

PROMOTING WORK: IMPLICATIONS OF RAISING SOCIAL SECURITY'S EARLY RETIREMENT AGE

By John A. Turner*

INTRODUCTION

Preparing for retirement is becoming more challenging for today's workers as traditional sources of income, such as Social Security and employer-sponsored pensions, are declining while life expectancy and health care costs are rising. One powerful antidote to income shortfalls in retirement is working longer. But many analysts believe that the availability of early Social Security benefits at age 62 induces many workers to leave the labor force at or near that time. In fact, over 50 percent of both men and women do claim Social Security at 62 and the average retirement age is 63 for men and 62 for women. Therefore, raising Social Security's Early Eligibility Age (EEA) could encourage many to work longer.

This *brief* addresses the question of whether today's workers would be able to work longer without

undue hardship if the EEA were raised. Answering this question requires exploring trends in both the health of older workers and the nature of jobs. In examining these areas, the *brief* focuses in particular on economically vulnerable groups — women and minorities.

HEALTH INDICATORS AFFECTING THE ABILITY TO WORK AT OLDER AGES

A major survey in the 1980s concluded that, over the previous 20 years, individuals age 62-67 had experienced improved life expectancy but that their health status had worsened on average.¹ While recognizing that advances in medical technology and in healthy

* John A. Turner is a pension policy consultant and a research associate of the Center for Retirement Research at Boston College. The author would like to thank the following people for helpful comments: Richard Balkus, Howard Iams, Sophie Korczyk, David McCarthy, Virginia Reno, Sara Rix, and C. Eugene Steuerle.

LEARN MORE →

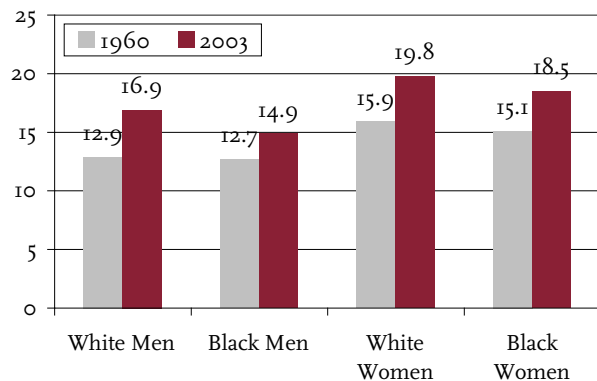
Search for other publications on this topic at:
www.bc.edu/crr

behaviors could reverse the trends, the study projected that worsening health would continue. To what extent are recent trends in life expectancy, health, and disability consistent with these predictions?

LIFE EXPECTANCY

While life expectancy varies by gender and race, it has improved across the board over the past 40 years (see Figure 1). In 1960, a white man age 65 had a life expectancy of 12.9 years, compared to 16.9 years in 2003. The comparable figures for white women are 15.9 years and 19.8 years.² Thus, for both white men and women, life expectancy over this period increased by four years, or about one year per decade. In contrast, life expectancy for black men has lagged behind. In 1960, black and white men had nearly identical life expectancies. However, by 2003, black male life expectancy was 2 full years below that of white men.³ Black women have fared relatively better, though their life expectancy is still below that of white women.

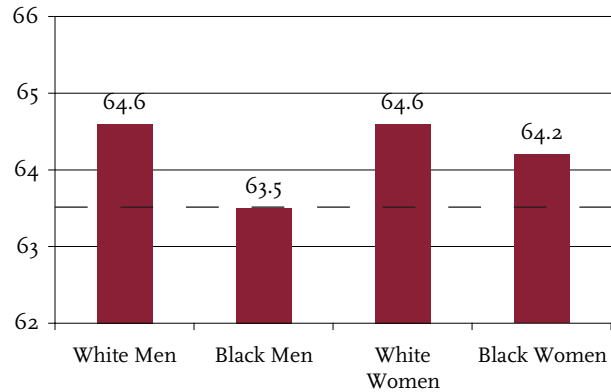
FIGURE 1. LIFE EXPECTANCY AT AGE 65, 1960, AND 2003



Source: Author's calculations from National Center for Health Statistics (2006).

