Towards Pro-Work Policies and Programs
for Older Americans

Joseph F. Quinn
and
Scott A. Bass
and
Richard V. Burkhauser
(Syracuse University)

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Scott A. Bass, Joseph F. Quinn, and Richard V. Burkhauser

In this chapter, we seek to explore ways in which policies in this country can be shifted to support older people who are interested in working. Rather than examine the broad constraints imposed by different institutions within society (as did Achieving a Productive Aging Society, Bass, Caro, & Chen, 1993), we will describe current policies and discuss specific policies and programs that could be more advantageous to those older people who would like to expand the opportunities for working late in life. This chapter is intended to be creative in this exploration. Its purpose is to encourage the reader to consider alternatives to conventional practice -- no matter how controversial. These proposals are designed to serve as a jumping-off point for advocates and policymakers to consider various options and test the feasibility of our ideas.

Specifically, we examine whether public and private pension policies do or do not encourage older people to remain working in their later years. Federal and state government can enhance the role of older people in many ways, and several existing programs are examined. In addition to providing incentives for older people to work (see Chapter 2), government has the power of regulation. It also is an employer. The Americans with Disabilities Act and the Age

Discrimination in Employment Act will be discussed in regard to their current and potential impact on older workers.

When we speak about policies in America, we commonly refer to the most visible form of policymaking -- laws passed by Congress. But policies that affect specific groups of individuals in a society are promulgated constantly at all levels. They are formally adopted by governing bodies or elected officials, set by administrators or executives, generated by judges and religious leaders, and developed by small business as well as large corporations.

This chapter focuses on government policies, programs, and regulations. However, we would be remiss not to acknowledge that most practices within the private sector are governed by policies and decisions of employers. These employers may modify their behavior in light of governmental incentives or penalties, but their control over existing practices is fundamental. Employers can adopt or reject pro-work policies for older Americans. Nevertheless, the role of government as employer and policymaker is significant and can influence the extent to which older people expand their level of work as well as the extent such activities are nurtured in the private sector. The policies, programs, and regulations that government supports can both directly and indirectly influence the activity of older people -- hence, our emphasis on these in the final chapter of this book.

But government policy is but one step in changing actual behavior. As a consequence of the extensive domestic federal legislation enacted during the 1960s and 1970s, many policy analysts have noted the wide gulf between legislation and actual practice (Campbell, 1993). For example, it may be illegal in America to discriminate on the basis of race, but we are all too aware that a significant gap remains between legislation and the realities of life. Evidence exists that local rules and policies within public or private organizations, intentionally or unintentionally, often conflict and can even undermine the basic intent of the law. Such policies can be challenged in court, but all too often this proves costly and time consuming. Further, while individual cases may be ameliorated, far-reaching systematic solutions remain elusive.

We acknowledge the complexity and multifaceted nature of policy development. Federal legislation is essential to the discussion of policies for older Americans, but it is only a part of the whole picture. State and local policies are also important, as are the employment policies found within the private sector, nonprofit corporations, and foundations. Each of society's major institutions contributes policies and programs that have the ability to harness the potential of older people or serve as a hindrance to their achievement.

Speaking very broadly, social policy in the United States, as defined above, has until fairly recently been geared to discouraging work by older Americans. In a number of areas, that policy has begun to change in the direction of neutrality. The largest section of this chapter is devoted to detailing examples of this change, which we consider healthy. At the end of the chapter, we offer a number of initiatives that we believe would take our society one step further -- in the direction of actively encouraging and rewarding the continued employment of able older workers.

A History of Anti-Work Policies

A considerable amount of public policy in the United States has had the effect of discouraging work among older Americans. An explicit example is mandatory retirement at age 65, once a common phenomenon in the United States. These provisions were legal because, prior to 1978, the federal Age

Discrimination in Employment Act (ADEA) covered workers only up to the age of 65. Retirement behavior at age 65 of those with and without mandatory retirement was very different, suggesting that this policy may have had a major impact. Subsequent research, however, indicates that it was less important than it first appeared because strong financial incentives to retire often went into effect at precisely the same time as did mandatory retirement provisions (Quinn & Burkhauser, 1983a). At least half of what looked like the impact of mandatory retirement was really due to these concurrent financial inducements, which are discussed next.

A far less explicit example, but one which is equally important, can be found in the details of the benefit calculation rules of Social Security and most defined-benefit employer pensions. Considerable research (reviewed in Quinn, Burkhauser, & Myers, 1990) has established that these retirement plans contain strong retirement incentives (or, equivalently, work disincentives) which have the effect of reducing the true compensation of Americans as they age. This is not done through the paycheck, which would be illegal, but by reducing the value of the retirement income rights of workers who stay on the job too long.

