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12 Did the pandemic change retirement trends?

Key points

– The average retirement age increased during the pandemic. Only a few individuals reported retiring earlier than planned due to the pandemic.
– Mental health issues led to earlier retirement. Working from home and receiving financial support from the government were associated with later retirement.
– Giving older workers the chance to work remotely may provide a bridge to retirement, as eliminating commuting time and allowing employees to work in a familiar environment may induce them to prolong their working life.

1 Introduction

The situation created by the measures aimed at mitigating the spread of COVID-19 (lockdowns, restrictions on movements, school closures, limitations on social contact) led to major disruptions in economic activity, and, relatedly, in the labour market (ILO, 2021, Cribb et al., 2021).

Many studies have focused specifically on the labour force participation of youth and middle-aged people. However, less attention has been paid to older individuals nearing retirement age. On the one hand, due to age discrimination in the labour market (Carlsson and Eriksson, 2019), older people faced more challenges than younger cohorts in remaining in the labour market after experiencing unemployment or job interruptions during the pandemic. Moreover, the closure of workplaces, the significant changes in working arrangements, the increased need for informal care or support within family networks, and, last but not least, the fear of contagion may have led some older individuals to change their retirement plans. On the other hand, older workers may have been disinclined to retire early because they did not want their benefits to be reduced. When we consider these factors together, it is difficult to predict the retirement responses of older workers during the pandemic. Therefore, we aim to investigate the retirement behaviour of people aged 50 or older during the pandemic.

Using data from the first and second waves of the SHARE Corona survey and additional information elicited from the regular SHARE waves, we first explore the changes in the retirement trends of individuals aged 50 or older. We then pro-

vide evidence on whether men and/or women retired earlier than planned due to the pandemic. Finally, in an econometric framework, we try to identify the main determinants of retirement during the pandemic period.

2 Method and data

In the first step of our analysis, we seek to identify the retirement patterns a few years before the pandemic and during the pandemic. For the pre-pandemic period, we exploit information about the respondents' employment status based on their answers to two questions included in Waves 6 (2015) to 8 (2019/2020). The first question asked the respondents about their current job situation ("In general, which of the following best describes your current employment situation? 1. Retired 2. Employed or self-employed (including working for family business), 3. Unemployed, 4. Permanently sick or disabled, 5. Homemaker, 97. Other (Rentier, Living off own property, Student, Doing voluntary work")). We select individuals who reported that they were employed or self-employed in the initial wave, such as Wave 6 or 7, and look at whether they reported being retired in the subsequent wave (Wave 7 or 8, respectively). The second question asked the respondents in what year they retired. To investigate the age of retirement prior to the pandemic, we restrict the sample to individuals who retired from 2016 to 2018. For the pandemic period, we exploit data from Wave 8 and the Corona survey 2 (June-August 2021): among individuals who reported that they were employed or self-employed in Wave 8, we select those who declared that they had retired after the outbreak of COVID-19 (the precise question was: "Did you retire after the outbreak of the Corona?").

Table 1 illustrates the wave-by-wave transitions from the respondents' initial job situation of "employed or self-employed (i.e., working)" to their final job situation of "retired". About 13% of individuals who were working in Wave 6 indicated that they had retired in Wave 7 (2,014), while about 22.6% reported that they had retired from Wave 7 to Wave 8. Finally, about 18.3% indicated that they had retired during the COVID-19 pandemic (i.e., from Wave 8 to the Corona survey 2).

To identify the main determinants of retirement during the pandemic, we estimate a set of linear probability models: i.e., standard OLS regressions in which the dependent variable is binary. We consider two dependent variables. We first consider the decision to retire during the pandemic. Therefore, the dependent variable equals one if the respondent retired during the pandemic, and equals zero if the individual was employed in Wave 8 but did not retire during the pandemic. We then consider the decision to leave employment during the pandemic (i.e., respondents who reported in the Corona survey 2 that they were retired, unemployed, sick

Table 1: Transitions from one wave to the following wave for individuals who were working in the initial wave.

Working	Retired		Total
	No	**Yes**	
From W6 to W7			
Yes	12,647	2,014	14,661
	86.26	13.74	100.00
From W7 to W8			
Yes	7,470	2,177	9,647
	77.43	22.57	100.00
From W8 to Corona survey 2			
Yes	4,701	1,054	5,755
	81.69	18.31	100.00

Note: The first row reports frequencies and the second row reports percentages.
Source: SHARE Waves 6–8, SHARE Corona (W1 & W2), release 8.0.0.

or disabled, a homemaker, or other, such as a rentier, living off their own property, a student, or doing voluntary work). In this case, the dependent variable equals one if the respondents reported not being employed during the pandemic after indicating in Wave 8 that they were employed, and equals zero if they reported being employed in the Corona survey 2.

