S. HRG. 117–225

BUILDING A BETTER LABOR MARKET: EMPOWERING OLDER WORKERS FOR A STRONGER ECONOMY

VIRTUAL HEARING

BEFORE THE

JOINT ECONOMIC COMMITTEE

OF THE

CONGRESS OF THE UNITED STATES

ONE HUNDRED SEVENTEENTH CONGRESS

SECOND SESSION

FEBRUARY 9, 2022

Printed for the use of the Joint Economic Committee

Available via the World Wide Web: http://www.govinfo.gov

U.S. GOVERNMENT PUBLISHING OFFICE

47–217 WASHINGTON : 2022

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[Created pursuant to Sec. 5(a) of Public Law 304, 79th Congress]

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WEDNESDAY, FEBRUARY 9, 2022

UNITED STATES CONGRESS,
JOINT ECONOMIC COMMITTEE,
Washington, DC.

The WebEx virtual hearing was convened, pursuant to notice, at 2:31 p.m., in Room G–01, Dirksen Senate Office Building, Hon. Donald S. Beyer Jr., Chairman, presiding.

Representatives present: Beyer, Schweikert, Herrera Beutler, Estes, Arrington, and Trone.

Senators present: Klobuchar, Kelly, Cruz, Lee, and Hassan.

Staff: Vanessa Brown Calder, Ismael Cid-Martinez, Hugo Dante, Sebi Devlin-Foltz, Carly Eckstrom, Tamara Fucile, Sean Gogolin, Devin Gould, Owen Haaga, Erica Handloff, Colleen Healy, Jeremy Johnson, Adam Michel, Michael Pearson, Elisabeth Raczek, Alexander Schunk, Nita Somasundaram, Sydney Thomas, and Emily Volk.

OPENING STATEMENT OF HON. DONALD BEYER JR., CHAIRMAN, A U.S. REPRESENTATIVE FROM THE COMMONWEALTH OF VIRGINIA

Chairman Beyer. This hearing will come to order. I would like to welcome everyone to the Joint Economic Committee's hearing titled "Building a Better Labor Market: Empowering Older Workers for a Strong Economy."

I want to thank all of our truly distinguished witnesses for sharing their expertise today. And now let me turn to my brief opening statement.

Without question, older workers are vital to our collective prosperity. And I am not just saying that because I am 71 years old. They support families and communities nationwide. They bring decades of earned experience and wisdom to businesses and market places large and small.

Prior to the pandemic, older Americans made up 40 percent of the national economic output, despite making up only 35 percent of the population. And over the last 20 years, the share of older workers has almost doubled, a trend that is set to continue even after the pandemic.

As the United States continues its strong recovery, the primary task for us in Congress must be answering how we can build a stronger and more resilient economy where the benefits from economic growth are broadly shared. Key to such an economy is a better labor market that ensures all workers, including older workers, have access to quality jobs that meet their needs and are free from discrimination.

Over the past year, the U.S. economy has experienced record job growth. Over 6.6 million new jobs were created in 2021, and almost a half a million more in January alone–6.9 percent of economic growth just in the fourth quarter.

This robust labor market recovery, thought unimaginable in the spring of 2020 when unemployment was nearing 15 percent, is a testament to the American Rescue Plan, other emergency pandemic relief, and the widespread availability of vaccines and testing. But even as we recognize the record-breaking economic accomplishments of the last year, we must also address the ways our recovery has not yet reached everyone, including older workers.

Older workers have long faced unique challenges in the workforce, and these challenges were exacerbated by the coronavirus pandemic. Decades of diminished bargaining power, stagnant wage growth, diminishing returns from additional years of working, and increasingly strenuous and dangerous jobs have contributed to widespread economic insecurity among older workers, and has constricted broad-based economic growth.

The pandemic has also shined a new light on the inadequacy of our care infrastructure, to help older workers navigate work and care responsibilities. This has been particularly harmful to older Black and Hispanic women who typically shoulder their significant caregiving responsibilities. For example, one-third of home health aides are aged 55 and older. Yet care industry wages are low, and care work is very physically demanding.

This creates an untenable situation for aging providers as they are simultaneously less physically able to continue their work, but also financially unable to save and retire securely. Further, more than one in five workers aged 45 to 64 reports being a caregivers to a parent. Yet the United States does not guarantee any workers the right to paid leave, and older workers are even less likely than their younger counterparts to have access to paid sick days.

This forces many older workers to make the impossible choice between caring for themselves or a loved one and getting a paycheck. This harms workers, businesses, and the broader economy. Today we are seeing these decade-long trends impacting the older workers coming to a head. Just as companies have historically used downturns to prune workplaces of older workers, the same appears to be true of the coronavirus recession. At least, 1.7 million more older workers than expected retired due to the pandemic recession.

And the effects are particularly harmful for older Black workers and those without a college degree.

Despite media coverage of high-income older workers who choose retirement to spend more time on hobbies or with their families, evidence shows this is not reality for many older workers. The reality is that over the course of the pandemic many older workers have been forced out of jobs to live on insufficient retirement income.

For the first time in 50 years, the unemployment rate for older workers was higher than that of mid-career workers. While rates have stabilized, older workers remained over-represented among those who are currently long-term unemployed.

Because our retirement system has not kept up with the need of the aging workforce—the typical workers in the United States—the typical worker in the United States has zero retirement savings. That is right. No retirement savings at all. Among those that do, the amount is wholly insufficient to sustain a pre-retirement standard of living. And those who have been forced into early retirement may look to be rehired. Research shows they will experience significant barriers, particularly in recessionary periods. Older workers face discrimination and stigma from periods of long-term unemployment, both of which limit their re-employment opportunities.

No worker should be forced into early retirement. And at the same time, no one should be forced to work long into their golden years because of insufficient retirement savings.

As members of Congress addressing these challenges in order to help build a better labor market for older workers and create a stronger economy, is central to our work. I look forward to this discussion and our expert witnesses and learning from them today.

Let me now introduce the Ranking Member of the Joint Economic Committee, Senator Lee from Utah. Senator, the floor is yours.

[The prepared statement of Chairman Beyer appears in the Submissions for the Record on page 36.]

OPENING STATEMENT OF HON. MIKE LEE, RANKING MEMBER, A U.S. SENATOR FROM UTAH

Senator Lee. Thanks so much, Mr. Chairman.

Older Americans are the bedrock of our communities, and it is hard to overstate their role. We rely as a society on grandparents for everything, from helping to care for our children, to building our churches, and volunteering in our local charities.

Increasingly, many older Americans also make really vital contributions in the workforce. Many of America's seniors, and more and more of them in fact, are choosing to work because they find work to be a source of engagement and meaning in the transition into their golden years.

Tad Greener is a fellow Utahan who was missing the social connections and the professional satisfaction associated with being at work, after being out of a job for the past two years, due to his health. Like so many other older Americans, when he started looking for a job again he thought he would never be able to get a leg up navigating the endless changes that had been brought about by the pandemic.

But that is when Tad saw a story about Return Utah, a great new program created by Utah's Lieutenant Governor, Deidre Henderson, to help Utahans who are looking for work after an extended absence. Tad applied, and he was surprised to find that the Utah Office of Energy Development needed someone with his technical skills.

Now although the position was temporary, after just two months into the job he was made a permanent team member.

And he is now able to put his many years of experience to good use in his new position. Tad's story is inspiring. It is inspiring for the millions of American workers who are still on the sidelines. And it is instructive for us today as we seek to understand the barriers that older Americans face. As many choose to work longer, a strong labor market with rising wages for all is the most effective way to create new opportunities that support older Americans.

Now the good news for us today is that older Americans are doing better than they ever have before, thanks to improved health and less physically demanding jobs. Many older Americans are remaining in the workforce longer, and more employers are benefiting from their reliability and their experience.

Older Americans who choose to retire are also better set up for economic security than ever before. Americans have never saved more for retirement, or had higher incomes in their golden years. Poverty among seniors is lower than among any other age group. And the preliminary data indicate that those who left the workforce during the pandemic did so because they can better afford to retire after doing that.

Older workers are doing remarkably well. What older workers do not need are new special interest programs and policies cooked up in Washington and delivered half-baked by bureaucrats from thousands of miles away.

So first, let's fix what is broken. Government spending has stoked the highest inflation rate this country has seen in four decades. And it is hurting all Americans, including our seniors, many of whom live on fixed incomes. Government programs intended to care for seniors often punish those who just want to stay connected to the workforce longer. And the threat of vaccine mandates continues to hang over the country, cruelly forcing Americans to choose between the freedom to make their own health decisions and their jobs.

Ultimately, a thriving, unencumbered economy is in fact the best way to allow older Americans to make their choices and make those choices that are best suited for themselves and for their families. Whether that is spending more time with the kids and the grandkids, volunteering in a local congregation, maintaining a long, healthy work life, or all of the above.

I look forward to hearing from our witnesses on how we can foster this type of prosperity. Thank you.

Chairman Beyer. Thank you, Senator Lee, very much. Now I would like to introduce our four distinguished witnesses.

Dr. Teresa Ghilarducci serves as Professor of Economics and Policy Analysis at the New School for Social Research. She also directs the Schwartz Center for Economic Policy Analysis where she leads the Retirement Equity Lab. She is a labor economist and a nationally recognized author, and an expert in retirement and economic security. She has written extensively on older workers and offers various solutions to a growing retirement crisis.

Dr. Ghilarducci received a Ph.D. in Economics from the University of California, Berkeley.

Dr. Monique Morrissey is an Economist for the Economic Policy Institute. Before joining the Institute, Dr. Morrissey worked at the AFL–CIO Office of Investment and at the Financial Market Center. Dr. Morrissey has written extensively about the older workers, retirement security, compensation, and financial markets. In recent work, Dr. Morrissey examined the effects of the COVID–19 pandemic on older workers and ways to ensure they can fully participate in the recovery. Dr. Morrissey received her Ph.D. in Economics from American University.

Ms. Jocelyn Frye is President of the National Partnership for Women & Families. Prior to this role, she was a Senior Fellow at the Center for American Progress. Before her time with the Center, Ms. Frye worked in the White House under President Obama, serving as Deputy Assistant to the President and Director of Policy and Special Projects for Michelle Obama. She is an expert on policies that would improve the quality of work and well-being for women, older workers, and their families. Ms. Frye is a graduate of Harvard Law School.

Dr. Andrew Biggs is a Senior Fellow at the American Enterprise Institute. His work focuses on Social Security reform, State and local government pensions, and public sector pay and benefits. Before joining AEI, Dr. Biggs served as the principal Deputy Commissioner of the Social Security Administration in 2007. And in 2005 he was an Associate Director of the White House National Economic Council where he worked on Social Security reform. Dr. Biggs received a Ph.D. in Government from the London School of Economics.

So let's begin with Dr. Ghilarducci with your testimony, and then we will continue in the order of introductions.

Dr. Ghilarducci, the floor is yours.

[The prepared statement of Senator Lee appears in the Submissions for the Record on page 37.]

STATEMENT OF DR. TERESA GHILARDUCCI, IRENE AND BERNARD L. SCHWARTZ PROFESSOR OF ECONOMICS AND POLICY ANALYSIS AND DIRECTOR OF THE SCHWARTZ CENTER FOR ECONOMIC POLICY ANALYSIS, THE NEW SCHOOL FOR SOCIAL RESEARCH, NEW YORK, NY

Dr. Ghilarducci. Thank you very much. Thank you, Chairman Beyer and Ranking Member Lee, and all the other committee members that showed up.

You are about to tackle the special issues the Nation faces, as nearly half of the 11 million, about 12 million new jobs that are projected to be created by 2020—I'm sorry, by 2030, half of those jobs will be filled with workers 55 and over.

The sheer scale and the fast growth of older workers means that they dominate the conditions of the labor market. And their falling status will hurt the whole economy.

Now for a small minority of older workers, we estimate about 11 percent, we have great, great news. They still work, though they have more than enough to retire on. Presumably their jobs are compelling, they are interesting, and they are decently paid. But most older workers do not face those conditions. Older workers are more likely to be working poor than younger workers. Twenty-six percent of older women, and about one-third of older non-white workers, earn under $15 per hour, making them officially working poor.

And the older workers practically stopped being paid for their experience and their loyalty. The rate of return for working one extra year has fallen cumulatively by 45 percent in the last 30 years. And for some older workers, technology might make their work easier, but technology can also intensify work.

What we are seeing in the data is, as computers are spreading, some of our most robust sectors thrive on low-wage older workers, think about home personal health care, janitorial service, and warehousing. More older workers are stooping and bending. More older workers are required to intensely concentrate and to use keen eyesight. And more older workers are required to do physical labor.

Over 42 percent of older Black men are in physically demanding jobs. And, yes, more older workers are working but despite all that work, the U.S. has among the highest elderly poverty rates in the OECD. And all that work, coupled with unequal longevity gains, means that American workers have the fewest years in retirement—17 years on average. Black men can expect about 13 years on average, while most workers in the G–7 have well over 22 years in retirement, and they face low poverty rates.

Yes, more older workers want to work, but about half of older workers now in middle-class households will be downwardly mobile into poverty, or near poverty, in the next ten years. And that is because median account balance for all workers is zero, and the median account balances for older workers is $15,000. And even if they want to work, most retirees are forced out of the labor force. The majority say they were forced to retire much earlier than they expected.

Now a dynamic market is defined by bargaining relationships and power. Nobel Economist Amartya Sen observes that when a growing amount of people—in this case, older workers—do not have basic capacities—in this case, the basic capacity to retire—they do not have the power to bargain for better jobs. But if older workers had more bargaining power, one-third of younger family members providing time and money to their elders would get relief. If older workers had more bargaining power, communities would spend less on fragile elders, and they would have more aggregate demand in their community. And that especially helps in a recession.

If older workers had more bargaining power, we would reward the employers who are doing the right thing, those employers that hire, train, and pay older workers well. And finally, if older workers had more bargaining power, we would improve their retirement income security.

You may hear about rosy models that conclude that working longer solves about everything, especially helping retirement income. But those models wrongly assume something I thought was always true, but it is wrong. Older workers are now, instead of saving for retirement and delaying claiming Social Security, older workers now, because of low pay, are claiming Social Security while they are working. And they are also drawing down their savings.

So the stark truth about the conditions older workers work in means that the idea of working longer is not as costless as we thought. It is quite costly.

Now Congress could help older workers right now. You could form an Older Workers Bureau like you formed the Women's Bureau back in 1990. The Older Workers Bureau could coordinate research, and it could recommend fixes for the issues we are going to hear about today, including the highest level of perceived age discrimination in the last 30 years, probably because of the pandemic accelerated this.

Congress can directly expand pension coverage. I created a plan with former President Trump's Chief Economist Kevin Hassett and the Economic Innovation Group.

And that plan provides a government savings match to workers in the bottom half of the earnings distribution.

This reliable savings vehicle works alongside, and is modeled after the Federal Thrift Savings Plan. Congress can help improve pay conditions by boosting the minimum wage, protecting union rights, and expanding sick leave. Higher pay creates a virtuous circle of creating more retirement security.

Congress could also make Medicare the first payer, and that would lower the cost of health insurance for employers who hire older workers. Strengthening older worker bargaining power helps more than just older workers. Better jobs for older people improves productivity of the whole economy. It helps younger family members. It helps aging communities, those regions of the country with lots of older people. It stabilizes spending power, and it helps all workers get the leverage they need to improve their jobs.

Thank you.

[The prepared statement of Dr. Ghilarducci appears in the Submissions for the Record on page 38.]

Chairman Beyer. Dr. Ghilarducci, thank you very much.

And thank you for the very concrete policies.

Let's now turn to Dr. Monique Morrissey for your testimony.

STATEMENT OF DR. MONIQUE MORRISSEY, ECONOMIST, ECONOMIC POLICY INSTITUTE, WASHINGTON, DC

Dr. Morrissey. Thank you, Chairman Beyer, Ranking Member Lee, and members of the committee for inviting me to participate in this hearing.

My name is Monique Morrissey. I am an economist at the Economic Policy Institute, a nonprofit, nonpartisan think tank created in 1986 to include the needs of low- and middle-wage workers in policy discussions.

The pandemic recession was unusual. It was not triggered by a financial crisis, but rather social distancing in response to the COVID–19 pandemic, which affected both labor supply and demand. Layoffs are concentrated in services like major hospitality, while health and safety concerns and caregiving responsibilities loomed large in workers' decisions to leave the workforce.

In previous recessions, older workers' labor force participation increased as they delayed retirement in response to falling asset values. In contrast, homeowners and 401(k) participants benefited from rising asset values during the pandemic, contributing to an increase in retirement among some privileged workers.

In the short but steep recession, workers aged 55 and older saw plummet declines similar to those for prime-age workers. In a more typical recession, older workers are less likely to lose their jobs due to seniority. Older workers were less likely to work in occupations and industries most affected by the pandemic, but they were more likely to leave jobs due to health risks.

Job losses were greater among vulnerable groups of older workers, including women, workers of color, noncollege workers, and part-time workers. A robust Federal response, including relief checks and expanded unemployment benefits, brought about a rapid recovery despite the pandemic's persistence. This is in sharp contrast to the slow recovery after the Great Recession that caused lasting damage to vulnerable workers and the economy.

As the economy recovered, older workers were slower to return to work than their younger counterparts, accounting for over a third of missing jobs at the end of last year, even though they were a quarter of the prepandemic workforce. However, January data shows that the employment rate for older workers is now 1.4 percentage points below prepandemic rates, roughly the same as for younger workers.

Even if older workers no longer account for a disproportionate share of job losses, the impact can be and was devastating. Older workers face greater earnings losses than their younger counterparts because they are likely to be unemployed longer and their new jobs often paid significantly less than their old ones due to the loss of employer-specific skills and age discrimination.

Older workers benefited from measures taken during the pandemic to extend the duration of unemployment benefits, increase benefit amounts, and expand eligibility. These measures help the economy recover by shoring up consumption while allowing workers to find jobs suited to their skills. Some older workers also benefited from funding for work-sharing programs that encourage employers to reduce hours rather than lay off workers.

We should be most concerned about two groups of older workers who experienced disproportionate job losses during the pandemic. Lower waged noncollege workers under age 65 who are not prepared for retirement, for the most part. And front-line workers in industries and occupations essential to our economic recovery and future prosperity, including workers in education, transportation, postal service, health care, and caregiving jobs.

Front-line workers paid a steep price for our failure to protect workers during the pandemic. Though infection rates are declining, strong occupational safety and health standards remain a priority for workers and the economy.

Many older workers left the paying workforce due to poor health. Other were sidelined caring for family members. Shrinking employment in the care sector affected family caregivers as well as older workers employed in these low-paid and often dangerous occupations.

The Build Back Better Act would greatly improve the lives of older workers and enable some to return to work. It includes funding for home and community-based services, creates a paid family and medical leave program, and improves the pay and working conditions of caregivers.

The United States is one of a few countries that do not guarantee access to paid sick leave. This is bad enough under normal circumstances, but especially in a pandemic when many sick workers face a harsh choice between lost earnings and endangering others.

Two-thirds of low-wage workers lack access to paid sick leave, including many home health aides and other front-line workers.

My testimony focused on pandemic-related effects of the policies. The challenges facing older workers predates the pandemic. Most policies that would help older workers also help other vulnerable workers, including raising the minimum wage, strengthening collective bargaining rights, guaranteeing paid sick leave or paid leave in general, addressing unpredictable and involuntary part-time schedules, combatting misclassification of workers as contractors, and other policies that support good jobs with decent pay and benefits. Thank you.

[The prepared statement of Dr. Morrissey appears in the Submissions for the Record on page 61.]

Chairman Beyer. Dr. Morrissey, thank you very much. We will next hear from Ms. Jocelyn Frye. Ms. Frye, the floor is yours.

STATEMENT OF MS. JOCELYN FRYE, PRESIDENT, NATIONAL PARTNERSHIP FOR WOMEN & FAMILIES, WASHINGTON, DC

Ms. Frye. Thank you so much Chairman Beyer, Ranking Member Lee, and members of the committee. Thank you for the opportunity to be here and discuss the challenges facing older workers.

Over the last five decades, the National Partnership for Women & Families has worked to improve women's lives and tackle gender-based barriers that erode economic opportunities and the health and well-being not only of women but all people. We believe that prioritizing equity and a comprehensive care infrastructure are essential to creating effective workplaces, and promoting economic stability especially for older workers who are vital to their families and our economy, but are increasingly on shaky ground.

Too often the narratives about older workers are oversimplified stories about comfortable retirements and financial stability, but these stories ignore the precarious economic realities of many older workers, especially older women, particularly older women of color. And I want to focus my remarks on three specific challenges that many of these workers face: ongoing age discrimination, the lack of robust care infrastructure, and the need to improve job quality in many of the jobs that older women workers hold.

First, older workers continue to face discrimination in the workplace. According to the Equal Employment Opportunity Commission, 6 in 10 workers over the page of 65—45, report that they have seen or experienced age discrimination at work, with workers of color and women reporting these discrimination problems at even higher rates. Data from 2017 showed that an increasing majority of age discrimination charges are filed by women. We also know that because of long-standing patterns of occupational segregation, many older women and workers of color are often segregated in lower paying jobs with few benefits.

Second, women workers are expected to shoulder the bulk of caregiving responsibilities for their families as paid and unpaid caregivers, with too little support. And this is true for women of all ages, despite the fact that every family is likely to face a caregiving challenge, we lack much needed care supports at the national level, and we treat caregiving as a private responsibility for families to navigate alone. These care obligations affect women throughout their careers, with many cycling out of the workforce. An economic cost is estimated at $650 billion less year in GDP due to women's declining labor force participation. Older women workers continue to provide essential care for their loved ones, even as they address their own care needs. The historical roots of caregiving as mainly being performed by Black women and other women of color has meant that care work and care workers have often been devalued with little regard to their own care needs.

Third, many older workers work in jobs with low wages and without the supports needed for a secure retirement. Women make up nearly two-thirds of workers in the 40 lowest paid jobs, with women of color especially over-represented. Many of these jobs also have few benefits, which makes saving for retirement even harder. One in three older women workers, disproportionately women of color, work in jobs that are physically demanding that may be difficult to continue as they get older. On average, a woman 50 or older who leaves the workforce early for caregiving will lose an estimated $400,000 in lost income and retirement benefits.

These three problems have been on full display throughout the pandemic. Women's labor force participation is lower than it was 30 years ago. Care-giving challenges continue to wreck havoc on women's employment. And the older workers have seen notable declines in employment and labor force participation since 2019.

The current moment calls for a reset squarely focused on improving employment opportunities and outcomes for older women, older workers, and growing our economy. There are several positive solutions which should be top priorities.

First, it is long past time for the United States to invest in a robust care infrastructure that ensures a continuum of support for care across the lifespan and reduces long-standing gender and racial inequities. This means investing in a national family and medical leave program, along with other care adjustments such as strengthening home and community based services to address workers' caregiving needs, and to boost women's labor force participation.

Second, Congress should take actions to improve job quality to help boost wages and economic support for workers by raising the minimum wage and strengthening pay protections, especially in caregiving occupations disproportionately held by older women of color.

Finally, action is needed to strengthen enforcement of protections against age and other forms of employment discrimination. This includes increased funding to key enforcement agencies, and initiating a specific initiative to focus on women's employment and the different factors impeding women's participation in our economy, especially for older women.

Thank you again for the opportunity to testify, and I look forward to answering your questions.

[The prepared statement of Ms. Frye appears in the Submissions for the Record on page 69.]

Chairman Beyer. Thank you, Ms. Frye, very much. And finally, we will hear from Dr. Andrew Biggs from AEI.

Dr. Biggs?

STATEMENT OF DR. ANDREW BIGGS, SENIOR FELLOW, AMERICAN ENTERPRISE INSTITUTE, WASHINGTON, DC

Dr. Biggs. Thank you very much, Chairman Beyer, Ranking Member Lee, and members of the committee. Thank you for inviting me to speak today about employment at older ages, the opportunity extended work lives present, with the challenges along the way and how far we have already come.

The latter stages of our careers are the gateway to retirement, and research finds extending our work lives is an incredibly powerful tool to enhance retirement income security. Delayed retirement gives savings more time to grow, increases Social Security benefits, and reduces the number of years that savings must cover.

The question is: Can Americans do it? I have been working on retirement policy since the late 1990s, and in all of that time we have heard why Americans cannot work longer. Our health is too poor. Our job is too physically demanding. And age discrimination is too widespread for longer work lives to meaningfully contribute to retirement income security.

I do not think we will ever stop hearing those things. But Americans did not listen to the "experts." They work anyway. Employment rates from near-retirees are today at historical highs, despite the COVID pandemic, despite perceptions that older workers can find only low-paid jobs, median earnings for near-retirees who work exceed those of younger adults. On top of this, the average American claims Social Security benefits over 1.3 years later today than they did in 1990, boosting their benefits throughout retirement.

And employment rates have increased the most for Americans with the least education. So there is not merely people like us who are extending their work lives. These are things that have already happened. Americans did what the experts said they cannot, and they have been rewarded for it. While you may hear that most Americans cannot afford a decent retirement, the data show that Americans' retirement savings are at record levels. And savings have increased in every age, income, educational and racial or ethnic groups.

American's retirement incomes are also at record levels, not just among the richest retirees, but across the income distribution. Retirees incomes have risen dramatically faster than incomes for working age households, and poverty in old age is at record lows.

Moreover, the Social Security Administration's multi-million dollar retirement income model projects that retirement incomes will continue to rise and poverty will continue to fall. OECD data shows that Americans work longer and save more for retirement than most other developed countries. The reward is that, according to the OECD, the typical U.S. retiree has the highest disposable income in the developed world. U.S. retirees also report the highest level of financial security compared to other countries, with the greatest number of retirees saying they can maintain their pre-retirement standard of living, and the smallest number saying their incomes fall short.

But it is not all rainbows and kittens. We can do better, and one place to look is Federal entitlement programs which can present negative incentives for older workers to delay retirement.

