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United States Senate Special Committee on Aging

Hearing on Working in Retirement: Career Reinventions and the New Workspace

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Chairman Collins, Ranking Member McCaskill, and Members of the Committee, thank you for the opportunity to testify today about the growing attachment of older people to the workforce and the challenges and opportunities involved in fostering further increases. Prolonged employment stands to benefit those who continue to work and their families, employers facing labor and skills shortages, and the economy.

Participation Rates for Older Workers Have Been on the Increase

Over the four decades that I have focused on the aging workforce, patterns of work among older Americans have undergone substantial changes. At the start of my career, labor force participation rates at older ages were still in their post-war decline, the result of the seemingly ever earlier retirement of men. However, around the mid-1980s, things began to change. The decline came to a halt and eventually began to reverse itself. One statistic highlights this point. Among people ages 65 to 69, an age group long thought of as “retirement age,” the participation rate rose from about 18 percent in 1985 to nearly 32 percent in 2014, or by over 70 percent (figure 1).¹ Even at the oldest ages—75 and above—people are more likely to be in the labor force today than they were 20 or 30 years ago.

Increases have occurred among both men and women but have been greater among women (figure 2). As participation rates have risen, the percentage of workers opting for Social Security retired worker benefits at the earliest opportunity (age 62) has fallen.²

At ages 65 and older, the United States has some of the highest labor force participation rates of all advanced economies (figure 3), even though most workers have retired by 65.

Even during what is referred to as the Great Recession, participation rates at older ages rose while falling for younger age groups (table 1). The percent employed (employment-to-population ratio) among people ages 55 and older remained fairly stable but fell for younger age groups (table 2).

Why the Changes in Participation at Older Ages?

What accounts for the increases we have been witnessing? Some of the more recent developments were undoubtedly due to the economic turmoil of the recession. Older workers seemed to remain in the labor force longer than in some previous recessions, likely worried

about their savings and investments, along with home values, and aware of the difficulties they would face in finding another job should they later want or need one. They were wise to worry and remain at work as long as they could; the recession was not kind to the older unemployed.

But as we know, increased participation at older ages was underway well before the recession began. There is, however, no clear-cut explanation for rising participation rates, little that we can point to and declare with assurance that it explains the shift in behavior and that more of the same would have yet more of an impact. The older population is very diverse and has likely responded differently to different work incentives and retirement disincentives. We can say, nonetheless, that while the boomer cohorts might reshape retirement as we know it, they cannot take credit for the turn-about in participation rates at older ages. That began before they reached retirement age.

An extensive literature on changing retirement patterns leads to inconsistent conclusions about the impact of legislative changes on older workers, with some scholars arguing that various initiatives explain at least some of the changing participation and others offering more cautionary notes on the same legislation. Rising educational attainment does seem to be an important determinant. At all ages, the better educated are more likely to be employed than their less well-educated counterparts. Brookings economist Gary Burtless estimates that more than half of the increase in the labor force participation of men ages 60 to 74 is due to rising educational attainment.³ He goes on to warn, however, that educational gains are slowing, which may slow further increases in participation.

In responding to numerous surveys over the years, workers themselves report that they are working or expect to work in retirement for a variety of reasons—financial and nonfinancial. Money and access to health care are, of course, of considerable importance, but so are the desire to remain active, make a contribution, and maintain social relationships at work. Furthermore, these workers often enjoy what they are doing.⁴ But when pressed to indicate the major reason for working, money bubbles to the top.

Financial factors are likely to influence work and retirement decisions even more in the future, as growing numbers of workers reach retirement age with no promised lifetime pension benefits and savings and investments that are inadequate to maintain pre-retirement living standards, pay out-of-pocket health expenses, and cover long-term care needs. Working longer can make a great deal of sense when it comes to ultimate income security in retirement. Social Security benefits increase by about 8 percent for each year that receipt is delayed from ages 62 to 70. Each year of work is another year to save, contribute to a 401(k), and collect an employer match if offered. It is also one less year of retirement to finance. The Congressional Budget Office has estimated that workers who put off collecting Social Security until age 70 would receive nearly twice what they would have received at age 62, thus lowering the need for supplemental savings.⁵

Of course, it is probably unrealistic to expect most people to work until 70—very few actually do now, but even one year longer at work can have a positive impact financial well-being in retirement. Workers have long been telling us that they expect to work in retirement,⁶ although far fewer actually do so. Ill health and job loss coupled with difficulty finding subsequent work propel many older workers out of the labor force before they are ready to go. Also, with age, retirement may begin to look more attractive.