The rise in life expectancy suggests that Social Security's Early Eligibility Age (EEA) could be raised without making individuals 'worse off' than previous generations. But how high is it reasonable to raise the EEA? Not one full year for each year of increased life expectancy, because individuals would likely choose to spend some portion of any additional time they have in retirement rather than just working longer. The ideal way to answer the question would require a mathematical model incorporating the factors that determine an individual's retirement decision.⁴

FIGURE 2. EARLY RETIREMENT AGE IN 2003, REFLECTING IMPROVED LIFE EXPECTANCY SINCE 1961, BY GENDER AND RACE



Note: Assumes a constant ratio of one year in retirement for every two years of work. See footnote 5 for an explanation of the calculations.

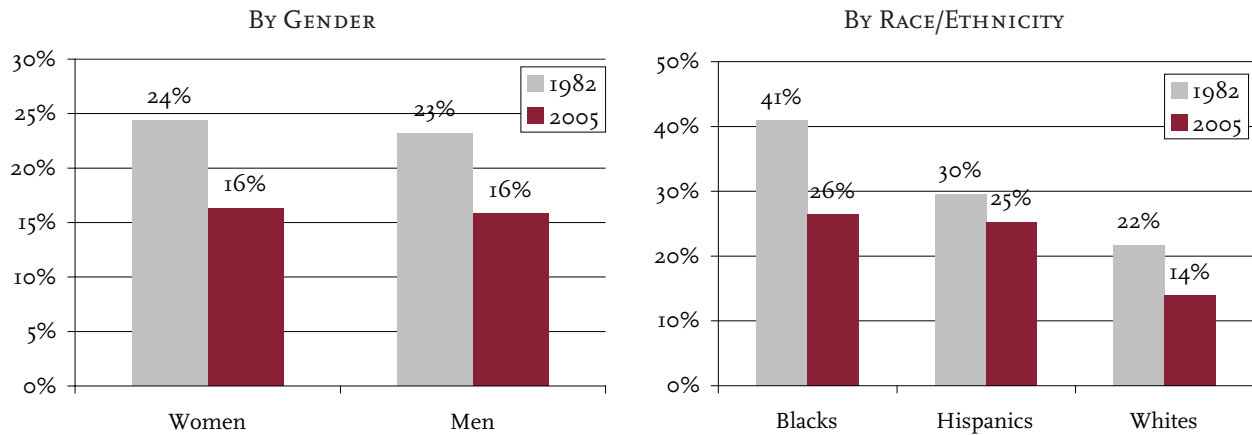
Source: Author's calculations based on data from National Center for Health Statistics (2006).

An alternative, and much simpler, way to answer the question of how high to raise the EEA is to first assume that age 62 was the 'optimal' level when it was originally applied to all workers in 1961. Then, as a rough approximation, the relationship between retirement and work can be thought of as one year in retirement for every two years working (e.g., 20 years in retirement following 40 years of work). Assuming that this balance is maintained as life expectancy increases, Social Security's early retirement age could be raised in tandem. For example, using 1961 as the starting point, the early retirement age could be raised from 62 years to 63.5 years without making any major race-gender group worse off (see Figure 2).

HEALTH

Since the early 1980s, the percentage of older persons reporting that they are in fair or poor health has decreased.⁶ While this decline occurred for both men and women, a more complex pattern emerges when sorted by ethnicity (see Figures 3a and 3b on the next page). The largest percentage point decline over the period 1982-2005 for individuals age 50-64 occurred for blacks. Hispanics have seen little improvement by this measure over the same period, although their reported health status in 2005 was slightly better than blacks.⁷

FIGURES 3A AND 3B. PERCENT OF PERSONS REPORTING HEALTH STATUS AS FAIR OR POOR, AGE 50-64, 1982-2005



Source: National Center for Health Statistics (2006).

