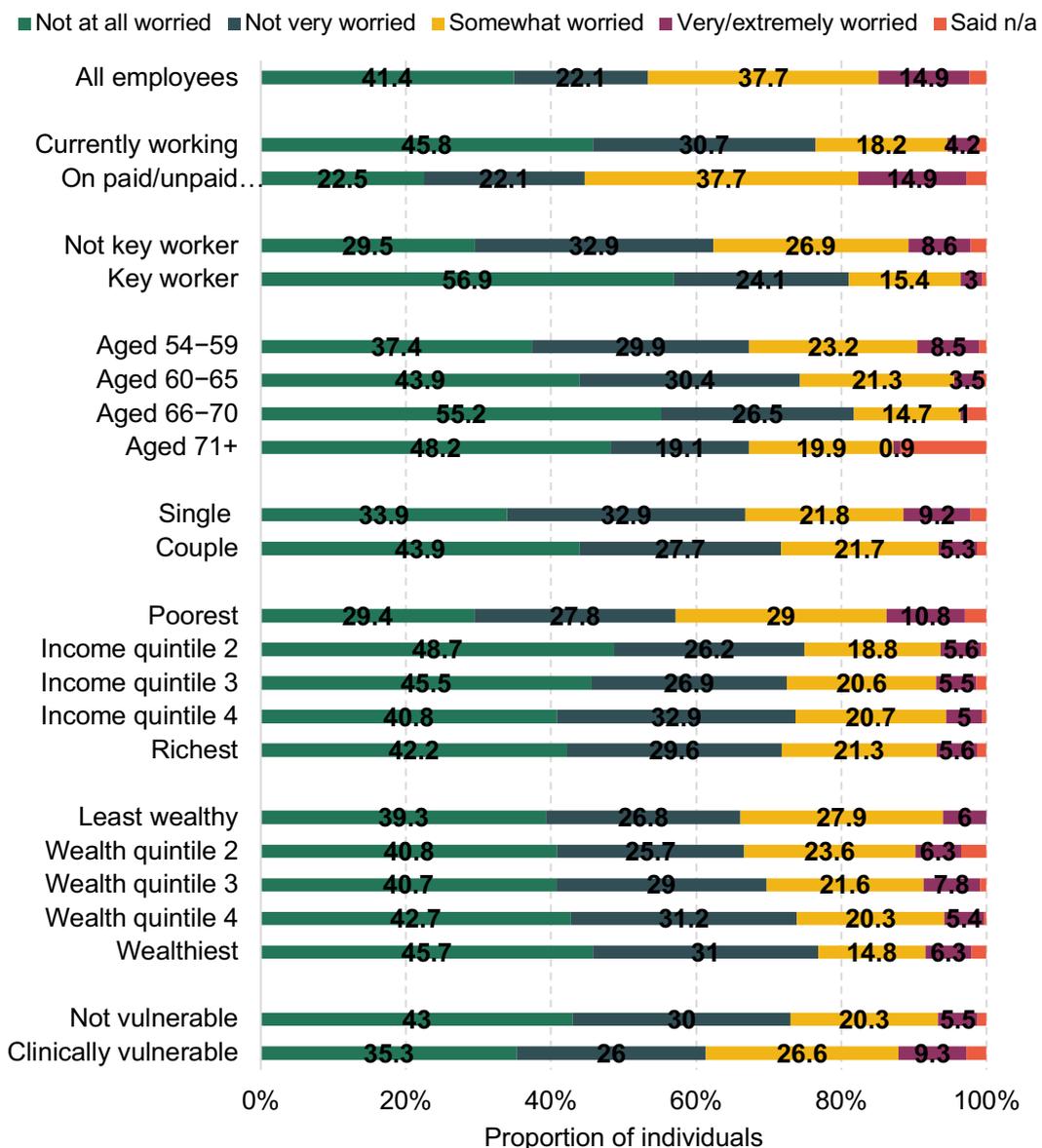
Alternatively, some individuals now plan to retire later than they were previously planning – most notably those who have experienced hits to their defined contribution pension wealth. This reiterates that it is not just labour market shocks

that are important for the work decisions of older individuals, but wealth shocks as well. Those approaching retirement do not necessarily have the luxury of time to wait for their retirement assets to recover in value, and they may need to change their saving behaviour or retirement plans if they want to avoid a lower income in retirement.

Going forwards, the government will need to pay close attention to the evolution of the labour market, and one area of focus should be how older adults are faring. In particular, it will be important to monitor how quickly older workers return to work following unemployment and how many move into retirement, and the extent to which both of these outcomes are driven by concerns about health, or difficulties securing new jobs. Targeted policy action may be required to help older individuals respond to unemployment shocks, and to prevent the crisis having very persistent adverse effects on employment rates and earnings. While these individuals are closer to retirement than younger workers, and therefore have fewer years of working life remaining that will be affected by the consequences of the pandemic, these years could be crucial if individuals are to secure the living standards in retirement that they had been planning on.