More flexible work options and better part-time jobs might enable many workers with health limitations to remain in the labor force and might make continued employment more appealing to those who are physically able to work full-time but are eager to find time to engage in other activities. A majority of employers with 50 or more employees offer flexible work options to some of their workers but few do to all.⁷ Consequently, older workers who want less intensive work options may not be able to find them. It is worth noting that, despite the fact that sizable proportions of older workers say they expect to work part-time in retirement, full-time work and not part-time has been on the increase, at least among workers ages 65 and older.⁸ Much of this is likely due to rising educational attainment among older workers, since better educated workers have more appealing jobs that tend to be more conducive to full-time work. Some of it, however, may be because good part-time jobs are scarce.

What Do We Want to Accomplish?

In 2000, the European Union (EU) articulated a full employment goal that would require increasing the employment of older workers.⁹ Two specific targets toward that end were subsequently identified—an increase by 2010 to 50 percent in the employment of people ages 55 to 64 (Stockholm target, 2001) and an increase also by 2010 in the effective retirement age, or age at which workers actually retire (Barcelona Target, 2002). EU member countries were to report annually on progress made to achieve those goals. Although neither target was reached by the EU as a whole by 2010, substantial progress in older worker employment occurred throughout the EU.

I am not suggesting that EU's goals are appropriate for the United States. Indeed, the employment rate of people ages 55 to 64 in the U.S. at the time the Stockholm target was announced was higher than the EU goal for 2010. But member countries knew what they were aiming for and could work on policies that would move them forward.

Although there certainly seems to be growing interest in the problems of and prospects for an aging workforce and older workers in policy circles, older workers have not been high on the public policy agenda in the United States, especially when compared to Europe and Japan. And despite the fact that the U.S. has had nothing comparable to the EU employment targets, older workers have not been totally ignored when it comes to public policy. Among the initiatives of note are:

- The Age Discrimination in Employment Act of 1967, including the prohibition of mandatory retirement in most occupations as of 1986;
- The gradual increase in the age of eligibility for full Social Security benefits from 65 to 67;
- The phase-in of a more actuarially fair delayed retirement credit paid to workers who postpone collecting Social Security benefits between the full benefit eligibility age and age 70.
- Liberalization of the Social Security earnings test and, since 2000, elimination of the test for workers above the full eligibility age, thus enabling them to earn as much as they want to without loss of benefits;
- Passage of the Pension Protection Act of 2006, which allows (but does not require) in-service distribution of defined benefit pensions to workers at age 62.
- Enactment in 2012 of legislation allowing Federal employees to phase into retirement while working part-time and receiving proportionately reduced pensions.

Moving Forward

Despite growing recognition that working later in life has many benefits, what the end goal is has not been clearly articulated. Until we know the goal, effective policies to prolong working life beyond what is likely to occur without intervention might prove elusive. Economists Alan Gustman and Thomas Steinmeier, in a paper for the Employment and Training Administration, call for identifying the labor market failure(s) we may be trying to correct with public policy and making sure any policies address failures in a cost-effective way.¹⁰ Another question that tends to get short shrift is just what is meant when we talk about older workers, and whether efforts should specifically target some age groups as opposed to others. The Age Discrimination in Employment Act, for example, protects a huge proportion of the population, that aged 40 and older. How effectively can broad-based policies address the challenges faced by the 40-plus workforce? What incentivizes a 45-year-old workers may not do the trick for workers in their late 60s.

Moving forward will likely require concerted action on several fronts, assuming that we come to some agreement about where we want to go. The why of working is easily answered: Americans are going to need to work longer to survive comfortably in retirement, or they will have to settle for a reduced standard of living. The growing demands on Social Security and Medicare are another major reason to keep more people working longer—but how many and for how long?

In a March 12, 2015 hearing before this committee (Bridging the Gap: How Prepared Are Americans for Retirement?), Alicia Munnell underscored the importance of working longer to promote financial security in retirement. Toward that end, she recommended a shift in the Social Security Administration’s educational efforts to (1) emphasize age 70 as the appropriate age to retire and (2) make it clear why retirement at that age is such a good idea.¹¹ The

decisionmaking burden is on the individual. Although workers do not always have total control over their retirement decisions—ill health and job loss may get in the way—they have more control over when to retire than over what the stock market will do. Growing numbers of workers seem to recognize that, and more might follow if they were better informed about what delayed retirement can mean to them.