For instance, we call Social Security an earned benefit because of the Social Security taxes we pay results in higher benefits in retirement. But that is not true for most Americans who choose to delay retirement. My own research has shown that the median or the typical worker who delays retirement by one year will receive only two-and-a-half cents in extra retirement benefits for each dollar of additional taxes they pay. That is a terrible deal when it comes to certain quirks in the Social Security benefit formula. Economic research shows that near-retirees are particularly sensitive to these incentives since, unlike middle-age workers they have the option to retire. Fixing them could encourage more Americans to work longer.

Medicare also presents challenges to work in old age. Medicare typically covers health costs beginning at age 65, but not for workers who continue to work in jobs that offer health insurance. Instead, Medicare acts as a secondary payer and covers only what the employer plan will not. This denies seniors the benefits they paid for and raises costs for employers. This either reduces his incentives to hire older Americans, or if these costs are passed on to employees reduces their salary. Neither the Social Security nor the Medicare fixes would be cheap, but enhancing work at an older age brings incredible benefits to Americans, provides badly needed employees to American firms, and would generate new tax revenue for the Federal Government.

One more general point that applies to a broad range of policies. A strong labor market in which older Americans can easily find jobs is the best social program. The best weapon against employers who might discriminate by age. And the best way to help Americans cross the finish line into a successful retirement.

The strong labor market just prior to COVID was not merely for near-retirees. It was good for Americans with disabilities, those with less education or skills, for those coming back from a drug problem or a criminal record. Making jobs plentiful makes nearly every other problem Americans face easier to solve.

As a committee with a broad purview, the JEC should think about the myriad way in which we can build a vibrant labor market for older workers. Thank you for your attention today.

[The prepared statement of Dr. Biggs appears in the Submissions for the Record on page 86.]

Chairman Beyer. Dr. Biggs, thank you very much. I appreciate all of those inputs. We now begin our round of questions. I will start.

Dr. Ghilarducci, you have been a strong advocate of the idea of an older workers bureau in the Department of Labor. How would this be part of the solution?

Dr. Ghilarducci. I do not want to create big government bureaucracies, but having one place in the government that focused all the research about the changing issues facing older workers, having one place in the government that can actually combine all the data that Social Security has—even the PBGC—the Labor Department has, and the Treasury has, on where older workers are saving, would actually give a really good picture of what is happening to them. But also, an older workers bureau filled with lots of economists would also tell us how this big wave of older workers are affecting the whole economy, and how employers could do the right thing in adding to the productivity as workers get old and others do not. It would look at industries that are hiring a lot of older workers, and really have concrete ideas besides, oh, just don't think badly of older workers. It would really attack the problems you are going to be facing in the next 10 years: more age discrimination, more insecurity, less retirement security.

So some good heads have to think about it all the time.

Chairman Beyer. Thank you very much.

Dr. Morrissey, lots of the stories currently in the mainstream media is about the financially secure older workers happily choosing to play golf and take care of grandkids. Is this really what is happening? And how is the media getting this wrong? What is the real story?

Dr. Morrissey. Thank you. Well, there are few older workers who fall into that category. And we have seen an uptick among, you know, college-educated white men aged 70 and older who probably were semi-retired, probably already taking Social Security, and then who have decided to leave probably for some mix of financial reasons and because their work might have dried up and maybe COVID fears, things like that.

But this is a very small share. And these are not the people that we are worried about. They are leaving semi-retirement to—it is going to have very little impact on their families and very little impact on the economy. The people we should really be worried about are this large group of workers under 65 who are not college-educated, who are predominantly workers of color, and who we are seeing very large—not necessarily retirement, but employment declines. So those are the people that I am most concerned about in terms of the impact on their families and on themselves because they are not ready for retirement, and they have been forced out of the workforce, and it is clearly not a choice of theirs.

And by the way, this is also a problem that predated the pandemic, but the pandemic just made it much, much worse.

Another groups of workers that I am particularly worried about, rather than this very small group of relatively privileged workers, is workers who were—you know, for whom they might be able to comfortably retire, a lot of these workers are not 65, either, but school teachers, nurses. They are more likely to have pensions. They are more likely to have a comfortable retirement. But they are critical to the economy's recovery. And we are seeing large numbers of these workers also leaving.

So for the economy, that group is especially critical to stem that outflow. And for the sake of the workers themselves and their families we really need to make sure that the noncollege workers under age 65 are able to stay in the workforce or return to the workforce.

The other thing is, one of the reasons this got a lot of attention is because there is a disconnect between people—there was some suggestion by one Federal Reserve article about the fact that there were fewer people coming back in from retirement, and that there has been a decline in workers going from unemployment to retirement. But that was actually sort of a mismeasurement.

The retirement rate of people who were unemployed going into permanent retirement declined slightly, but the sheer numbers grew dramatically because there were so many more unemployed workers. So I actually want to do a shout out to some grad students, some of Teresa's team at SCEPA were the ones who basically figured out why there was this miscommunication, or misunderstanding about what was happening in terms of inflows and outflows out of retirement. So they were able to—they untangled the two effects.

So you might have a slight decline in the people who are unemployed leaving retirement, but there are so many more unemployed older workers that actually that was really what was causing a decline in older workers.

So it is a confusing thing, but thanks to Teresa's team at New School there who figured out what was going on there.

Thank you.

Chairman Beyer. Thank you, Dr. Morrissey. Let me now recognize Senator Lee for his questions. Senator, I see you are present in the digital mix, if you are also present in real life?

Senator Lee. A couple of minutes.

We will give Senator Lee just one minute. We are running a couple of minutes late. I think we are moving to Schweikert. Okay, so my good friend from Arizona, the Ranking Member of the House side of the Joint Economic Committee, David Schweikert, the floor is yours.

We need to hear you, David.

Representative Schweikert. Chairman Beyer, at some point we may be all doing this in something called the metaverse where, you know, we all are functionally avatars.

And I will tell you that a couple of your Democrat witnesses, I am actually familiar with a little bit of their work, and I have some frustrations because I actually think we actually have some problems in our data matching. But that is sort of secondary. I have the personal fixation on our demographic curves and what is happening to the working poor right now. And we have to first have a moment of honesty here.

The last year has been pretty brutal to the working poor, particularly if you adjust for transfer payments, you know, inflation, population coming across the border with similar skill sets and what that may mean over the next decade of earning power.

So maybe there is something, Chairman Beyer, you and I could actually, particularly from a Ways and Means standpoint, find a collective understanding or agreement. And that is, what policy sets? Are there tweaks in Medicare? Are there tweaks in Social Security? Are there tweaks in the ability to save, or incentive to save or a savers' credit type of matching that we tried working on last year that would buy some additional retirement security particularly for the probably three quartiles that we are most worried about?

Mr. Biggs, if I came to you tomorrow and asked what tweaks would you actually make in Social Security policy that does not ultimately hurt the Trust Fund, or tweaks in Medicare policy that might actually have a health care positive to the Trust Fund, but would encourage our brothers and sisters who are older to stay in the labor force, and we could also have the anecdotal discussion which I despise the anecdotal discussions, but it is what we all do, of health benefits and those things for staying in the labor force.

Mr. Biggs, what policy sets would you move forward on?

Dr. Biggs. Thank you very much, Congressman. Your proviso that they do not hurt the health of the Trust Fund is where things get difficult. But let me just touch on two points.

One is that you want to make work pay at older ages. As I point out, with Social Security it does not. Here, if somebody delays retirement, almost all the extra money you pay just goes to Social Security. It does not go to your own benefit. So it is very unusual for somebody who can get their money back at that stage of the game.

So what I have proposed is reducing, or eliminating the payroll tax at older ages in order to kind of sweeten the deal for people to keep working. The United Kingdom does that. Once you reach their normal retirement age, their version of social security tax goes away because you are not getting anything for it.

Similar with Medicare. Go back to the Social Security tax, that is actually—the research shows that near-retirees are very sensitive to these incentives. So reducing the payroll tax at older ages would cost Social Security money, but if more people work they would be paying Medicare taxes. They would be paying Federal income taxes. They would be paying State and local income taxes.

On Medicare, I think the Medicare as secondary payer issue at age 65 is—that is something that, if Medicare took over as the primary payer, again it is going to cost you money. But that would enhance—it would make older workers more attractive to employers. It would make work more attractive for seniors, because it would raise their wages. Evening it out is the tricky part. And when I have talked about both of these things, I think you want to think about them in the context of more comprehensive reforms.

So I am thinking about Social Security, to be frank I would scale down that SS for high earners. These are folks who—their retirement savings are through the roof. They can and will save more for retirement. They will work longer. That in itself will help the economy.

So I think there are ways we can make this package work, but we have to be not afraid of reforming these plans. A lot of times people are very afraid of any sort of change, but we need to think creatively about it.

Representative Schweikert. Okay. Would you actually, you know—Medicare itself does have some income adjustments. Would you steepen that curve a bit and use some of those resources to help finance the incentives to stay in the labor force for some of the lower quartiles of income?

Dr. Biggs. I would. I mean, I think Medicare has more effective means testing on the benefit end than Social Security does. There are some people—I am not primarily a health care guy—there are some experts I work with who say that means' test should be based not on your income in retirement but on your lifetime earnings as a way to encourage people to save and work more and not do the opposite.

Representative Schweikert. Okay——

Dr. Biggs. But it is really thinking about how you want to kind of put the——

Representative Schweikert. I think I have a fairly robust article talking about that same formula.

Chairman Beyer and Senator Lee, this is one we have spent the decade sort of talking about the Baby Boomers coming, and we avoided the discussion because somehow Congress forgot there were people turning 65 and are now well into that retirement cycle. The nature of work has changed. We are no longer out there digging ditches, or certain types of labor. And the United States needs talents in the labor force, particularly if we are going to have GDP or economic expansion.

There has got to be a way that both the right and the left can actually sort of see fit to create these incentives that become positive for all of us. So with that, I yield back, Mr. Chairman.

Chairman Beyer. Thank you, Mr. Schweikert, very much. We will next hear from Senator Klobuchar, if she is here. And if the Senator is not——

Senator Klobuchar. I am——

Chairman Beyer. Well there she is. Senator Klobuchar, the floor is yours.

Senator Klobuchar. Thank you so much. I appreciate it, and I want to thank the witnesses. I think this is such an important topic, and I want to thank the Chairman for going ahead with this hearing.

I have been actually pretty obsessed with this for awhile, because we have a lot of seniors in our State. And I really believe that there are a lot of people that want to work, and we also have huge workforce issues in our State. And there are many solutions to that, including apprenticeships, immigration reform, but this is one of them, and making sure people are having the best experience they can and being part of our economy if they want to be.

So my first question is, Dr. Ghilarducci, data provided by the Schwartz Center for Economic Policy Analysis showed that for decades returns to experience has been falling in the United States, meaning workers have a lower rate of return on income for each additional year worked.

Can you tell me a little more, Doctor, a little more about the statistic from your organization? And why is it an indicator of the challenges older workers face?

Dr. Ghilarducci. Right. So we saw that starting to happen in the last recession, in the financial recession. This comes off of work from the Urban Institute. It does seem like employers are abandoning older workers. They are not training them. They do not value the experience. But there are some sectors that are hoovering up older workers. Warehousing, the stooping and bending I talked about, in Amazon warehouses. There was an Academy Award winning movie about that. And home health care. So—but as to your question, the return of decreased experience is a result of employers not valuing older workers. And it means that, you know, those catch-up contributions that you put—Congress put in to have that extra way that older workers can save for retirement, it does not work for people who peak around 45.

So Congress has to completely rethink the age of retirement security because of the decline in the return to experience.

Senator Klobuchar. Very good. Thank you.

Dr. Morrissey, could you talk about how work sharing, the work sharing benefit especially benefits older workers? In particular you talked about how that is an alternative to traditional unemployment. And I can kind of answer the question on my own I think in my own mind, but I want to hear from all of you. So, Dr. Morrissey?

Dr. Morrissey. Thank you for that question. First of all, I just want to make it clear that even though I am a huge fan of work sharing, and I am very, very grateful to Congress for including work sharing in the CARES Act, which was wonderful. I think it was under-utilized and remains under-utilized in the states that provide it.

And what work sharing does is it allows employers, instead of having to lay off workers so they access unemployment benefits, it allows them to reduce hours across the board and then compensate workers not for unemployment but for lower, you know, for lower hours.

And some countries in Europe, in Germany, in Belgium in particular, use this a lot. And why it matters in particular to older workers is because when older workers sever their employment relationship with an established employer, they are in the—you know, then they face all of those challenges that we talked about earlier—long-term unemployment, discrimination in hiring, seeing much lower pay in whatever job they are able to get after the fact.

So it is particularly important for these workers that they do not actually sever that employment relationship. They have employer-specific skills. They have more tenure, on average, with the employer. And this is very valuable.

And so it is not only important for them, but it is also important for the economy. Because, you know, even though the extended unemployment benefits did help with job matching in allowing employer—workers, older workers to get better fit jobs after the fact, often there is a mismatch with the jobs they get after the fact because they are desperate to get any kind of work at all.

I do think Congress acted very strongly, very well, this time around to expand eligibility for benefits, extended unemployment and better benefits. But——

Senator Klobuchar. Thank you, Doctor. I want to get one more question in, and not cutoff another member of Congress here.

Ms. Frye, I know in your testimony you talked about that we should dispel the notion of an average older worker, and highlight the different lived experiences of older American workers. Could you quickly expand on that?

Ms. Frye. Sure, thank you. And I will say so quickly. I think the important thing to recognize is that, you know, people come to the table differently. What we know is that there are existing disparities in wages among women, among women of color, and so many of them simply do not have the earnings necessary to amass the robust retirement funds that allow them to sort of have a comfortable retirement. They are also in low-wage jobs disproportionately, and they have insecure jobs because they are more likely to have caregiving.

So we have to have a diverse understanding of the experiences they bring to the table.

Senator Klobuchar. Well thank you. And just two quick follow-ups on that. One, we all know that it is hard on women because they may leave the workforce for awhile to raise a family and the like, and then they have less retirement money coming in Social Security.

And just a second point, Mr. Chair, is that I have found, having older workers in workplaces, I had one in my State office for quite awhile. It was a complete joy, because the younger workers, let us say, will always go to them for advice, and that is good to have a mix of people, including romantic advice. And I just found that to be such a nice mix of people, and I think that is true in all workplaces, and we should highly value some of the older workers and bring them back if they want to.

So, thanks.

Chairman Beyer. Thank you, Senator, very much, for great insights. And now the Senator from Utah, Senator Lee, the floor is yours.

Senator Lee. Thank you very much, Mr. Chairman.

Dr. Biggs, we hear a lot these days about our retirement crisis. Many say that we are saving less and less for retirement, and that fewer and fewer Americans, especially lower income Americans, have access to retirement savings accounts. But—and your research, as best I can tell, tells a different story. As you explained in your written testimony, your research in fact finds that Americans are actually more confident about their ability to retire comfortably, and that the United States in fact ranks among the leading nations in the world in terms of retiree disposable income.

Can you elaborate a little bit about what makes America different in that regard? And tell us sort of why are our seniors better prepared for retirement? And why are they working longer in more productive careers than anyone else in the world? As you noted, this seems like an accomplishment and one that deserves our celebration.

Dr. Biggs. Well thank you very much, Senator Lee. I think a lot of times we do not give ourselves credit. We focus too much on the problems we face and not enough on the accomplishment and the progress that we have made over the years.

And the state of Americans' retirement income security, that is sort of the backdrop for hearings like this, because work in late middle age it can kind of make or break your retirement. So maybe I need to give you some facts, and these are facts.

Compared to baffling traditional defined benefit pensions with their peak in the 1970s, these are the pensions that everybody pines for that says these were the best pensions ever, but compared to them the share of workers participating in retirement plans has increased dramatically.

The percentage of our salaries that we save for retirement has increased dramatically. Total retirement plan assets have increased sevenfold since then. Fed data show the retirement savings are up in every age group, every income group, every educational range group. The number of retirees who receive benefits from a private retirement plan, once they retire, that is up dramatically. And across the board, at all parts of income distribution, retirement incomes are at record highs, while poverty and old age is at record lows.

In opinion surveys, 80 percent of retirees tell Gallup they have enough money not just to survive but to live comfortably. Only 5 percent tell a Fed survey they are finding it hard to get by. And these are not anecdotes to come up with, and they are not just numbers I cook up. These are actual data points.

And so what we need to do is square what the other witnesses are saying with the actual data of what we have seen happen. And the way you bring this together is, despite the problems that people face, whether it is in finding jobs, the good wages at older wages, or getting access to retirement plans, or affording to put money into it, we are clearly better off in terms of retirement preparation, retirement income, today than we were in the past.

Just to sum up, in my testimony I gave the example of the French scientist who said the bee should not be able to fly because the aerodynamics of the bee are not very good. And the bee does not know that, so it flies anyway. And this is a case where everybody told Americans, oh, you cannot do it, and we did it. 401(k)s are more common because they do not place a lot of burdens on employers to run.

We have a more free, vibrant labor market. That gives more opportunities for people to work longer. They reward them for doing that. So our system is messy, but it actually works. And the data show that it has worked better than a lot of other countries.

Senator Lee. Thank you. That is very good insight. Research gathered by my staff on the Joint Economic Committee Social Capital Project finds that social capital among older Americans has declined over time. Americans approaching retirement age today tend to be less likely to have a spouse or a companion, have fewer children, they tend to have fewer close friends and family members nearby, and tend to be less likely to attend church services regularly than they were 30 years ago.

One bright spot is that many older Americans are more likely to be employed. The workplace seems to be an increasingly important source of social connection for these Americans.

But, Dr. Biggs, I agree with you that the best way to support older Americans who wish to work, and to empower them in the workplace, is to have a strong economy. And that means an economy with plenty of job opportunities.

What types of general policies do you think would best support a strong labor market to make those things possible?

Dr. Biggs. Thank you, Senator. I know you are running short of time. But the key here is to make a lot of jobs available to people. When you have many choices of jobs, the employer who discriminates is going to be forced out by the ones who do not. When you have many choices of jobs, that bids up wages.

A lot of times there is a temptation to say we do not want just jobs, we want jobs, and this, and this, and this, and this. And all of those benefits are things that make the employer less likely to hire you. And you can mandate whatever benefits or protections you want, but if the employer does not want to hire older workers they are not going to do it.

So we have to have something where we have as many jobs as we possibly can, and then let the market push things up. You know, prior to the recession we saw wages for the first time in many years increasing for low earners faster than they did for the very rich. And that is the sort of thing that warms my heart, because I want to see opportunities for people. So if we try to make the market more vibrant, and sometimes that is at odds with trying to solve all of these individual problems we look at.

Senator Lee. Indeed. Thank you very much, Dr. Biggs. Thank you, Mr. Chairman.

Chairman Beyer. Thank you, Senator Lee, very much. I will now yield the floor to my friend from Maryland, Congressman David Trone.

Representative Trone. Thank you very much, Chairman Beyer, and Ranking Member Lee for holding this hearing. And thanks to our witnesses.

As a fellow business guy like yourself, Mr. Chairman, you know, it is so key that we have these older workers with us. We have almost 13 million Americans now in the workforce since the year 2000 to now. We have got a tremendous shortage of workers, but these older workers bring such maturity, insights, and dedication that my company just cannot find enough folks in this age bracket.

So let us talk a second. Dr. Ghilarducci, I have seen firsthand on this record how tough it is to re-enter the workforce. We had a paper mill close in Luke, Maryland, that was open for 131 years. And all of a sudden, 800 workers were out of jobs and needed retraining. Most of them were much older workers.

We submitted a Trade Adjustment Assistance Application. That was approved, and that helped them start on new career paths. But as we grow our economy, what role should retraining play in helping these older Americans succeed?

Dr. Ghilarducci. Right. You need more money for training programs. The training programs now are rewarded for placing people in the jobs that pay as well or better than they had before. And if you have a lot of older workers in your training program, you are going to get a low score. Because older workers tend to make less than they did before, especially if they have lost a union job and are being trained for a lower union job. So you could raise wages through the congressional methods that you do, but the National Senior Employment Act that is coming up for renewal, those training programs need to be restructured and re-funded.

Representative Trone. Thank you. That is great. How do we combat age discrimination and dispel that myth that these older Americans—I mean, they are outstanding. And yet there are problems. Too old for that job, or she is. It is crazy.

Dr. Ghilarducci. Yes, we have lots of really good work in the gerontology end of the social field to do that. We have to start, you know, with ourselves and stop making jokes about senior moments, and fiddling with technology. That has to stop. But mainly it is up to Congress, again the Justice Department, because age discrimination really cannot be tolerated. And there are lots of proposals to make enforcement of the laws we already have tougher.

Representative Trone. Thank you. Ms. Frye, in your testimony you highlighted the importance of paid family and medical leave for older Americans. We all know, as an employer—you know, I have 12,000 employees in my company. It is great for the employees. It is great for the employers. And it addresses the gender wage gap when it is provided to both spouses. So rather than just expecting the woman to take care of a sick family member, what should we do to encourage not just providing more paid family leave and medical leave benefits, but a full utilization of these benefits by older workers?

Ms. Frye. That is a great question. I think you are absolutely right that paid leave is really critical to enabling folks to manage their care responsibilities. And I think we have to reinforce the idea that paid family and medical leave is for all workers. It is not just a parental benefit. It is also dealing with older workers and their needs. And we have to dispel the myths and sort of the cultural barriers that sometimes disincentivize people from taking leave, and recognize the point that you made—which is, that by taking leave, we can actually make workplaces more productive. We can often improve morale and strengthen the business efficiency overall.

So I think it is the combination of sending that message about why paid leave is important. And then creating the culture within the workplace to show that in fact when you take it, it is beneficial and supported.

Representative Trone. I think you are absolutely right on the culture piece which is really key.

The last quick question. My top priority in Congress has been the opioid crisis. And a lot of our older Americans that have been hit harder by the opioid crisis—this is for Dr. Morrissey—what we see is that between 1999 and 2019, the older American workers are 55 and up have a tenfold increase on addiction numbers. Tenfold.

So what do you say, Dr. Morrissey, should we ensure Americans struggling with substance use disorder have the resources to participate in the workplace?

Dr. Morrissey. No, that is a really important point. There are economists who have written about the depths of despair. We have seen an increasing uptick in suicides, in overdoses, and at all ages, and including in many cases older workers. And it is partly economic, but this is definitely concentrated among lower paid, less-skilled workers, often jobless workers. And it is tragic.

And I just want to put in, one of the groups of older workers that we have seen leaving the workforce is actually therapists in fairly large numbers during the pandemic. And we need more therapists. We need more programs. We need much more funding for treatment and mental health services.

There is no doubt about it. So thank you for that question.

Representative Trone. Thank you. I yield back, Mr. Chairman.

Chairman Beyer. Thank you, Mr. Trone, very much. I now recognize the Senator from Texas. Senator Cruz, the floor is yours.

Senator Cruz. Thank you, Mr. Chairman.

Right now the American people are suffering from the impact of historic inflation brought about by President Biden and the Democrats out of control and reckless spending. Our national debt has surpassed $30 trillion, and inflation is raging across the country, with our latest economic reports indicating that inflation has increased by 7 percent over the last year, the highest inflation this country has seen since 1982, 40 years ago.

At the end of the day, this is not complicated. High inflation, which can happen when the Federal Government prints money to keep up with massive spending increases, presents a real problem for American families because it means that their dollars have less purchasing power as prices go up, and it erodes the value of their savings.

As a result, it is more expensive for hardworking families to put food on their tables, to put gas in their cars, and to heat their homes. Even worse, inflation hurts the most vulnerable among us the most, including seniors who have diligently saved to spend their retirement years on fixed incomes and now find that their savings are worth less than they expected.

Dr. Ghilarducci, would you agree that high inflation hurts our Nation's seniors, and hurts those living on a fixed income?

Dr. Ghilarducci. Yes, one of the best things about Social Security, it's inflation indexed. And health care prices oddly did not go up as much as inflation. So inflation hurts working families for sure, especially if their wages have not caught up, and they have not. But seniors who have Social Security actually got a big boost because of inflation. So it is ironic.

I am not downplaying it, but with health care not going up as much, and Social Security being inflation indexed, they are a little bit more protected.

Senator Cruz. So I will note that in October 2013 you sent out a tweet that said reports on low cost of living adjustments suggest the system is not working. But low inflation is good for fixed income seniors.

Dr. Ghilarducci. Sure, yes, for those workers who—for those people who have to rely on 401(k) distributions, you know, who do not have inflation indexing, sure. But in terms of the current situation now, having——

Senator Cruz. So your views have not changed? Your views have not changed? You agree that high inflation hurts seniors?

Dr. Ghilarducci. It does, and we need to make sure our cost of living index reflects the patterns. But you asked me about right now, and there are——

Senator Cruz. Well the reality right now is that prices are rising across the country, and family grocery bills continue to climb higher and higher. Let's review the prices of a handful of popular supermarket items.

Over the last year, the price of steak is up 21.4 percent. The price of chicken is up 10.4 percent. The price of milk is up 4.2 percent. Eggs are up 11.1 percent. And even fresh fruits are up 7.9 percent.

Dr. Ghilarducci, you recent wrote an article for Forbes in which you stated, quote, "Vegetarians can cope with inflation better than steak-eating Ford F-150 owners." And you suggest that for Americans to survive inflation by switching from expensive things to cheaper things, and liking it. Well, I've got to tell you there is a whole lot of steak-eating, Ford F-150 owners in the great State of Texas, and would it not be a better way to help America suffering the effect of Biden's inflation crisis, wouldn't it better to adopt appropriate monetary policy such as reining in out-of-control spending and debt, rather than forcing people to abandon their preferences, not eat steak, not drive trucks, change their lifestyle?

You know, it reminds me a little bit of the October 2021 Washington Post op-ed in which consumers were just told to, quote, "lower your expectations." Is that the right answer for consumers?

Dr. Ghilarducci. Yes, no. Thank you for bringing that up. I was making the point that people can change their consumption, but that could be bad. I mean, eating quinoa when you want steak is a decline in the standard of living absolutely. But a lot of the places where we are seeing price increases is because of the concentration of monopolies and pricing power in those industries.