While health has clearly improved over the past quarter century, some recent evidence suggests a reversal in this trend. A new study of baby boomers age 51-56 concluded that their self-reported health was worse than people the same age 12 years earlier.⁸ Possible explanations include increases in obesity and/or stress. The incidence of diabetes among the population age 55-60 increased between 1992 and 2002.⁹ Other evidence indicates that the prevalence of diabetes has declined among whites age 50-64, while it has increased among blacks that age. Thus, the recent evidence is mixed, and cannot be summarized as a trend of overall improvements. In addition, it is possible that health problems are more likely to be reported now due to greater awareness stemming from improvements in diagnosis and more widely available information about pharmaceutical treatments.

DISABILITY

The incidence of chronic disability (lasting at least three months) declined substantially for the population over age 65 for the period 1982-1999. The rate of decline in disability for blacks was somewhat more rapid than for whites, leading to a modest convergence of rates for blacks and whites. Improvement in disability rates for this age group also implies improvements for those in their 50s and early 60s. Similar to the finding of mixed recent evidence concerning health, however, some evidence suggests that the decline in disability rates may have stopped or reversed. For people age 55-61 in 1992, the reported incidence of work limitations was 18 percent; for those age 55-61 in 2004, it was 19 percent.¹⁰ In addition,

disability rates at younger ages have been increasing. Between 1990 and 1996, disabilities among those in their forties increased slightly, possibly due to the increased prevalence of obesity.¹¹

Overall, then, today's older workers are healthier than previous generations. This finding is consistent across gender and ethnic groups, although the rate of improvement for Hispanics is only modest. However, recent evidence raises questions regarding whether such trends have halted or even begun to reverse.

THE DECLINE IN PHYSICALLY DEMANDING JOBS

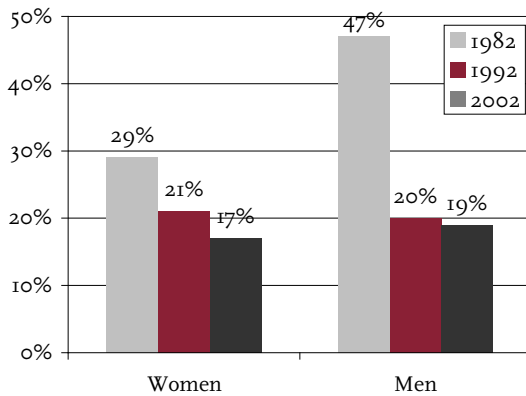
Working longer would be facilitated by a decline in the physical demands of jobs. This trend can be measured through traditional survey questions on work requirements. Another measure that could affect an individual's ability to continue working is the mental stress of a job.

DIRECT MEASURES OF PHYSICAL EFFORT

Overall, jobs have become less physically demanding over the last several decades. Between 1950 and 1996, the percentage of the workforce in jobs that required frequent lifting or carrying of objects weighing 25 pounds or more declined from 20 percent to 8 percent.¹²

Assessing more recent changes requires piecing together data from different sources. In 1982, according to one study, 39 percent of older workers reported that their jobs required medium to heavy strength

FIGURE 4. PERCENT OF PHYSICALLY DEMANDING JOBS BY GENDER, 1982, 1992, AND 2002*



* Data for 1982 are not directly comparable to the later data. The definition of physically demanding jobs for 1982 is those that require “medium or greater strength.” The definition for 1992 and 2002 is “always requires physical effort.”

