

Understanding the Aging Workforce: Defining a Research Agenda

Inequality Throughout the Life Course

This issue brief is based on the consensus report *Understanding the Aging Workforce: Defining a Research Agenda*, which offers a multidisciplinary framework for understanding the complex pathways between work and nonwork through which adults traverse at older ages. The report reviews the current literature and proposes a comprehensive research agenda that highlights the need for more work exploring the ways in which these pathways are shaped not only by workers' individual and family characteristics but also by the current and historical social, economic, and policy contexts in which they live and work. To this end, it examines the role of workplaces, age discrimination and other forms of social inequality, labor markets, and social policy in shaping and constraining older adults' preferences and expectations for extending their working lives. This issue brief focuses on the ways in which the effects of social and economic inequality cumulate throughout the life course and shape work and retirement decisions at older ages.

The processes that structure unequal work and retirement pathways at older ages do not begin at age 50. Health, financial security, household and family structure, employment, and retirement at older ages are shaped not only by current characteristics but also by the structures of opportunity individuals experience throughout their lives. The impacts of discrimination and structural inequality experienced in

early adulthood and midlife continue to affect the work and retirement opportunities available to older adults. The effects of these inequities accumulate over the life course, affecting health and determining the resources and opportunities available for retiring or reducing employment in later life. Thus, transitions between work and retirement reproduce and reinforce social and economic inequality at older ages, and their effects are further compounded by the additional, well-documented effects of age discrimination. These forces together have shaped people's preferences for working longer, their expectations about the future, and the constraints on their working at older ages.

HEALTH

Many older workers experience health issues that constrain opportunities for working longer. Most older adults have been diagnosed with at least one chronic condition and many have more than one. Although significant medical advancements and improvements in public health have meant that recent cohorts of older adults have experienced improved health and greater longevity than earlier cohorts, there is also evidence that health at midlife has been declining in recent years, while mortality has been rising. There are large health disparities by race, ethnicity, and socioeconomic status among older adults. Black and Hispanic adults near retirement age have lower baseline health status and experience larger declines in health as they age, when

compared to their White counterparts. Health disparities among older Americans by education are also large. While there are differences in educational attainment by race, race and education are both key determinants of health and work. Health deteriorates more rapidly with age for workers engaged in manual work, suggesting that some of the effect of education on later adult health likely occurs through selection into occupation. There are also well-documented disparities in health by gender, with women having longer life expectancies but higher morbidity. A life course perspective is invaluable for understanding health disparities by gender, race/ethnicity, and education at older ages, which reflect the cumulative effect of early-life health and social and economic disadvantages.

These racial/ethnic, gender, and education-based disparities in overall health are manifest in disparities in labor force participation at older ages. While many studies document an association between poor health and retirement, the work-nonwork-health interface in later adulthood unfolds over time in complex and unequal ways. Though some types of occupations can reduce activity limitations and improve health—for example, working, as opposed to retirement, delays the onset of cognitive impairment—poor health can also constrain opportunities to remain in the labor force. Race and educational disparities in disability pathways reveal gender, race, and educational disparities in the timing of workforce exits because of functional limitations (disability), with less educated Black men in their 50s and early 60s particularly at risk.

Although determining the causal effect of health on retirement is challenging, the evidence suggests a strong relationship between poor health and retirement that appears to be causal. Yet, while health is a critical determinant of retirement for some individuals, others exit the labor force for reasons unrelated to health and have substantial work capacity at older ages. The role that health disparities play in explaining the large disparities in work at older ages by race, ethnicity, and education has yet to be fully explored. The fact that there are large disparities in health at older ages across groups, and the fact that health is a critical factor in retirement

decisions, together suggest that health inequities may be an important reason why some groups tend to retire earlier than others, but further work is needed to determine this definitively.

FINANCIAL SECURITY

Inequalities in financial resources mean that many older adults face economic constraints that reduce their ability to realize their preferred employment and retirement behaviors. These inequities build and accumulate throughout the lifespan. Recent cohorts of older adults have faced greater inequality in preretirement income as a result of declining job opportunities and work benefits for the less-educated. Increasing income inequality has particularly affected low- and mid-skilled workers, who find decreasing demand for their labor. Adults who face limited work opportunities during their prime working years will face a considerable disadvantage in work opportunities and accumulated savings when they reach conventional retirement ages. Wage gaps by factors such as gender, race/ethnicity, and education translate to lower savings, pension and other retirement benefits, and Social Security benefits at older ages. Moreover, disparities in access to employer-sponsored retirement plans, as well as in the structure of these plans, lead to growing wealth inequality throughout the life course. In addition, fears of high long-term care and medical costs in later life prevent many older Americans from spending down their savings in retirement.