So we have to look, industry by industry, to see what kind of forces are forcing up those prices. Inflation——

Senator Cruz. But we are seeing inflation across the board. I assume all of the witnesses today are familiar with the Congressional Budget Office and the Penn Wharton Budget Model.

Dr. Ghilarducci, are you aware that there are recent studies that confirm that inflation costs the average U.S. household an incredible additional $5,000 per year?

Dr. Ghilarducci. Sure. And we are seeing wages go up in all places. Economists know that it affects different people differently. And we need to not let it go out of control. We are in agreement.

Senator Cruz. And an additional $5,000 a year hurts everybody, but particularly seniors and those on fixed on incomes.

Dr. Ghilarducci. People on fixed income and low wages for sure.

Senator Cruz. Thank you.

Chairman Beyer. Thank you, Senator. Thank you, Dr. Ghilarducci. I would point out as a business person that Black Rock studies show that virtually none of this inflation was due to policy decisions, but rather to the pandemic's impact on supply chains.

With that, let me recognize my friend, the former Treasurer of Kansas, and our distinguished committee member, Mr. Estes.

Representative Estes. Well thank you, Mr. Chairman, and thank you to all the witnesses for joining us today. Obviously before COVID hit we were concerned about the workforce, and having enough workers as we move forward, and it is even more important now as we look at coming out of COVID and moving forward and getting the economy going again.

You know, I share the concerns mentioned earlier about inflation and the issues there. And we look at some of the decisions around curtailing things like the Keystone Pipeline and that directly led to really higher gas prices that a lot of people are being impacted by, whether they drive their Ford F-150s or even hybrid electric vehicles as well.

Before the pandemic hit, our economy had taken off thanks to some of the pro-growth policies that really got Washington out of the way and returned economic freedom to the American people by removing so many of the burdens from regulations that had halted growth that the prior administration gave the entrepreneurs hope that they could succeed again in America.

Today I worry that many of our would-be entrepreneurs, especially those who are looking to innovate later in life, would be scared away from even trying. Anyone who wants to start a business today has to face supply chain disruptions, rising prices, higher taxes, and ever-changing Washington mandates. These Americans are critical to our Nation's success.

Over their lives they have acquired a tremendous number of skills and talents that benefit our Nation. When we discuss the labor market, I think it is important to understand how new taxes, regulations, and government programs impact them and our economy. Raising new taxes on Americans to fund even more government programs is not the solution.

We have hundreds of redundant government programs, but before we create new ones and raise taxes to fund them we need to look at structures that we already have on the book.

Dr. Biggs, as you noted in your testimony, older Americans are faring quite well with more savings, lower poverty rate, and better retirement security today than in the past. And in 2020, during the height of the pandemic, only 11 percent of the retirees decided to quit because they could not find retirement—because they could not find employment.

It seems like so many of the retirements are because Americans are choosing to retire. Looking at those trends, how should we as policymakers think about our role in supporting older Americans so that they can make retirement choices that are best for them?

Dr. Biggs. Well thank you, Congressman. We talked a little bit earlier about data on what is happening to people who have shifted from work into retirement during the COVID pandemic, and there is some debate over what actually has happened. But I think it is interesting. If you look at people in the sort of near-retirement range, you know, 64, 60 to 65, who report themselves as being retired, and they are asked in a Federal survey would you like to go back to work if you could find a full-time job, or a part-time job? Over 98 percent of those retirees say, no, I do not want to go back to work. And that is consistent with past data.

And what this shows is that most people are in fact retiring happily. You know, their incomes are okay. In survey after survey, if you ask them, you know, you keep telling retirees, oh, you are not doing okay, and they are like, no, I am alright. So both the hard data from statistical agencies and survey data show by and large they are doing fine.

We had exceptions and we want to address them, but we do not want to throw out the baby with the bathwater because we have really done very, very well on this end.

Now in thinking about where we are and going forward, I think we want to build on things. Dr. Ghilarducci, and my fellow witnesses, talked about expanding options for retirement. I agree with that. I think we can probably agree on secondary payer issues with Medicare. Those are things we can do to further the progress that we are making.

But my general thought is let's open the door to more jobs, but not start micromanaging exactly how all these things are going to work. Something like age discrimination, I oppose it and when we know it is there we should prosecute it. But there are potential downsides to being too aggressive on that.

There is some research that finds that aggressive age discrimination laws might actually reduce employment. So we just want to be careful about being over-ambitious and thinking we can micromanage how the economy works. Because the economy has a mind of its own that goes beyond what Federal policy can dictate.

Representative Estes. I am glad you made that point. I mean one of the things I did in my career in the private sector before I ran for public office was to look at operational efficiencies. And as part of that, it came down into looking for the root cause of the problem. And so I want to make sure as we look for solutions that we are actually building solutions that actually are designed to fix the problem and not something that may be a symptom of the problem but not really what is causing it.

So with that, Mr. Chairman, I will yield back.

Chairman Beyer. Thank you, Mr. Estes, very much. I want to thank Congresswoman Herrera Beutler for her extraordinary patience. I think it is your turn.

Representative Herrera Beutler. Can you hear me okay? It just occurred to me. Okay, perfect. This has been an interesting conversation. I was with you, Mr. Chairman, in November. We got to sit and listen to an amazing economics professor with the Lenin School of Economics, Linda Yueh—I hope I am saying it correctly—and we were asking some of these questions. Because even if you talked about the growth in the economy, but we are not seeing that, and we are not seeing it in wages.

I remember asking her specifically about who is not working? And some of those questions have been answered here, like who left and who has not come back in the line, and she really narrowed it down for us. She was talking about workers who were about 50 years old who were in the Rust Belt, who were also working age men as a massive problem. She did talk about opioid use, and that scourge that kind of started with the Rust Belt. Obviously it is being felt everywhere. And just trying to help me identify who is not working. And some of this fits in with what was being shared today.

The other thing she really talked about was productivity, the productivity is low. And so when you are talking about older workers, and kind of the decline of manufacturing and stagnation of wages. How much of it is due to technology, and how much of it is due to other factors? And she said about 80 percent of it was technological.

So I am hearing all of this, thinking about older workers, and really we do not want to just put them on a program where they are not being productive. They are too smart for that.

If you are working as an older American, you are doing it because you have to or because you love it. If you love it, generally it is not a financial issue. If you have to, you have to. So in my mind, how do we get them into something that they can at least enjoy? And I think technological advancement training initiatives that will help both them but also boost productivity because that is ultimately how we get out of this stagnation. And I have not really heard anybody talk about training opportunities in that sector.

One of the things we talked about, as everybody went offline and some workers were fortunate enough to be able to use Zoom, and Zoom is available to everybody, but I think it was about half of workers could not do Zoom for their job.

So how do we make these transitions for older Americans? How do we help boost the productivity but also bring them into a 21st Century workforce? And that is really open to everybody.

Dr. Ghilarducci. Let's look at the industries that are really growing. Home health care is 1.3 million of the new 12 million new jobs. So it is a big portion, the biggest portion of the new jobs created.

How do you create better conditions and better technology and better productivity in home health and personal health care? Well, in other countries where the workers are paid a lot more—and this is a disproportionate sector that hires older workers. It is really characterized by old women taking care of even older women. They actually have a system of medication information. They have technology that helps with patients. They do this in Japan.

If you pay the workers more, the employers treat the workers better, often applying technology to their job.

Representative Herrera Beutler. Can I jump in there really quick, because I have worked in home health. I have taken care of older women, and I have done this before. And it is grueling work. It is difficult, and I remember just trying to bless and serve some of these lonely women, and knowing that this is only going to grow. These are women on state aid.

And one of the things that I think is critical is that we have to find a way to also boost some areas we as a society are going to put money into, because we are not—I am not going to allow my grandma or your grandma to live on the street, period. That may not be a boost to overall GDP growth and productivity in the economy, but you have to balance this if we are going to spend that money, right? Because, again, I don't want your grandma out there, and I sure as heck don't want mine.

So how do we also then—I am not even thinking about necessarily the workers in that space, although we have to make sure that they are in a good place, but seniors who are coming out of a job, and maybe having to get retrained into something else, to boost the productivity. Because ultimately that is what a company needs in order to expand here, correct?

Dr. Ghilarducci. Yes. I mean some of that will be corrected by the market, where the employers who find they are going to get over the fact that they do not want older workers because they cost more, you know, or because they have—they perceive them not to have technological—so that is going to take care of them. That is right about that.

But remember my answer about the training programs are not incentives to actually help older workers, and really wean the low-income senior program to help apprenticeships. At 68, there's a thousand people in it, and we have millions of people who need that training.

Representative Herrera Beutler. Thank you. Mr. Chairman, I am out of time. There is no possible chance, just because I brought up the rear, that Mr. Biggs can maybe do a quick comment on that, is there?

Chairman Beyer. I think that would be fine.

Representative Herrera Beutler. Thank you.

Chairman Beyer. And Mr. Arrington is going to bring up the rear. And we are going to go another round, too, if you would like to save it.

Go ahead, Dr. Biggs.

Dr. Biggs. Well thank you. I am going to take my time while it is on off. But thank you very much, Congresswoman.

This is a slight different tack, but I think it goes back to some of the points Senator Lee made at the beginning about social capital. And this actually has direct impact on things like long-term care. In the past, a lot of long-term care was done informally. The one spouse would care for the other. The extended family, and moved from Washington, DC, to Oregon so that I could be closer to my wife's family, and my son would be near his grandparents.

As families have broken down, more and more retirees are living alone. And that forces them to rely more on professional care while they are in declining health, and it puts more of them into long-term care because they do not have somebody to care for them.

This has an impact on them, and it has an impact on the labor market. It is going to have an impact on the budget, because Medicaid long-term care costs are going to go up because our social fabric has broken down.

And so it is—all of these things are interrelated with each other. Something like home health care, the productivity there is tough to increase because it really is a very, very labor intensive task. It is hard. If we want to group people together, say you have 10 seniors all live in a home, then maybe we can increase the productivity of the home health care worker. It is a very, very tough thing to get on top of.

Representative Herrera Beutler. Thank you.

Chairman Beyer. Thank you. Now let me recognize my friend from Texas, Mr. Arrington, for his questions.

Representative Arrington. Thank you, Chairman Beyer, and the witnesses. I have enjoyed the back and forth and have gained some new insights here on the vary important topic of our older workers who want to stay in the job participation. It is better among the older workers so they seem to want to stay if they can.

We have got to get our economy back where they have that choice and can exercise their choice to stay in the workplace longer. I think that is the most important thing, that we do not need to do any more harm, in my opinion, with respect to the labor shortage and inflation, the input costs and all the stresses on the economy currently. But I have a broader question about those companies who are doing well attracting or obtaining older workers. I am sure there is more time spent on millennials and other generations and what they need, and what they are looking for to stay incentivized to be not only at work but most productive.

What does that look like for the older worker? You know, and anybody can answer this, but—and Dr. Biggs, maybe you could start, but I just welcome anybody to jump in. What companies are doing the best in that regard? And what states are doing the best?

So both private incentives, and maybe even State or public incentives or programs in combination that are working to keep these folks in the game longer. Obviously I think there are quality of life benefits for these older workers as well as has been discussed. So some thoughts on that?

Dr. Biggs. Well thank you very much, Congressman. I do not know the State level data very well. It would not be difficult to produce it, but often we focus at the Federal level, and those are just the data that I know better. But I can take a look into that.

Thinking about companies or industries, Professor Ghilarducci talked a little bit earlier about how some of the growth is in service-related jobs, home health care areas such as those. I think offering flexibility to your employees is helpful. At those ages, many people want to work part-time. And so giving them the opportunity to do that I think is helpful. Often flexibility in terms of the place where you work. Again, because people want to stay near their families. But there is a lot of employment ages and small firms. It is maybe a little easier to them if you are under 20 or so employees and you do not need to offer health care, and that is a big issue for small employers because health care costs have gotten higher and higher, and disproportionately on older employees.

But I completely agree. If you are thinking of strategies to make it easier for them. But if I think big picture, something like reducing health care costs. You know, we think of it in this macro perspective, a budgetary perspective. When Dr. Ghilarducci talked earlier about how this lower returns to experience in the labor force today than there used to be, that means lower increases in people's wages as they get older.

But what is happening though is employers are paying more and more in terms of health care costs. And that comes out of people's wages. Most economists will agree on that. So simply trying to reduce health care costs, not reallocate them, not how to finance them, but to actually reduce these costs, that is a bonus that makes older workers more attractive to employers, makes work more attractive to older workers because it passes through their wages. So there are micro things we can do, but I think health care is a real macro issue that if we can get on top of it reaps dividends for the budget but really for employees as well.

Representative Arrington. Well thank you. And just to follow-up with you, in the interest of time, Dr. Biggs, you touched on the Social Security benefit formula that disincentivizes folks to stay in the workforce longer, but Americans research proves out that Americans prefer private savings accounts versus expanding Social Security. I think they get a better return. They get more choice in it, obviously.

But what incentives should Mr. Beyer's, and as a Ways and Means member myself and others, be looking to put in place to encourage more private savings on top of our efforts to address the solvency problem with Social Security? Because I do think that is a very important safety net. I am talking about additives.

Dr. Biggs. Thanks very much. I know you are running out of time here, so if I have to be cutoff let me know. But I commissioned a survey where I asked Americans: If you want to increase your retirement income, would you rather pay more into Social Security and get more from Social Security? Or would you rather save more on your own through an IRA and a 401(k) and get more from that in retirement?

Across the board, about three-quarters of Americans would prefer to save more on their own. So that private thing really is attractive to people. They trust it. They feel they can control it. Some want to build wealth and pass it on. But the issue is how do we expand that?

Things like automatic enrollment, which you passed in the Pension Protection Act, that has helped. But we want to think about how we expand access. Ultimately, I think something—some sort of Federal plan for workers and small businesses who cannot get a retirement plan through their employer makes sense.

We also want to think about things like lawsuits against employers regarding 401(k)s. That is going to disincentivize offering those plans. Again, you know, we can lead the horse to water but we cannot make it drink, and you want to save incentives that make it attractive to people and reducing disincentives to do that.

Representative Arrington. Thanks for your incredible indulgence, Mr. Chairman. And thank you, Mr. Biggs, for your comments.

Chairman Beyer. Thank you, Mr. Arrington, very much.

We are going to go to a second round, for those who would like to stay. Let me start.

Dr. Ghilarducci, Dr. Biggs was talking specifically about workers left out of potential retirement. Can you talk about your TSP for some, or the Guaranteed Retirement Accounts?

Dr. Ghilarducci. Yes, what I think Representative Arrington would be interested in, as well, and everybody, because it is a bipartisan plan.

Kevin Hassett, who was a former President Trump Chief Economist and me, and we are really far apart in terms of ideology, have come together as economists by looking at the Thrift Savings Plan, about how well it works, and it works well by getting low-income people into it because it provides a match.

So we have proposed a very detailed plan for the government to provide a match to people who earned below the median wage. And this would allow them to participate in the program that is modeled after the TSP and perhaps be a sidecar to the Thrift Savings Plan so they can start accumulating assets.

My testimony today pointed out that that will help the labor market. Because with more retirement security, the people who are forced out early, or who truly want to stay but have a fall-back position, would have better jobs. So it is a virtuous circle.

Chairman Beyer. Thank you very much.

Ms. Frye, in his testimony Dr. Biggs tells us that extended work lives may be an even better way to increase retirement income security than other ideas. But why can't everybody just working longer? Have we seen different life expectancy gains among different categories of Americans?

Ms. Frye. Well, absolutely. You know, it goes without saying that not everybody works the same length of time, and we certainly see disparities along ethnicity, in particular. I think that it also goes back to the conversation that people were having about the nature of work, and the work that many people are doing.

If you look at many older workers of color, particularly older Black workers, both women and men, there is a significant percentage. One in three older women of color in jobs that are physically demanding. So even if they want to stay longer, they often cannot from the lifting and the physical exertion that is excessive.

So I think it is not a simple thing they just want to work longer, but also making sure that they can take care of themselves and have the ability to care for their own well-being and their families, and have the income to do so.

So you really have to understand sort of the differences along race and gender, and the different ways that people come to the table.

Chairman Beyer. Thank you. Dr. Ghilarducci, you and Dr. Biggs agreed on Medicare as first payer, which certainly makes a lot of sense. Have people priced that out before? Have we attempted to do this, and does the price tag scare us away?

Dr. Ghilarducci. It is not that scary, but it is positive in the tens of billions. However, it never factors in how much healthier the workers will be, our people will be when they—as they age into Medicare.

If you can get health insurance to people quickly, also if you lower the age—I usually compare it to lowering the age so that if you are out of work at 58, you still have health insurance. That can save money. But it is really important for smaller businesses that have health insurance for all their workers, because they get the hit on the experience rating when the older worker comes in. That answers Representative Arrington's question. What kinds of companies are more open to older workers? And it is the bigger ones. And a lot of it is because they can absorb the health insurance costs.

Chairman Beyer. It would almost be like a reverse positive incentive to get the older worker in because they are less expensive.

Dr. Ghilarducci. Yes, yes. Good point.

Chairman Beyer. Dr. Morrissey, I was impressed with Dr. Biggs pointing out to me that I am—at 71½ I am paying into Social Security and I am not getting anything for it. Have you, or the AFL–CIO, in your various roles considered the notion of once you have maxed out what your Social Security return is, that you should not have to pay in anymore?

Dr. Morrissey. Well first of all, you should be tapping Social Security. After 70, you do not get any advantage for delaying. So you should go right now—well, actually after April when the offices open up again—and start collecting.

Chairman Beyer. I do get my check every month, but paying in does not change it all.

Dr. Morrissey. No, but that is a really good question. I actually have a lot of disagreements with Dr. Biggs on a lot of these points. He conjures up an image where, you know, workers want to work longer, they can work longer. As a result, they are more comfortable, except that there is this little problem which is that extra benefits will create a disincentive to work. So any expansion of Social Security or something like that is going to actually harm this happy scene that he has created where, you know, we are working longer, it is all happy. It is by choice. And older Americans are comfortable.

None of that is actually true. I am sorry to be disagreeable, but for example just to get onto the comfortable thing, when you do international comparisons, the reason that Americans look like on the surface that they are doing well at older ages is because they are working. They are having to work, where Europeans are at leisure at the same age.

And also the other thing is that last year we had this record-breaking low poverty rate because of transfers last year that were unique to last year. And also because we use a measure of poverty that is not very realistic. If you use the supplemental poverty measure, even last year, seniors were actually much more—had higher poverty rates than working age Americans.

In terms of whether they want and intend to work longer—and I am sorry I am going over, but I think the Democratic witnesses here have gotten less time to contribute—in terms of whether or not they can work longer, research by Richard Johnson and co-authors at the Urban Institute have looked very closely at this. And he even zeroed in on workers who had stable employment, who were five years or more with the same employer in their early 50s, and two-thirds of those workers experienced involuntary job loss before they retired, and only one-tenth of those that lost their jobs actually managed to get earnings anywhere close to where they were before.

So it is not at all a choice. Most workers, for health reasons, because they are laid off, you know, even if they expect to retire or want to retire later, they cannot.

And finally—and I am sorry to again use up a lot of time—but the idea that Dr. Biggs made a strong point early that workers have a very, very strong incentive to keep working for the reasons you mentioned, that the longer you work the less time you have to support yourself in retirement, the more you can save, and your benefits are also higher up until age 70 in terms of Social Security. All of these factors hugely overwhelm any supposed disincentive effect of paying taxes for benefits.

In fact, the benefits that we have been talking about that we need, paid leave and everything like that, would draw more workers into the workforce. What we have seen in the pandemic is workers leaving because they are scared to work because they do not have sick leave, because they are in danger. So in fact, it is completely backward.

The more we protect workers, the more benefits that protect workers, the more we are going to keep older workers into the workforce. I do agree that we should take measures to equalize health care costs by age. I am not sure that incentivizing people to hire older workers would be viewed as fair, like making it completely free for the employers to have health care but still paying for younger workers, but nonetheless we do need to take that out of the equation in some form. But it is expensive. I mean, we have not even been able to fix the problem that people are waiting for Medicare when they are disabled, which I think is a really critical problem right now. And that is a much, much smaller amount of money.

But anyhow, I am sorry to eat up the time, but I was—I had a lot to rebut. Thank you.

Chairman Beyer. Dr. Biggs had the advantage of having many Republicans show up to ask questions, and we had Senator Klobuchar and Mr. Trone.

Mr. Arrington, you are welcome to do a second round of questions.

Representative Arrington. I am just going to give Dr. Biggs a chance to defend his honor.

Dr. Biggs. Well——

Representative Arrington. No, I am kidding. I am kidding. This is all love and passion, and I think we all want to address the challenges and the problems. We have different ways to do that. That is my experience at least, that most folks motives are to help our fellow Americans.

But I will say that inflation—and not to beat up my Democrat colleagues on account of the spending—I had a gist on that piece, we had a former Federal Reserve President of the Kansas City Reserve Bank, Tom Hoenig talk about the easy money policies that have contributed to inflation as they did in the 1970s. And not only is it the most punitive regressive tax on everybody, especially the working poor, but it also has separated—given a great gap in separation between the haves and have-nots because those who have assets have seen their asset values go up. So the rich got richer and those that did not have asset ownership in land, stocks and bonds, et cetera, they were out of luck.

So I think that is a double whammy for the folks that I think we all want to help the most in this country. I am particularly concerned about, when we talked about retirement security, the unfunded liabilities that are in the State pensions. I know in 2010, the unfunded liability in the New Jersey State Pension was a trillion dollars. And I do not know how much in the system there is. I cannot quantify it. I am sure, Dr. Biggs, you have looked at it, as have others, but what do we do with this?

It maybe a bit of a crisis if it is not addressed. I thought the Butch Lewis legislation, and the moneys in ARPA that went to bailing out the union pensions was horrible not because we do not have to spend some money to solve the problem, but because we never addressed the underlying causes so that we do not have to repeat it.

So I guess what do we do about the underlying causes so we do not create more hazard? But then how do we address it to give that sense of—not just "sense," but real retirement security for these folks who are depending on it?

Dr. Biggs. Well if I could answer, Congressman, it is a great question. I have done a lot of work on State and local pensions, including a recent report on New Jersey. I was appointed to the Financial Oversight Board for Puerto Rico which is bankrupt, in part because of my background on State and local government pensions.

Those are a big problem. And a comparison to Social Security is helpful. When we talk about the Social Security Trust Fund, REAL and all that, if the Trust Fund runs out, there is a legal implication to it. But financially, for the Federal Government as a whole, it does not matter very much.

If a State pension trust fund runs out, if you are New Jersey, or Illinois, if their pension fund runs out, that stays bankrupt because that is real money from outside of the government they are using to pay their pension benefits. And if it is gone, they have got a real problem.

Puerto Rico went bankrupt in part because they ran their pensions into the ground. One point that I would make on that is that when ERISA was passed, ERISA is the Federal legislation that regulates pensions. At that point there was some discussion of putting State and local government pensions into ERISA so they would be regulated, as well. But the thought at that point was, you know, the states—you know, pensions are not that big a deal for them. States are good actors. They are not going to shortchange their workers, and all that. All of that turned out to be false. The State pensions are—if they were federally regulated, you would be shutting these pensions down, because they are very, very poorly funded. And if you think that the Federal Government having to bail out the Multi-Employer Plans was a problem, when the Federal Government said we are going to bail out those plans, for which it had zero responsibility, dollars to donuts if Illinois or New Jersey or Connecticut, or one of these states goes under, that is a systemic threat to the state's economy, to the whole region, the Federal Government will bail those out. And they should simply be federally regulated the same as private pension funds.

Representative Arrington. Chairman Beyer, thank you for letting us have another round. I just really appreciate all the insight. I meant to say all that about the Federal Reserve monetary policy and the contribution to the inflationary effects, and that whole greater income gap as a result. I said that to mention to Dr. Ghilarducci that I like that idea. I need to dig in, but I like the idea especially on the lower income, of encouraging work but giving people a piece of the action and ownership in our country, and a benefit like the folks at the higher income, to just have that exponential benefits to half sets in ownership.

Dr. Ghilarducci. That's right on. I will follow-up with you on that.

Representative Arrington. Perfect. Thank you so much. And Chairman Beyer, safe travels.

Chairman Beyer. Thank you, Congressman. Thank you very much. So that concludes our discussion today. I want to thank all of you for joining me in this essential conversation on a really important topic.

Older workers are an integral part of our American economy, and their participation in the labor market is going to continue to grow. However, we know the pandemic has thrown a wrench into this trend. It has harmed workers, businesses, and the economy, and it has also shed new light on the long-standing challenges that older workers face.

As we have discussed today, while many stories have focused on financially secure older workers leaving the labor force to better enjoy their golden years, a closer look evidence shows that this is really not the case for many. For decades, older workers have faced weakening bargaining power, poor quality of work, sluggish wage growth, and the retirement insecurity, and the pandemic has exacerbated these preexisting trends.

Addressing these challenges requires public policy solutions, many of which you have offered today, that improve the economic security of our older workers and strengthen the labor market for all working Americans. Our shared prosperity and economic well-being depends on it.

So thank you to each of our panelists for their contributions. As we do this important work, we will continue to rely on your expertise and good faith. And thank you as well to my colleagues for being a part of this discussion and sharing their wisdom.

The record will remain open for three business days.

This hearing is now adjourned.

[Whereupon, at 4:16 p.m., Wednesday, February 9, 2022, the hearing was adjourned.]

SUBMISSIONS FOR THE RECORD

PREPARED STATEMENT OF HON. DONALD BEYER JR., CHAIRMAN, JOINT ECONOMIC COMMITTEE

RECOGNITIONS

This hearing will come to order. I would like to welcome everyone to the Joint Economic Committee's hearing titled "Building a Better Labor Market: Empowering Older Workers for a Stronger Economy."

I want to thank each of our truly distinguished witnesses for sharing their expertise today. Now, I would like to turn to my opening statement.

OPENING STATEMENT

Without question, older workers are vital to our collective prosperity.