Sources: U.S. Social Security Administration (1986) and Johnson (2004).

requirements. These measures differed by gender, with 47 percent of men in jobs with medium to heavy strength requirements compared to 29 percent of women.¹³ In terms of race, there appears to be little difference between blacks and whites in the prevalence of work in physically demanding occupations, at least in recent years.¹⁴ Between 1992 and 2002, a recent analysis found that both men and women workers age 55-60 saw slight to modest declines in the percent who reported jobs that required substantial physical effort most of the time — from 20 to 19 percent for men and from 21 to 17 percent for women. While these figures are not directly comparable to those from the early 1980s, they suggest that a substantial decline has occurred since then (see Figure 4).

While, on average, jobs have become less physically demanding, the situation varies substantially by educational level. In fact, the decline between 1992 and 2002 in the percentage of jobs requiring substantial physical effort only occurred for older workers with four or more years of college.¹⁵

STRESSFUL JOBS

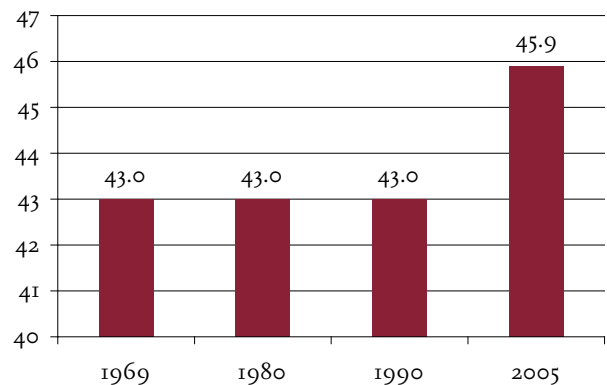
While not as clear-cut a measure of physical demand, mental stress can also affect an individual’s inclination or ability to continue working. Some evidence in

recent years indicates that the stress level of work may have increased. The proportion of workers age 55-60 who reported that their jobs involved a lot of stress rose from 18 to 21 percent between 1992 and 2002.¹⁶ In another survey, three-quarters of workers indicated that they thought that jobs had gotten more stressful in comparison to a generation earlier.¹⁷

A possible contributing factor to rising job stress is the increase in working hours for men. While the average work week varies from year to year, it was 43.0 hours for men in 1969, 1980, and 1990. Since 1990, it has trended upward, reaching 45.9 in 2005 (see Figure 5). The average work week for women also has varied over time, but without a clear trend.¹⁸

On balance, jobs for older workers have clearly become less physically demanding than they were for previous generations. However, recent evidence suggests that the rate of improvement may have slowed significantly in recent years, possibly due to increased job stress. And those without college educations have seen no progress recently toward less physically demanding jobs.

FIGURE 5. AVERAGE WORK WEEK FOR MEN, 1969, 1980, 1990, AND 2005



Source: International Labour Organization (2007).

VULNERABLE WORKERS

The primary criticism of policies that encourage working longer is that doing so places an unfair burden on certain vulnerable groups who have relatively short life expectancies, who are unable to work at older ages because of physical limitations or the physical demands of their jobs and lack early retirement pensions, or who become unemployed at older ages and are unable to find other jobs. The important question is how many workers would be at risk. Several studies have attempted to provide an answer.

The results have been fairly consistent, ranging from about 3 percent to somewhat over 10 percent of the age-62 population. While the definitions of the vulnerable population vary by study, they all incorporate both a measure of health status and a measure of alternative financial resources — such as private pensions or potential forms of government assistance.¹⁹

CONCLUSION

The question of whether more workers could work past age 62 has two parts. First, how have older workers' capabilities changed? Second, how have job requirements changed? Overall, individuals in their fifties and sixties are effectively younger than people the same age 25 years ago in terms of life expectancy, disability rates, and self-reported health. These findings are consistent across gender and racial/ethnic groups. Along with health, employment has become less physically-demanding, except for those with relatively little education.

Thus, it appears clear that if demand for older workers were sufficient, it would be feasible to raise the Early Eligibility Age for Social Security to 63.5 in order to promote longer worklives. Ideally, such an adjustment would be done with a long lead time so as to allow people to plan for the change. As a matter of social policy, it would probably be desirable to consider changes in other programs, such as providing early benefits for workers with many years of covered Social Security work or lowering the requirements for receipt of disability benefits at older ages.

