

# AgingToday

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## Working longer may *not* be the solution to America's retirement crisis

By Teresa Ghilarducci

This summer, as many people headed to the national parks for vacation, many older adults headed to jobs in parks, warehouses, hospitality, food service and other low-wage industries. The August *Harpers' Magazine* cover story by Jessica Bruder profiled a widow who, at age 68, worked winters out-of-doors in Minnesota, and a 70-year-old who started working in warehouses after losing his life savings in the stock market.

Bruder also interviewed me, asking why so many older adults are in the labor pool. I told her they jump back in because “many retirees simply can't survive without some sort of paycheck ... I call it the end of retirement.”

### **Not Everyone Can Work Longer**

Americans are living longer, but that fact doesn't mean people can work longer. Washington-based proposals to raise the age at which people can collect full Social Security benefits, from ages 67 to 69, ignore the fact that longer lives aren't necessarily healthier or more productive lives. Recommending that older people work requires distinguishing between living and *healthy living*. Free from activity limitations, men can expect to live only 65 years, and women for 68. After age 68, chronic conditions begin to limit the body and mind, according to the Centers for Disease Control and Prevention (<http://goo.gl/6L1Mg4>).

And the jobs older workers have are getting worse. The *Health and Retirement Survey* from the University of Michigan (<http://hrsonline.isr.umich.edu>) shows job quality degrading for older Americans from 1992 to 2008. Jobs for older Americans have become more mentally and physically difficult as older workers lose bargaining power, evinced by falling unionization and increasing long-term unemployment rates. Older workers between ages 62 and 65 reported a 24 percent decrease from 1992 to 2007 in easy jobs—those that never require “lifting heavy loads.” A decreasing proportion of these workers, ages 62 to 65, said their job never requires “lifting heavy loads.” In 2008, 36.8 percent of such workers said their jobs never required this type of activity.

And not all physical toil involves lifting. From 1992 to 2008, the proportion of jobs requiring good eyesight increased by about 30 percent for workers ages 50 to 61, and there was a 79 percent increase in the share of jobs that require good eyesight for the oldest group (ages 62 to 65). There also has been a more than 25 percent increase in jobs that require “stooping, kneeling or crouching” “all the time.”

### Disparities in Healthy Life Spans

On average, people in their mid-60s experience limitations, but the period of healthy living, defined for our purposes as not needing help with activities of daily living, is not fairly distributed across levels of income. People at the bottom of the spectrum don't live a normal healthy human life span. Since World War II, a remarkable disparity of life expectancies among different socioeconomic groups has emerged.

Many scholars and studies document growing disparities. From 1983 to 2003, the differences in life expectancy between the highest-earning 20 percent and lowest-earning 20 percent of Americans (ages 35 to 76) grew from 0.7 to 1.5 years among women and from 2.7 years to 3.6 years among men, according to the Inter-American Development Bank (<http://goo.gl/qTRJ8j>). In 2007, Social Security analyst Hilary Waldron found that American men, born in 1941, with earnings in the top half of the distribution and surviving to age 60, lived 5.8 years longer than the men in the bottom half of the earnings distribution (<http://goo.gl/UZiXqF>).

And the widening of the life-expectancy gap goes beyond income. Life expectancy for both black and white men who were age 65 was remarkably equal, coming in at age 77. But in 2010, white men at age 65 were projected to live almost two years longer than black men, and white women for a year longer than black women. What in 1950 had been racial equity in age-65 life expectancy had disappeared, according to a 2012 article in *Demography* (49:2; <http://goo.gl/dquaqV>).

Morbidity gaps are large and growing as well. Black men are expected to live to age 61.8 without activity limitations, and white men to age 68. Cutting Social Security benefits by raising the normal retirement age will hurt low- and middle-income blacks more, forcing them to seek more income in a not-so-friendly labor market.

In this labor market and life expectancy landscape, American Enterprise Institute economists Andrew Biggs and consultant Sylvester Schieber argued this past September in the *Wall Street Journal* (<http://goo.gl/diknH3>) that there is no retirement crisis because people older than age 65 will maintain their standard of living by working. Urban Institute economists Butrica, Smith and Iams predict that poverty rates among middle-class elders will be slightly lower than in their parents and grandparents generations, but only if older Americans born in the 1970s and 1980s double their work effort and obtain 24 percent of their retirement income from working, compared to those born during the Depression years, who obtained 14 percent of their retirement income from earnings (<http://goo.gl/UKB9AR>).

Here's the rub—work is not retirement. When people have to work in old age because of poor pensions, that's a retirement crisis. More than 50 percent of near retirees will rely on Social Security as their single source of income in retirement, while the voluntary private system fails. Ghilarducci and Saad-Lessler found that between 1999 and 2011, coverage in 401(k) and traditional retirement plans for those in the years of prime age for work (25 to 64) declined from 61 percent to 53 percent (<http://goo.gl/ZtZK1z>).

### If Work's Not the Answer, What Is?

Making older adults work is not the right path to economic growth. The United States shares the spotlight with Mexico as one of the countries with the smallest pensions and highest levels of older people in the workforce, at about 17 percent. The labor force participation rates of 70-year-olds in other Organisation for Economic Cooperation and Development (OECD) nations is in the single digits, on average 7 percent, almost nonexistent in Spain and Italy and close to 9 percent in Scandinavia (OECD, 2013; <http://goo.gl/DhELWw>). Elders working is not the way out of lower pensions and sluggish growth. Experts from AARP to the American Enterprise Institute agree that if people in their late 60s and 70s are forced to work, they will have a hard time finding good work: pay for older workers is falling, long-term unemployment is rising and age discrimination is rampant.

Economic growth is better served by getting adults in prime working age to work and raising pensions to increase the demand side, rather than forcing 70-year-olds to pack Amazon shipments.

Those working on retirement policy should devise efficient retirement plans that help workers save rather than work in old age. We must build on Social Security to solve the retirement crisis. We should create mandated individual savings accounts on top of Social Security in the form of Guaranteed Retirement Accounts (GRA) ([www.gpn.org/bp204.html](http://www.gpn.org/bp204.html)). Employers would send their employees' GRA contributions with their Social Security contributions. Five percent of their pay would be deposited into an individual retirement account.

GRA accounts would allow every worker to contribute to their own secure annuity, ensuring a stream of income no matter how long they live. Their contributions would also be partially guaranteed and earn a higher rate of return than cash or government bonds. Finally, GRAs would follow another lesson learned from the success of Social Security and the failure of the 401(k) system, by limiting withdrawals to retirement and disability only.

Thus, workers would have an effective way to save for their futures. If we continue with our current retirement system, middle-class retirees will experience a new kind of retirement—a working retirement—which is not a retirement at all. Pensions and Social Security should provide adequate income so people, after a lifetime of work, can control the pace and content of their time with supplemental GRA accounts. ■

*Teresa Ghilarducci holds the Bernard L. and Irene Schwartz Chair in Economic Policy Analysis and directs the Schwartz Center for Economic Policy Analysis at The New School for Social Research in New York, NY.*

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### Further Reading on Work and Retirement

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—Teresa Ghilarducci