They support families and communities nationwide, and they bring decades of earned experience and wisdom to businesses and marketplaces, large and small.

Prior to the pandemic, older Americans contributed 40 percent of the national economic output despite making up just 35 percent of the population. And over the last 20 years, the share of older workers has almost doubled—a trend that is set to continue even after the pandemic.

As the United States continues its strong recovery, a primary task before us in Congress must be answering how we can build a stronger and more resilient economy, where the benefits from economic growth are broadly shared. Key to such an economy is a better labor market that ensures all workers, including older workers, have access to quality jobs that meet their needs and are free from discrimination.

Over the past year, the U.S. economy has experienced record job growth, with over 6.6 million new jobs created in 2021, and almost half a million more in January alone.

This robust labor market recovery, thought unimaginable in the spring of 2020, when unemployment was nearing 15 percent, is a testament to the American Rescue Plan, other emergency pandemic relief, and the widespread availability of vaccines and testing.

But even as we recognize the record-breaking economic accomplishments of the last year, we must also address the ways our recovery has not yet reached everyone—including older workers.

Older workers have long faced unique challenges in the workforce, and these challenges were exacerbated by the coronavirus pandemic. Decades of diminished bargaining power, stagnant wage growth, diminishing returns from additional years of working, and increasingly strenuous and dangerous jobs have contributed to widespread economic insecurity among older workers and constricted broad-based economic growth.

The pandemic has also shined new light on the inadequacy of our care infrastructure to help older workers navigate work and care responsibilities. This has been particularly harmful to older Black and Hispanic women, who shoulder significant caregiving responsibilities.

For example, one-third of home health aides are aged 55 and older, yet care industry wages are low and care work is physically demanding. This creates an untenable situation for aging providers as they are simultaneously less physically able to continue their work but also financially unable to save and retire securely.

Further, more than one in five workers aged 45 to 64 reports being a caregiver to a parent. Yet the United States does not guarantee any workers the right to paid leave, and older workers are even less likely than their younger counterparts to have access to paid sick days. This forces many older workers to make the impossible choice between caring for themselves or a loved one and getting a paycheck, which harms workers, businesses, and the broader economy.

Today, we are seeing these decades-long trends impacting older workers come to a head. Just as companies have historically used downturns to prune workplaces of older workers, the same appears to be true of the coronavirus recession. At least 1.7 million more older workers than expected retired due to the pandemic recession, and the effects have been particularly harmful for older Black workers and those without a college degree.

Despite media coverage of high-income older workers choosing retirement to spend more time on hobbies and with their families, evidence shows this is not the reality for many older workers.

The reality is that over the course of the pandemic, many older workers have been forced out of jobs to live on insufficient retirement income. For the first time in 50 years, the unemployment rate for older workers was higher than that of mid-career workers, and while rates have stabilized, older workers remain overrepresented among those who are currently long-term unemployed.

Because our retirement system has not kept up with the needs of the aging workforce, the typical worker in the United States has zero retirement savings—that's right, no retirement savings at all. Among those that do, the amount is wholly insufficient to sustain a pre-retirement standard of living.

As those who have been forced into early retirement may look to be rehired, research shows they will experience significant barriers.

Particularly in recessionary periods, older workers face discrimination and stigma from periods of long-term unemployment, both of which limit their re-employment opportunities.

No worker should be forced into early retirement. And at the same time, no one should be forced to work long into their golden years because of insufficient retirement savings.

As members of Congress, addressing these challenges in order to help build a better labor market for older workers and create a stronger economy is central to our work.

I look forward to this discussion and learning from our witnesses today.

PREPARED STATEMENT OF HON. MIKE LEE, RANKING MEMBER, JOINT ECONOMIC COMMITTEE

Older Americans are the bedrock of our communities. It's hard to overstate their role. We rely on our grandparents for everything, from helping to care for our children to building our churches and volunteering at our local charities.

Increasingly, older Americans also make vital contributions in the workforce. More of America's seniors are choosing to work because they find work to be a source of engagement and meaning in the transition to their golden years.

Tad Greener is a fellow Utahan who was missing the social connections and professional satisfaction of work after being out of a job for the past two years due to his health. Like so many other older Americans, when he started looking for a job again, he thought he'd never get a leg up navigating the endless changes brought on by the pandemic.

That's when Tad saw a story about Return Utah—a new program created by Utah's Lieutenant Governor Deidre Henderson to help Utahans who are looking for work after an extended absence. Tad applied and was surprised to find that the Utah Office of Energy Development needed someone with his technical skills. Although the position was temporary, after just two months into the job, he was made a permanent team member and is now able to put his years of experience to use.

Tad's story is inspiring for the millions of American workers who are still on the sidelines, and it's instructive for us today as we seek to understand the barriers older Americans face. As many choose to work longer, a strong labor market with rising wages for all is the most effective way to create new opportunities and support older Americans.

The good news for us today is that older Americans are doing better than they ever have before. Thanks to improved health and less physically demanding jobs, many older Americans are remaining in the workforce longer, and more employers are benefiting from their reliability and experience.

Older Americans who choose to retire are also better set up for economic security than ever before. Americans have never saved more for retirement or had higher incomes in their golden years. Poverty among seniors is lower than among any other age group, and the preliminary data indicate that those who left the workforce during the pandemic did so because they can better afford to retire.

Older workers are doing remarkably well. What older workers don't need are new, special-interest programs and policies cooked up in Washington and delivered half-baked by bureaucrats from thousands of miles away.

First, let's fix what's broken.

Government spending has stoked the highest inflation rate this country has seen in four decades, and it's hurting all Americans, including our seniors—many of whom live on fixed incomes. Government programs intended to care for seniors often punish those who want to stay connected to the workforce longer. And the threat of vaccine mandates continues to hang over our country, cruelly forcing Americans to choose between the freedom to make their own health decisions and their jobs.

Ultimately, a thriving, unencumbered economy is the best way to allow older Americans to make the choices best suited for themselves and their families—whether that's spending more time with the kids and grandkids, volunteering in a local congregation, maintaining a long healthy working life, or all of the above. I look forward to hearing from our witnesses on how we can foster this type of prosperity. Thank you.

United States Congress Joint Economic Committee

Hearing on
Building A Better Labor Market: Empowering Older Workers For A Stronger Economy

February 9, 2022
2:30 PM

Written Testimony

"Older Workers' Loss of Bargaining Power Hurts the Economy"

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EXECUTIVE SUMMARY: OLDER WORKERS' LOSS OF BARGAINING POWER HURTS THE ECONOMY

Over 40 million people over the age of 55 work or would like to work but were pushed out of the labor force. The sheer scale and fast growth of older workers—45 percent of the 11.9 million jobs expected to be added to the economy between 2020 and 2030 will be filled by older workers—requires keen attention as the inequality among older workers grows. Some sectors, like home and personal health care, use older workers strategically, while others, like technology and finance, shun them. While a minority of older workers enjoy fulfilling jobs, most work because they have little retirement savings and face lowering wages, increasing job intensity, and being pushed out of the labor force entirely.

- Older workers are more likely to be working poor than their prime-age counterparts.
- Pay and job quality is eroding.
- Older workers are becoming a growing source of low-wage labor in large sectors with robust job growth, like warehousing, home and personal health care, and janitorial services. All of these jobs require bending, stopping, hard physical labor, little training, low pay, and few advancement opportunities.
- Older workers' bargaining power has fallen over time and COVID only worsened these pre-existing trends.
- Eroding retirement security is a main reason the bargaining power of older workers is falling. It compounds a lack of choice that older workers face and may explain why they will take less and less pay to accept a job or change jobs.

If we don't help older workers improve their bargaining power, younger family members will be pressed for time and money to help their impoverished elders while our long-term care system will be populated by precariat workers. Economic growth will continue to be impeded on the supply side because we do not match workers to jobs and on the demand side because of less spending power in older communities.

As older workers make up an increasingly large part of the U.S. labor market, it is long past time that we form an Older Workers Bureau (OWB) to hear from older workers and their employers, investigate their needs, coordinate the vast resources of the U.S. government, and modernize age discrimination laws and worker training. In addition, older workers' bargaining power would be improved by policies like higher Social Security benefits, expanded and improved pensions, increased unionization a higher federal minimum wage, enforcing age discrimination laws, and making Medicare first payer.

REPORT

I. Trends: A Significant Number of Elders are Becoming a Precariat

In 2021, one quarter of workers in the labor force were 55 or older. Of the 11.9 million jobs expected to be added to the economy between 2020 and 2030, 5.3 million, or 45 percent, are projected to be filled by older workers. Growth for a subset of that group will be even more dramatic—the ranks of workers ages 75 and older are projected to shoot up by 97 percent in that timeframe. Just eight years from now, 12 percent of U.S. workers will be ages 75 or older.

You might imagine a large and growing group of older people who work for joy. But this is only the story of a small group of more educated workers who are often in privileged positions and control the pace and content of their work—people like think tank economists, university professors, and even lawmakers.[1] In fact, most older workers work because they have to—they have no fall back retirement income security.[2]

> *At the Phoenix Sky Harbor International Airport, 75-year-old Maria Rios makes $14.50 an hour as a food prep worker, supplementing her retired husband's $400 monthly Social Security check. "I'm forced to still have to work to try to make ends meet," she told The Guardian.*

Most people don't have sufficient savings for an adequate retirement and only a minority of older workers have enough money to retire and maintain their living standards or stay out of poverty.[3] Only 11 percent of people ages 62–70 work even though they have enough money to retire, and 10 percent of people in this age group are financially secure and retired. Fifty one percent are out of the labor force but don't have enough retirement income, and 28 percent work and don't have enough money to avoid poverty or maintain their standard of living if they retired.[4] Over half of those claiming benefits while working do so to supplement their low pay—because without a job, they would be below 200 percent of the poverty level, living off of just $24,000 a year.[5] See Figure 1.

Figure 1
Who Works at Older Ages and Why?[6]
Americans Age 62 – 70

	Retired (61%)	**Working (39%)**
Can afford to retire (21%)	10% (Financially secure and retired)	11% (Financially secure and working)
Cannot afford to retire (79%)	51% (Financially insecure and retired)	28% (Financially insecure and working any job they can get)

This means that most people, after a lifetime of hard work and "paying their dues", can't count on retiring or doing better in the labor market. Job stress, low pay, subordination, and prejudice color the reality of many older workers, sets the stage for younger workers' prospects, and affects the quality of the entire American labor market.

Older Workers Are Growing Among the Ranks of the Working Poor

In early 2021, approximately 34 million American workers 55 and older were working full or part time, and over one-fifth of them were working poor earning below two-thirds of the U.S. median annual hourly wage—which is a bit above $15 per hour. Older women workers are particularly at risk of being working poor; 26 percent of older women workers and 16 percent of older men are working poor.

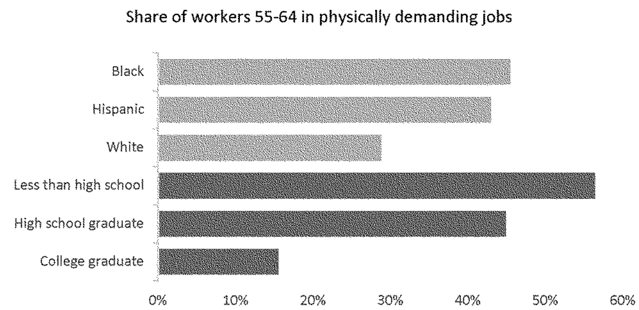
Racial aspects of the working poor
The risk of being in a low paid job as an older worker is much higher for non-Whites. Non-White and Hispanic older workers face a 27 percent chance of being poor, while the risk is 18 percent for an older White worker. Older non-White women are at the highest risk of being among working poor.[7]

Falling Job Quality for Older Workers

Older workers perform more physically taxing work than might be expected, which can negatively impact their health
Nearly 30 percent of workers ages 55–64 are in jobs that require "lots of physical effort" most or all of the time. More than 40 percent of Black and Hispanic workers toil in physically demanding jobs, compared to less than 30 percent of White workers. Workers without more than a high school degree are more than three times as likely as college graduates to perform strenuous jobs.[8] See Figure 2.

Figure 2

The Share of Workers Ages 55 to 64 in Physically Demanding Jobs is Higher for Blacks and Hispanics



Source: SCEPA calculations based on RAND HRS 2016.
Note: Sample includes full- and part-time workers 55 to 64. The survey question asks the extent to which a respondent's job requires "lots of physical effort." Those whose jobs require physical effort "all" or "most" of the time are deemed to be in physically demanding jobs.

Many of these types of jobs pay low wages and have few benefits. For example, jobs in personal and home healthcare—among the fastest growing occupations and, more importantly, adding the most job growth in the next ten years—pay low wages, have few benefits, and are physically difficult. They're also disproportionately filled with older workers. Thirty-one percent of home health and personal care workers are 55 or older.[9] In an occupation filled with men, a disproportionate share of janitors are 55 or older.

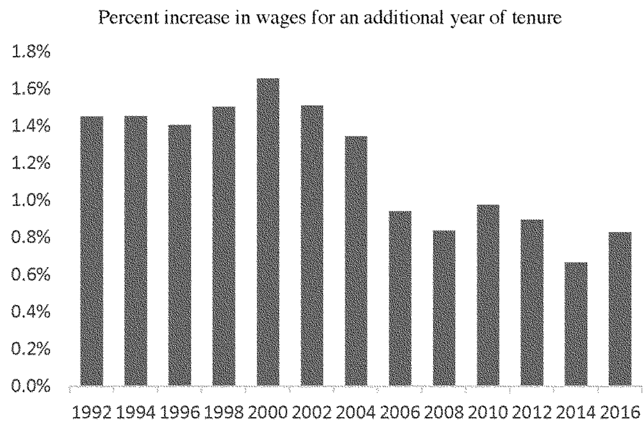
The share of older worker fatalities is growing.
In 2020, a *Monthly Labor Review* article found that more workplace fatalities are occurring among older workers. In one sense this is not surprising, because older workers are a growing share of the labor market. What is noteworthy is that some occupations are more dangerous for older workers than others. Being self-employed is especially dangerous for older workers, as is being a truck driver or a farmer. The largest number of fatal occupational injuries to older workers between 2003 and 2017 occurred among farmers and drivers of heavy and tractor-trailer trucks.[10]

Wages and Pay Premiums Are Falling

All workers expect their pay to increase steadily over their time with an employer, a phenomenon economists call returns to tenure. But between 1992 and 2015, the effect of an additional year of tenure on the hourly wages of older workers fell by 45 percent.[11] See Figure 3.

Figure 3

Overtime, the Increase in Wages for an Additional Year of Experience Has Fallen Significantly



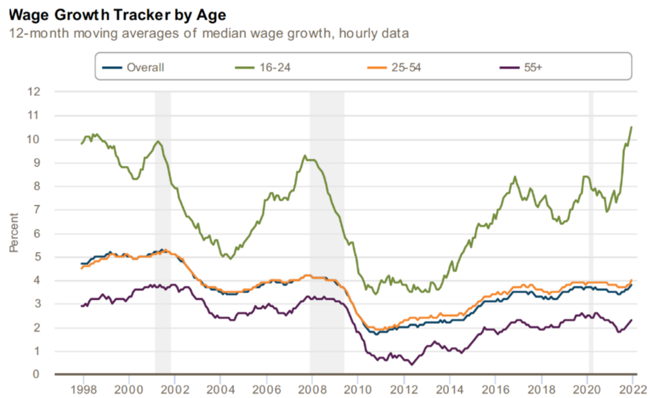
Source: SCEPA calculations based on RAND HRS 1992-2016
Note: Sample is restricted to full- and part-time wage and salary workers ages 55 to 64. Returns to tenure are calculated as coefficients on a linear regression of log wages on tenure. Control variables include age, age squared, gender, race, sex, industry, occupation, and union status. For detailed methodology see Johnson, R. W. (2019). "Older Workers and the Declining Rate of Return to Worker Experience." Generations, 43(3), 63-70.

Wage repression has been more severe for college-educated older men than for college-educated prime-age men. Between 1990 and 2021, real median hourly wages for full-time male workers 55 and older with a high school degree dropped 8.8 percent while wages for the same age group with a bachelor's degree stayed flat. In comparison, the real median hourly wage for prime-age male workers (35–54) with a college degree increased 9 percent while prime-age men with a high school degree faced a 15 percent decrease in their real wages. By contrast, women of all ages did not face declining wages from 1990 to 2021. Wage trends for men and women differ in part because women are working more and the gender wage gap has been shrinking.[12]

In recent months, wage growth for most workers took off and exceeded pre-pandemic levels. However, wage growth for older workers remains below its pre-pandemic peak. The lack of higher wage growth is evidence of low demand for older workers' labor despite historic numbers of job openings and demonstrates older workers' lack of fallback position and bargaining power. See Figure 4.

Figure 4

Wage Growth Since the Pandemic Increased For Everyone But Older Workers



Source: Wage Growth Tracker - Federal Reserve Bank of Atlanta

When older workers get rehired, their hourly wages are lower than in their previous job.[13] Following a job loss, median hourly wages of older workers ages 50–61 are 20 percent lower on the new job than the old job, and for workers 62 and older, wages are 27 percent lower on the new job.

Most Older Workers Do Not Have Jobs with 401(k)s or Pensions at Work

Advocates of working longer posit that it will help improve people's retirement finances, a theory that rests on the assumption that older workers continue to save in retirement accounts. In fact my own mother at age 67 had to withdraw from her 401(k) to buy a used car to get to work.[14] But only 54 percent of older workers between the ages of 62 and 65 have access to employer-sponsored retirement plans and only 49 percent participate in these plans. As older workers age, and in many cases become self-employed, it gets worse. Among 66–69-year-old workers, the participation rate falls to 33 percent.[15]

The evidence is stacked against the notion that working longer into old age boosts retirement security. The harsh reality is, most older workers do not have jobs with 401(k)s or pensions—so they must draw on Social Security and savings while working, and either tread water or lose ground. And older people are taking on more debt than ever before.[16]

II. Reasons Older Workers Are Losing Bargaining Power

The labor market is a dynamic set of bargaining relationships defined by power. Older people with good pensions and high Social Security benefits have power because they can walk away from a bad job or bargain for employment terms they want. Most of the others must work even if they want to retire, don't enjoy the work, or are in jobs that make them sicker because they have a weak "fallback" position and little bargaining power.

Seniority in the workplace, control over hours and pace of work, and a dignified retirement are benefits available only to a privileged upper class of older workers. In reality, many older workers at all earning levels are wary of the labor market and readily accept the pay and conditions offered to them. They're also less likely to quit to get a new job.

Workers with Weak Pensions Have Less Bargaining Power

Elders have less bargaining power because eroding retirement income security reduces their fallback positions when discussing pay and conditions with employers. Retirement insecurity compounds a lack of choice that older workers face and may explain why older workers will take less and less pay to accept a job or change jobs.

Less than a quarter of workers have sufficient retirement savings to retire at 62 and maintain their standard of living. Even if they work longer, less than half of workers are prepared for retirement at age 70.[17] For the typical older worker, household retirement savings fall far short of adequate. Looking at 401(k)s and individual retirement accounts—which have become the dominant retirement savings vehicles outside of Social Security for most workers—the median working household aged 55–64 has retirement savings of $43,000. In the bottom 50 percent of the earnings distribution, the typical household's retirement savings is just $3,000. Even for relatively better-off workers, median balances are lower than they should be if living standards are to be maintained in retirement.[18]

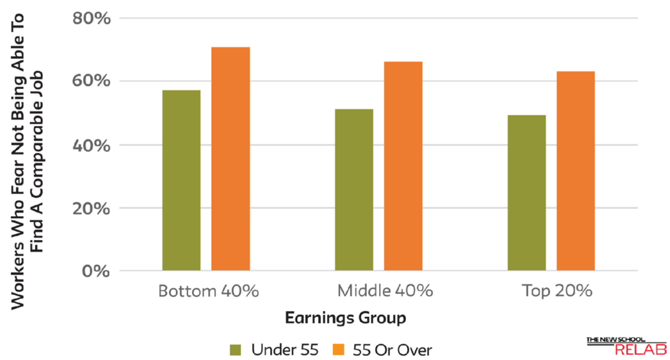
> *Terry and Nancy Koch of West Allis, Wisconsin once had a retirement account, though today they can't agree as to whether it had $10,000 or $20,000 in it. No matter; they cashed it in, paying taxes and the early-withdrawal penalty, and now it's about gone.*
> *"We never saved a lot of money," Nancy Koch said, "because there wasn't any to save." As early as he could — when he turned 62 in 2012 — Terry Koch began taking Social Security. There's a cost to that: his benefit is just under $1,000 a month. Nancy Koch has tried to go back to work. "I'm looking, but nobody wants a 70-year-old," she told the Washington Post.*

As People Age, They Tend to Get More Desperate about Taking Job Offers, Reducing Their Bottom Lines and Decreasing Their Bargaining Power

Older workers are more likely than younger workers to tell researchers they think they can't find a job comparable to their current one, a well-founded fear that persists at every earnings level and reflects the reality of an unfriendly labor market.[19] For workers 55 or over, 60 percent of men and 70 percent of women believe that if they quit their job, they are unlikely to find a comparable job within the next few months. See Figure 5.

Figure 5

Older Workers Worry That They Wouldn't Find A Comparable Job If They Left Their Current Job



Source: SCEPA calculations using data from the American Life Panel (2013–2016).

In responding to a question asked by the New York Federal Reserve—"What is the lowest wage you would be willing to accept before taking a new job?"—workers over the age of 45 give a much lower number than do workers under 45. In November 2021, younger workers said they would take a minimum of $74,863 to accept a new job while older workers said they would take a new job for $65,930, or almost $9,000 less. This difference may make sense in this environment, but when the data was first collected in March 2014, there was only a $1,300 difference between the reservation wages of older and younger workers, and in November 2016, older workers had a higher reservation wage than younger workers.[20]

Workers Facing Age Discrimination Have Less Bargaining Power

The persistence of age discrimination lowers older workers' bargaining power. Discrimination based on age, ethnicity, race, religion, national origin, or sex is illegal under federal law. Yet older workers are prejudged as being less able to work or learn and thus have fewer job offers that pay near their productivity. The widespread prejudice towards older workers among U.S. employers reduces their bargaining power. Indeed, audit studies—in which employers are confronted with two resumes of candidates with equal qualifications, but one resume indicates the candidate is older—show that the older workers are less likely to be called for an interview.[21]

Workers Faced More Age Bias During the Pandemic

Older workers experienced unprecedented job loss and unemployment during the pandemic, which pushed many out of the labor force and into unplanned early retirement. Increased transitions to retirement occurred broadly across demographic groups and were not limited to those 70 years and older. We are almost certain that most of the retirements at the low end of the income distribution are involuntary because those workers have very little retirement savings and retired only after experiencing job loss.

The most important factor predicting retirement in the pandemic was that the older worker was marginal in the first place. Three job characteristics were found to be especially important in predicting increased pandemic retirement transitions: employment in high-contact occupations and part-time work schedules, and low wages. Part-time workers made up an estimated 70 percent of the increase in net year-to-year employment-to-retirement transitions during the first year of the pandemic.[22]

At earlier ages, vulnerable older workers retired sooner. The share of retired workers among adults aged 55–64 rose 5 percent for those without a college education but fell 4 percent for those with a college degree. Black workers without a college degree experienced the highest increase in the share who are retired before age 65. This rate rose 1.5 percentage points, from 16.4 percent to 17.9 percent between 2019 and 2021.

According to the Federal Reserve Bank of New York, in November 2021, the average expected likelihood of working beyond age 62 declined to 49.3 percent, a new series low, from 50.1 percent in July. The average expected likelihood of working beyond age 67 also declined to a new series low of 31.1 percent, from 32.4 percent in July.[23] At the same time, reservation wages—or the lowest wage workers would be willing to accept for a new job—has begun to diverge for older workers, a concerning development.[24]

Workers With Weak Pensions And Low Pay Claim Social Security While Working, Forgoing Higher Benefits

Older workers with low pay often claim Social Security early, which lowers their lifetime Social Security benefits. Reduced benefits weaken their fallback position, which in turn lowers their bargaining power. More than half of workers ages 62 or older claim Social Security benefits while working. Though workers who are financially unprepared for retirement are often advised to work longer, research shows that the effect of work at older ages on financial preparedness for retirement has been far smaller than predicted. Since most older workers combine work with Social Security benefit receipt, they forego the Delayed Retirement Credit. Older workers need to earn enough to be able to save for retirement and live without claiming benefits.[25]

I am not accusing early claimers of making a non-financially literate mistake. It is the sensible thing to do for those with few assets and whose earnings fall short of the income they would receive if they retired. Three quarters of workers with labor market earnings that are lower than the retirement income they would receive have less than $20,000 financial wealth and have little choice but to tap Social Security to smooth consumption.

Workers are caught in a cycle that reduces their choices and erodes bargaining power.

III. The Negative Consequences of the Growth of Elder Labor with Low Bargaining Power

Young people in families with fragile elders are hurt when retirement security is weak. So too is an economy in which jobs and workers aren't well matched and after a long career of hard work there is no well-ordered off-ramp to retirement. About the only sectors that aren't negatively affected are those growing sectors whose business models depend on low-wage labor. On the aggregate demand side, these issues lead to less spending power in older communities.

Profitable Sectors Depend on Low Paid Elders and Inadequate Pensions

Older workers have been an important source of low-wage labor in large sectors with robust growth. Let's drill down on a few of the industries that are adding the most jobs over the coming years. In the home health and personal care sector, 56 percent of workers earn poverty wages and 31 percent of them—much higher than the national average of 23 percent—are workers 55 or older. What is shocking is that this sector is adding almost 10 percent (1.3 million) of the new jobs in the next eight years. Most of these workers are older women. Janitors and cleaners, the vast majority whom are older men, represent another fast-growing and low-wage occupation. Median annual earnings in that sector is $47,000, so 48 percent of workers in that sector are working poor. It is also among the oldest occupations, with 34 percent of workers 55 or older.

