# The COVID-19 Pandemic and Older Adults' Employment and Economic Security: Insights from Earnings and Credit Data

*Research conducted by Stephanie Moulton, Meta Brown, Donald Haurin, and Cäzilia Loibl, The Ohio State University; and Michael Collins, University of Wisconsin*
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The COVID-19 pandemic is associated with an increase in labor force exits among older adults. This study examines the relationships between this trend and older adults' economic security, with a particular focus on consumer credit and debt.

## COVID-19 Era Labor Force Exits and the Financial Vulnerability of Older Adults

The COVID-19 pandemic witnessed an increase in older adults exiting the labor force—with a reduction in labor force participation and marked increase in the share of older adults indicating being unemployed. Among adults ages 65 and older in the labor force, the unemployment rate rose from an annual average of 3% in 2019 to a peak of 16% in April 2020, with an additional 11% of households age 65 and older exiting the labor force in 2020. Yet the net effect of COVID-19 era labor force exits on older adults' economic security is unclear—reductions in consumption, increases in government benefits, and private creditor forbearances may have offset the effects of reductions in wage income. In this study, we ask three questions: *Were financially vulnerable older adults more (or less) likely to exit the labor force during the first 15 months of the COVID-19 pandemic? Did older adults' labor force exits during COVID result in more (or less) economic insecurity than exits in pre-COVID periods? How did labor force exits and indicators of financial vulnerability associate with early social security retirement claims during COVID?*

To inform these questions, we construct a unique panel dataset, combining individual-level administrative data on quarterly labor force participation, earnings, unemployment claims, and detailed credit report data for a random sample of 950,000 adults ages 50 and older in Ohio from January 2018 to June 2021. Using these panel data, we identify older adults who were working prior to the onset of the pandemic and trace their employment and credit outcomes quarterly through the end of June 2021. To net out COVID-era differences, we construct a comparison sample of older adults working in the first quarter of 2018 and follow their employment and credit outcomes quarterly through June 2019. We also aggregate the employment and credit data to the county level and merge in administrative records on Social Security retirement claims, exploiting geographic and temporal variation in labor and credit characteristics of older adults to examine heterogeneous predictors of early Social Security retirement benefit claiming by gender, race, age, and urban-rural location of residence.

## Financially Vulnerable Older Adults Were More Likely to Exit the Labor Force During COVID

COVID-19 era exits from the labor force were greater for ages 67 and older than ages 50 to 66 in the first 15 months of the COVID-19 pandemic. Older adults who exited the labor force during COVID-19 were more financially vulnerable on a number of credit and wage characteristics, lower credit scores, less access to credit, and lower wages, compared to older adults who exited the labor force in pre-COVID-19 periods. For example, while labor force exits are more frequent among with older adults with lower credit scores, the credit score indicator was nearly ten times larger after the initial onset of the pandemic in Q2 of 2020.

## COVID-Era Policies Buffered Negative Effects of Labor Exits on Credit Outcomes

COVID-19 era protections may have buffered negative spillovers to economic insecurity—at least in the short term. Exits from the labor force among older adults during COVID-19 were more likely to result in non-payment of debts than exits prior to COVID-19. However, older adults exiting the labor force were not more likely to experience severe delinquency, and their exits were associated with relatively smaller decreases in credit scores than labor force exits prior to COVID-19. At the same time, older adults exiting the labor force during COVID-19 were more likely to have mortgage, auto or personal loan debt in forbearance than those not exiting the labor force.

## Debt Levels and Credit Scores Predict COVID-Era Social Security Retirement Claims

Counties with older adults holding higher levels of non-housing debt and lower credit scores had a higher share claiming early retirement benefits during COVID-19 relative to pre-COVID-19 periods. At the same time, the association between labor force exits and early retirement benefit claiming is muted during COVID-19.

## Implications

- Financially vulnerable older adults were more likely to exit the labor force during COVID-19. While expansions of public benefits and creditor forbearances likely buffered negative effects of labor exits temporarily, it will be important to follow this group of vulnerable older adults longer term.
- Creditor forbearances on debt payments may have helped to offset the negative effects of COVID-19 era labor force exits on older adults' economic security. Forbearance policies that temporarily pause debt payments in times of distress could be considered alongside other government benefit programs to increase the economic security of financially vulnerable older adults.
- Early claiming of Social Security retirement benefits during COVID-19 appears to be more associated with indicators of financial vulnerability than labor exits. It will be important to continue to monitor the economic security of those claiming Social Security retirement benefits early during the COVID-19 pandemic, as they may be more financially vulnerable than prior cohorts.

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