

PROMOTING PRODUCTIVITY IN AN AGING SOCIETY



POLICY BRIEF

November 2012

MacArthur
Foundation

The MacArthur Foundation Network on an Aging Society brings together scholars who are conducting a broad-based analysis of how to help the nation prepare for the challenges and opportunities posed by an aging society. Research focuses on how major societal institutions, including retirement, housing and labor markets, government and families, will have to change to support the emergence of a productive, equitable aging society. www.agingsocietynetwork.org

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For supporting evidence and deeper background on the issues raised in this brief, see the accompanying Network on Aging in Society backgrounder, “Productivity in an Aging Society.”

Policy briefs in this series include:

Supporting Informal Caregiving in an Aging Society

Ensuring Generational Cohesion in an Aging Society

Improving Health Care and Support for Older Americans

Promoting Productivity in an Aging Society

Promoting Lifelong Learning in an Aging Society

Issue backgrounders in this series include:

The Scope and Effects of Informal Caregiving

Intergenerational Cohesion and the Social Compact

Improving Health Care and Support for Older Americans

Productivity in an Aging Society

The Scope and Benefits of Life-Long Learning

America is aging. A growing elderly population drains resources, pits young against old, and practically ensures less productivity—or so goes the argument. But what if that’s not true? What if, in bracing only for the crisis of a graying population, we are missing an opportunity right in front of us?

Older Americans offer many untapped resources, both in and out of the workforce. At work, their greater patience, emotional stability, experience, and broad contacts are a complement to the entrepreneurial, risk-taking, and technically savvy younger workers. Beyond the workforce, grandparents are a critical resource for many families, in both time and other contributions. Volunteers, who are often retirees, make communities stronger.

As health improves and lives grow longer, viewing the impending demographic shift only as a negative misses an enormous opportunity. With smart policy and forward-thinking ideas, we can rewrite the incentives and realign our social institutions to take advantage of this great resource. Doing so can promote better economic security in retirement, greater workforce productivity, and a stronger overall economy. The costs of not doing so are enormous.

An aging society will require new initiatives—initiatives that go far beyond balancing the Social Security Trust Fund— if we are to continue to enjoy high productivity at work and the creative contributions of people of all ages.

Three key groups of policies can support these goals:

1. Extending the working years
2. Expanding noncareer job options and volunteer engagement
3. Promoting lifelong education and skill development

Work Life Extension

When workers leave the workforce earlier than necessary, everyone loses. The economy suffers, family budgets suffer, and the nation fails to fully tap a rich source of potential. Most workers today leave employment well before the “normal retirement age” of 66. Although some are retiring early because their manual labor jobs are too demanding physically or disabilities impede them, most retire early because the Social Security

Older Americans represent an important resource that can add considerable value to the nation.

program allows them to claim benefits at age 62. Approximately 22 percent of men and 35 percent of women age 60-64 are not working and have no impairments preventing them from working.¹ Furthermore, although many rush to retire, many return to work. Currently, estimates indicate that roughly one-third of retirees will return to work before age 90.² The lure of immediately accessible retirement benefits is difficult for many to resist, even if it means they will receive a lower benefit.

The single most powerful way to keep able workers productively employed is to gradually raise the *early retirement age* for Social Security to 65. It is currently age 62. This change could be implemented in the context of a Social Security solvency initiative.

This would accomplish three things:

- It would greatly bolster retirement income for many Americans, especially women, who typically depend substantially on spousal benefits after the death of a husband, owing to their lower wage history, time taken out of the workforce for child care, and longer lifespans.
- It would expand the skilled workforce. Valuable experience and emotional stability of older workers counter the loss of speed and agility.
- It would promote better health and longevity, given the retirement can lead to health and mental health declines from less physical activity and fewer social interactions.³

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It is also fiscally smart. Raising the early retirement age to 65 when normal retirement age under Social Security reaches 67 (or 68) would have little impact on Social Security trust fund solvency. Raising the full retirement age by one year, or indexing it to longevity, is a likely step in future legislative action designed to achieve trust fund solvency. Indeed, almost all Social Security reform proposals would raise the full retirement age one way or another. The impact would make early retirement at age 62 even more inadequate. Therefore, tying the early retirement threshold to the standard retirement threshold makes sense.

