



Social Security Policy Innovations Challenge: Ensuring Adequacy for Workers

Understanding the Target Population: March 5 Facilitated Discussion Presentation Summary

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There is a large group of older Americans who are at risk of needing to retire early for a variety of reasons. This group isn't homogeneous, or even a single group, however; it is really comprised of multiple subgroups whose risk factors cut across multiple characteristics. This presentation summary briefly describes some of the main characteristics of this group as a whole and of the higher-risk subgroups within it, in order to inform effective policy solutions to support them in retirement. While specific occupations are not described, this note does touch on types of jobs that pose particular risks for older workers.

General/framing. Workers ages 50-65/66 are our main target because they are the most likely to be beginning to develop health conditions associated with old age (respiratory, circulatory, cardiac, joint problems), to have a hard time doing physically demanding jobs, and to be victims of age discrimination. And as AARP notes in a recent *Atlantic* article, there's a lot of risk for this group with respect to retiring at Social Security's Normal Retirement Age (NRA), let alone retiring early: "10 million people over 50 in the U.S. live at or below the federal poverty level of \$11,800, with another 37 million at risk. ... Even among the [steadily] employed, more than 13.2 million low-income older adults don't make enough money to meet their expenses."ⁱ

There are several data-based indicators that older Americans are not in good shape financially. Consistently 25% of older workers are in low-wage jobs, and almost half of private-sector workers do not invest in retirement plans, so they are at risk when they retire irrespective. Many people facing the risk of retiring early thus have a triple problem: low wages mean little saved for retirement and lower Social Security contributions, and reduced Social Security benefits because of drawing early. Research shows that "people's planned retirement ages cluster around 62 (Social Security earliest eligibility) and 65 (Medicare's eligibility age), and the later someone plans to retire, the less likely they are to achieve their goal."ⁱⁱ Even among workers who planned to work well into their 60s, however, various "shocks" – like health, employment, family, and financial reasons – can change those plans.

Moreover, these workers have a high rate of unemployment/being out of the labor force: the official 2016 unemployment rate of 3.6% for workers over age 55 masks the more realistic 10.1% of U-7 inclusive rate, which counts "discouraged" workers who haven't looked for a job for at least a year. One



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reason may be that older workers are disproportionately pushed out of work: “28 percent of stable, longtime employees sustain at least one damaging layoff by their employers between turning 50 and leaving work for retirement... [a]n additional 13 percent of workers who start their 50s in long-held positions unexpectedly retirement under conditions that suggest they were forced out.. [and] a further 15 percent of over-50 workers who begin with stable jobs quit or leave them after reporting that their pay, hours, work locations or treatment by supervisors have deteriorated.”ⁱⁱⁱ

Educational attainment is one of the major risk factors for these older workers. Among workers age 58 and older who didn’t have HS degree, over 8 in 10 worked in physically hard-to-do jobs in 2014. (vs. 61% among those with HS degree, 43.1% for those with some college, 29.4% for those with a college degree, and 20.4% for those with advanced degrees.) I.e., if you have an advanced degree, you have a 1 in 5 chance of doing a physically demanding job, vs. 4 in 5 for the least educated.^{iv}

This factor also plays a role in labor force participation, which is down among men since the 1940s. (Women’s LFP peaked around 2000, now plateaued, in contrast to Canada, where it continues to rise.) There has been a decline at every level of educational attainment, but much more so among people with less education, which is now exacerbated by the opioid crisis. Many non-labor-participating prime-age men report poor health: 45% vs. 12% for employed and 15% for unemployed men (with similar trends but different levels among women).^v

Not surprisingly, similar patterns are seen with respect to income. Low-wage older workers are much more likely than their higher-earner peers to be working jobs that are physically demanding and/or difficult: just over one fourth of the top 20% of earners worked such jobs vs. just over half (51%) among the bottom half/those earning less than \$22/hour. Like their poorly educated peers, these workers who are at substantially higher risk of having to claim SS benefits early also will receive lower benefits (from contributing lower wages) and have been less able to save – a triple disadvantage.

Poor health is a major factor driving early retirement and interacts with income, educational attainment, race, and, age. Among workers age 50 who plan to leave their employer by age 70, 23% cite poor health and 58% cite retirement as a reason. I.e., health plays a substantial role in early retirement (and this statistic likely understates that role, since workers’ health gets worse in their late 50s and early 60s.)

In a study of four different kinds of “shocks” that prompt workers to retire early, health was the biggest factor. Health shocks of two kinds (greater-than-anticipated impact of existing health conditions and the emergence of new ones) both matter a lot: there is a 3.3 percentage point increase in retiring early for each health condition a person had at 58 and a 2.2 percentage point increase for each new



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one. As far as the odds of any shocks/their overall societal impact, health is by far the biggest: among workers who retire early, 26.3% experienced a greater-than-expected impact of an existing health problem and nearly 40% saw new health conditions emerge.^{vi} Moreover, as described below, low-income and African American workers disproportionately suffer from problems related to poor health.