Employers, however, have a great deal to say about what workers will do. A key factor will be labor demand. On the plus side, employers tend to hold positive attitudes about older workers when it comes to personal attributes such as loyalty, dependability, customer relationships, and the like. But on the minus, many harbor negative attitudes about older worker costs and technological competence. A new AARP study may alleviate some concerns about cost and performance.¹² Moreover, if employers need workers, they will do what is necessary to obtain and retain an adequate supply, and that will include drawing upon what is available—older people ready and eager to work. Examples of expanded and innovative employer programs to retain older workers, especially nurses, can be seen in the health care industry, which has faced skills shortages. In the 1980s, as the last of the boomers had entered the labor force, only to be followed by a much smaller cohort of entry-level workers, the fast food industry reached out to non-traditional workers, including older ones.

Judging from the rising labor force participation rates at older ages, more employers are retaining older workers. (Although older workers are more likely than younger workers to be self-employed, self-employment is not what is driving the increase in participation rates.) It could be, as economist David Neumark has speculated, that “the principal effect of the ADEA may have been to strengthen the bonds leading to long-term employment relationships by reducing the incentives for firms to terminate older employees whose pay may be higher than productivity.”¹³ But it might also be because older workers who remain in the labor force tend to be better educated than their nonworking peers and thus might be up to doing the job, dispelling a few stereotypes along the way. Certainly, high engagement levels seem to characterize these older workers.¹⁴

Just what public policy initiatives would foster employment at older ages in a scalable, cost-efficient manner and in a way that does not pit generations against one other is not obvious. While most of the following would undoubtedly have some positive impact on the numbers, they are not without potential adverse consequences either.

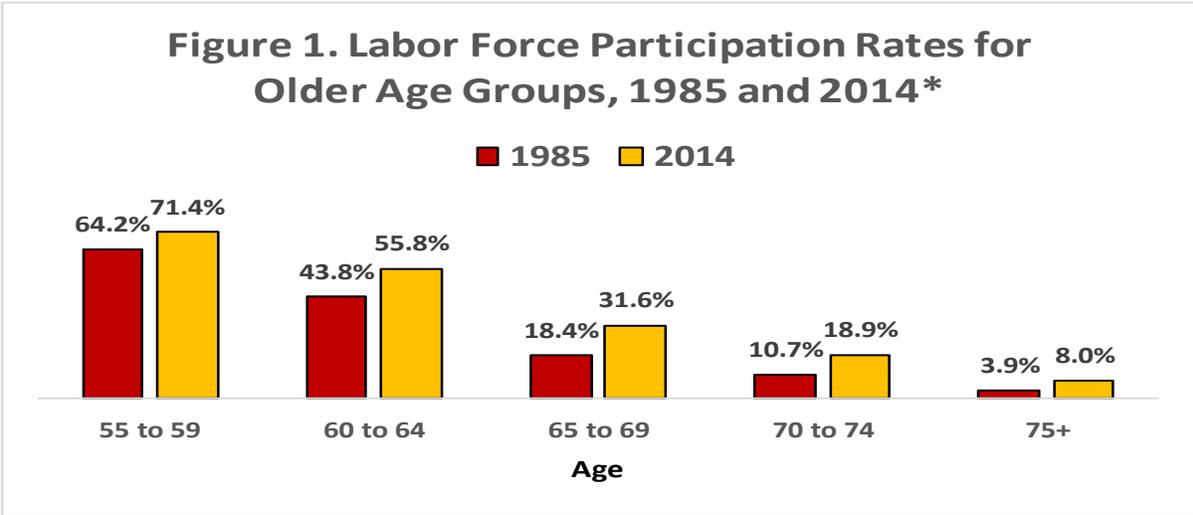
- Raising the early and/or full ages of eligibility for Social Security benefits would likely keep many more older Americans in the labor force because they could not afford to leave if their benefits were reduced even more than they are at present. However, such increases would impose considerable financial hardship on the sick and disabled, on the unemployed, and on caregivers unless adequate social safety net programs are in place to protect them, and they are not there now.