¹ National Academy of Sciences, "Labor Force Participation and Retirement." In *Long-Run Macroeconomic Effects of the Aging U.S. Population* (Washington, DC: National Research Council, forthcoming).

² D. F. Warner, M.D. Hayward MD, and M.A. Hardy, "The Retirement Life Course in America at the Dawn of the Twenty-First Century," *Population Research Policy Review*, vol. 29, no. 6 (2010).

³ Dhaval Dave et al., "The Effects of Retirement on Physical and Mental Health Outcomes" (Cambridge, MA: National Bureau of Economic Research, March 2006).

Of course not everyone can continue working. Therefore, raising the early retirement age must also address older disabled workers. Current disability benefit rules are not well suited to those workers age 62–65 who can no longer perform their current job and who are poor candidates for retraining. A special program of disability supports to transition this population to retirement is necessary both for moral and political reasons.

Another policy change that would open up job options for workers over 65 would be to restore Medicare as the primary payer for health insurance claims for older workers.

Currently, Medicare as a Secondary Payer (MSP) legislation requires that Medicare becomes a secondary source of health insurance for workers who are Medicaid-eligible and working in firms that employ more than 20 workers. The employer's health insurance is the first payer. Because employer-sponsored health plans tend to be more comprehensive than Medicare, these workers are effectively forgoing their Medicare benefits by working. The cost can easily average 20-30 percent to employers.⁴

With Medicare as the primary insurance policy, employers' would have lower health insurance costs, and thus lower employment costs. It would also lower the costs for insuring the remaining workforce, all of which increases the ability of employers to hire and retain workers. Therefore, although Medicare costs would increase slightly, the costs would be offset by greater economic contribution among workers over 65.⁵

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Nontraditional Work and Volunteer Engagement

As budget constraints curtail social programs, nonprofit and volunteer sectors gain in importance in meeting social needs. Harnessing the immense social capital in an aging population via public/private volunteer partnerships can help meet the growing social needs, while complementing the expanded work life, perhaps with stipends for volunteer work among those most in need.

Employers, faith-based institutions, and advocacy organizations can play a much larger role in promoting and supporting volunteering, and the federal government can provide direct

⁴ National Academy of Sciences, "Labor Force Participation and Retirement." Medicare as the primary insurance policy was changed under Reagan administration to trim deficits. There were few objections at the time because there were so few workers over age 65 who were affected. That is no longer the case today, but the on-budget cost of restoring the old policy is now higher.

⁵ Gopi Shah Goda, John B. Shoven, and Sita Nataraj Slavov, "A Tax on Work for the Elderly: Medicare as a Secondary Payer." NBER working paper. (Cambridge, MA: National Bureau of Economic Research, August 2007).

and indirect resources, such as tax incentives. With the right incentives, employers, for example, could create more flexibility in the workforce for older workers, allowing them to scale back to part-time work. Large employers or national chains such as CVS could create positions that “travel.” A CVS employee in Minnesota could work in Florida during the winter, for example.

Well-designed volunteer programs are key. Scaling up programs such as Experience Corps, which has well-documented success rates,⁶ can create the “infrastructure” for effective volunteering with benefits accruing to both the younger and older generations. Experience Corps cultivates volunteer opportunities for those in midlife and beyond.

Creating programs that also hone job skills can also help those in their 50s and 60s transition from current jobs to less stressful or just different jobs. The volunteer position can become a stepping stone to fields in growing demand. Many jobs in the social services and education fields, for example, will be needed in an aging society, but typically do not pay well. Instead, they often offer high personal satisfaction. Some of these jobs might be well suited to transitioning older workers.