Pensions are complicated multiperiod contracts. Contributions are made by employers and sometimes employees during the work life, and then benefits are paid to individuals in retirement. An additional year of work usually increases subsequent annual benefits. Under Social Security, future benefits rise because they are based on average monthly earnings, which cannot fall with an additional year of work, and because Social Security adds an additional actuarial adjustment for each year of delay after eligibility. For defined-benefit pensions, annual benefits are usually a function of average earnings (often over the last few years of employment) and years of service, both of which rise with an additional year on the job (Mitchell, 1992).

Before being eligible for a pension, covered workers gain twice by continuing to work. They earn a paycheck, and they increase the value of their eventual pension benefits. Once they are eligible to receive these benefits, however, the situation becomes more complicated. By working another year, one loses the benefits declined during that year, but increases the size of future pension checks. Whether one comes out ahead or behind depends on whether the future increments are large enough to compensate for the current benefits foregone. In more technical terms, it depends on the present discounted values (the asset values) of the two potential pension streams -- one starting now, with smaller annual amounts, and the other commencing later, but with larger benefits per year.

Depending on the benefit calculation rules of the pension, the present discounted value can rise or fall with continued work. The <u>change</u> in the asset value that accompanies an additional year of work is called pension accrual, and is really part of compensation. If the asset value increases with additional work, then the worker earns both a paycheck <u>and</u> an increase in retirement wealth. If the two streams have the same asset value, then the pension is called actuarially fair, and it does not matter whether it is claimed now or a year later. But if the asset value decreases with additional work, then the worker's true compensation is less than the paycheck by the amount of the wealth loss. This is the reduced compensation mentioned above.

Considerable research has shown that for Social Security and for many defined-benefit employer pension plans in the United States, this last scenario eventually applies (Fields & Mitchell, 1984; Gustman & Steinmeier, 1989;

Kotlikoff & Wise, 1989; Quinn, Burkhauser, & Myers, 1990). Employees who remain on the job "too long" begin to lose pension wealth as they work, and hence suffer a surreptitious pay cut. Their true compensation (earnings plus pension accrual) declines as they age. For Social Security, this happens at age 65, when the delayed retirement credit, the actuarial adjustment mentioned above, drops from about 7 percent per year of delay past age 65 to only 4 percent, which is less than actuarially fair.[1] Prior to 1990, this 4 percent was only 3 percent, and before 1977, only 1 percent, creating large Social Security wealth losses and therefore strong financial incentives against delaying Social Security receipt past age 65.

It is more difficult to generalize about the financial incentives imbedded in employer pensions, since there are hundreds of thousands of them, each with its own rules. Incentives vary by plan and by the age and tenure of the worker (Gustman & Steinmeier, 1989). But researchers who have analyzed these plans in detail agree that <u>most defined-benefit plans penalize work after some age</u>, often after the earliest age of eligibility for benefits, and that the size of the wealth loss for those who keep working can be significant.

Richard Burkhauser and Joseph Quinn (1983b) analyzed the workers in the Social Security Administration's Retirement History Study (1969-1979), using industry averages for the actuarial adjustments for delayed retirement, and found median pay cuts (in the mid-1970s, when the Social Security delayed retirement credit was still 1 percent per year of delay) at age 65 on the order of one third for those eligible only for Social Security but not for an employer pension, and nearly one half for those eligible for Social Security and an employer pension. Alan Gustman and Thomas Steinmeier (1989) showed that for a typical worker hired at age 25, the annual pension accrual drops from about 10 percent of the wage between ages 55 and 61 to slightly negative at age 62 to minus 25 percent between 65 and 70. Laurence Kotlikoff and David Wise (1989) studied nearly 1,200 plans and found a large proportion offered strong incentives for retirement after the earliest age of eligibility, with annual wealth losses (negative pension accruals) on the order of 30 percent of annual earnings. Finally, Olivia Mitchell (1992) found that in 1989, two thirds of those workers whose benefits were reduced by a fixed factor for early retirement faced reductions of less than 6 percent per year. This penalty is less than actuarially fair, implying a decline in pension wealth with continued employment and therefore an incentive for workers to claim benefits early and leave the firm.