Women are at particular risk both because of their higher poverty rate and caregiving responsibilities. Women are at much higher risk of poverty throughout their lives, spiking after age 65. They disproportionately work min wage jobs with no sick leave or paid time off, and are caregivers. 60% of US family caregivers are women. Of those, 45% leave the workforce, making it harder to later return to careers. When a woman leaves the labor force to care for a family member, it costs her up to \$324,000 in lifetime wages and benefits – thus much higher later risk of living in poverty.^{vii} In addition, women also live longer, on average, than men, so they need more resources for their retirement years, and thus will live in poverty for longer.

Workers' racial and ethnic status also play into the mix and intensity of need among those facing early retirement. Workers of color, Latino workers most of all (but also Black and Asian workers) are substantially more likely to be working physically demanding or highly demanding jobs and/or jobs with difficult working conditions (e.g., just over half of all Latino workers age 58+ are in physically demanding jobs, vs. 43% of Asian, 39% of Black, and 32% of white workers). Policy solutions must thus take into account race and ethnicity when designing systems to effectively target workers at highest risk.^{viii} Other factors described here, in particular health, also intersect with race and ethnicity, since workers of color disproportionately experience the health problems that can make working into later years harder while also have less access to consistent, quality health care.

For some segments of the workforce, opioids are an urgent and growing problem that intersects with income, educational attainment, and occupation, as well as geography.^{ix}

The overdose rate from opioids increased steadily between 1990 and 2010, then shot up, more so among men. In 2002, the national number of overdoses was 23,000, rising sharply to 63,000 in 2016 and 70,000 in 2017, with the number up 50% from just two years earlier in 2015. Working-age people are at highest risk. Moreover, an odd trend emerged alongside the growing opioid epidemic: the white mortality rate in the US began to rise in this period, while the rate among African Americans continued to fall along with the rest of the population (in contrast to our peer nations, where mortality rates fell for all racial and ethnic groups). The biggest problem is among men with a high school education or less, who, along with the problems described for that group above, are the most likely to be prescribed opioids and to become addicted.



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Non-participation in the labor force illustrates the connections among education level, health, and risk of insecure early retirement. More than one third of NLF men report having a severe disability: 20% have difficulty with stairs, 17% report difficulty with memory and decision-making, and almost one in five (19%) have multiple severe disabilities. It is therefore not surprising that these men are most likely to take pain medications: 44% of NLF men take these paid meds, but only 12% said the pain/injury was related to work. (There are also regional and geographic splits, with six times the opioid prescription rate in the top 25% of counties versus the lowest 25%, and the labor force participation rate falling more in counties with those high opioid prescription rates.)

Certain occupations are also at higher risk: among workers receiving pain medication, mining and construction are the most prevalent occupations, with older, male workers in rural areas hit hardest. In a Massachusetts study, construction and fishing were by far the highest-risk jobs for opioid addiction, but all the high-risk jobs were blue-collar, physically demanding, and unstable/insecure, often seasonal in nature. Researcher thus see isolation and financial insecurity as risk factors for both opioid prescription and addiction.

ⁱ "The Paradox of Older Workers," The Atlantic sponsor content. 2018. www.theatlantic.com/sponsored/aarp-2018/the-paradox-of-older-workers/1907/

ⁱⁱⁱ Alicia H. Munnell, Matthew S. Rutledge, and Geoffrey T. Sanzenbacher, "Retiring Earlier Than Planned: What Matters Most?" Center for Retirement Research, Boston College. February 2019, No. 19-3.

<https://crr.bc.edu/briefs/retiring-earlier-than-planned-what-matters-most/>

ⁱⁱⁱ Peter Gosselin, "Age Discrimination: If You're Over 50, Chances Are the Decision to Leave a Job Won't be Yours." *ProPublica*. December 28, 2018. <https://www.propublica.org/article/older-workers-united-states-pushed-out-of-work-forced-retirement>

^{iv} Cherrie Bucknor and Dean Baker, "Still Working Hard: An Update on the Share of Older Workers in Physically Demanding Jobs." Center for Economic and Policy Research. March 2016.

<http://cepr.net/publications/reports/still-working-hard>

^v This statistic is from an opening session at the 2019 WCRI annual conference in Phoenix, Arizona.

^{vi} Munnell, Rutledge, and Sanzenbacher, 2019.

^{vii} AARP, *Atlantic*.

^{viii} Bucknor and Baker 2016.

^{ix} These statistics are from the two opening sessions at the 2019 WCRI annual conference, Phoenix, Arizona.