Several studies have attempted to identify the size of the group that would be most adversely affected by such a policy. That group would be people who were physically unable to continue working but who did not qualify for disability benefits or for an early retirement pension. Studies have found that group to be relatively small — 10 percent or less of older workers.

ENDNOTES

- 1 Chapman, LaPlante, and Wilensky (1986).
- 2 National Center for Health Statistics (2006).
- 3 Black and white men still had nearly identical life expectancy at age 65 as recently as 1975, so the divergence has occurred over a relatively short period of time. See Centers for Disease Control (2003).
- 4 Cutler, Liebman, and Smyth (2007).
- 5 Using data from the National Center for Health Statistics (2006), these numbers were computed as follows: 1) determine the number of years of increased life expectancy for each group between 1961 and 2003; 2) multiply the number by .66 (given the assumption that individuals maintain a constant ratio of 2 years working for every one year retired); and 3) add the result to 62 — Social Security's early retirement age. For example, life expectancy for white men increased by 4 years during the period, so the calculation assumes that white men can work an additional 2.6 years in retirement ($4 \times .66$). Thus, white men could then retire at 64.6 ($62 + 2.6$) while maintaining the same ratio of years worked to years retired as in 1961.
- 6 See Munnell and Libby (2007) for a detailed overview of health trends among older workers and retirees over the past 40 years.
- 7 For the purposes of this *brief*, Hispanics are not included in either "blacks" or "whites."
- 8 Soldo et al. (2006).
- 9 Johnson (2004).
- 10 Mermin, Johnson, and Murphy (2006).
- 11 Lakdawalla, Battarcharya, and Goldman (2004).
- 12 Steuerle, Spiro, and Johnson (1999).
- 13 U.S. Social Security Administration (1986).
- 14 Johnson (2004).
- 15 Johnson (2004).
- 16 Johnson (2004).
- 17 National Institute for Occupational Safety and Health (1999).
- 18 International Labour Organization (2007).
- 19 Panis et al. (2002); Munnell et al. (2004); Leonasio, Vaughan, and Wixon (2003); Burkhauser, Couch, and Philips (1996); and Congressional Budget Office (1999). In addition to health and financial resources, Panis et al. (2002) also included physically demanding jobs as one of the criteria for the group considered particularly vulnerable.