In the United States, many employers have transitioned away from defined-benefit pension plans to retirement savings and investment accounts. Because of this, financial literacy has become increasingly important for achieving retirement security. In a defined-contribution plan, the employee typically must decide whether to participate, how much to contribute, how to allocate the portfolio across investment options, whether to annuitize, and how quickly to spend down any non-annuitized assets during retirement. The responsibility of managing investment, inflation, and longevity risks and ensuring an adequate replacement rate is shifted from employer to employee. Financial literacy may play a role in retirement decisions by enabling planning and thus allowing workers to retire earlier (and/or with higher

retirement resources) relative to those who do not plan. Individuals with higher levels of financial literacy are more likely to plan for retirement and to stick with the plan. Rates of financial literacy vary systematically across groups, with women, racial minorities, and those with less education displaying lower financial literacy than more advantaged groups.

Social Security has a moderate redistributive effect on wealth disparities because its benefits are distributed more equally than preretirement income, but earnings history is one of the primary determinants of the size of Social Security benefits. Those with lower lifetime earnings will have lower Social Security benefits. Due to large disparities in mortality by socioeconomic status, lower-income individuals also experience shorter life expectancy than higher-income ones, and therefore receive Social Security benefits for a shorter period of time. The combination of poorer health and more limited employment opportunities in later life leads many low- and mid-skilled workers to claim Social Security benefits at younger ages. In addition to foregoing labor income that they would earn by delaying retirement, early claimants of Social Security trade lower payments in return for early enrollment. Those who claim Social Security at younger ages tend to have lower total incomes in all subsequent years, both because early claiming permanently reduces their monthly Social Security payments and because early claimants tend to have less income from other sources than those who delay.

Inequality in wealth—the value of housing, savings, and other assets minus debt and an indicator of household financial security—has grown even faster than income inequality in recent decades. Though wealth grew for households at all income levels prior to 2001, it decreased for low- and middle-income households thereafter, despite continuing to increase for high-income ones. This decline occurred because wealth for low- and middle-income households is concentrated in housing value, which decreased as a result of the “Great Recession.” In contrast, higher-income households possess a more diversified portfolio of wealth that is less concentrated on real estate value and, therefore, were able to recover faster. Within the United States

there are large disparities in wealth accumulation by race, ethnicity, and gender. These disparities in income and wealth are important for understanding financial security in old age, because financial security is highly correlated to income and wealth during working life. It is more tenuous for workers without access to employer-sponsored pensions, savings in the financial sector, or other sources of retirement income.

HOUSEHOLD STRUCTURE AND CAREGIVING

Household structure has become far more diverse in the 21st century due to a combination of extended longevity; disparities in longevity along the lines of gender, race, and ethnicity; and changes in personal and structural constraints. Older women, Black and Hispanic adults, and individuals of lower socioeconomic status are less likely to engage in marriage or remain married in later life. Older women are more likely to be single than older men, partly because wives tend to outlive their husbands and are less likely to remarry in later life. Women of color are more likely to live alone. Being single, whether through divorce, never marrying, or becoming widowed, means an individual cannot pool resources to cover costs with a spouse or partner, and may not benefit from social insurance programs that privilege marriage (such as Social Security). Living alone in mid- and later life increases the likelihood of experiencing acute financial strain to cover basic costs of living such as rent/mortgage, student loans, credit card debt, food, medicine, and transportation. In addition to working longer for financial reasons, single workers may lack meaningful relationships at home and derive greater benefit from their social connections with work colleagues.