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Volunteer opportunities can also be win-win for two generations. Becoming a volunteer in an asthma club for children, for example, can improve older adult health while supporting children as well.⁷ Or recent retirees who have recently left the workforce could help to train younger workers to fill the jobs recently vacated.

We have many examples of how to design high-quality volunteer programs. Volunteer outreach could focus on middle-aged persons whose children have grown or singles who may be looking for social opportunities as well as meaningful service. Although personal preferences vary, volunteer roles that are built around groups can offer important benefits to the participants as well as those directly served.

We must devote more financing and attention to high-impact models of volunteering. Without a consistent source of funding, programs become ad hoc and their implementation and as a result have less impact. Support for such programs through the Corporation for National and Community Service could be substantially increased where there is a clear

⁶ Kevin Frick et al., “The Costs of Experience Corps in Public Schools,” *Educational Gerontology*, vol. 38, no. 8 (August 2012): 552-562; Erwin Tan et al., “Marketing Public Health through Older Adult Volunteering: Experience Corps as a Social Marketing Intervention,” *American Journal of Public Health* (February 18, 2010); Linda Fried et al., “A Social Model for Health Promotion for an Aging Population: Initial Evidence on the Experience Corps Model,” *Journal of Urban Health: Bulletin of the New York Academy of Medicine*, vol. 81, no. 1 (March 2004). See also J. Kotre, *Outliving the Self* (Dearborn, MI: Norton Press, 1996).

⁷ Linda Fried et al., “A Social Model for Health Promotion for an Aging Population: Initial Evidence on the Experience Corps Model,” *Journal of Urban Health: Bulletin of the New York Academy of Medicine*, vol. 81, no. 1 (March 2004).

social or economic return for the investment. Retiree clubs, usually sponsored by a former employer, could also be a source of support and guidance for locally based volunteer opportunities for seniors.

Lifelong Education and Skill Development

As society ages and as the economy requires a more flexible and ever-changing workforce, we must advance life-long learning. (See the accompany brief in this series, “Promoting Life-Long Learning in an Aging Society.”) A global economy with rapid technological change calls into question the old model of education at the beginning of the work life, followed by uninterrupted career progress.

What’s needed for an economically robust future are not only more people attending or completing high school, college, and graduate school, although that is necessary. We will also need institutional supports for job retraining, mid-life career change, and technological adaptations as needs change during the work life.

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Several policies could help support life-long learning models:

- Reforms to community college programs, which serve the bulk of “nontraditional” students juggling work and school and retraining. Reforms should promote more direct paths into new jobs by working closely with local employers to tailor curriculum to local job demands; and expanded staffing and coursework for students of all ages.
- More recognition of alternative ways to update skills and pursue lifelong learning, beyond the classroom. The Mozilla/MacArthur Foundation’s “badges for lifelong learning” program is an emerging model, embraced by the Departments of Commerce, Education and NASA. It explicitly recognizes both peer-to-peer learning and offers a method of validating and “credentialing” informal learning that is not currently captured with traditional credentials (such as college degrees).
- Greater roles for part-time work, which could permit enrollment in job retraining programs or other adult education opportunities.
- Business tax credits for reinvesting in skill development (especially for blue-collar workers). On-the-job retraining is by far the preferred way to ensure that the new skills are relevant to the ongoing needs of the business.

- Health and unemployment insurance policies that help people manage economic transitions, such as “work-sharing” policies in Germany that permit workers to keep their jobs at reduced hours during economic downturns with partial unemployment benefits, and health insurance arrangements that do not tie health coverage to full-time employment.

Tapping the Potential of an Aging Society

The time is now to develop strategies to promote greater productivity along the entire life course and to unleash the social capital that older Americans can offer. We can begin to unleash that capital only when we stop viewing older individuals as a liability and begin viewing them as an asset.