The size and growth of the older workforce diminishes the pressure on employers in these sectors to improve jobs and subsidizes firms and industries with low productivity by providing them with cheap labor. It also comes at a cost to the overall economy, since with better policies, these workers could be employed in more productive sectors. See Figure 6.

Figure 6

Robust Sectors Depend on Low Wage Elder Labor: Selected occupations with the most expected job growth over the next decade are low paid and older

Occupational Group	Expected Jobs Added 2020–2030 (in thousands)	Median annual wage, 2020	Share of workers 55+	Number of workers 55+	Share of workers 55+ that earn < 2/3 of the U.S. median hourly wage
Total, all occupations	11,880	$41,950	22.8%	33,712	20.0%

Janitors and cleaners, except maids and housekeeping cleaners	127	$29,080	33.6%	733	48.4%
Heavy and tractor-trailer truck drivers and light truck drivers	223	$42,090	31.1%	1,018	20.4%
Home health and personal care aides	1,130	$27,080	30.8%	625	55.7%
Maids and housekeeping cleaners	138	$26,220	28.9%	382	54.4%
Maintenance and repair workers, general	117	$40,850	26.5%	159	16.7%
Security guards	154	$31,050	26.1%	240	43.0%

Source: Employment Projections program and Occupational Employment and Wage Statistics program, U.S. Bureau of Labor Statistics, September 2021.[26]

Negative Impacts of Low Paid Elders and Inadequate Pensions on Younger Generations

Policies that support the financial independence of older adults are also a direct help to the younger adults who support them. In the U.S., 30 percent of adults with at least one parent ages 65 or older say their aging parent or parents need help handling affairs or caring for themselves. Non-White households are more likely to provide support to aging parents. Older Americans in middle- and lower-socioeconomic classes are disproportionately likely to rely upon the financial, time and emotional support of younger generations. Lower-income adults who provide care to an older adult also are least likely to be working full-time while providing that care. They are also less likely to have access to flexible working hours, time off, or paid leave to accommodate the time challenges of caring for an older relative.[27] See Figure 7.

Figure 7

Non-White Households Are More Likely to Provide Support to Aging Parents

	White	Black	Hispanic	Other	All
Percentage who live with parents or provide financial support to parents or grandparents	6.8%	10.7%	18.3%	16.8%	9.8%

Sample: All households with living parents (or in-laws) ages 65 and older.
Source: Authors' calculations based on Survey of Consumer Finances

Brett Carneiro, 37, a father of a 7-year-old son, a 5-year-old-daughter and a 9-month-old boy in Durham, N.H., said that he stayed self-employed as a digital marketing consultant in part because there was no way he could have cared for his children and his parents while keeping down a traditional job. "I would have had to resign," he said. Working for himself was "the only way to control the money-making part of my life without being terminated." He felt that he missed out on career advancement and made financial sacrifices to meet his parents' needs, per the New York Times.

Negative Impacts of Low Paid Elders and Inadequate Pensions on Communities and Neighborhoods

Ever since the World Health Organization launched its campaign for Global Age-friendly Cities in 2005, mayors get celebrated when they make their cities "age-friendly." [28,29] However, since inequalities in aging and retirement wealth create a "tale of two retirements" in America, even the most warm-hearted and progressive politician knows at some level that a rich elder is better for their district's fiscal position than a lower income elder.

Tempe, Arizona, welcomes elders of financial means to live near the vibrant Arizona State University campus at the Mirabella complex where the "buy-in" fee starts at over $370,000 and fees are over $4,000 a month.[30] These elders are a net positive—in a purely fiscal sense—to the city's budget and the regional economy. But these sorts of higher-income elder communities are the exception rather than the rule.

The conventional "pension expenditure multipliers"—estimating how much $1 of pension spending generates—is a bit over $2.[31] The multiplier means that paying a public employee $1 in pension payments multiplies to about $2 as the pensioner goes to the corner grocery store, pays the rent to their local landlord, and tips the worker who mows their lawn. This money reverberates through the local economy, increasing overall economic activity. Since retirement income, especially retirement income from Social Security and pension plans, is mostly unaffected by economic fluctuations and recessions, it can act as a stabilizer for local economies during periods of high unemployment.[32]

This isn't the only contribution of the retirement system to national and local economies. The "taxpayer investment factor," devised by the National Institute for Retirement Security, measures the positive effects of retirement savings and the potential investment funded by these savings in boosting productivity, creating jobs, and expanding aggregate demand by generating investment income. This measure, more relevant to taxpayers, yields a whopping $8 to the economy for every dollar of pension contribution, mainly from compounding interest. This concept is worth lingering on.[33]

On the flip side of the coin, another approach tallies all the direct costs to states and localities of aiding poor seniors in need. A community with a fragile elder population is a community that has hefty demands on its public revenues and tax dollars for elder housing and food programs. If a town or city picks up Medicaid costs like New York City does, then the Medicaid burden affects the entire community. In some states, up to one-third of the budget goes to cover Medicaid.[34] Much of that goes to middle-class seniors who became poor while stuck in exorbitant nursing homes, or to those who don't qualify for Medicare, or to those who are so poor they are eligible for both Medicare and Medicaid.

Several studies have investigated the costs of insufficient retirement security on state budgets. In Utah, for example, nearly 10 percent of the newly retired qualify for more than $2,500 a year in direct government assistance, mostly because of inadequate pension income.[35] The total cost to Utah's taxpayers for new retirees will top $3.7 billion over the next 15 years—and 73 percent of these costs will be spent on one-third of the retiring population, amounting to two percent of the state's annual budget. Looked at another way, if the bottom third of Utah's elderly got a 10 percent increase in net worth, the state's taxpayers would save millions through 2030.

A study of New Jersey seniors by the AARP found that between 2013 and 2030, a host of costs—including Medicaid, Supplemental Security Income (SSI), Supplemental Nutrition and Assistance Program (SNAP), and expenses for state programs like the Property Tax Reimbursement Program and the Low-Income Home Energy Assistance Program—would increase by between $7.2 and $10 billion due to elder poverty.

The lesson here is that if we can keep elders out of poverty and near-poverty, the fiscal burden from the retirement-age population falls. The opposite is true, too: well-off elderly people can help a community.

Negative Impacts of Low Paid Elders And Inadequate Pensions on Productivity

Older workers can be highly productive, especially if they want to keep working. They are experienced, knowledgeable, and committed to their jobs. However, their experience is often undervalued and not utilized where it could be most productive. Age discrimination is a factor in the declining rewards for experience. So too is an older worker's declining value to employers who do not invest in training and retaining employees. While all older workers are exposed to the risks created by these practices, low earning older workers with less job security are more exposed to these risks. Owen Davis, a PhD student at The New School and a member of my research lab, also found that during the COVID-19 recession, those with lower earning levels were much more likely to lose their jobs and retire involuntarily after a period of unemployment.

As previously discussed, older workers whose experiences and skills are undervalued but cannot afford to retire are often pushed to low-productivity and physically demanding jobs and claim Social Security early while still working to supplement their low wages. This process subsidizes firms and industries with low productivity by providing them with cheap labor. However, this is also a net loss for the economy, since with better policies, these workers could be employed in more productive sectors.

Economist Gary Burtless of the Brookings Institution found that between 1985 and 2010—and particularly in the 1980s—older workers with less education tended to retire earlier than those with more education, and that was good for the economy, at least as he measured it.[36] His argument is strictly about average productivity, which he measured based on wages. In the time period Burtless studied, the less educated and least productive retirees were more likely to have defined benefit plans which allowed their earlier retirement at more stable incomes. I agree with Burtless on the general point—if low-income elders in, say, retail drop out, and high-income professors stay working, then overall productivity is higher. But, at The New School, we concluded that this was hard on the least educated and created more gaps between the haves and the have nots. After all, less-educated workers tend to get paid less, accumulate less savings, and get worse (if any) pensions, so for them retiring early isn't necessarily the boon it may seem to be.

Another consideration, though more difficult to calculate, is that workforce morale and productivity may drop if less-educated older people work longer out of financial necessity.[37] In 2010, University of Toronto, Prof. Heather Scott-Marshall found that work-related insecurity negatively affected all workers' health, but that the effects were greater at older ages and for those with visible minority group status.[38]

These negative effects on productivity are essential because productivity is the golden goose of any economy. When productivity increases, the economy can produce more with the same resources or produce the same with fewer resources. That means more opportunities and makes every public budget priority more affordable.

IV. Policy Recommendations: Older Workers Bureau and Raising Bargaining Power

Several policies would strengthen bargaining power among all older workers by helping older workers negotiate better pay and working conditions. Negotiators whose cost of "walking away" from the bargaining table are lower are in stronger positions.

1. An Older Workers Bureau

As older workers make up an increasingly large part of the U.S. labor market, it is long past time that we form an Older Workers Bureau (OWB) to hear from older workers and their employers, investigate their needs, coordinate the vast resources of the U.S. government, and modernize age discrimination laws and worker training.

An effective OWB fulfills three functions:

- identify and analyze issues of concern for older workers,
- devise innovative policies to address these issues
- engage in outreach and education.

That last point is crucial: the OWB should play an empowerment role. One of the major issues facing older workers is age discrimination. As a recent AARP study found, about a quarter of older workers who are underemployed (for reasons other than health and family) cite age discrimination as a reason. Yet many older workers lack awareness of their rights regarding discrimination. Another recent AARP study found that while most older workers know age discrimination is illegal, shockingly few know the law applies to them.

A related problem is that of worker training. Training programs often avoid older workers because they are more difficult to place, and training programs want to be evaluated favorably. Research shows older workers face barriers to entering retraining programs. An OWB could help empower older workers and rationalize the transition to full and partial retirement. No government body currently plays this role.

2. Improved Retirement Security

Older workers' bargaining power would be improved by policies like higher Social Security benefits and expanded and improved pensions. In particular, we need a universal pension system. I have worked for over 35 years to expand pensions for all workers. My most recent proposal, a bipartisan proposal coauthored with former President Trump's Council of Economic Advisors economist Kevin Hassett, presents a scaled-down version of a plan that I developed with private equity fund executive Tony James.

TSP for MOST, the recent Hassett and Ghilarducci proposal, explores the potential wealth-building effects of giving disadvantaged workers access to a program modeled after the highly successful federal Thrift Savings Plan (TSP), which is currently available only to federal workers and members of the military. The TSP is a highly successful and closely studied program that features automatic enrollment for eligible workers, very low fee ratios, simple plan options, and matching federal contributions. Making such a program broadly available to workers who lack access to an employer sponsored plan would dramatically improve the ability of lower-income workers to build assets over the course of their careers, thereby ensuring a more secure retirement and the ability to pass on wealth to future generations. What's more, it could be achieved at relatively little cost to the federal government while protecting Social Security and avoiding new financial burdens on small businesses.

The pandemic and recession shattered open already growing gaps in economic opportunity. As the country rebuilds, we need new ideas to build wealth and financial security for working families. My coauthor and I agree that our collective future is better if we diminish wealth disparities. Our proposal would set more American families up for financial independence and help build intergenerational wealth."[39]

3. Raise Compensation

Raise the minimum wage
The federal minimum wage is extremely low. It is therefore unsurprising that 20 percent of American workers earn poverty wages, and that 26 percent of older women workers are poor.

According to a Brookings Institution report by Beth Truesdale, "In addition to making paid work more attractive and more stable for middle-aged and older workers, raising the minimum wage would have positive effects on Social Security's long-term finances as well as on individuals' Social Security benefits, thus improving retirement income for many lower-income retirees who depend entirely or almost entirely on Social Security."[40]

Unionization
One of the most effective ways to improve older workers' pay, conditions and retirement options is to expand unions. Across the board, unionization substantially improves workers' access to, coverage in, and use of healthcare plans. Greater access to higher quality healthcare—a typical characteristic of unionized work—is especially important for older workers, for whom the prevention and treatment of chronic illnesses is critical. In addition, union safety values influence safety outcomes at workplace.[41]

What's more, research shows that unionized employees earn far more than their non-unionized counterparts, on average and provide important workplace protections. As a 2020 Brookings Institution report by Beth Truesdale of Harvard University explained, "In the absence of meaningful union representation, very low wages are deeply baked into the structure of many industries. … the decline of unions and the political erosion of worker protections during the past 40 years have produced a situation in which there are few checks on employers' wage-setting power."[42] In another Brookings report that year, Seth Harris of Cornell University found that low union density can "deprive some older workers of important workplace protections against age discrimination."[43]

4. Enforce Age Discrimination Laws

Stricter anti-discrimination laws are necessary to help older workers find employment. Research has proven the effectiveness of anti-discrimination laws at both federal and state levels in combating age discrimination and increasing employment of older workers. However, a 2009 decision by the U.S. Supreme Court reduced the effectiveness of the Age Discrimination in Employment Act (ADEA), the federal act that protects against age discrimination. The ruling increased the worker's burden of proof by requiring the worker to show that age was not just one of the factors the employer considered, but the deciding factor leading to the employer's discriminatory decision. Congress could fix the ADEA and make any discrimination motivated by age illegal.

5. Make Medicare First Payer

One of the biggest potential barriers to hiring older workers is the cost of providing health insurance. To alleviate this pressure, Medicare should be made first-payer, covering medical expenses before private insurance, to lower firms' costs of providing older workers with health insurance. Easing the burden of hiring older workers would help prevent involuntary retirements while increasing older workers' health coverage.

IV. Policy Don'ts

Don't Raise The Retirement Age

In the United States, access to time in retirement is unequally distributed.[44] Increasing the Social Security Full Retirement Age (FRA) adversely affects all workers because an increase is equivalent to an across-the-board cut in benefits. Raising the FRA leaves workers with two bad choices: working longer or living on reduced monthly benefits for the rest of their lives. Working longer further penalizes Black workers and low-wage workers who are unlikely to be able to work until FRA because of health issues.[45] Even if they can stay employed, these workers are less likely to live long enough to recoup payments foregone as a result of delayed claiming due to inequality in longevity. Instead of cutting Social Security benefits, policy makers should update and modernize the 401(k) and IRA systems to provide workers with better options.[46]

Healthy Retirement Time Is Becoming More Unequal

We could have equal retirement time if the people who die early get to retire sooner. But they don't. People who die early are having to work more.

As a rule of thumb, those in higher socio-economic classes work longer but their superior longevity gives them more retirement time. On the flip side Blacks workers, in comparison to White Workers with the same levels of education, are forced out of the labor force early. But their earlier retirement ages do not make up for their lower and falling life expectancy, so they get spend LESS time in retirement.

Despite progress in racial and class disparities, race and class -based longevity gaps have grown over the past half century.[47] In the past 20 years, all of our longevity gains as a society went to those in the upper half of the income distribution.[48] The COVID-19 pandemic has exacerbated pre-existing social inequalities and made the race-based longevity gap worse. [49]

Though women have more retirement time than men, they spend a larger proportion of their retirement sick or impaired—26 percent compared to 23 percent. Notably, Black women spend 38 percent of their retirement disabled while men and women with high economic status spend only 20 percent of their retirement disabled. Forcing elders to work to make up for eroding pensions could increase class- and race-based retirement quality gaps.

In a parallel reality to who gets to retire, we ask—who doesn't get to retire, ever? Who works until they drop? Working longer and living shorter gives men a higher risk of not spending any time in retirement. Strictly on gender lines, 14 percent of men die without ever retiring, while nine percent of women meet this grim fate.

Equalizing healthy retirement times was an achievement Americans forgot to celebrate. The practical ability and social right to retire is becoming more contingent on whether a person is disabled or has saved enough. No one else, it seems, is deserving. One of the signature achievements of the post-WWII period—the democratization of who has control over the pace and content of their time after a lifetime of work—is being reversed.

Making Americans work longer is especially harsh given that men and women in the U.S. already work more hours per day, more days per year, and more years per lifetime than their counterparts in any G7 nation.

Don't Allow Premature Withdrawals

Another policy error is to incentivize workers to drain their retirement accounts during economic shocks. This was the policy of the 2020 CARES Act, which eliminated penalties for 401(k) withdrawals at the start of the pandemic. But allowing withdrawals from retirement accounts in case of emergencies rather than providing support to those affected by economic crisis and natural disasters will only require vulnerable workers to choose between suffering today or experiencing downward mobility and poverty in retirement. It increases inequality in retirement because low-income workers with no emergency savings or liquid assets are more likely to tap into their retirement savings when facing economic shocks.[50] Conversely, proposals to allow rainy-day funds may help reduce inequality.[51]

APPENDIX

Supplemental Tables on the Working Poor

Appendix Table 1: Number of workers in respective age groups, and share of workers earning below two thirds of the U.S. median hourly wage in 2020, by gender

	Number	% earning < 2/3 U.S. median hourly wage	Number of women	% of women earning < 2/3 U.S. median hourly wage	Number of men	Pct. of men earning < 2/3 U.S. median hourly wage
All workers 35 and over	94,000,000	19.4%	44,700,000	24.2%	49,400,000	15.1%
Prime Workers	60,300,000	18.8%	28,600,000	23.2%	31,800,000	14.9%
Workers over 55	33,700,000	20.5%	16,100,000	26.0%	17,600,000	15.5%
Workers over 65	9,000,000	23.4%	4,100,000	29.7%	4,900,000	18.1%

Source: SCEPA's calculations, CPS ASEC 2021

Appendix Table 1.A: Number of workers in respective age groups and share of workers earning below two thirds of the U.S. median hourly wage in 2020, by race and ethnicity

	Number	Percent earning < 2/3 U.S. median hourly wage	Number of Non-Whites and Hispanics	% of Non-Whites and Hispanics earning < 2/3 U.S. median hourly wage	Number of White Non-Hispanics	% of White Non-Hispanics earning < 2/3 U.S. median hourly wage
All workers 35 and over	94,000,000	19.4%	34,000,000	25.2%	60,000,000	16.1%
Prime Workers	60,300,000	18.8%	24,300,000	24.5%	36,000,000	15.0%
Workers 55 and over	33,700,000	20.5%	9,700,000	27.1%	24,000,000	17.8%
Workers 65 and over	9,000,000	23.4%	2,200,000	31.2%	6,800,000	20.8%

Source: SCEPA's calculations, CPS ASEC 2021.

Appendix Table A.1: Number of workers in respective age groups and share of workers earning below two thirds of the U.S. median hourly wage in 2020, by race and ethnicity

	Number	Percent earning < 2/3 U.S. median hourly wage	Number of Non-Whites and Hispanics	Percent of Non-Whites and Hispanics earning < 2/3 U.S. median hourly wage	Number of White Non-Hispanics	Percent of White Non-Hispanics earning < 2/3 U.S. median hourly wage
All workers 35 and over	94,000,000	19.4%	34,000,000	25.2%	60,000,000	16.1%
Prime Workers	60,300,000	18.8%	24,300,000	24.5%	36,000,000	15.0%
Workers 55 and over	33,700,000	20.5%	9,700,000	27.1%	24,000,000	17.8%
Workers 65 and over	9,000,000	23.4%	2,200,000	31.2%	6,800,000	20.8%

Source: SCEPA's calculations, CPS ASEC 2021.

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U.S. Congress Joint Economic Committee Hearing: Building a Better Labor Market: Empowering Older Workers for a Stronger Economy

Monique Morrissey
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February 9, 2022

Thank you, Chairman Beyer, Ranking Member Lee, and the distinguished members of the committee for inviting me to participate in this hearing. My name is Monique Morrissey and I am an economist at the Economic Policy Institute (EPI) in Washington, D.C. EPI is a nonprofit, nonpartisan think tank created in 1986 to include the needs of low- and middle-wage workers in economic policy discussions. EPI conducts research and analysis on the economic status of working America, proposes public policies that protect and improve the economic conditions of low- and middle-wage workers, and assesses policies with respect to how well they further those goals.

My testimony addresses the following questions:

- How has the pandemic impacted older workers? What are some of the labor market exit and re-entry trends for older workers that we have observed over the past two years? How have they differed from pre-pandemic trends?
- What has the pandemic revealed as key gaps in the protections that older worker have in the labor market? What policies would improve the labor market experience of older workers?
- How has the experience of the pandemic differed among older workers, if we were to group them by age, sex, race, occupation, or socioeconomic status?

An atypical recession and recovery

The pandemic recession was unusual. Unlike most, it was not triggered by a financial crisis causing a drop in aggregate demand. Homeowners and 401(k) participants benefited from rising asset values, notwithstanding the recent drop in stock prices. The recession officially lasted two months in early 2020 before the economy rebounded, though employment remains nearly 3 million below the pre-pandemic peak—or 4.5 million factoring in population growth.

Labor supply and demand were both affected by social distancing in response to the pandemic. Layoffs were concentrated in services such as leisure and hospitality, while health and safety concerns and caregiving responsibilities loomed large in workers' decisions to leave the workforce.

Fear of contracting COVID—and workers actually contracting COVID—remain the biggest impediments to a full recovery. The omicron variant caused a record spike in the number of workers sidelined by illness in January—3.6 million in total (BLS 2022a)—a fact obscured by revisions to earlier employment estimates that resulted in strong reported employment growth for January. Though employment has undoubtedly grown rapidly over the past year, the timing of these gains was significantly revised in the January jobs report (BLS 2022b).[1] The omicron variant also caused 6.0 million workers to be sidelined in January because their employer lost business or closed. Though infection rates are declining from their January peak, protecting workers from COVID with strong occupational safety and health standards remains an urgent priority for workers, their families, and the broader economy.

Female-dominated service occupations, including care work, saw large initial job losses. This is in contrast to typical recessions, where male-dominated durable goods manufacturing and construction are among the hardest hit as consumers and investors lose confidence and delay major purchases and investments.

As demand for goods has remained high in the pandemic while demand for services has suffered, global supply chain bottlenecks have reduced the supply of certain goods, driving up prices in the U.S. and other countries. While some workers are seeing overdue wage gains, there is no evidence of a wage-price spiral, as wage gains are concentrated in certain service industries, such as hospitality, while price inflation is concentrated in certain goods-producing industries, such as automobiles (Bivens 2021; Politano 2021).

The "Great Resignation" has received much attention, but so far appears to have mostly benefited younger, more mobile, workers. The Federal Reserve of Atlanta's Wage Growth Tracker, which tracks individual workers' annual wage growth to strip out the effect of changes in the composition of the workforce, shows that only workers ages 16-24 have seen accelerated wage gains in the pandemic, while wages for workers ages 55 and older decelerated during much of the pandemic and continue to grow much more slowly than wages of prime-age (25-54) or younger (16-24) workers.

In the recession, workers ages 55 and older saw employment declines (-15.0%) similar to those for prime-age workers ages 25-64 (-14.4%). In most recessions, including the Great Recession, older workers are less likely than younger and prime-age workers to lose their jobs due to seniority. The unusually high employment decline for older workers in the pandemic happened even though older workers were less likely to be in occupations and industries most affected by the pandemic, such as leisure and hospitality. However, older workers face much greater health risks from COVID, so declines in employment for older workers were steeper in occupations characterized by high physical proximity to others (Davis 2021).

The robust federal response to the recession was also atypical. Adequate fiscal support, including relief checks and expanded unemployment benefits, brought about a strong and rapid recovery despite the pandemic's persistence and global supply chain issues. This stands in sharp contrast to the slow recovery

[1] Revisions to employment estimates were due in part to adjusting population controls to reflect 900,000 COVID deaths, of which the vast majority—roughly 800,000—were ages 55 and older. The U.S. Census Bureau resets population controls once a year in January, which in turn affects employment estimates based on employment rates for different age groups. Other survey-related challenges, including ambiguity in how workers sidelined by COVID are coded and higher non-response rates, have added to the noisiness of employment estimates during the pandemic.

after the Great Recession, which caused lasting damage to vulnerable workers and their families, including many older workers. As a result of actions taken to shore up household finances and expand unemployment eligibility and benefits, low-wage workers were less likely to experience large income losses during the pandemic recession than before the pandemic (Larrimore, Mortenson, and Splinter 2021). However, most relief measures have ended and vulnerable workers, including unemployed older workers, face greater challenges ahead.

Employment rates for some age groups, but not older workers, are now approaching pre-pandemic rates. Employment rebounded more quickly among younger (16-24) and prime age (25-54) workers than older workers (55+), so older workers account for a disproportionate share of the remaining jobs gap. Older workers (55+) were 24% of the workforce in November and December of 2019 but accounted for 41% of missing jobs in November 2021 and 35% in December 2021 based on age-adjusted employment projections. Put another way, over 1 million of the 3 million workers "missing" in December according to this conservative estimate[2] are older workers. Including hard-hit middle-aged workers aged 50-54 would show employment losses skewing even more toward older workers. (Unless otherwise noted, statistics are based on my analysis of U.S. Census Bureau Current Population Survey microdata (IPUMS-CPS).)

Which older workers were most affected?

Among older workers, women, non-college workers, workers of color, and part-time workers were more likely to lose their jobs or quit during the pandemic recession. Among workers ages 55 and older, employment in the recession fell by -12% for men versus -16% for women; by -28% for part-time workers versus -9% for full-time workers; by -17% for workers without bachelor's degrees versus -8% for those with bachelor's degrees; and by -15% for non-Hispanic Black workers, -17% for Hispanic workers, and -21% for Asian/other workers versus -12% for non-Hispanic white workers.

With some exceptions, vulnerable groups are still lagging behind. Despite a strong rebound in employment after April 2020, employment in December 2021 was further behind pre-pandemic levels for older women (-3%) than for older men (-1%); and for older Black non-Hispanic workers (-6%) than for older white non-Hispanic workers (-3%). However, employment of older Hispanic workers was slightly above pre-pandemic levels (+2%), and employment of older Asian/other workers was unchanged (0%). Employment of older workers without bachelor's degrees remained significantly below pre-pandemic levels (-5%), while that of older workers with bachelor's degrees slightly increased (+2%). These

[2] This is a conservative estimate because it ignores an upward trend in labor force participation by older workers and simply assumes age-adjusted employment rates would have been the same in 2021 as in 2019 absent the pandemic. Age adjustment is based on five-year age groups except for the youngest (ages 16-24) and oldest (ages 75+) groups. An important caveat is that population estimates in 2021 CPS data were not adjusted for high COVID mortality among older age groups. Adjustments were made in January, but January microdata is not yet publicly available.

estimates do not account for changes in population size that vary by group nor for seasonal variations, though patterns appeared broadly similar in November.[3]

Part-time work accounts for most of the employment loss among older workers. Among older workers, part-time employment remained significantly below pre-pandemic levels in December (-8%), while full-time employment appeared essentially unchanged (0%). Though these measures are sensitive to seasonal and demographic changes, especially as the large Baby Boomer cohort aged into older ages where part-time work is more common, there is little doubt that part-time work accounts for most of the employment loss among older workers, especially those age 65 and older. Davis (2021) for example, estimated that part-time workers accounted for 70% of the increase in retirements in the first year of the pandemic.