- Eliminating some of the impediments employers face in providing formal phased retirement programs might benefit some workers, although care would have to be taken to ensure that other worker protections are not undermined in the process. The concern also exists that phased retirement might encourage workers to scale back their work hours sooner than they otherwise would once they had the option of combining fewer hours with prorated pension benefits. How to ensure that phased retirement lengthens worklives becomes a central question.
- Enhancing the attractiveness of part-time and contingent work through, for example, pro-rated benefits for less than full-time work, would likely appeal to workers but not necessarily employers. Such jobs could, as might be the case with phased retirement, cause some premature reduction in work hours, although they might also enable other workers to remain in the labor force well beyond their intended retirement age.
- Eliminating the Social Security earnings test for workers below the full benefit eligibility age could encourage greater work effort on the part of early beneficiaries, although it might also prompt workers to opt for reduced benefits earlier than otherwise.
- Offering tax or other incentives to employers to hire and retain older workers might make older workers more attractive to employers, but they also might stigmatize those workers and send a signal that they cannot stand on their own.
- Requiring that employers to provide paid family leave programs should make it easier for middle-aged and older workers with caregiving responsibilities, among others, to combine those responsibilities with paid employment.
- Expanding the ADEA's jurisdictional threshold to businesses with 15 or more employees, rather than the current 20-plus, would protect more older workers. Ensuring that the Equal Employment Opportunity Commission has the necessary resources to investigate and resolve age discrimination charges would better protect older workers as well.
- Promoting older worker skills development is necessary to ensure that these workers, especially the unemployed, have the skills they need to qualify for jobs that pay well and offer decent benefits and promotion opportunities. This means more money for the nation's workforce development system, as well as monitoring older worker outcomes under the new Workforce Innovation and Opportunity Act (WIOA). If working lives are to be extended, far more attention needs to be paid to older worker training and retraining than has been in the past. This will not be inexpensive. In addition, it is also incumbent upon us to promote life-long learning to make sure that tomorrow's older workers do not face the same employment barriers that today's older workers do.

But before going further with specific policy proposals, we might best be served by taking stock of what we know about older workers and what they actually need and want to remain in the labor force. We really do not know all that much about what would, in fact, have a measurable impact on work patterns.

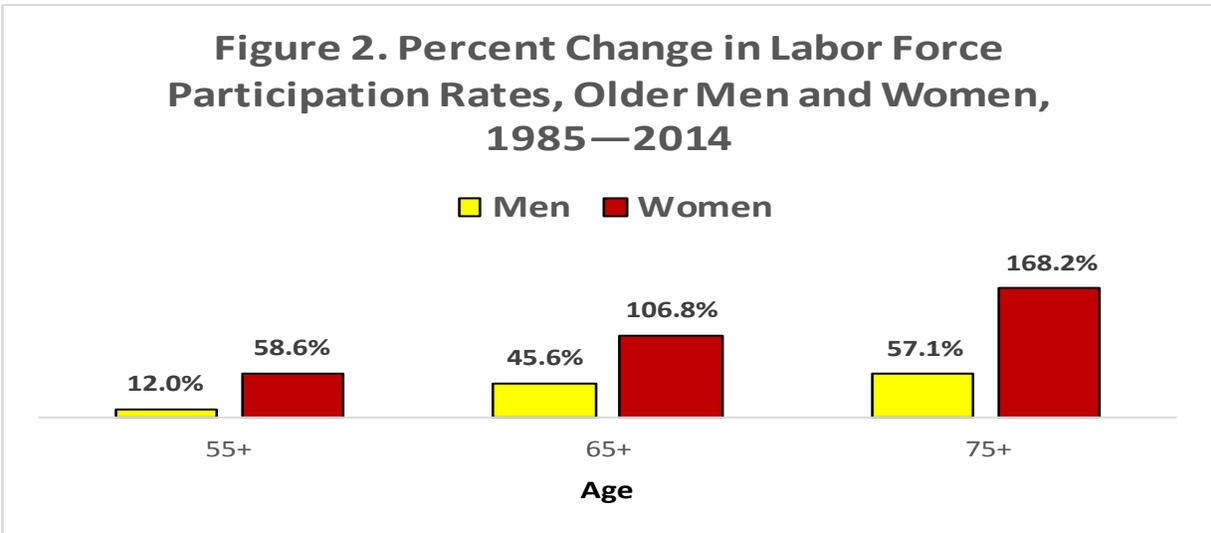
And what about employers? We also need more and better information on how employers are responding to today's economic and demographic challenges. Is there something crucial missing in our employer knowledge base? Why aren't more of them offering the types of work options and opportunities that we think are needed to raise the average retirement age further? Are those options too costly? Are negative stereotypes operating? Have employers faced problems in hiring and retention that research has ignored? Are employers aware of research that favorably compares older workers to younger ones? Or have they just not needed to do anything yet and won't until they have to? Could better designed research projects inform us about what may be discouraging employers from accommodating more older workers? A more thorough understanding of employer issues might make it possible to craft better policies and programs to meet the needs of all those older workers we want to keep employed. So I shall come to an end with an appeal for more funding for the Department of Labor to address a range of questions about older workers and employers that have been glossed over so far.

