

Understanding the Aging Workforce: Defining a Research Agenda

Social Policy

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 that 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 role of social policy.

THE AGING WORKFORCE: POLICY IMPLICATIONS

Social policies can play a key role in individual retirement by setting the context for retirement and work decisions. The importance of Social Security and Medicare in providing individual financial support and health insurance coverage is well established, but a host of other policies may also improve financial resources or opportunities to extend working lives into older ages. Beyond direct effects on individual decisions, public policies can affect the incentives for organizations to implement workplace changes that enable or inhibit work

at older ages. These policy environments are not set in stone, but are ever in flux.

The United States has enacted a wide range of social policies that may support or discourage work at older ages. These policies can be broadly characterized as being of two types: those that aim to improve financial security and those that aim to support work. While the focus of policies and programs that aim to improve financial security is on financial risk protection, their existence can make retirement possible when it might not have been otherwise. These programs can also affect the financial incentive to continue working at older ages, potentially affecting the timing of retirement.

The group of policies that support work can be further subdivided into two groups: age-specific policies—those that apply specifically to older workers—and non-age-specific policies—those that apply to workers regardless of age. There are a number of policies that apply to only older workers and are designed to affect their employment prospects specifically, including age-based legal protections, mandatory retirement (or the elimination thereof), gradual retirement policies, and job training authorized under Title V of the Older Americans Act. Non-age-specific policies include programs such as disability-based legal protections, workers' compensation, and family and medical leave policies. As many non-age-specific policies are designed

to aid workers who are dealing with a disability or other health issue to remain employed, these policies may have greater relevance for older workers due to the higher risk of disability and health issues at older ages, even when age is not an eligibility criterion.

This issue brief briefly discusses below the key policies within each category and what is known about their effects on work at older ages.

POLICIES THAT SUPPORT FINANCIAL SECURITY

Social Security Disability Insurance (SSDI) provides income support to individuals experiencing a long-term, work-limiting disability. Use of SSDI is higher among those with less education and older Black adults, reflecting education-based and racial/ethnic disparities in health. Interventions designed to support employment and reduce SSDI use among disabled individuals have a mixed record of success, although there is some evidence that providing access to vocational rehabilitation services and employer-provided, short-term disability benefits may support work.

Social Security is a critical source of income for older Americans that is distributed far more equally than other sources of retirement income (or wealth). Program provisions shape the financial incentive to work at older ages, and workers are highly responsive to these incentives. Changes to the program over the past several decades have strengthened the incentive to work at ages 65 to 69.

The Supplemental Security Income program (SSI) is a cash benefit program for very low-income elderly adults as well as disabled adults and children. The share of older individuals receiving SSI has declined over time as means-tested income and asset limits have not been updated for inflation. SSI enrollment improves health and reduces labor supply among low-income adults ages 62 to 64.

Retirement savings policies. Over the past few decades, responsibility for financial retirement planning has been transferred from employers to workers, as employers have shifted from offering defined benefit (where

an employee receives regular benefit payments from retirement until death) to defined contribution (where the employer and/or employee make contributions to a retirement account) retirement plans. The U.S. federal government provides \$250 billion per year in tax incentives for retirement saving through defined contribution plans and IRAs. Low-income workers are less likely to have IRAs and defined contribution pensions, and special programs targeting this group have only a mixed record in promoting saving. There is an active debate in the literature over whether people are saving enough for retirement and the effects of retirement savings on work and retirement behaviors.

Health insurance. Most Americans under age 65 obtain health insurance through their own or a spouse's employer. Having access to employer-provided retiree health insurance is associated with earlier retirement, but access to such benefits has declined over time. While access to coverage through Medicare at age 65 and through the Affordable Care Act (ACA) would be expected to increase the probability of retirement, the evidence on this point is surprisingly mixed.

POLICIES THAT SUPPORT WORK

Age-Specific Policies

Age discrimination protections. The federal Age Discrimination in Employment Act protects workers age 40 and over in workplaces with 20 or more employees from discrimination on the basis of age. It limits damages that successful plaintiffs can receive. Additionally, most states have their own age discrimination laws, which may differ from the federal law; for example, by allowing for larger damages or applying to workers at smaller firms. The balance of the evidence suggests that stronger state age discrimination laws improve the hiring and retention of older workers, particularly older White men, but the evidence is more equivocal for women and racial/ethnic minorities.