Middle-aged workers ages 55 to 64 and workers ages 65 and older experienced the pandemic differently. Estimates for smaller sub-groups can be noisy and hard to pin down. However, it is clear that declines among the oldest subgroup, workers 65 years and older, account for most of the persistent employment losses. The oldest workers who left were more likely to be highly educated than their middle-aged counterparts and better prepared for retirement. Among middle-aged workers ages 55 to 64 who left the workforce, the most concerning are declines among workers without bachelor's degrees (-6%) and Black non-Hispanic workers (-8%), since these workers are less likely to be able to retire early without experiencing hardship. Research on older workers who left the workforce in the first year of the pandemic also found significant differences by age and income sub-groups, with retirements concentrated among workers ages 70 and older, especially higher-income workers, while employment losses among middle-aged workers skewing toward lower-income workers (Davis 2021; Quinby, Rutledge and Wettstein 2021).

Unemployed older workers

Despite important differences with previous recessions, one usual pattern has held true: older workers who lost their jobs in the pandemic were likely to stay unemployed longer than their younger counterparts. In December 2021, 43% of unemployed older workers (ages 55+) were unemployed for 6 months or more compared with 30% of their younger counterparts (ages 16-54) (Schramm 2021).

Older workers who lose their jobs face greater earnings losses than their younger counterparts. These earnings losses stem from longer unemployment duration and the fact that new jobs for unemployed older workers often pay significantly less than their old ones due to the loss of employer-specific skills and age discrimination (Johnson and Gosselin 2018).

Age discrimination in hiring is rampant. A study published by the Federal Reserve Bank of San Francisco found that employers were less likely to contact older fictitious job applicants (ages 64-66) than their

[3] Comparing employment-to-population rates is usually preferable to comparing employment levels, but the impact of COVID deaths on older populations may not be accurately reflected in 2021 CPS data. Population controls were adjusted in January 2022 to reflect COVID deaths, but these annual adjustments are not applied retroactively.

middle-aged (49-51) or young (29-31) counterparts. Age discrimination was worse for women and unrelated to the physical demands of the job, as older women received roughly half as many callbacks for administrative positions as young women (Neumark, Burn, and Button 2017). Earlier studies have found similar results (see, for example, Lahey 2007).

A multi-faceted approach is needed to combat discrimination. Better enforcement of the Age Discrimination in Employment Act is necessary but not sufficient given the difficulty job applicants have in demonstrating that they were rejected for age-related reasons. Protections against wrongful termination may even discourage some employers from hiring older workers in the first place (Lahey 2006). An Older Workers Bureau at the Department of Labor could be particularly useful in combating age discrimination in hiring based on mistaken assumptions about older job applicants, such as assuming that they are likely to retire soon.

Older unemployed workers especially benefited from measures taken during the pandemic to extend the duration of unemployment benefits, increase benefit amounts, and expand eligibility to workers who normally fall through cracks in the system. These temporary measures not only assisted vulnerable jobless workers and their families, they also helped the economy recover quickly (Bivens and Banerjee 2021). Despite federal aid, however, some states ended extended unemployment insurance (UI) early in response to unfounded complaints that generous unemployment benefits impeded employment growth (Dube 2021; Martinez Hickey and Cooper 2021; CBPP 2022). Before enactment of these temporary measures, 3 in 10 jobless workers did not meet states' strict and outdated eligibility requirements, including many part-time workers and workers misclassified as contractors. Income replacement rates in many states are also abysmally low, another reason we need comprehensive UI reform (Bivens et al. 2021).

Extended benefits also help workers and the economy by improving job matching. Exploring differences in UI eligibility by state during the Great Recession, Farooq, Kugler and Muratori (2020) found that extended UI benefits allowed jobless workers to find higher-paying jobs that better matched their skills and training. The economy benefits when workers are matched to jobs that employ their skills rather than being forced to take the first available job. Low-road employers who are competitive only because they pay low wages and provide few benefits are enabled by workers' inertia and poor knowledge of better options (Jäger et al. 2021).

Work sharing holds promise as an alternative to traditional unemployment benefits. Work sharing, also known as short-term compensation, encourages employers to reduce hours rather than lay off workers during recessions by providing benefits to compensate workers for lost wages (Herzenberg 2020). Though some states already had work sharing programs in place before the pandemic and temporary funding for work sharing was included in the CARES Act, many employers were not aware of this option, which has been successful in reducing layoffs in countries like Belgium and Germany. Maintaining employment relationships is especially important for older workers who face daunting challenges in being rehired after layoffs.

How concerned should we be about pandemic retirements?

Some excess retirements are less concerning than others. The impact on workers and their families depends on whether they are being pulled into retirement by rising net worth or pushed out of the workforce by layoffs or due to health and safety concerns. Davis (2021) found that excess pandemic retirements among 65- to 74-year-olds were concentrated among college-educated white workers who are likely better prepared than average for retirement, especially given gains in stock and housing values. On the other hand, employment declines among middle-aged workers ages 55 to 64 with lower earnings and less formal education are more concerning because these workers are not likely to be ready for retirement and are not yet eligible for Medicare and other benefits.

Many seniors who left the workforce were already semi-retired. Their decision to exit could reflect rising net worth, health and safety concerns, pandemic disruptions, or all the above. A semi-retired 70-year-old accountant with a few small business clients, for example, may have seen his 401(k) grow, his client list shrink, and his job made riskier by the pandemic. Many new retirees in the oldest age groups were likely receiving retirement benefits when they were working, partly explaining why we have not seen a parallel rise in Social Security take-up.

Other factors that could explain a puzzling dip in Social Security applications may include relief payments and expanded unemployment benefits keeping unemployed older workers in the labor force, and the effect of Social Security office closings. While Social Security office closings during the pandemic have undoubtedly affected take-up of disability benefits (Stein and Weaver 2021), a lifeline for workers in poor health, the impact of office closings on applications for retirement benefits is less clear. Anecdotal evidence suggests that office staff often encourage people to apply for retirement benefits even when it could be in their interest to delay and receive higher monthly payments. Applying online may make it more likely that would-be applicants encounter advice from AARP, the National Academy of Social Insurance, and other organizations encouraging seniors to consider delaying.

Even in the case of workers who exit the workforce for reasons unrelated to rising asset prices, it does not necessarily follow that we should try to lure them back—at least not until we solve the problems that caused them to leave in the first place. Many left the paid workforce due to health issues or caregiving responsibilities. A Brookings study estimated that 1.6 million full-time-equivalent workers might be missing from the workforce due to lingering COVID effects (Bach 2022), which could account for a third or more of missing jobs.

Many sidelined workers, especially women, are caring for family members suffering from pandemic-related health problems and making up for staffing shortages among paid caregivers. Pandemic-related problems include patients with health issues other than COVID who delayed care or went without treatment due to COVID fears or staffing shortages. Health care employment is down by 378,000 jobs (-2.3%) from its level in February 2020 (BLS 2022b), with nursing homes accounting for a disproportionate share of losses (AHCA/NCAL 2021). Chronic shortages in direct care occupations predated the pandemic and have only gotten worse (PHI 2017). Problems in this sector affect older workers who provide care to parents, spouses, and other loved ones, as well as older workers employed in these low-paid and often dangerous occupations.

The Build Back Better Act would greatly improve the lives of older workers and enable some of them to return to the workforce. Build Back Better includes significant funding for home and community-based services (HCBS) under Medicaid, helping people in poor health who prefer to live at home rather than in long-term care facilities and allowing some family caregivers to return to work. Build Back Better also creates a paid family and medical leave program to help family caregivers take time off to care for loved ones, and improves the pay and working conditions of paid caregivers, including through collective bargaining.

The United States is one of the few countries that does not guarantee access to paid sick leave. This is bad enough under normal circumstances, but it is especially problematic to force individuals to bear the cost of staying home to protect coworkers and the public in a pandemic—or worse yet, give them a choice between working sick or losing their jobs. Two-thirds of low-wage workers lack access to paid sick leave (Gould 2021), including many home health aides and other frontline workers who have seen high rates of COVID infection.

Impact on the economy

Just as we need to differentiate between older workers who can retire comfortably from those for whom exiting the workforce creates hardship, employment losses can have a greater or lesser impact on the economy depending on the worker, the job, and the state of the economy. A full-time worker who exits the workforce years before he or she expected to retire has a greater impact on the economy than the loss of a semi-retired part-time worker who planned to retire soon regardless. Likewise, early retirements have less of an impact in an economy suffering from inadequate demand, when retirements can open up jobs for unemployed younger workers. However, this is not the situation we are in now.

Early retirements affect a country's productive capacity not just by reducing employment and work hours, but also from the loss of human capital. This is especially problematic when the affected workers are directly involved in caring for, educating, and protecting the current and future workforce and providing other critical services. We should therefore be very concerned about a wave of early retirements among educators, nurses, postal workers, and other public-sector workers.

K-12 schools and other local government employers have shed an alarming number of jobs in the pandemic. Employment in this sector, which skews toward older workers, had never fully recovered from the Great Recession. The pandemic exacerbated preexisting problems, including a dwindling teacher pipeline. Though job losses in this sector include quits and retirements in addition to the impact of school closings and other pandemic disruptions, the education exodus reflects worsening conditions in jobs that already paid little or, in the case of highly-educated teachers, were grossly underpaid compared to similar workers in the private sector (Cooper and Martinez Hickey 2022). The job losses in this critical sector occurred despite federal aid to state and local governments, some of which has not been spent wisely or not spent at all.

Conclusion

My testimony has focused on pandemic-related effects and policies, but many challenges facing older workers predate the pandemic and require long-term solutions. Though some of these, such as an Older Workers Bureau, are targeted at older workers, most policies that would help older workers would also help other vulnerable workers, such as raising the minimum wage, strengthening collective bargaining rights, guaranteeing paid leave, addressing unpredictable and involuntary part-time schedules, combating employer misclassification of workers as independent contractors, and other policies that support good jobs with decent pay and benefits (EPI Policy Agenda).

Testimony of Jocelyn Frye
President, National Partnership for Women & Families

United States Joint Economic Committee

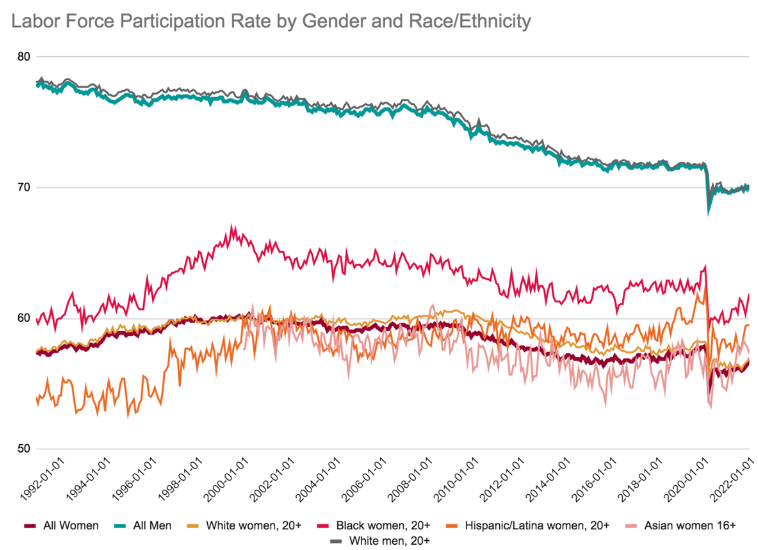
Hearing: Building a Better Labor Market: Empowering Older Workers for a Stronger Economy
February 9, 2022

Good afternoon, Chairman Beyer, Ranking Member Lee and members of the Committee. Thank you for the opportunity to discuss the challenges facing older workers.

My name is Jocelyn Frye and I am the president of the National Partnership for Women & Families (National Partnership). The National Partnership is a nonprofit, nonpartisan advocacy organization based in Washington, D.C. We promote fairness in the workplace, reproductive health and rights, access to quality, affordable health care, and policies that help all people, especially women, meet the dual demands of work and family. Over the last five decades, we have focused specifically on tackling gender-based barriers, often rooted in longstanding stereotypes and biases, used to limit the opportunities available to women, men, gender minorities, and all those deemed to be out of step with assumptions about so-called proper gender norms or roles. We believe that it is essential to prioritize equity – in health care and health care systems, in our economy, in our workplaces – to create environments fully capable of responding to the diverse needs of patients, workers, and indeed all people regardless of their background or resources. Our goal is to create a society that is free, fair and just, where nobody has to experience discrimination, all workplaces are family friendly, and every family has access to quality, affordable health care and real economic security.

Older workers are vital to their families, to our communities and to our economy. But all too often, older workers, particularly older women workers, are missing from public conversations about how to support workers, improve workplaces, and strengthen our economy. In the instances when older workers are mentioned, their stories are frequently over-simplified and incomplete with the diverse, divergent experiences of older workers reduced to a single, rosy soundbite about rising stock and housing values – on average – that supposedly lead to comfortable retirements that last forever. But this under-inclusive narrative misses the mark and has the effect of ignoring the experiences of too many workers. There is no average older worker. They do not all experience the same economic opportunities, working conditions, family caregiving needs, or societal drivers of health such as whether they are exposed to the stress of racism and sexism, they live in an economically distressed community, or their neighborhood lacks safe air and water.

It is essential to elevate accurate narratives about who older workers are, what their employment experiences are, and how their work lives are interconnected with their health and family caregiving needs, especially for women. These narratives are even more important given the persistence of the coronavirus pandemic that continues to wreak havoc across the country, worsening the economic and health challenges that many older workers often confront. Millions of older workers face significant barriers to their ability to work and save during what should be peak earning years, and to retire with dignity when they choose to do so. These barriers can be especially acute for workers who face multiple forms of bias, such as older women of color workers who confront the intersecting effects of race, gender, and age bias. Many have been economically scarred by discrimination in the workplace and job market, poor-quality jobs stemming from low wages and few benefits, resume gaps necessitated by family caregiving, or the lack of support to address their own care needs. The early evidence indicates the pandemic has only exacerbated these issues for many, particularly the Black women, Latinas, and Asian and Pacific Islander women whose employment has been disproportionately harmed since the pandemic's onset and has yet to fully recover.



Source: U.S. Bureau of Labor Statistics. (2022). Current Population Survey/FRED, Federal Reserve Bank of St. Louis.

Three decades have passed since the landmark federal Glass Ceiling Commission (Commission) took on the task of understanding the barriers to women's advancement in the workplace, and identifying where and how women's economic progress had slowed. The creation of the

Commission, established by the Civil Rights Act of 1991, was intended to take a comprehensive look at the diverse experiences of women workers and generate concrete solutions to expand their job and advancement opportunities. Those decades brought important progress: the passage of the Family and Medical Leave Act, the Lilly Ledbetter Fair Pay Act, advances for women's health in the Affordable Care Act. But progress on other indicators, like labor force participation rates, has been uneven – and even reversed during the pandemic. And, longstanding gender- and race-based pay disparities continue to persist. At a moment of unprecedented challenges, it is important to take stock of where we are and recognize the need to reset our approach to women's employment by closely examining the impact of the pandemic, including on the earnings, labor force participation and experiences of older women workers.

Policymakers can and must act now to support older women workers, and all workers, with policies to raise wages and improve jobs, to fight discrimination and other barriers to equitable participation in the economy and to ensure that all workers can manage their health and caregiving needs.

I. Older Women Workers' Families Depend on Them – But Many Are on Shaky Ground

Families in the United States depend on women both as caregivers and as breadwinners. This is not only true of mothers of young children, but also of women workers in what ought to be their prime earning years – age 45 to 54 – and those nearing retirement age – 55 to 64. Many of the challenges and needs of older women workers are rooted in earlier life experiences, in particular those related to employment, parenting and family caregiving.

Labor Market and Workplace Inequities Undercut Women of Color

Gender-, race- and age-based discrimination and harassment continue to impede women and workers of color in the labor market and in workplaces, from hiring to salary and promotion decisions.[1] Longstanding attitudes and stereotypes about the capabilities of older workers has led to persistent age discrimination – an Equal Employment Opportunity Commission (EEOC) report on age discrimination in employment notes that six in ten workers over the age of 45 state that they have seen or experienced age discrimination at work, with workers of color and women reporting these discrimination problems at even higher rates.[2] At the same time, only a small percentage of older workers – an estimated 3 percent – have filed formal complaints about age discrimination, suggesting significant under-reporting about the scope of the problem.[3] The last three decades have seen a steady rise in the number of women filing age discrimination charges with the EEOC. In 1990, men filed almost double the number of age discrimination charges as women, but by 2010 that trend had completely shifted, with women for the first time filing more charges than men. Data from 2017 reveal that this increase in charge filings by women has continued to outpace those filed by men and grown wider over time.[4] Furthermore, as the workforce has become more diverse, age discrimination charges filed by workers of color and workers alleging age discrimination in combination with other forms of discrimination, such as age and sex discrimination or age and disability discrimination, have also increased significantly over time.[5] All of these dynamics also contribute to occupational segregation of women and workers of color into lower-paid positions, a major driver of gender and racial wage gaps.[6] Workers of color are more likely to experience racial and sexual harassment as well as other forms of retaliation, for example for speaking up about unsafe working conditions,[7] which not only pushes talented workers out of jobs but also adds to lifetime stress and worsens their health. And workers of color are typically laid off first during economic downturns and tend to experience longer periods of unemployment due to discrimination in hiring. Women are also more likely to work in insecure jobs with low wages and few benefits, frequently referred to as "low-quality jobs": women make up nearly two-thirds of workers in the forty lowest-paid jobs, with women of color especially overrepresented.[8]

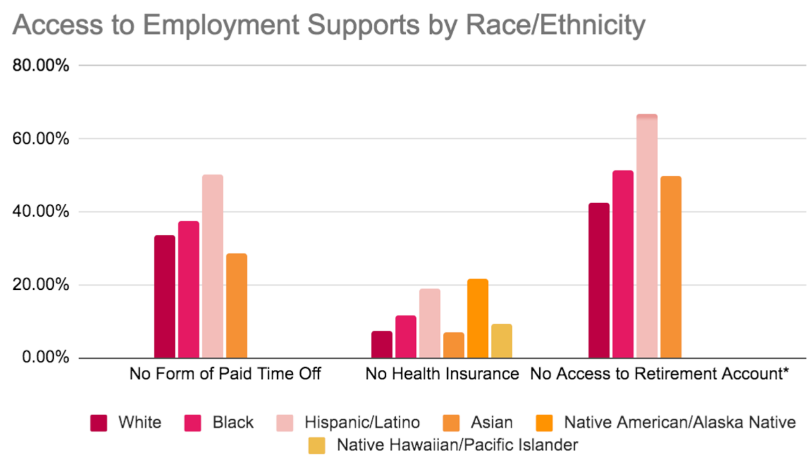
These factors mean that, compared with white men, women and workers of color tend to be paid less at each stage of their careers. In fact, the gender wage gap is larger for older women compared to younger women.[9]

Median Earnings for Full Time, Year-Round Workers in 2020, by Age				
	25 - 34	35 - 44	45 - 54	55 - 64
All men	$51,857	$67,372	$71,088	$69,625
All women	$48,550	$55,172	$55,311	$53,365
Wage ratio	$0.94	$0.82	$0.78	$0.77

Source: U.S. Bureau of Labor Statistics. (2021). Current Population Survey.

In 2020, across all working age women, among women who hold full-time, year-round jobs in the United States, white, non-Hispanic women are typically paid 79 cents, Black women 64 cents, Native American women 60 cents, and Latina women just 57 cents. Data from 2019 revealed that subpopulations of Asian American and Pacific Islander women earned as little as 52 cents, such as Burmese women, and AAPI women overall earned just 85 cents for every dollar paid to white, non-Hispanic men.[10]

Low-quality jobs deny workers the basic supports they need to be economically stable. In the private sector, about one in three workers does not have access to a retirement plan at work, nearly one in four does not have paid sick days, three in ten are not offered health insurance, nearly six in ten do not have paid medical leave through employer-provided temporary disability insurance, and nearly eight in ten do not have paid family leave. There are significant racial and ethnic inequities in access to these basic supports, and access is especially rare among the lowest-paid workers.[11] In other words, those with the least extra income to save for an emergency – much less for retirement – are also least likely to have essential protections and supports to maintain their income and employment when a family crisis arises.



* Private sector only; includes Pacific Islanders among Asian workers

Sources: U.S. Bureau of Labor Statistics. (2019). Access to and Use of Leave; Kaiser Family Foundation. (2021). Health Coverage by Race and Ethnicity, 2010-2019; National Institute on Retirement Security. (2013). Race and Retirement Insecurity in the United States.

Lack of Caregiving Infrastructure Takes a Toll

The need for caregiving and caregivers is essential and universal. Every family at some point will likely face a caregiving challenge or need caregiving support, whether to care for an ill parent or spouse, bond with a new child, or recover from a personal medical challenge. Yet, our nation has consistently fallen short in adopting the policies necessary to support workers and families when these needs arise. Instead, women have been expected to shoulder the bulk of caregiving responsibilities, stemming in part from longstanding stereotypes and attitudes about women's roles and duties. The United States' longstanding lack of caregiving infrastructure is connected to the devaluation of caregiving and care workers that has been entrenched in our society for decades. Our unwillingness to invest in care is due, in part, to our unwillingness to treat care as "real work" and to treat care workers as "real workers" deserving of strong protections and supports. This is rooted in a history of racism and sexism harkening back to the nation's earliest days, during which enslaved Black women were forced to work as caregivers for many white families, while being denied any legal right to care for their own loved ones.

In more recent generations, caregiving has been stereotyped as feminine, relegated to the private space of the home rather than the public sphere where the "real" economic business of men took place. Viewed as a private responsibility, the problem of care is one that individual women and families must solve on their own. In lower-income families, disproportionately families of color, this often meant impossible strains between jobs and family, patchwork systems of care from extended family or neighbors, and deep financial insecurity. Higher income families – more often white – have tended to outsource their care dilemmas, relying on an underpaid care workforce with few job protections and largely comprised of women of color.

These policy failures have been on full display throughout the pandemic as families across the country have struggled to address their caregiving challenges on their own, without access to supports such as paid family and medical leave and quality, affordable child care. The absence of robust care policies has had outsized consequences for women workers in particular. The later working years are especially critical for women because of the toll taken on their earlier careers by systemic inequities and inadequate policies to our lack of caregiving infrastructure, particularly among mothers. The lack of paid family and medical leave and affordable child care leave families of young children scrambling to manage their caregiving needs, most often at the cost of women's participation in the labor force. Resume gaps, reduced work hours, caregiver discrimination and other factors add up into a "motherhood penalty" of about 15 percent of income per child under age 5 on average – 18 percent for Latina mothers and 20 percent for Black and Native American mothers.[12]

The lack of caregiving infrastructure not only robs women and their families of a strong start to their earning years. It also comes at a high cost to our economy. We have estimated that if women in the United States participated in the labor force at the same rate as in comparable countries with stronger caregiving supports, there would be up to 4.85 million more women in the U.S. workforce, and it would add $650 billion per year to GDP.[13]

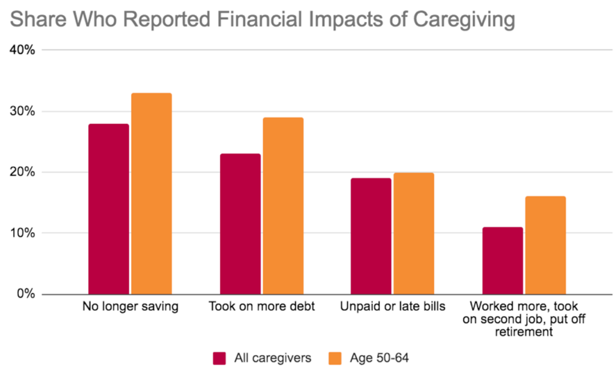
In theory, the later working years should be an opportunity for older women workers to catch up. Yet older women workers continue to provide essential care for their loved ones, as well as for their own health conditions, without adequate supports. Some are providing care for children: 7.0 million grandparents live with grandchildren under 18, and 2.3 million grandparents (1.5 million of whom are women) are primary caregivers for their grandchildren.[14]

Many others – more than one in five adults, and about three in ten adults in their forties and fifties – are caring for family members who are aging or who have serious health conditions.[15] The need for family caregivers is only growing: between 2019 and 2040, the population of adults ages 65 and older is expected to grow from 54 million people to more than 71 million people, comprising an estimated 19 percent of the U.S. population.[16]

A majority of these family caregivers are women. Today, people who care for family members are increasingly providing more care that, in prior times, would have been provided by health professionals in a hospital setting, such as managing and coordinating complex medication regimens, administering injections and providing wound care for family members with physical, cognitive, behavioral health and substance use disorder issues.[17] Performing these more complicated tasks is particularly common among family caregivers of adults ages 50 and older – more than half (59 percent) of whom report assisting care recipients with medical and nursing tasks.[18] For many low- and middle- income family caregivers, paid home care assistance is not an affordable option to help manage caregiving demands.