In conclusion, I am relatively sanguine about the employment prospects of the well-educated older workers who have decent jobs and want to retain them for a few more years. To the extent that they keep their skills current, demonstrate their flexibility and adaptability, and remain engaged and productive, they should continue to be of value to their employers. However, I worry about the older unemployed, whose problems need more attention than I have given in this testimony. Moreover, it is one thing for those of us with good educations and good jobs to tout the virtues of working longer. It is quite another thing when it comes to the very large proportion of workers who check and bag our groceries, care for our aged relatives in nursing homes and assisted living facilities, serve our lattes, clean our offices, and otherwise do the things vital to keeping our world in order. These are not necessarily jobs that workers want to be doing well into their 60s, a fact that we should keep in mind as we ponder where we all fit in the new workspace.

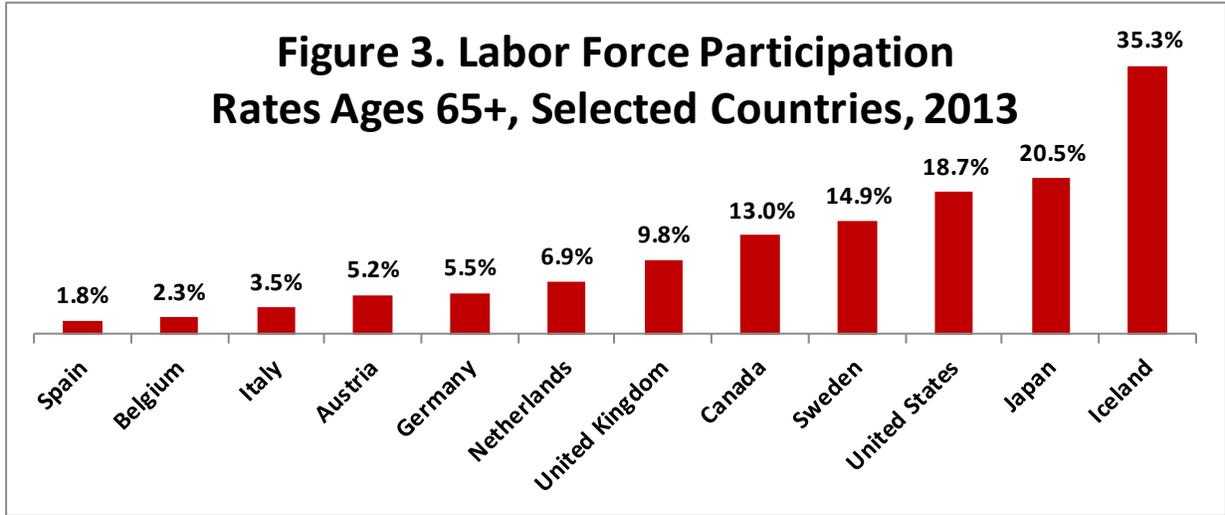


*Annual averages.

Source: U.S. Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, at <http://data.bls.gov/pdq/querytool.jsp?survey=ln>, accessed June 18, 2015.



Source: Calculated from U.S. Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, at <http://data.bls.gov/pdq/querytool.jsp?survey=ln>, accessed June 21, 2015.



Source: Organization for Economic Cooperation and Development (OECD), Labor Force Participation Rates for Age 65 and Over (Paris: OECD 2013), at <https://data.oecd.org/emp/labour-force-participation-rate.htm#indicator-chart>, accessed June 22, 2015.

Year	Age		
	16 to 24	25 to 54	55+
2007	59.4	83.0	38.6
2008	58.8	83.1	39.4
2009	56.9	82.6	40.0
2010	55.2	82.2	40.2
2011	55.0	81.6	40.2
2012	54.9	81.4	40.5
2013	55.0	81.0	40.3
1014	55.0	80.9	40.0

Source: U.S. Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, at <http://data.bls.gov/pdq/querytool.jsp?survey=ln>, accessed June 22, 2015.

*Annual averages. The Great Recession officially began in December 2007 and ended in June 2009.