Note that among the individuals who were identified above as retired or not in employment, we excluded those who left employment before the Corona survey 1 (May-August 2020), as in order to assess whether the explanatory variables affected the retirement decision, they had to be measured before retirement. Thus, the respondents either retired or left employment between the interview dates of the Corona surveys 1 and 2, while the explanatory variables are drawn from the Corona survey 1.

The explanatory variables include standard demographic characteristics, such as age and gender. We then construct three sets of key explanatory variables. Most of these variables are specific to the analysis of retirement in the pandemic period. The first set comprises the respondents' mental health conditions. We use three dummy variables to measure mental health, including *depression* (equals one if the respondents had been depressed in the last month), *sleeping trouble* (equals one if the respondents had trouble sleeping), and *felt lonely* (equals one of the respondents had felt lonely at some point in time or often). Al-

ternatively, we construct a mental health index based on the three measures of mental health mentioned above using the principal component analysis method.[1] The second set of key variables captures whether the respondents had provided care to others or had received care from others. We classify respondents as *caregivers* if they had provided personal care to others outside their home, or had helped others outside their home (e.g., parents, kids, friends, or colleagues) obtain necessities since the start of the pandemic. We define *care recipients* as individuals who had received help from others outside their household in obtaining necessities since the start of the pandemic. The third set of variables concerns working conditions and financial support, and specifically dummy variables reflecting whether the respondents a) experienced any work interruptions during the pandemic, b) worked from home, c) felt safe at their usual workplace, and d) received any additional financial support due to the COVID-19 crisis. All models include country-fixed effects and information on country-specific lockdown policies drawn from the Oxford COVID-19 Government Response Tracker data, as used by Bassoli, Brugiavini, and Ferrari (2021).

3 Results

Table 2 shows that there was an increase of about 0.77 years in the average retirement age from the pre-pandemic to the pandemic period.

Table 2: Average retirement age before and during the pandemic period.

	Mean retirement age	Sd(retirement age)	N
Pre-pandemic	63.338	3.422	4,110
Pandemic	64.100	3.745	1,106

Source: SHARE Waves 6–8, SHARE Corona (W1 & W2), release 8.0.0.

Figure 1 complements this information with data on the distribution of the retirement age before (Figure 1(a)) and during (Figure 1(b)) the pandemic period. While the differences between these two periods are not straightforward, it appears that the distribution of the retirement age during the pandemic was slightly more skewed to the right (with peaks at ages 62 to 66) than the pre-pandemic distribution was.

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1 Using a similar approach, we also tried to construct variables measuring whether the respondents' mental health problems worsened during the pandemic. These results align with the baseline results, and are available upon request.
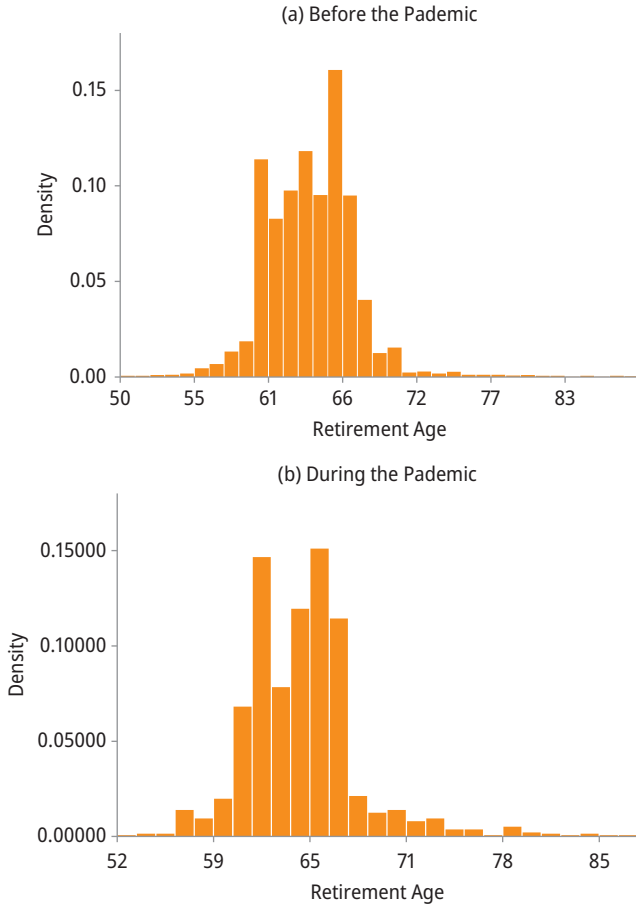
Figure 1: Distribution of the retirement age before and during the pandemic.
Source: SHARE Waves 6–8, SHARE Corona (W1 & W2), release 8.0.0.