Research drawn from an invaluable survey conducted by AARP and the National Alliance of Caregiving reveals that six in ten family caregivers report at least one significant impact on their employment, including cutting days short or taking time off (53 percent), reducing work hours (15 percent), turning down a promotion (7 percent) or even giving up working (5 percent) or retiring early (4 percent).[19] About one in five caregivers report high financial strain related to caregiving, and nearly half report at least one financial impact, including stopping saving money (28 percent), taking on more debt (23 percent) or using up short-term savings (22 percent). These negative impacts were more likely among caregivers with household incomes under $50,000 and caregivers age 50 to 64.[20]

In terms of race and ethnicity, the survey data show that caregivers are similar to the population overall: About six in ten are white, 14 percent are Black, 17 percent Hispanic, and five percent Asian American. But the limited data available indicates that their experiences are not all alike. Caregivers of color tend to be younger on average, and a larger share of Black and Hispanic caregivers have incomes below $50,000, compared to white and Asian American caregivers.[21] Black and Hispanic caregivers also report more financial impacts of caregiving on average.[22] More data is needed, for example, to better understand the experience of Native American caregivers and other caregiving experiences within communities of color. Greater investments in comprehensive, disaggregated data, collected more regularly would help policymakers better understand caregivers' experiences and needs, and which communities are facing the most acute challenges.



Source: AARP and National Alliance for Caregiving. (2020, May). Caregiving in the U.S.: 2020 Report.

Older Workers and Workers with Disabilities Need Better Jobs and Supports to Succeed

Older workers, as well as younger workers with disabilities, are not only especially likely to be caregivers. They are also more likely than average to experience serious medical or health conditions – while also being an important part of our labor force. By 2030, one in four workers in the U.S. will be 55 or older,[23] and an estimated six million people with disabilities are currently in the labor force.[24] The right investments could not only help these workers keep and succeed in their jobs, but also make employment accessible to others who would like to work, and potentially help ease labor shortages without shortchanging workers.

But job conditions and job quality matter immensely, particularly with respect to who is able to continue working into their later years. More than one in three older women workers (37.7 percent), and just over half of older men workers (62.3 percent), hold jobs that are either physically demanding or have difficult work conditions. Older Black, Latino and Asian and Pacific Islander workers tend to be more likely than older white workers to work in such jobs.[25] Many of these jobs, such as retail, janitorial and building cleaning, home health care and grounds maintenance, also tend to have low wages and few benefits. In other words, a significant share of older workers hold jobs that grow increasingly difficult to continue into older age – but that also leave them at a disadvantage when it comes to saving for retirement.

	Physically Demanding Jobs		Difficult Working Conditions
	Men	*Women*	*All*
White	34.1%	29.0%	21.40%
Black	43.6%	35.0%	23.90%
Latino	53.8%	47.5%	29.10%
Asian/Pacific Islander	43.9%	41.5%	18.90%

Source: Center for Economic and Policy Research. (2016, March). Still Working Hard: An Update on the Share of Older Workers in Physically Demanding Jobs.

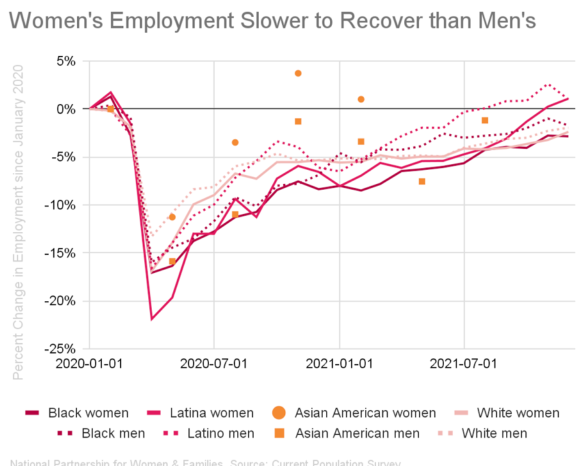
Paid medical leave and paid sick leave are essential to enabling older adults to maintain economic security in the event of illness or injury, and to continue working if they want to do so.[26] In addition, older workers and workers with disabilities need robust enforcement of civil rights protections to address age- and disability-related discrimination. Improved health and safety standards, along with enforcement targeting high-risk occupations and industries, and empowering workers to collectively bargain and have a say in improving workplace safety, are also essential for the well-being of older workers.

Every person deserves to age with dignity and with care. Access to quality health care, meaningful retirement savings and other basic supports is critical – and so is the availability of caregivers to provide support when serious health needs arise. Without paid family and medical leave, flexible work schedules, and adequate investments in home- and community-based services, a significant share of older workers will continue to face increased financial and work strains that set them up for an insecure retirement. Their loved ones will struggle to find the care they need to live and age where they choose. And as the population ages – by 2030, one in four workers in the U.S. will be 55 or older – employers and our economy will struggle if the older workers do not receive the supports they need to stay in the labor force.[27]

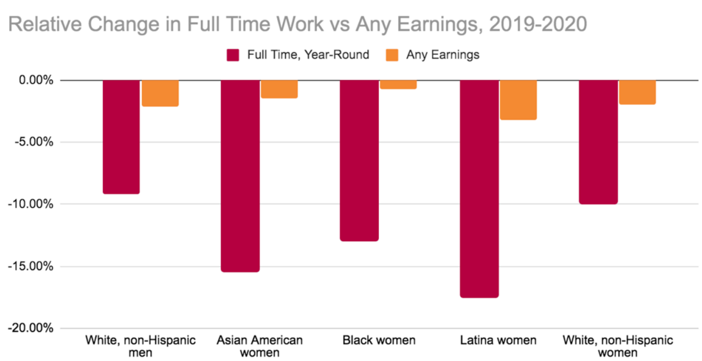
Without Action, the Pandemic's Long-Term Effects Will Be Long-Reaching

The pandemic has been a once-in-a-century crisis in health and caregiving that continues to send shocks through our workplaces and economy. Workers of color and women make up large shares of those employed in frontline jobs – many of them low-wage – that have carried greater risk of exposure and potential infection. Increased exposure, compounded by adverse social determinants of health – unsafe working conditions, lack of access to health care, medical discrimination, racism in health care, even cramped living conditions caused by unaffordable housing – has meant that many of the same communities that faced preexisting health inequities have borne the highest caseloads and worst mortality from COVID-19.

The economic fallout of the pandemic was concentrated in the same communities that were most exposed to the virus itself. People of color, particularly women, were disproportionately employed in industries hit hard by pandemic-related closures, layoffs and reduced hours. At the same time, they also faced increased demands for family caregiving. These factors, combined with longstanding economic vulnerabilities, combined to push millions into part-time work, out of jobs and even out of the workforce. Women of color felt the steepest employment losses and shifts to part-time work, and have been slowest to return to their pre-pandemic employment levels.



Source: U.S. Bureau of Labor Statistics. (2022). Current Population Survey.



Source: U.S. Bureau of Labor Statistics. (2021). Current Population Survey.

Much attention has understandably been paid to the impacts of pandemic caregiving on parents of young children, especially mothers. But older workers have also experienced notable declines in employment and labor force participation since 2019.

Percentage Point Change in LFPR 2019-2021, by Age and Gender				
	25-34	35-44	45-54	55+
Men	-1.45	-1.20	-0.88	-2.05
Women	-0.50	-1.05	-0.65	-1.60

Source: Current Population Survey (Quarterly civilian labor force participation rate by age and gender, averaged over each year)

According to our analysis of U.S. Census Bureau's Household Pulse Survey data, during the two weeks ending January 10, 2022, about 8.8 million adults were not working because they were either sick with or caring for a loved one with COVID-19, including about 2.9 million adults aged 45-64. More than half were women.[28] This data provides a snapshot in time, but indicates the substantial impact health and caregiving needs continue to have on women even two years into the pandemic.

	Did Not Work in Past Week Due To COVID Illness or Caregiving		
	All	Women	Women's share
All	8,753,923	4,837,304	55.3%
Senior (55-64)	1,312,370	589,809	44.9%
Older (45-54)	1,588,377	965,822	60.8%
Prime-age (35-44)	2,028,442	1,244,060	61.3%
Younger (25-34)	1,921,023	1,185,600	61.7%

Source: National Partnership for Women & Families analysis of U.S. Census Bureau Household Pulse Survey, Public Use Survey File, Week 41 (December 29, 2021 - January 10, 2022).

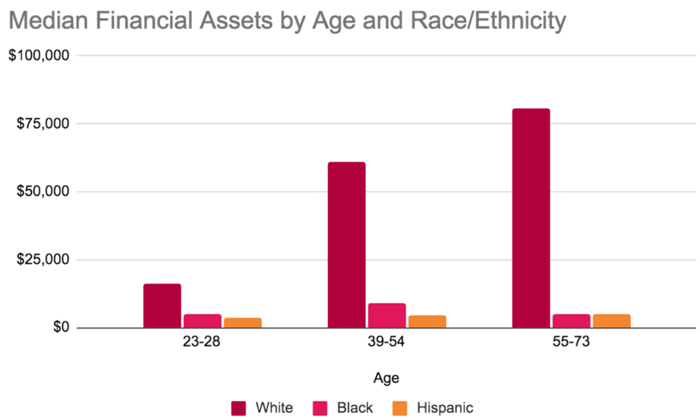
We do not yet know the full long-term impact that these pandemic-driven losses will have on economic outcomes for women and their families, but without timely, smart investments in job quality and economic security the effects are likely to be severe and to ripple through several generations. A younger woman leaving the workforce for five years to care for a child or other loved one will see her lifetime earnings reduced by about 19 percent, or approximately $540,000 over a career.[29] On average, a woman 50 or older who leaves the workforce early for caregiving will lose an estimated $400,000 in lost income and retirement benefits.[30] And neither of these figures account for additional pandemic-related effects. For older women workers hoping to retire with dignity and security, and for their families, especially families of color, these are difficult losses to bear.

II. Income and Wealth Gaps Leave Retirement Security Out of Reach

Over a lifetime, employment inequities and our lack of support for caregivers lead to large gaps in retirement savings and other financial assets, as well as other forms of wealth such as housing equity. Common topline statistics such as average retirement savings can be deeply misleading because assets are increasingly concentrated among the wealthiest households, and can conceal deep and intersecting inequities related to race, gender and class. The wealthiest ten percent of households - which are nearly 90 percent white - hold more than three-quarters of all wealth in the United States, with a median net worth of more than $1.9 million. Among the bottom 20 percent, median net worth is just $9,300.[31]

Among households headed by mid-career and older workers, between the ages of 39 and 54, half have less than $32,000 in financial assets. Among Black households, half hold less than about $9,000; among Hispanic households, half hold less than $4,600.[32] Forty-two percent of households headed by someone between the ages of 45 and 54 do not even have a retirement account.[33]

Social Security remains the foundation of retirement security for these and all workers. But the structure of Social Security retirement benefits also echoes inequities that women and workers of color experience in their working years. Wage gaps mean that these workers tend to receive lower benefits, and time spent out of the workforce for caregiving undermines the ability of many workers, especially women, to earn credits toward retirement. And the growing problem of worker misclassification, including the advent of platform-based employment in driving, delivery and even health care, threatens to leave many workers – again, disproportionately workers of color[34] – outside the protection of this bedrock system.



Source: National Institute for Retirement Security. (2021). Stark Inequality: Financial Asset Inequality Undermines Retirement Security.

Early retirement may be getting headlines, but it is simply not an option for many, particularly low-income workers and workers of color. In fact, a recent analysis published by the St. Louis Federal Reserve Bank found that the uptick in retirements since early 2020 has been mainly among workers who were already at retirement age – 65 and older – while the retirement rate among workers 55 to 64 has not risen significantly. Demographic trends hint at a complex story, likely one in which more-advantaged workers have greater choice about whether to retire or continue working, while less-advantaged workers either must keep working longer – or are forced to retire when work become impossible or age discrimination pushes them out of the labor force.[35]

III. Policy Supports for Older Women Workers Will Create a More Robust, Equitable Economy for All

Two years into the coronavirus pandemic, women's labor force participation is lower than it was in 1991 when the Glass Ceiling Commission was formed to examine women's stalled progress in the economy (the labor force participation rate stood at 56.8 percent as of January 2022, compared to 57.3 percent in January 1991).[36] The current moment calls for a reset of our narratives and our policies to focus on a comprehensive set of strategies to improve employment opportunities and outcomes for older women workers.

Investing in the policies and supports that older women workers need will help them and their families thrive, and help our economy grow.

It is past time for the United States to invest in a **robust care infrastructure** that ensures a continuum of support across the lifespan, as was laid out in the House-passed Build Back Better Act.

- Enacting a comprehensive national paid family and medical leave program will improve gender and racial equity in caregiving and in workplaces, and will support the health and caregiving needs of all working people across their lifespans – including older women workers who are family caregivers.
- Investments in quality, affordable child care will help parents – especially mothers – enter and remain in the workforce while raising young children. Child care investments will also improve job quality for child care workers, who are overwhelmingly women and disproportionately women of color.
- Adequate funding for home- and community-based services will improve care quality and support dignity and self-determination for older adults and people with disabilities, as well as improving job quality for our largely-female care workforce and reducing costs for families.

Congress can take actions to **improve job quality to raise incomes and improve economic security** for working people and their families, in ways that advance gender and racial equity across our economy.

- Pass the Healthy Families Act to ensure that all workers are able to earn paid sick days, which will have significant public health as well as economic benefits.
- Pass the Raise the Wage Act to finally raise the federal minimum wage and phase out subminimum wages for tipped workers and workers with disabilities, which will disproportionately benefit women and Black and Latinx workers.
- Pass the Schedules That Work Act to improve the predictability and flexibility of workers in many low-wage occupations, better enabling them to manage health and caregiving needs and improving income stability.
- Pass the PRO Act to help more workers access the benefits of collective bargaining and have a voice in their workplaces.

Congress should act to strengthen and support **robust enforcement of our labor and civil rights laws** to ensure older women and workers of color are paid fairly, treated justly and have truly equal opportunities to advance in their jobs.

- Pass the Pregnant Workers Fairness Act to address persistent pregnancy discrimination that threatens the health and economic well-being of pregnant workers.
- Pass the Paycheck Fairness Act to prohibit employers from retaliating against employees who discuss their wages, close loopholes that make it easier for employers to rationalize discriminatory decisionmaking, and prohibit screening of job applicants based on their salary histories which holds down wages for women.

- Significantly increase funding for the Equal Employment Opportunity Commission, Department of Labor and Department of Justice to support increased enforcement of civil rights and employment discrimination laws, including increasing the number of corporate management reviews (often called "glass ceiling reviews") conducted by the DOL-Office of Federal Contract Compliance Programs.
- Empower a commission or interagency working group to further investigate the factors holding back women in our economy, especially older women, develop a robust evidence base for future policy development, and recommend concrete action steps that should be taken in the short-term to improve employment opportunities for older women workers.

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Statement before the Joint Economic Committee
On "Building A Better Labor Market: Empowering Older Workers For A Stronger Economy."

Working Toward a Strong Retirement: How Americans Defied the Sceptics to Extend Their Work Lives

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Wednesday, February 9, 2022

In 1934, the French entomologist Antoine Magnan calculated that bees should not be able to fly. The aerodynamics were all wrong.[1] Bees, not knowing this, flew anyway.

We've also heard for decades that Americans cannot work longer. We may even hear the same today. Our health is too poor, our jobs too strenuous, and age discrimination too widespread for longer work lives to contribute in any meaningful way to boosting income security in retirement.

But Americans didn't listen to the "experts" and they worked anyway. For decades labor force participation at older ages had been declining, encouraged by the introduction of early Social Security benefits in the late 1950s and early 1960s.[2] But today, Americans aged 62 to 65 are participating in the labor force at the highest rates since data collection began in the early 1960s. (See Figure 1.) The same general pattern holds if we look at all Americans aged 55 and over. And these haven't been minimum wage jobs: despite the growing number of near-retirees at work, the median earnings of working Americans aged 62 to 65 exceed those of younger workers.[3]

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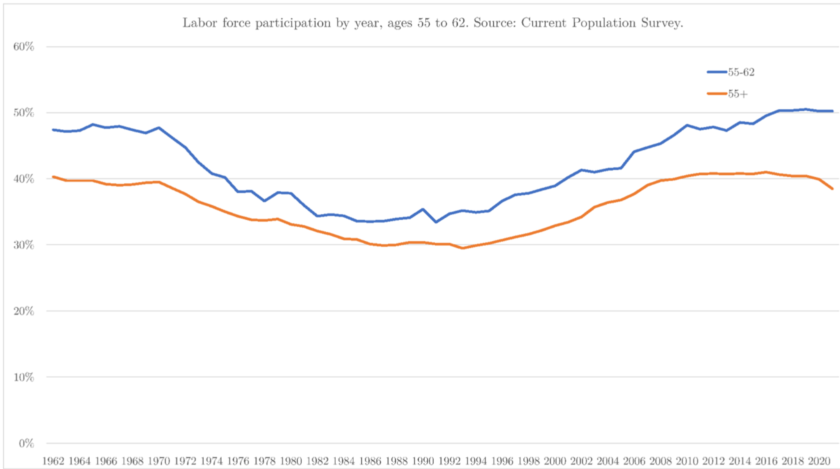
[3] Author's calculations from Current Population Survey data.

Figure 1.



Americans also are delaying claiming their Social Security retirement benefits. In 2020, men claimed Social Security retirement benefits an average of 1.3 years later than in 1990, while women claimed 1.4 years later.[4] Each year of delayed claiming results in an almost seven percent increase in monthly Social Security benefits for as long as the person lives, along with higher benefits for their surviving spouse. Delayed claiming is one reason why the average Social Security benefit paid to a new retiree in 2020 was 32 percent higher after inflation than the average benefit received by a new retiree in 2000.[5]

The data are now undeniable: if the conditions are right, *Americans can and will extend their work lives, and they have been rewarded for doing so.*

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[4] Source: Social Security Administration data.

[5] Source: Social Security Administration. Social Security Statistical Supplements, 2001 and 2021. Year 2000 benefits adjusted for inflation using PCE deflator.

A common response to these figures is that only high-income, highly-educated Americans are able to delay retirement. Low-earners, who are most at risk of poverty in old age, can't follow that same model, it is said. It is true that highly-educated workers with less physically-strenuous jobs face an easier time in extending their work lives. That pattern is not likely to change.

But over the last three decades, labor force participation among near-retirees has risen most rapidly among the least-educated workers. Federal data show that from 1992 to 2019, employment rates for individuals aged 62 to 65 and having only a high school diploma increased from 30 percent to 43 percent, which is a 45 percent relative increase in the share of that group who were still working. (See Table 1.) By contrast, employment rates for the best-educated Americans with a Master's degree or higher rose from 50 to 64 percent, a 28 percent relative increase. So despite the hurdles lower-income workers face, longer work lives have not been a story of the elite pulling away from the rest but of the least well-off Americans starting to catch up.

Table 1. Share of individuals aged 62-65 reporting being "at work," by highest level of education.

	HS	Some college, or Associates	BA	MA+
1992	30%	33%	42%	50%
2019	43%	46%	56%	64%
Relative change	45%	38%	34%	28%

Source: Current Population Survey. The relative change is the percent working in 2019 divided by the percent working in 1992, minus one.

The financial benefits of longer work lives. Much of the discussion of retirement policy focuses on encouraging Americans to save more for retirement. That is laudable, and Americans are saving dramatically more for retirement today than they did in the past.

But extended work lives may be an even more powerful way to increase retirement income security. Saving more during one's working years increase that person's retirement account balance, but does not increase their Social Security benefits or reduce the amount of time over which their savings must last. By contrast, working longer also increases retirement account balances via extra years of contributions and more time for balances to earn interest. But working longer also increases one's Social Security benefit and reduces the number of years over which one's savings must last.

My AEI colleague Sita Slavov and her co-authors have found that "delaying retirement by 3–6 months has the same impact on the retirement standard of living as saving an additional one-percentage point of labor earnings for 30 years."[6]

Some will counter that Americans worked longer only because they had to – a Dickensian vision where, faced with stingy Social Security benefits, inadequate savings, and the threat of poverty in old age, Americans had no choice but to work long past a decent retirement age.

And yet even this claim falls in the face of the data, which show that *retirees' incomes are at record highs* and *poverty in old age has never been lower.* Retiree incomes aren't simply higher on average, driven by a small number of very high-income seniors while most other seniors did poorly. Census Bureau research shows that the median, or typical, retirees' income has never been higher. Incomes at the 25th and 75th percentiles of the income distribution, which might be taken to mark the lower- and upper-middle class,

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[6] Bronshtein, G., et al. (2019). "The power of working longer." Journal of Pension Economics & Finance **18**(4): 623-644.

also have never been higher. And poverty in old age, which represents the incomes of the poorest U.S. retirees, is at record lows.[7]

But it is not merely extended work lives that is driving these positive results. Research from the Internal Revenue Service shows that the typical retiree had an income three years after retiring that was 95 percent of their income just prior to retirement, even if they did not continue to work in retirement.[8] Americans *could* have retired earlier and still enjoyed very high incomes; instead, they worked longer and now enjoy the highest incomes on record.

And not merely the highest retirement incomes in U.S. history, but the highest in the world. Data from the Organization for Economic Cooperation and Development (OECD) show that the median U.S. retiree's disposable income of $38,920 in 2019 was the highest in the world. (Figure 2.) Disposable income, according to the OECD, "represents the money available to a household for spending on goods or services."[9] Again, the median is the typical retiree, not merely the best-off senior. While Congressional hearings rightly focus on problems that need to be solved, we should not ignore our accomplishments.

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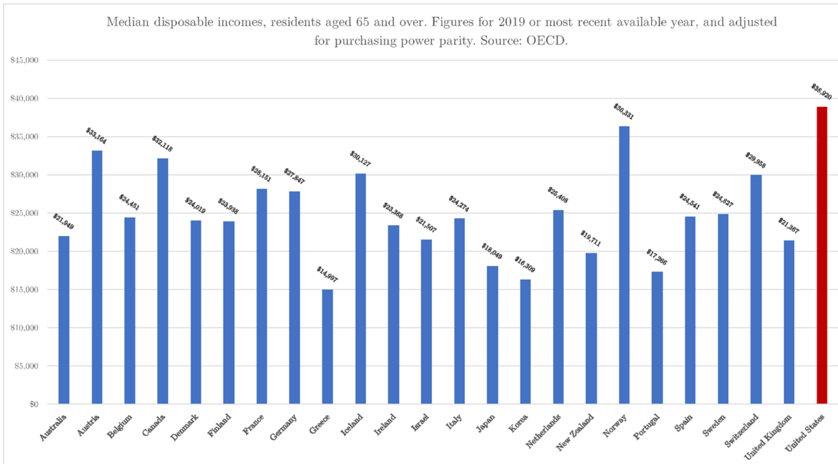
[9] Disposable income includes: [I]ncome from economic activity (wages and salaries; profits of self-employed business owners), property income (dividends, interests and rents), social benefits in cash (retirement pensions, unemployment benefits, family allowances, basic income support, etc.), and social transfers in kind (goods and services such as health care, education and housing, received either free of charge or at reduced prices). OECD. "Better Life Index." https://www.oecdbetterlifeindex.org/topics/income/

Figure 2.



Median disposable incomes, residents aged 65 and over. Figures for 2019 or most recent available year, and adjusted for purchasing power parity. Source: OECD.

Effects of the COVID-19 Pandemic.

Despite significant progress over the past several decades, the past two years have been difficult ones for the nation and for the labor market for near-retirees. The initial onset of the COVID-19 pandemic increased unemployment and pushed many older Americans out of their jobs. Even today, some may fear returning to work.

The short-term financial situation for older Americans has not been a dire one. In part this is due to a variety of federal assistance packages, including direct payments to Americans. But even with the recovery from COVID incomplete, older Americans today continue to work at levels that are far above those of the 1990s.

From 2019 to 2020 the official poverty rate among Americans aged 62 and over dropped by one percentage point, from 10 percent to nine percent, and remained at nine percent in 2021.[10] In the Federal Reserve's Survey of Household Economics and Decisionmaking (SHED), only 5.5 percent of Americans aged 62 to 64 – marginal workers who may have been most likely to have been pushed out of the labor force due to COVID-19 – described their financial situation as "finding it hard to get by." This figure is comparable to earlier years of the SHED survey, which runs back to 2013, indicating no great change in the self-reported financial health of near-retirees.

Headlines have trumpeted the larger numbers of Americans who are retired over the past year, but the story is more nuanced than COVID pushing Americans from work into retirement. Researchers at the Federal Reserve have concluded that the higher number of retirees today comes not from more Americans retiring, but from fewer retirees "unretiring" and returning to work.[11] The reasons for falling "unretirement" are less clear. It could come from a health fear of Covid or the lack of available jobs, although the latter appears less likely in today's labor market where employers are begging for employees. An alternative explanation is that Covid-related federal grants have improved the balance sheets of retirees such that fewer feel the need to return to work.

This explanation is supported by the fact that, of Americans aged 55 to 64 who reported themselves as "retired" in 2020 and 2021, 98.2 percent report in federal data that they do not wish to work either full- or part-time if a job were available.[12] More research

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[10] The figure for 2021 was calculated by the authors from Current Population Survey data and is not an official figure. In addition, various research, including from the U.S. Census Bureau and the Social Security Administration, has found that the official poverty rate significantly overstates the share of retirees with sub-poverty level incomes, because the federal survey used to measure incomes dramatically undercounts the benefits that Americans receive from private retirement plans and other sources.

[11] Nie, J. and S.-K. X. Yang (2021). "What Has Driven the Recent Increase in Retirements?" Federal Reserve Bank of Kansas City, Economic Bulletin, August **11**.

[12] Author's calculations, Current Population Survey.

is needed, but one should not jump to the conclusion that rising numbers of retirees over the past several years reflects a collapse in retirement preparation among old Americans.

Despite the great progress that Americans have made in extending their work lives and enhancing their retirement incomes, there still are significant impediments to expanded work at older ages. Two of these impediments are presented by Social Security and Medicare.

Extended work lives rarely increase lifetime Social Security benefits. The taxes we pay to Social Security and Medicare are termed "contributions," because in return for those taxes we earn the right to future benefits.[13] To the degree that this link between taxes and benefits exists, Social Security and Medicare taxes would be viewed as deferred income, similar to 401(k) contributions, and should not discourage labor supply in the way that ordinary income taxes do.