Mandatory retirement has been abolished in the United States since 1986 (with exceptions for occupations deemed too physically or cognitively challenging for workers to continue beyond a certain age). The elimination of mandatory retirement at age 65 is

estimated to have increased the labor force participation of workers ages 65 to 69 by 5 to 20 percent relative to then current levels.

Partial retirement programs allow older workers to combine partial retirement benefit receipt with part-time work; some European countries have formal programs that allow this, but the United States does not. An international comparison of nine OECD countries with such policies suggests that the policies increase labor force participation but decrease the average hours worked, and thus may have ambiguous effects on total labor supply.

The Senior Community Employment Program is a community service and work-based training program for low-income older workers with poor employment prospects. The program provides income support for this vulnerable population and is associated with improvements in social well-being and health but is not currently meeting its statutory goals of fostering economic self-sufficiency and moving low-income seniors into unsubsidized employment.

Non-Age-Specific Policies

The Americans with Disabilities Act (ADA) is meant to protect the disabled from discrimination. Although the ADA does not target older workers, the likelihood of being disabled increases with age, especially after age 50. Research on the employment effects of the ADA has yielded inconclusive results.

Family and medical leave policies. The Family and Medical Leave Act (FMLA) provides access to 12 weeks of unpaid leave for workers dealing with their own or a family member's health issues, although only 55 percent of the private-sector workforce is covered by the law. While there is no federal policy that covers paid leave, an increasing number of states offer paid family leave for use in similar circumstances and some employers offer paid leave to their employees. Existing research on these programs has largely focused on their use following the birth of a child rather than supporting the needs of older workers.

Workers' compensation provides access to medical care and compensation for lost wages following a workplace injury. While there is no clear relationship between age and the probability of a workplace injury, older workers tend to experience more severe injuries, which results in higher payments, longer periods of benefit receipt, and higher fatality rates. Older workers are more likely to report that they plan to retire earlier than they previously intended and are more likely to transition to SSDI.

POLICY-RELATED RESEARCH NEEDS FOR AN AGING WORKFORCE

The report outlines the need for further research addressing the role of social policy on work and retirement decisions and highlights an overarching need for research that specifically addresses the experiences of vulnerable older populations, particularly the experiences of women, racial and ethnic minorities, immigrants, those with less education, those who have low income or limited savings and wealth, those living in rural or economically disadvantaged areas, and those with multiple intersecting vulnerabilities. The relative lack of attention to these populations in the existing literature limits understanding of the ways in which inequality in retirement and work opportunities and outcomes contributes to broader social and economic inequality that affects the well-being of older adults.

Future research could provide a more comprehensive understanding of the role of social policies in promoting financial security in later life and their effects on work behaviors. In addition, further research is needed to assess the impact of both age-specific and non-age-specific policies on the work behaviors of older adults. Specific topics for future research are outlined below.

Policies that affect financial security:

- Evaluate the causes underlying recent declines in the SSDI program rolls and assess whether there are policies that can assist individuals with health problems to maintain employment.
- Determine whether Social Security and SSI are providing an adequate safety net for very low-income elderly and disabled households.

- Explore the racial wealth gap and other differences in retirement saving behavior across demographic groups.
- Examine how older workers have relied on government programs and employment protections to help them weather the effects of the COVID-19 crisis.
- Assess the impact of health insurance coverage through Medicare and the ACA on employment at older ages, including how policy changes, such as raising or lowering the age of Medicare eligibility, might affect the older workforce.
- Assess the effects of age discrimination protections on outcomes other than hiring, such as on-the-job training for older workers, and on the intersectionality of race and gender in the realm of age discrimination protections.
- Understand the impact of job training interventions on the employment of 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. Extant research demonstrates the powerful role that social policy can play in helping individuals achieve financial security and realize their preferred work and retirement relationships in later life. Future research can further elucidate these relationships and point to ways in which these policies can better serve vulnerable populations who have heretofore been underrepresented in the literature.

Policies that affect work:

- Understand how non-age-specific policies that support work affect older workers, including:
 - Whether FMLA and state family-leave policies help older workers manage their own or a family member's health crisis.
 - How to deter work-related injuries and their impact on return to work, how to hold down workers' compensation costs for older workers, and whether the risk of more serious injury deters the employment of older workers.

FOR MORE INFORMATION

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