

WORKING PAPER

Executive Summary

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WILL PEOPLE BE HEALTHY ENOUGH TO WORK LONGER?

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From the mid-1960's to present day, the median retirement age – the age at which half of all men are no longer in the labor force – has fallen from 66 to 63. This trend has occurred despite the scheduled decline in Social Security replacement rates, relatively low 401(k) balances, and increased longevity. Not surprisingly, these factors put a great number of Americans at risk of experiencing income shortfalls during retirement. A potential solution to this problem would be to push the median retirement age back to 66, or perhaps even further. Such action would increase current income, Social Security benefits, and retirement saving while decreasing the length of an individual's retirement.

A key consideration, though, is whether Americans are healthy enough to work longer. It has been widely accepted that life expectancy has increased since the 1960s as medical advances have improved outcomes for many health problems. Two pieces of evidence, however, suggest problems may still exist. First, disparities in health and mortality outcomes have widened. Second, the improvement in health outcomes for the populations in general may have slowed or even reversed. The two trends suggest that a portion of the population at the low end of the socioeconomic ladder may simply be unfit for continued work, even if appropriate employment opportunities were available.

Using the *National Health Interview Survey* (NHIS), the paper attempts to identify the particular socio-economic subgroups who will be able to work longer, and those that will not. Focusing on the health of older men 50-64, this paper explores the relationship between health/mortality and socioeconomic status, and provides estimates of trends in health and healthy life expectancy by race and educational attainment.

The paper finds that on average, a 50-year-old man could expect almost three more years of healthy life in 2000 than in 1970. However, healthy life expectancy varies significantly by race and education. In 2000, a white man with less than high school could expect another 13 years at age 50, while a white college graduate can expect 23 years. Also, with the exception of college graduates, little improvement has occurred within each race-education group. Increases in years of healthy life appear to be the result of men moving up the education ladder. Finally, when collapsing the race and educational groups into quartiles of the population, healthy life expectancy at age 50 averages 14 years for the lowest quartile, 18 to 19 years for quartile two and three, and 23 years for the highest quartile.

Policymakers can take several inferences from this paper. First, physical limitations should not prohibit the bulk of older Americans to work at least until their mid-sixties. Second, many of those who need to work longer – low-wage workers dependent on Social Security – are precisely the individuals who have onerous jobs that stress their health and lack the education to manage their care. These workers will probably not be able to work until Social Security’s current retirement age of 66. Finally, policymakers should be cautious about expecting continued gains in healthy life expectancy, since the movement up the education ladder has stalled. Therefore, the working longer prescription must be administered with care as there is no blanket solution for all Americans.

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