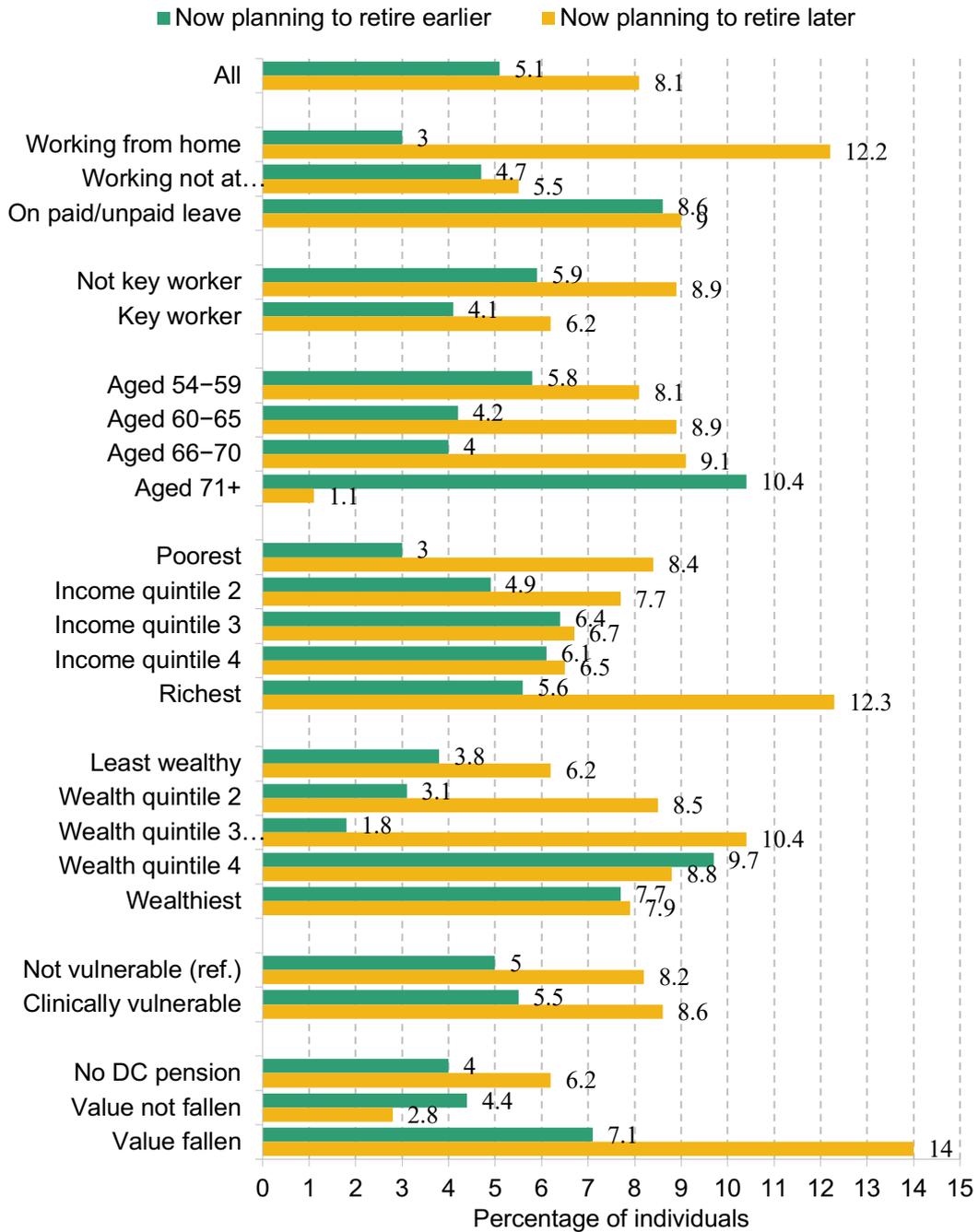
Appendix

Figure A.1. How worried, if at all, are respondents about their job security, by individual characteristics?



Note: Those who are currently employees or on paid/unpaid leave only. Values for those with a health condition or disability that limits the amount or type of work they can do are not shown due to small sample sizes.

Figure A.2. Has the age at which respondents expect to retire changed, by individual characteristics?



Note: Individuals in paid work immediately before the crisis only. Values for those with a health condition or disability that limits the amount or type of work they can do are not shown due to small sample sizes.

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