**Table 2. Employment-to-Population Ratios by Age Group, 2007-2014
(in percentages)***

Year	Age		
	16 to 24	25 to 54	55+
2007	53.1	79.9	37.4
2008	51.2	79.1	37.9
2009	46.9	75.8	37.3
2010	45.0	75.1	37.4
2011	45.5	75.1	37.6
2012	46.0	75.7	38.0
2013	46.5	75.9	38.2
2014	47.6	76.7	38.2

Source: U.S. Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, at <http://data.bls.gov/pdq/querytool.jsp?survey=ln>, accessed June 22, 2015.

*Percent of age group employed, annual averages. . The Great Recession officially began in December 2007 and ended in June 2009.

¹ U.S. Department of Labor, Bureau of Labor Statistics, Labor Force Statistics from the Current Population Survey, at <http://data.bls.gov/pdq/querytool.jsp?survey=ln>. Accessed June 18, 2015

² Social Security Administration (SSA), *Annual Statistical Supplement to the Social Security Bulletin, 2014* (Washington, DC: SSA, 2015), Table 6.B5, at <http://www.ssa.gov/policy/docs/statcomps/supplement/>.

³ Gary Burtless, *Can Educational Attainment Explain the Rise in Labor Force Participation at Older Ages*, IB #13-13 (Chestnut Hill, MA: Center for Retirement Research, 2013), at http://crr.bc.edu/wp-content/uploads/2013/09/IB_13-13-508x.pdf.

⁴ See, for example, AARP, *Staying Ahead of the Curve 2013: The AARP Work and Career Study* (Washington, DC: AARP, 2014), at http://www.aarp.org/content/dam/aarp/research/surveys_statistics/general/2014/Staying-Ahead-of-the-Curve-2013-The-Work-and-Career-Study-AARP-res-gen.pdf.

⁵ Congressional Budget Office (CBO), *Retirement Age and the Need for Saving*, Economic and Budget Issue Brief (Washington, DC: CBO, 2004), at <https://www.cbo.gov/sites/default/files/05-12-retireagesaving.pdf>.

⁶ AARP, *Baby Boomers Envision What's Next?* (Washington, DC: AARP, 2011), at <http://assets.aarp.org/rgcenter/general/boomers-envision-retirement-2011.pdf>.

⁷ Kenneth Matos and Ellen Galinsky, 2014 National Study of Employers (New York: Families and Work Institute, 2014), at <http://familiesandwork.org/downloads/2014NationalStudyOfEmployers.pdf>.

⁸ Author's calculations of the Current Population Survey for 2004 and 2014.

⁹ Fritz von Nordheim, "EU Policies in Support of Member State Efforts to Retain, Reinforce, and Re-Integrate Older Workers in Employment," in H. Buck and B. Dworschack (eds.), *Ageing and Work in Europe* (Stuttgart: Fraunhofer Institute for Industrial Engineering, 2003), pp. 9-26.

¹⁰ Alan L. Gustman and Thomas L. Steinmeier, *Older Workers and the Labor Market/Labor Market Policies for the Older Worker*, Employment and Training Administration Occasional Paper 2005-13 (Washington, DC: U.S. Department of Labor 2005), at http://wdr.doleta.gov/research/FullText_Documents/Older%20Workers%20and%20the%20Labor%20Market%20-%20Labor%20Market%20Policies%20for%20Older%20Workers%20Report.pdf.

¹¹ Alicia H. Munnell, "Falling Short: The Coming Retirement Crisis and What to Do About It," Testimony before the U.S. Senate Special Committee on Aging, Bridging the Gap: How Prepared Are Americans for Retirement?, March 12, 2015, at http://www.aging.senate.gov/imo/media/doc/Munnell_3_12_15.pdf.

¹² AARP, *A Business Case for Workers Age 50+: A Look at the Value of Experience*, Report prepared by Aon Hewitt (Washington, DC: AARP, 2015), at http://www.aarp.org/content/dam/aarp/research/surveys_statistics/general/2015/A-Business-Case-Report-for-Workers%20Age%2050Plus-res-gen.pdf.

¹³ David Neumark, *Reassessing the Age Discrimination in Employment Act* (Washington, DC: AARP 2008), p.30, at <http://www.aarp.org/content/dam/aarp/ppi/reassessing-the-age-discrimination-in-employment-act.pdf.pdf>.

¹⁴ AARP, *A Business Case for Workers Age 50+*, op cit.