Household and family relationships can also affect retirement through caregiving responsibilities. Although there is great diversity of informal care work and paid work arrangements, older informal caregivers are more likely to reduce their hours at work, be forced into retirement, and retire earlier, and they are less likely to return to work after retirement. Informal caregiving is highly gendered; the majority of informal caregivers, regardless of age, are women. When compared to older men, older women were more likely to permanently

leave the labor market, more likely to be working part time due to informal care, and more likely to take time off of work each week due to the demands of care. Sexual and gender minorities are more likely to become caregivers than the general population, are more likely to be caring for another individual who identifies as a sexual or gender minority, are less likely to have support from their biological family members, report higher levels of workplace discrimination due to caregiving, and also encounter fewer culturally competent support services. In sum, informal caregiving is associated with earlier retirement and a lower probability of returning to the labor force after retirement. Taken together, these findings suggest that the roles of “worker” and “caregiver” are not complementary, but compete with each, forcing many caregivers to leave the labor force.

In contrast to these findings, there is a small emerging literature that suggests that for some older adults, care-related financial costs are associated with delayed retirement or returns to work. Caregiving is costly and leads many informal caregivers to spend significant amounts on out-of-pocket expenses related to care. These out-of-pocket expenses are felt more acutely among low-income families, Hispanic caregivers, long-distance caregivers, those caring for an adult who is age 50 or over, or when the care recipient has dementia. Similarly, qualitative research on grandparents who gain full custody of their grandchildren find that these grandparents often report that they returned to work and/or delayed retirement as a result of these custody arrangements. More research is needed to fully understand the heterogeneity of caregiving experiences among older informal caregivers, the ways in which caregiving contexts shape and constrain work opportunities and the quality of work available to caregivers, and work characteristics that enable or constrain caregivers’ ability to engage in both informal caregiving and paid employment.

EMPLOYMENT AND RETIREMENT

Working at older ages could improve the economic well-being of older Americans. Delaying retirement has a larger impact on a household’s standard of living than saving throughout the life course, particularly when

individuals do not begin saving until they are middle-aged or older. However, opportunities to continue working are not always available. Wide disparities in health by race/ethnicity and socioeconomic status mean that many adults face poorer health and job prospects at older ages and are less able to work past standard retirement ages. Historically, employment opportunities have narrowed at older ages as the physical ability to perform work tasks deteriorates. However, a shift away from physically demanding occupations creates working environments in which health limitations are more easily accommodated by employers, but the higher skill demands of these jobs prevent less educated workers from benefiting from these changes. Both low-skilled and mid-skilled workers may perform tasks that can be easily automated, which forces their early involuntary withdrawal from the labor force. Displacement by automation of mid-skilled jobs has particularly affected Hispanic and Black workers and workers with no more than a high school education. The health and work opportunity barriers to employment mean that working longer may not be a realistic solution to declines in economic status at older ages for many adults. In fact, those who would benefit the most economically from remaining in the labor force often face constraints to participation that reduce both their preference for working longer and the viability of this as an option for improving their economic circumstances

Access to social networks can also shape the work opportunities that are available in later life. Acquiring, maintaining, and advancing one’s career is a social process. There is evidence that without social networks, the odds of acquiring employment are reduced, particularly among low-income job seekers, although there are ongoing debates about the causal nature of this relationship. Free or cheap caregiving services provided by friends and relatives to assist a job seeker may be just as important as job information and personal referrals. Membership to civic and non-civic organizations within neighborhoods fosters social ties, and over time, trust, reciprocity, and norms help to build social capital. Retirees who help friends, neighbors, or relatives, as well as those who engage as formal volunteers with religious, educational, health-related, or other charitable

organizations, are more likely to return to work. Yet, scant research has focused on the social processes of older job seekers and even less on older racial and ethnic minorities and low-income older adults.

THE PATH FORWARD

Work and retirement decisions are the result of individual preferences for work, expectations about the future, and constraints on work behaviors within the larger contexts of social and economic change. Individual preferences, expectations, and constraints operate within complex systems of social and economic inequality that develop throughout the life course and are shaped by the current

and historical social policy contexts in which individuals enter their adulthood and, later, their retirement ages. Race, ethnicity, gender, and sexual orientation are associated with employment stability, income and wealth trajectories, saving for retirement, and health status, which in turn affect retirement behavior and income security in old age. Control over deciding when, where, and how much to work or retire is limited for those in historically disadvantaged social positions. Future research can further elucidate these relationships, particularly for those whose experiences have heretofore been underrepresented in the literature.

FOR MORE INFORMATION

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