Before the pandemic, the retirement age for men had two peaks, at age 63 and age 65; while the corresponding peaks for women were at age 60 and age 65. Figure 2 shows the distribution of the retirement age during the pandemic by gender, with a peak at around age 65 for males and a peak at age 61 for females.

Figure 3 displays the average retirement age by country, and compares the pre-pandemic and the pandemic period, as was done above. The graph shows that the average retirement age during the pandemic period increased in almost every country except for Cyprus, Italy, Malta, and Poland.

Finally, we focus on the group of retirees who retired after the start of the COVID-19 pandemic. We look at their retirement planning process: namely,
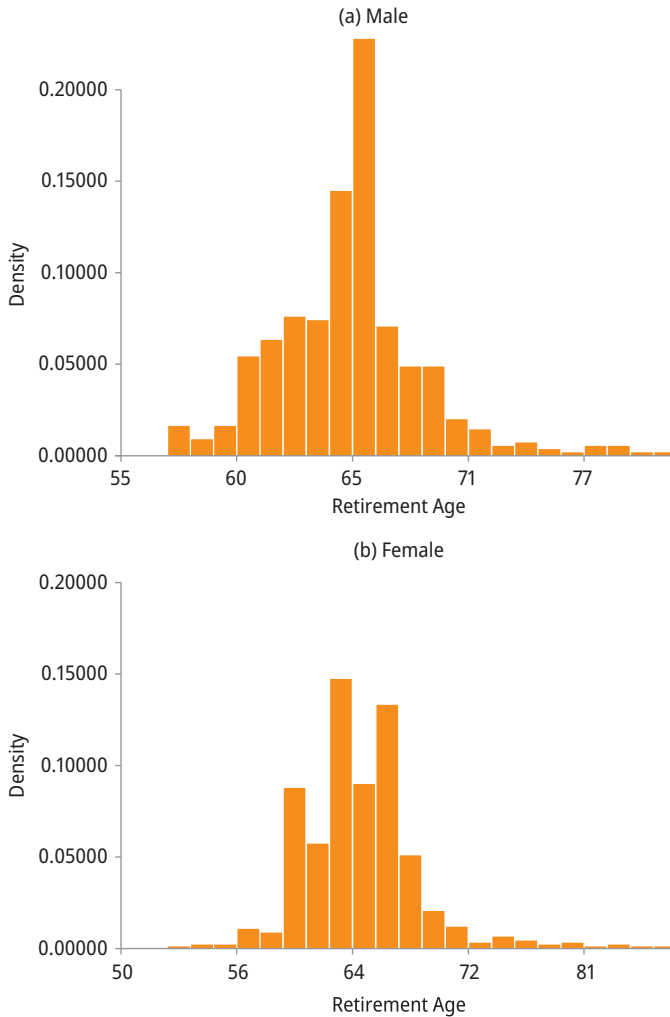
Figure 2: Distribution of the retirement age during the pandemic by gender.
Source: SHARE Waves 6–8, SHARE Corona (W1 & W2), release 8.0.0.

whether they reported that they retired earlier or later than planned, or as planned. We find that a non-negligible percentage of retirees (about 18%, or 178) reported that they retired earlier than planned. However, of these individuals, only 42% (i.e., 75 retirees) indicated that they chose to retire early because of the pandemic.