However, most older Americans who choose to work longer receive little or no additional Social Security or Medicare benefits in return for the additional taxes they pay. For Social Security there are two reasons for this. First, Social Security benefits are based upon a worker's highest 35 years of earnings. Earnings beyond that 35th year increase benefits only to the extent that they exceed the lowest of the 35 years already used in the benefit formula.[14] Second, many women continue to receive an auxiliary Social Security benefit based upon their husband's earnings. A retiree is entitled to a benefit based upon

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[13] Legally, this is not how Social Security actually works. In fact, payroll taxes are based upon wages and benefits are calculated upon wages subject to taxes, but there is no direct legal link between taxes paid and the benefits to which a participant is entitled.

[14] Social Security's benefit formula actually worsens this effect, because before a year's earnings are inserted into the formula they first are "indexed" for the growth of national average wages from the time the earnings took place to the year the worker turned age 60. This indexing makes it even less likely that new earnings occurring during delayed retirement would replace earnings already among the highest 35 counted in the Social Security benefit formula.

their own earnings or a benefit equal to 50 percent of the higher-earning spouse's benefit, but not both. In these cases, additional work – even if it increases their worker's benefit – would generally be offset by a lower spousal benefit.

Research I conducted while at the Social Security Administration showed that the median individual who delayed retirement by one year and continued to work receives back only around 2.5 cents in additional benefits for each dollar of additional Social Security taxes they pay.[15] Less than one-in-10 near retirees who delays retirement receives additional Social Security benefits equal to the additional taxes they pay. For most individuals delayed retirement would bring zero additional Medicare benefits, because Medicare benefits are conditional only upon qualifying but beyond that do not vary with the amount of taxes paid prior to retirement.

This implies that for most Americans nearing retirement, nearly all of the 15.3 percent combined Social Security and Medicare payroll tax is not a "contribution" for which benefits are received in return but a "pure tax" on labor. Various research has found that near-retirees are particularly sensitive to tax rates, because – unlike middle-aged workers with mortgages and college to pay for – most near-retirees face fewer direct financial pressures and have the option to claim Social Security.[16] Thus, Social Security's benefit formula very likely reduces incentives for Americans to extend their work lives.

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[15] Reznik, G., et al. (2009). "Social security and marginal returns to work near retirement." Social Security Issue Paper(2009-02).

[16] See French, E. (2005). "The effects of health, wealth, and wages on labour supply and retirement behaviour." The Review of Economic Studies **72**(2): 395-427.

and Laitner, J. and D. Silverman (2012). "Consumption, retirement and social security: Evaluating the efficiency of reform that encourages longer careers." Journal of public Economics **96**(7-8): 615-634.

Some countries resolve this by ceasing collecting of pension payroll taxes on older workers. For instance, in the United Kingdom the National Insurance contribution ceases once an individual reaches the state pension eligibility age. I have proposed reducing the Social Security payroll tax beginning at age 62 as part of larger reforms to ensure solvency and strengthen the safety net against poverty in old age.[17] Lowering the payroll tax on older workers would reduce Social Security revenues, but individuals who continued to work would pay additional federal income and Medicare taxes.

Medicare as Secondary Payer. Medicare plays an additional role in penalizing work at older ages. Medicare begins providing health benefits at age 65, with the important exception of seniors who continue to work in a job where the employer provides health coverage. In those cases, federal law designates Medicare as the "secondary payer," meaning that Medicare covers only costs that are not covered under the employer's own plan. This policy saves Medicare money but it also makes older Americans more expensive to hire. Employers are not given the option to not offer health coverage to older workers, nor can they compensate older workers who opt out of employer-sponsored health coverage with higher wages. Either employers swallow those costs themselves, in which case seniors become less attractive to hire, or employers pass those costs on via lower wages to older employees, in which case work becomes less attractive to retirees. For a 65-year-old, the health costs that employers are forced to bear could reduce employee wages by 15 to 20 percent.[18] Some commentators have called for lowering the Medicare eligibility age from 65 to as low as age 50, which can make these circumstances even more complex.

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[17] Biggs, A. G. (2013). 'A New Vision for Social Security.' National Affairs (Summer).

[18] Goda, G. S., et al. (2007). A tax on work for the elderly: Medicare as a secondary payer, National Bureau of Economic Research Cambridge, Mass., USA.

Together, the implicit taxes presented by Social Security and Medicare can significantly lower either the availability of jobs for seniors or the wages that those jobs will pay.

Thinking about age discrimination. Various research has shown that, when employers are presented with identical resumes where age is the only difference between two candidates, employers will often opt for the younger applicant.[19] This is, on its face, evidence of age discrimination. Moreover, there is conflicting evidence regarding the effect that that state laws against age discrimination have had on employment. Some studies have found that state anti-discrimination laws provide a small bump up in employment at older ages.[20] Others have found the opposite, that anti-discrimination laws result in lower employment rates among near-retirees.[21]

Amidst those conflicting findings we should consider why age discrimination exists. One reason is that, at any given level of salary, older employees are likely to carry higher healthcare costs for the employer. Even if two employees' salaries are the same, an employer must pay more in total compensation for an older employee than a younger worker. This implies that the seemingly-identical workers compared in resume tests are not identical in terms of employer costs.

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[19] For instance see Neumark, D., et al. (2016). "Experimental age discrimination evidence and the Heckman critique." American Economic Review **106**(5): 303-308.

[20] Neumark, D. and J. Song (2013). "Do stronger age discrimination laws make Social Security reforms more effective?" Journal of public Economics **108**: 1-16.

[21] Lahey, Joanna. "State age protection laws and the Age Discrimination in Employment Act." The Journal of Law and Economics 51, no. 3 (2008): 433-460.

Likewise, many employers invest in their workers via job training or other resources. A younger employee might remain on the job longer, giving more time for employer investments to pay off.

None of this is to say that we should abide or tolerate overt age discrimination. But it is to point out that that older workers may come with certain costs or disadvantages and policymakers should think of ways to offset them. For instance, any policies that work to reduce the United States' very high health care costs would disproportionately help older workers, who bear more of that burden.

Job training, such as in the Supporting Older Workers Act, could *in theory* help older Americans upgrade their skills to make them more attractive to employers. However, federal job training programs have a mixed record of success. Most programs provide only career counseling, which is cheaper but also less effective than explicit skills training. Compared to workers who received only career counseling, participants who received skills training were about 17 percent more likely to find a job and earned 30 percent more when they did find work. However, even skills training might be better targeted in providing training in areas that the federal government projects will generate more job openings in future years.[22]

A tight labor market is the best social program. The point of focusing on the positive is not to deny the need to do better. It is to point toward factors that have driven enormous positive changes for America's seniors and think how we can harness those forces to produce further improvements. In my view, the most effective thing we can

[22] Douglas Holtz-Eakin and Tom Lee. "An Analysis of Federal Training Programs." American Action Forum, September 17, 2019.

do to help Americans work longer and profit from that work is to maintain a tight labor market.

The economic environment of low unemployment and high wage growth just prior to the COVID pandemic was not merely good for older workers. It also was good for workers with disabilities, who after decades of falling employment rates finally saw an uptick in employment. A tight labor market was good for Americans who might have a spotty work record, a past drug problem or a criminal record. And a tight labor market was good for low-wage workers, who saw their pay increase and earnings inequality fall. A vibrant labor market is also the best defense against age discrimination. An employer is least likely to get away with discrimination when employees have many other jobs to choose from.

I don't believe there is any single policy that can maintain the kind of labor market that the United States experienced just prior to the COVID pandemic. Times will change, economic conditions will differ, and various shocks will affect the economy.

But policymakers can think about the types of policies that affect employment among older workers. It is tempting to lure Americans into work with higher minimum wages, guaranteed paid leave or other benefits. And these may work to an extent. But those same policies can make older workers less attractive to employers, thereby reducing the demand for employees.

There is no magic solution to further increasing work at older ages. Rather, Congress should simply work to keep the economy strong and the labor market vibrant, while reducing government-controlled factors – such as health care costs and disincentives built into the Social Security benefit formula – that can maker older workers less attractive to employers and work less attractive to America's near-retirees.

RESPONSE FROM DR. TERESA GHILARDUCCI TO QUESTION FOR THE RECORD SUBMITTED BY SENATOR WARNOCK

- **The number of defined benefit plans has decreased over the last 20 years whereas the number of defined contribution plans has increased. What impact does placing the burden of retirement on the worker have on lower income workers? How does it impact workers of color?**

Dear Senator Warnock,

Thank you for your question. Defined Benefit plans (DBs) were better for workers of color, especially in unionized situations, than are 401(k)-type plans. But voluntary employer pensions subsidized by Congress are inefficient and primarily help those at the top of the earnings distribution.

The change in the dominant pension design from a DB to a Defined Contribution (DC) structure worsened disadvantages for workers of color. Workers of color have lower retirement savings because they have relatively lower earnings, less secure jobs, less access to professional managers, are more risk averse, and have less access to retirement plans. Also, workers of color are more likely to have relatives who need financial help. This means that, in a DC situation, a worker of color who is more likely to earn low pay can't save in a 401(k) and thus forgoes their employer's contribution, invests instead in low-return safe assets, and withdraws their money when changing jobs or at the request of an economically fragile relative. In contrast, an employee with a DB plan is covered by the plan regardless of income, is provided with a professional diversified account, is not paid out in a lump sum, and does not have the option to take an early withdrawal or loan.

Congress Worsened the Retirement Savings Gap

The Federal Government is responsible for much of the inequality in retirement wealth and the decline in DB plans. Because employers voluntarily provide retirement plans, the Federal tax code must try to incentivize savings. But it does so with deductions rather than refundable tax credits, meaning that government subsidies are skewed toward high-income earners.

High Federal tax expenditures for retirement savings, which totaled over $250 billion in 2019 and will likely exceed $1.5 trillion over the 2019–2023 period, are skewed toward high earners who are less likely to be workers of color. About 4 percent of workers in the bottom income quintile receive retirement tax benefits, compared to 78 percent in the top income quintile. The average subsidy from retirement tax expenditures stands at around $6,700 among beneficiaries in the top income quintile and $13,800 among the top 1 percent, compared to around just $400 among beneficiaries in the bottom quintile.

DB Plans Are Better Invested

We were not in great shape when DB plans were dominant as they didn't cover the entire workforce and they were not always well-funded. But ERISA, the Federal law that regulated them, and DB plan design features meant that every DB dollar was invested in a well-diversified portfolio and the payments were in the form of lifetime income. Meanwhile, every DC dollar went into a self-directed account paying retail fees and was paid out in the form of a lump sum.

In 1980, Congress and the Treasury Department started to promote and privilege 401(k)-type plans with the hope that shifting risks to individuals would make employers more likely to cover workers in a plan. It didn't work. There is lower coverage in workplace plans now than there was then and employees in DC plans bear coverage risk, investment risk, financial management risk, withdrawal risk, and the risk that they will spend the money before they die.

It was thought that workers were not mobile because they were reluctant to change jobs and stop accruing in their DB plan. There were also concerns—not supported by research—that being just 5–10 years in a defined benefit plan would not result in good security. However, being in a defined contribution plan for 10 years yields completely different results when compared to being in a defined benefit plan for 10 years. The DB accrual is always preserved while the DC accrual can leak out—and it's likely that the defined contribution accrual is not there for all but the highest-income workers who did not have to draw from the plan before retirement.

Also, workers who join a defined benefit plan 10 to 15 years before their retirement can benefit greatly from a lifetime of secure income. For example, many women find employment in the public sector, and spending even a few years in a DB plan greatly increases their chance of not being in poverty during retirement. In contrast, DC retirement assets are owned by employees who bear the responsibility for their own financial security.

DC Plans Magnify Racial Differences in the Labor Market and in Retirement Wealth

Participation in workplace retirement plans is poor for all workers, but employees living in households headed by a worker of color are less likely than their White counterparts to participate in plans. Only 31 percent of Hispanic or LatinX workers, 46 percent of Black employees, and 55 percent of White employees participate in employer-sponsored plans. This means that the typical Black or Latino household has no dedicated retirement savings, even among near-retirees, in contrast to the typical retirement savings of $29,000 among White households ages 55–64. And savings of $29,000 for any near retiree means, in all practical terms, reliance on Social Security, for which the average benefit is about $1,100 per month.

It is important to note that lower participation rates in retirement plans are strictly the result of lower access to retirement plans for workers of color than White workers, for whom access is also inadequate. For example, for a given level of earnings, when offered a plan, Black workers contribute more and more often.

Job Instability Is Particularly Bad for Holders of DC Plans

Workers of color generally have more job insecurity, face higher levels of job loss, slower rates of return to work, lack of access to cash and credit in emergencies, and have low rates of homeownership. These realities do not mesh well with a patchwork system of individual retirement accounts that depend on employers providing coverage, providing a match, and investing well, and on employees not withdrawing funds before retirement.

The Joint Committee on Taxation did not analyze the effect of leakage by race in their substantial April 2021 report on preretirement account leakages, which showed that employment shocks are a major cause of early withdrawals from retirement accounts. Someone with an employment shock spends more time between jobs and dipping into retirement savings. Someone with an employment shock also is eligible to participate in workplace retirement plans for fewer years since waiting periods are usually 1 year.

One can't leak out of a DB plan.

Having Financially Fragile Relatives Is Bad for Holders of DC Plans

Since workers of color are more likely to have financially fragile relatives, a comprehensive approach to retirement security requires policies that reduce financial risks across generations. But, let me be clear—policies that expand Social Security, raise the minimum benefit, create a system in which no one on Social Security is poor, and expand ways for people to safely save for emergencies would help workers regardless of skin color and subaltern status.

Accumulating Retirement Assets is Complex—A DB/DC Hybrid Would Work Best

The buildup of retirement assets is a complex process that varies with earnings, family, job and health shocks, individual choices, and fluctuations in bond and stock prices. Policymakers were warned that the significant shifts in pension provisions to more individualistic and contingent frameworks would affect workers' retirement well-being in different ways. But we let DB plans slowly fade away with unions in the private sector. Policymakers continued to encourage higher participation rates and sounder investment choices within DC plans with ineffective tools: promoting financial education and boosting tax expenditures that mostly benefit people at the top of the income distribution.

Equalizing retirement wealth by race and ethnicity in an era of programs that rely on voluntary and self-directed financial accumulation for retirement must consider the different realities that workers of colors face compared to Whites. There are many risks borne primarily by workers of color face that impede their chances of accumulating retirement savings, even with the same education level and concern about retirement security.

We need a way to improve retirement income for low-and middle-income elderly people, who increasingly risk poverty in old age as pension systems collapse and 401(k) plans fail.

A hybrid plan would be the best. Many workers change jobs so a defined benefit plan linked to an employer may lead to a lot of gaps in coverage. But self-directed and voluntary participation in plans disadvantage people who aren't good investors and are likely to have an employer who doesn't offer a plan. I have proposed a plan that gets most people into the hybrid Federal employees' Thrift Savings Plan, with some kind of government match. This is especially good for those in the bottom half of the income distribution.

Federal employees, workers in large union companies, and State and local workers are among the last group of workers with a reliable pension plan. If you work for the U.S. Government, you are automatically enrolled in the Thrift Savings Plan. Five percent of your pay goes into the plan, matched by the government. The assets are invested on a pooled basis in one of five plan options, and the management fees are almost nonexistent—about 0.04 percent compared to around 1 percent for conventional individual retirement accounts.

If others could join the Thrift Savings Plan, with government matching contributions, nearly everyone could have retirement accounts well into six figures by the time they hit retirement age.

My co-author on this plan is Kevin Hassett, a well-established conservative economist who chaired for President Donald Trump's Council of Economic Advisers.

Even with the incentive of a government match, most working people simply have no spare money to save. Therefore, the plan needs the government to reimburse individual contributions to these plans, using refundable tax credits, for people with incomes up to $40,000.

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RESPONSE FROM MS. JOCELYN FRYE TO QUESTION FOR THE RECORD SUBMITTED BY SENATOR WARNOCK

Dear Representative Beyer,

Thank you for convening the Joint Economic Committee's February 10, 2022 hearing, *Building a Better Labor Market: Empowering Older Workers for a Stronger Economy*. It was my pleasure to testify before the committee. This letter is in response to a question for the record submitted by Senator Reverend Raphael Warnock.

- **Some studies have shown that as income increases, Black families more likely to provide financial assistance to friends and family to cover basic expenses when compared to White families of similar income. How does the kin networks and social dynamics of different demographic groups affect the employment and retirement of their older workers?**

The lack of comprehensive care supports for workers means that many older workers are on their own when taking on caregiving roles for and making economic contributions to their families, risking longer term harm to older workers' employment stability and economic security. Kin networks can play an important role in this environment and are often textured by many intersecting factors including economic circumstances, personal and community histories, health and caregiving needs, and more. In addition, the pandemic has deepened and reshaped families' care needs, with women of color especially likely to experience increased health and family caregiving challenges and disruptions to their employment.[1] For many Black families, kin networks are crucial to their overall stability, frequently filling in the gaps left by the absence of strong policy interventions and responding to the diverse needs of extended and chosen family members. Identifying concrete policy solutions to address the care needs of families, especially as workers get older, is crucial for all families but particularly for many families of color disproportionately living on the economic margins.

Many Black families have a network of extended family that they rely on in their everyday lives. For example, a 2021 survey found that 33 percent of Black adults and 45 percent of Hispanic adults were living in a multigenerational household, compared with 19 percent of white adults.[2] Child care and elder care needs were each cited by one-third of adults as a reason for living in a multigenerational household. (Pre-pandemic data estimated nearly three in ten Asian and Pacific Islanders lived in multigenerational households.)[3] These adults are especially likely to have family caregiving needs, and to be members of the so-called "sandwich" generation, caring for children and adult family members at the same time. Pre-pandemic Census data show that an estimated 2.7 million children—nearly one-quarter of whom

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[1] Mason, J., & Molina Acosta, P. (2021, March). *A Racially Just Recovery Demands Paid Family and Medical Leave*. Retrieved 23 February 2022, from National Partnership for Women & Families website: *https://www.nationalpartnership.org/our-work/economic-justice/reports/called-to-care-a-racially-just-demands-paid-family-and-medical-leave.html*.

[2] Generations United. (2021, April). *Family Matters: Multigenerational Living Is on the Rise and Here to Stay*. Retrieved 23 February 2022, from *https://www.gu.org/app/uploads/2021/04/21-MG-Family-Report-WEB.pdf*.

[3] Cohn, D., & Passel, J. S. (2018, April 5). *A record 64 million Americans live in multigenerational households*. Retrieved 23 February 2022, from Pew Research Center website: *https://www.pewresearch.org/fact-tank/2018/04/05/a-record-64-million-americans-live-in-multigenerational-households/*.

are Black—live with grandparents who are providing most or all of their basic care.[4] With more than 140,000 children having lost a caregiver due to the pandemic,[5] it is not yet known how grandparent care may have increased. Workers of color who are LGBTQ and/or disabled are also more likely to need to care for, or need care from, chosen family members.[6]

Many working people and their families to turn to their kin networks when other sources of support fall short. But the data suggest that such economic transfers tend to function more often as a safety net for lower-wealth and lower-income families, which are disproportionately families of color,[7] and a ladder for wealthier families. About one-quarter of households (26 percent) report providing financial assistance to someone outside their household in the previous year, and about one in eight (12 percent) receiving financial assistance from outside their household.[8] Black households were more likely than white households to give financial support, and among those giving financial support, both Black and Hispanic households were more likely to say it caused financial strain than white households. Low-income households are most likely to receive assistance to pay regular expenses, while high-income households are more likely to receive kinds of assistance that build wealth and income, such as help buying a house or paying for educational expenses. Black and Hispanic households also tend to receive lower amounts in transfers.[9] Over a lifetime, such differences are a significant contributor to racial wealth gaps.

The impacts of caregiving on caregivers' employment and financial security are significant, yet access to the workplace supports necessary for caregivers is rare and uneven. In the private sector, about one in three workers does not have access to a retirement plan at work, nearly one in four does not have paid sick days, three in ten are not offered health insurance, nearly six in ten do not have paid medical leave through employer-provided temporary disability insurance, and nearly eight in ten do not have paid family leave. There are significant racial and ethnic inequities in access to these basic supports, and access is especially rare among the lowest-paid workers.[10] In other words, those with the least extra income to save for an emergency—much less for retirement—are also least likely to have essential protections and supports to maintain their income and employment when a family crisis arises.

Research drawn from an invaluable survey conducted by AARP and the National Alliance of Caregiving reveals that six in ten family caregivers report at least one significant impact on their employment, including cutting days short or taking time

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[4] Advisory Council to Support Grandparents Raising Grandchildren. (2021, November 16). *Supporting Grandparents Raising Grandchildren (SRRG) Act: Initial Report to Congress*. Retrieved 25 February 2022, from Administration for Community Living website: *https://acl.gov/sites/default/files/RAISE_SGRG/SGRG-InitialReportToCongress_2021-11-16.pdf*.

[5] National Institutes of Health. (2021, October 7). *What opportunities and challenges do you envision for the economic justice team's policy advocacy in the current political landscape, and how would you navigate these opportunities and challenges*? Retrieved 25 February 2022, from What opportunities and challenges do you envision for the economic justice team's policy advocacy in the current political landscape, and how would you navigate these opportunities and challenges?

[6] Mahowald, L., & Boesch, D. (2021, February 16). *Making the Case for Chosen Family in Paid Family and Medical Leave Policies*. Retrieved 23 February 2022, from Center for American Progress website: *https://www.americanprogress.org/article/making-case-chosen-family-paid-family-medical-leave-policies/*.

[7] Kent, A. H., Ricketts, L. (2021, January 5). *Wealth Gaps between White, Black and Hispanic Families in 2019*. Retrieved 18 February 2022, from *https://www.stlouisfed.org/on-the-economy/2021/january/wealth-gaps-white-black-Hispanic-families-2019*; National Partnership for Women & Families. (2021, June). *Making a Fortune for Others: Causes and Consequences of the Black Wealth Gap*. Retrieved 18 February 2022, from *https://www.nationalpartnership.org/our-work/resources/economic-justice/fair-pay/causes-and-consequences-of-black-wealth-gap.pdf*.

[8] Pew Charitable Trusts. (2016, March). *Extended Family Support and Household Balance Sheets*. Retrieved 18 February 2022, from *https://www.pewtrusts.org/-/media/assets/2016/03/fsm_kinshipbrief.pdf*.

[9] McKernan, S., Ratcliffe, C., Simms, M., Zhang, S. (2014, June). Do racial disparities in private transfers help explain the racial wealth gap? New evidence from longitudinal data. *Demography*, 51(3), 949–974. doi: 10.1007/s13524-014-0296-7.

[10] U.S. Bureau of Labor Statistics. (2019, August). *Access to and Use of Leave (Table 2)*. Retrieved 23 February 2022, from *https://www.bls.gov/news.release/leave.t02.htm*; Artiga, S., Hill, L., Orgera. K., & Damico, A. (2021, July 16). *Health Coverage by Race and Ethnicity, 2010-2019*. Retrieved 23 February 2022, from Kaiser Family Foundation website: *https://www.kff.org/racial-equity-and-health-policy/issue-brief/health-coverage-by-race-and-ethnicity/*; Rhee, N. (2013, December). *Race and Retirement Insecurity in the United States (Figure 1)*. Retrieved 23 February 2022, from National Institute on Retirement Security website: *https://www.shrm.org/ResourcesAndTools/hr-topics/employee-relations/Documents/race_and_retirement_insecurity_final.pdf*.

off (53 percent), reducing work hours (15 percent), turning down a promotion (7 percent) or even giving up working (5 percent) or retiring early (4 percent).[11] About one in five caregivers report high financial strain related to caregiving, and nearly half report at least one financial impact, including stopping saving money (28 percent), taking on more debt (23 percent) or using up short-term savings (22 percent). These negative impacts were higher than average among caregivers with household incomes under $50,000 and caregivers age 50 to 64.[12]

In terms of race and ethnicity, the survey data show that caregivers are similar to the population overall: About six in ten are white, 14 percent are Black, 17 percent Hispanic, and 5 percent Asian American. But the limited data available indicates that their experiences are not all alike. Caregivers of color tend to be younger on average, and a larger share of Black and Hispanic caregivers have incomes below $50,000, compared to white and Asian American caregivers.[13] Black and Hispanic caregivers also report more financial impacts of caregiving on average.[14] More data is needed, for example, to better understand the experience of Native American caregivers and other caregiving experiences within communities of color. Greater investments in comprehensive, disaggregated data, collected more regularly would help policymakers better understand caregivers' experiences and needs, and which communities are facing the most acute challenges.

To support the employment and secure retirements of older women workers of color, and to help them strengthen their families and kin networks, we must invest in the policies and supports they need. This includes investing in a robust and comprehensive care infrastructure, with inclusive national paid family and medical leave, affordable, high-quality child care and home- and community-based services; improving job quality by passing the Healthy Families Act, Raise the Wage Act, Schedules that Work Act and PRO Act; and strengthening and supporting robust enforcement of labor and civil rights laws, including passing the Pregnant Workers Fairness Act and Paycheck Fairness Act, significantly increasing funding for the Equal Employment Opportunity Commission, Department of Labor and Department of Justice to support increased enforcement of civil rights and employment discrimination laws. This is also an important and timely moment to empower a commission or interagency working group to further investigate the factors holding back women in our economy, especially older women, develop a robust evidence base for future policy development, and recommend concrete action steps that should be taken in the short- and long-term to improve employment opportunities for older women workers.

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[11] AARP and National Alliance for Caregiving. (2020, May). *Caregiving in the U.S.: 2020 Report (Figure 69)*. Retrieved 23 February 2022, from *https://www.caregiving.org/wp-content/uploads/2021/01/full-report-caregiving-in-the-united-states-01-21.pdf*.
[12] Ibid. (pp. 57–59).
[13] Ibid. (Figures 87 and 88)
[14] Ibid. (Figure 61).