REFERENCES

- Burkhauser, Richard V., Kenneth A. Couch, and John W. Philips. 1996. "Who Takes Early Social Security Benefits? The Economic and Health Characteristics of Early Beneficiaries." *The Gerontologist* 36(6): 789-99.
- Centers for Disease Control. 2000. "Trends in Aging — United States and Worldwide." *Morbidity and Mortality Weekly Report* 52(2): 101-109. Washington, DC: U.S. Department of Health and Human Services.
- Chapman, Steven H., Mitchell P. LaPlante, and Gail R. Wilensky. 1986. "Life Expectancy and Health Status of the Aged." *Social Security Bulletin* (October).
- Congressional Budget Office. 1999. "Raising the Earliest Eligibility Age for Social Security Benefits." Washington, DC. Available at: <http://www.cbo.gov/ftpdocs/10xx/doc1058/ssage.pdf>.
- Cutler, David, Jeffrey Liebman, and Seamus Smyth. 2007. "How Fast Should the Social Security Eligibility Age Rise?" Working Paper updated for the 9th Annual Joint Conference of the Retirement Research Consortium, Washington DC. Cambridge, MA: NBER Retirement Research Center
- International Labour Organization (ILO). 2007. *La-borsta*. Geneva, Switzerland. Available at: <http://laborsta.ilo.org/>.
- Johnson, Richard W. 2004. "Trends in Job Demands Among Older Workers: 1992-2002." *Monthly Labor Review* 7: 48-56. Available at: <http://www.bls.gov/opub/mlr/2004/07/art4full.pdf>.
- Lakdawalla, Darius, Jay Battarcharya, and Dana Goldman. 2004. "Are the Young Becoming More Disabled?" *Health Affairs* (January/February): 168-176. Available at: <http://content.healthaffairs.org/cgi/reprint/23/1/168>.
- Leonesio, Michael V., Denton R. Vaughn, and Bernard Wixon. 2003. "Increasing the Early Retirement Age Under Social Security: Health, Work, and Financial Resources." Health and Income Security for an Aging Workforce, No. 7. Washington, DC: National Academy of Social Insurance. Available at: http://www.nasi.org/usr_doc/nasiBrief_risk7_03.pdf.
- Mermin, Gordon B.T., Richard, W. Johnson, and Dan Murphy. 2006. "Why Do Boomers Plan to Work So Long?" The Urban Institute Retirement Project, Working Paper 06-04. Washington, DC: The Urban Institute.
- Munnell, Alicia H., Kevin B. Meme, Natalia A. Jivan, and Kevin E. Cahill. 2004. "Should We Raise Social Security's Earliest Eligibility Age?" *Issue In Brief* 18. Chestnut Hill, MA: Center for Retirement Research at Boston College.
- Munnell, Alicia H. and Jerilyn Libby. 2007. "Will People Be Healthy Enough to Work Longer." *Issue in Brief* 7-3. Chestnut Hill, MA: Center for Retirement Research at Boston College.
- National Center for Health Statistics. 2006. "Health, United States, 2006." Hyattsville, MD: U.S. Department of Health and Human Services.
- National Institute for Occupational Safety and Health. 1999. *Stress at Work*. NIOSH Publication No. 99-101. Atlanta, GA. Available at: <http://www.cdc.gov/niosh/stresswk.html>.
- Panis, Constantijn, Michael Hurd, David Loughran, Julie Zissimopoulos, Steven Haider, and Patricia St. Clair. 2002. "The Effects of Changing Social Security Administration's Early Entitlement Age and the Normal Retirement Age." Santa Monica, CA: RAND.
- Soldo, Beth J., Olivia S. Mitchell, Rania Tfaily, and John F. McCabe. 2006. "Cross-Cohort Differences in Health on the Verge of Retirement." Working Paper 12762. Cambridge, MA: National Bureau of Economic Research.
- Steuerle, C. Eugene, Christopher Spiro, and Richard W. Johnson. 1999. "Can Americans Work Longer?" Straight Talk on Retirement and Social Security Policy No. 5. Washington, DC: Urban Institute.
- U.S. Social Security Administration. 1986. "Increasing the Social Security Retirement Age: Older Workers in Physically Demanding Occupations or Ill Health." Available at: http://www.findarticles.com/p/articles/mi_m6524/is_n10_49/ai_4548488.

ABOUT THE CENTER

The Center for Retirement Research at Boston College was established in 1998 through a grant from the Social Security Administration. The Center's mission is to produce first-class research and forge a strong link between the academic community and decision-makers in the public and private sectors around an issue of critical importance to the nation's future.

To achieve this mission, the Center sponsors a wide variety of research projects, transmits new findings to a broad audience, trains new scholars, and broadens access to valuable data sources. Since its inception, the Center has established a reputation as an authoritative source of information on all major aspects of the retirement income debate.

AFFILIATED INSTITUTIONS

American Enterprise Institute
The Brookings Institution
Center for Strategic and International Studies
Massachusetts Institute of Technology
Syracuse University
Urban Institute

CONTACT INFORMATION

Center for Retirement Research
Boston College
Hovey House
140 Commonwealth Avenue
Chestnut Hill, MA 02467-3808
Phone: (617) 552-1762
Fax: (617) 552-0191
E-mail: crr@bc.edu
Website: <http://www.bc.edu/crr>

www.bc.edu/crr