Table 3 shows results for the probability of retiring after the start of the COVID-19 pandemic. The average sample probability of retiring was equal to
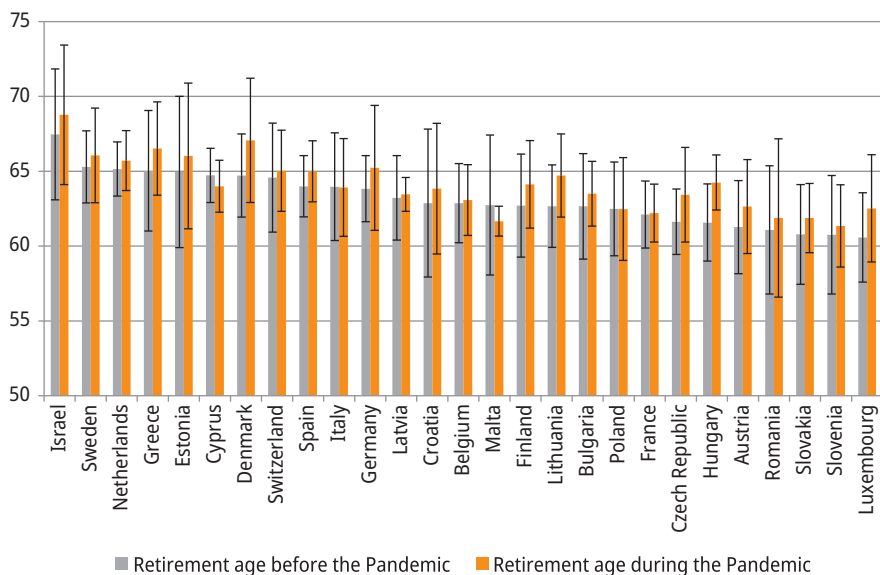
Figure 3: Average retirement age before and during the pandemic by country.
Source: SHARE Waves 6–8, SHARE Corona (W1 & W2), release 8.0.0.

14.35%. We present seven specifications, each of which includes a set of explanatory variables (roughly the three groups of key variables explained above). The last column includes all but one explanatory variable. As expected, we find that being older or female was associated with a higher probability of retiring. Column 1 and especially column 2 suggest that having been in worse mental health before the pandemic was also positively related to retirement. The working conditions and financial support variables – shown in columns 4 to 6 – provide the most interesting findings: working from home (instead of at the workplace) reduced the probability of retiring by two percentage points; while receiving financial support (mainly from the government, as only a few individuals reported receiving support from relatives or friends) reduced the probability of retiring by more than three percentage points. Being a caregiver/recipient is not shown to be related to the decision to retire early; see column 3. The results are unchanged when we pool all the explanatory variables together, except for the financial support variable, which is no longer statistically significant; see column 7.

Table 4 shows the results for the probability of leaving employment – i.e., by retiring, becoming unemployed, becoming permanently sick or disabled, becoming a homemaker, or other conditions – after the start of the COVID-19 pandemic. The average sample probability of leaving employment was equal to 21.15%. The

results are qualitatively similar to – although stronger than – the results displayed in Table 3 regarding age, gender, and mental health. However, it appears that the probability of leaving employment was more affected by the working conditions and financial support variables than by the probability of retiring, as reported in Table 3. Having experienced work interruptions during the pandemic was associated with an increase in the probability of leaving the labour force (and especially of becoming unemployed) of more than five percentage points (this estimate was significant at the 1% significance level). Working from home instead of at the workplace reduced the probability of leaving employment by about four percentage points; a figure that was more than double that found in Table 3. Feeling safe in the workplace during the pandemic was a critical determinant of the decision to remain in employment; whereas this result was not significant in Table 3. Finally, the importance of receiving financial support from the government during the pandemic in the decision to keep working was confirmed.

Table 3: Factors associated with the probability of retiring after the outbreak of COVID-19.

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Age	0.023***	0.023***	0.023***	0.020***	0.021***	0.023***	0.020***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Female	0.029***	0.029***	0.032***	0.019**	0.020*	0.032***	0.018**
	(0.009)	(0.009)	(0.009)	(0.009)	(0.011)	(0.009)	(0.009)
Mental health conditions							
Depression	−0.003						−0.003
	(0.012)						(0.013)
Sleeping trouble	0.026**						0.026**
	(0.012)						(0.012)
Felt lonely	0.009						−0.011
	(0.012)						(0.012)
Mental health index		0.008*					
		(0.004)					
Whether provide/receive care							
Caregiver			−0.011				−0.007
			(0.010)				(0.010)

Table 3 (continued)

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Care recipient			0.029				0.018
			(0.019)				(0.021)
Working conditions and financial support							
Interruptions				0.004			0.008
				(0.012)			(0.013)
Working from home				−0.019*			−0.020**
				(0.010)			(0.010)
Felt safe at workplace					−0.008		
					(0.017)		
Financial support						−0.032**	−0.021
						(0.013)	(0.014)
Country fixed effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lockdown policies	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	6,169	6,169	6,172	5,175	3,497	6,177	5,168
R-squared	0.155	0.155	0.155	0.121	0.136	0.154	0.123

Significance: *** $p < 1\%$; ** $p < 5\%$; * $p < 10\%$
Notes: The dependent variable is a dummy variable that equals one if the respondent retired during the pandemic, and that equals zero if the respondent was employed in Wave 8 and did not retire during the pandemic. Lockdown policies: country-specific lockdown policies using the Oxford COVID-19 Government Response Tracker data (Bassoli, Brugiavini, and Ferrari, 2021).
Source: SHARE Wave 8, SHARE Corona (W1 & W2), release 8.0.0.

Table 4: Factors associated with the probability of being out of the labour force after the outbreak of COVID-19.

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Age	0.029***	0.029***	0.029***	0.024***	0.025***	0.029***	0.024***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.002)	(0.001)	(0.001)
Female	0.024**	0.024**	0.032***	0.027**	0.024*	0.032***	0.020*
	(0.011)	(0.011)	(0.011)	(0.011)	(0.013)	(0.011)	(0.011)

Table 4 (continued)

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Mental health conditions							
Depression	0.015						0.018
	(0.016)						(0.016)
Sleeping trouble	0.060***						0.067***
	(0.015)						(0.015)
Felt lonely	0.015						0.015
	(0.015)						(0.015)
Mental health index		0.023***					
		(0.005)					
Whether provide/receive care							
Caregiver			−0.023*				−0.010
			(0.012)				(0.012)
Care recipient			0.027				−0.013
			(0.024)				(0.024)
Working conditions and financial support							
Interruptions				0.054***			0.058***
				(0.016)			(0.016)
Working from home				−0.037***			−0.037***
				(0.012)			(0.011)
Felt safe at workplace					−0.047**		
					(0.022)		
Financial support						−0.056***	−0.035**
						(0.017)	(0.017)
Country fixed effect	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lockdown policies	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Observations	5,597	5,597	5,600	4,913	3,331	5,605	4,906
R-squared	0.130	0.129	0.127	0.096	0.102	0.128	0.104

Significance: *** = 1%; ** = 5%; * = 10%
Notes: The dependent variable is a dummy that equals one if the respondent reported not being employed (retired, unemployed, sick or disabled, homemaker, or other) in the Corona survey 2 but being employed in Wave 8, and that equals zero if the respondent reported being employed. We control for country-specific lockdown policies. Lockdown policies: country-specific lockdown policies using the Oxford COVID-19 Government Response Tracker data (Bassoli, Brugiavini, and Ferrari, 2021).
Source: SHARE Wave 8, SHARE Corona (W1 & W2), release 8.0.0.

4 Conclusions

We found that the average retirement age increased during the pandemic, with similar trends for men and women. However, given that many countries have been subject to pension system reforms, it is difficult to argue that the increase in the retirement age was due to the pandemic. This increase is in line with a long-term increase in the average retirement age, as documented by Eurostat. Although we cannot say for certain whether the increase would have been higher (or lower) in the absence of the COVID-19 outbreak, we found that only a few respondents retired earlier than planned due to the pandemic.

This preliminary evidence might suggest that during the pandemic, individuals did not retire or leave employment more frequently than they did in the prepandemic period. There are several potential explanations for this pattern. First, after the pandemic started, governments implemented strict lockdown policies that primarily affected labour arrangements. Some individuals working in specific sectors and occupations were required to work from home, which facilitated the reorganisation of personnel. At the same time, individuals who held so-called "essential jobs" (such as nurses or doctors) were allowed to go to work without restrictions, and may have faced difficult work situations and a shortage of personnel. These circumstances may have prevented some of the respondents from retiring early or when planned, and may have even led them to postpone their retirement. Furthermore, since governments provided financial support to workers, these benefits may have protected employees and encouraged them to stay in the labour market.

In conclusion, our analysis is the first to show that the early retirement patterns documented in other countries during the pandemic did not occur in Europe, and that the financial support governments provided to workers might have incentivised them to stay in the labour market. Given that the ageing population will put pressure on the sustainability of the pension systems in Europe in the coming decades, policymakers should be aware that providing financial support during challenging periods is a concrete tool that can be used to encourage individuals to stay in the labour market. In non-pandemic periods, giving older workers (in specific sectors or occupations) the chance to work remotely may provide a bridge to retirement: i.e., eliminating commuting time and allowing older employees to work in a familiar environment may induce them to keep working longer.

References

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