Much of the recent economic research has focused on the nature and magnitude of these retirement incentives, and on their impact on individual and aggregate behavior. The consensus, summarized by Michael Hurd (1990) and by Joseph Quinn and colleagues (1990), is that people behave as though they understand and respond to these incentives. Although people rarely mention incentives in surveys when asked why they retired when they did, the size of the wealth loss turns out to be an important explanatory variable in econometric studies of retirement decisions. Other things equal, the larger the wealth loss associated with additional work, the more likely the person is to leave the job and the labor force as well.[2] The fact that these incentives have induced workers out of the labor force suggests that they can be used to encourage people to stay on the job as well.

From Anti-Work Policy to Neutrality

A number of policy changes and trends are already underway that should encourage delayed retirement, and which may reverse the long-term trend described in Chapter 2. One is the virtual elimination of mandatory retirement, which was delayed from age 65 to age 70 in 1978 (when ADEA coverage was extended to those aged 65 to 69), and then outlawed for most Americans in 1986.[3] While this will prevent firms from forcing workers to leave the firm solely on the basis of age, it does nothing about the financial incentives still in place, so it will have only a modest aggregate effect on retirement patterns.[4] In a number of different areas, however, changing policies show that the longstanding bias against continued work by older Americans has been eroding.

Changes in Pension Policy

Recent changes in Social Security rules are altering the relative attractiveness of work and retirement.[5] For example, the Social Security earnings test has been liberalized in a number of ways. The amount of earnings permitted before Social Security benefits are reduced is now indexed to wage growth, and the exempt amounts permitted are higher for those aged 65-69 than for those 62-64; in 1993, they are $10,680 and $7,800 respectively. In 1983, the earnings test was eliminated altogether for those aged 70 and above; it had been 72 and above since 1954. Beginning in 1990, those aged 65-69 have their benefits reduced by only one third of their earnings in excess of the exempt amount, rather than the one half that still applies to those aged 62-64. In addition, the delayed retirement credit is slowly being increased from 3 percent to 8 percent per year of delay, by one-half percentage point increments every other year, beginning in 1990. It is currently 4 percent following one-half point increases in 1990 and 1992, and will reach 8 percent, close to actuarially fair, by 2010.[6] For high-income recipients (couples with income over $44,000; singles over $34,000), 85 percent of Social Security benefits are now taxable income. Finally, the age of "normal" retirement is scheduled to increase, from 65 to 66 during the years 2000 and 2005 and from 66 to 67 between 2017 and 2022.[7] Although these changes are usually described as a delay in the age at which normal benefits can be received, they are equivalent to a reduction in the amount received at any age.

At the margin, these changes should encourage older people to work longer. A number of simulations of the impact of these amendments suggest that the aggregate effects will be in the expected direction, but will be modest -- retirement delays on the order of months, on average, not years.[8] Most analysts agree that the future of employer pension plans, where other interesting trends are underway, will be much more important than recent or proposed Social Security changes.

The first thing to note with respect to employer pensions is that coverage among American workers is no longer growing. John Turner and Daniel Beller (1992) estimate that the percentage of private-sector workers covered by an employer pension plan was constant from 1970 to 1988. More recent evidence suggests that coverage may actually be declining.[9] Since workers with pensions are more likely to face retirement incentives and retire early, a further decline in coverage may contribute to delayed retirement.

Pension receipt differs dramatically by race. Using 1982 data on new Social Security beneficiaries, Donald Snyder (1993) estimates that 57 percent of married white men received some pension income, compared to 44 percent of blacks and 35 percent of Hispanics. For married women, analogous numbers were 36, 24, and 30 percent; for unmarried men and woman, 29, 15, and 16 percent. There is evidence that the gap is closing, since the growth in pension receipt between 1970 and 1982 was much higher for blacks than for whites. The median pension amounts received by those with pension income differed little between whites and blacks (Snyder, 1993).

In addition, the relative importance of defined-benefit and defined-contribution plans is changing (Paine, 1993; Reno, 1993). In a defined benefit plan, a formula describes the exact benefit the worker will receive upon retirement, usually depending on years of service and average earnings over some time period. (The details of this formula are what encourage or discourage continued work.) In a defined-contribution plan, the employer (and sometimes the employee) simply makes deposits into an account which belongs to the employee upon retirement. The value of the account at that time (and the annual benefits it can provide) depend on the deposits over the years, and how successfully they have been invested.

Only the defined-benefit plans contain the work disincentives emphasized above. Defined-contribution plans are really just savings accounts with tax advantages and are by their very nature age-neutral. The proportion of pension participants whose primary coverage is defined contribution increased from 13 percent to 32 percent between 1975 and 1987 (Turner & Beller, 1992, Table 4.7).[10] In addition, supplementary coverage (a second plan provided by the same employer), which has increased from 21 percent to 39 percent of covered workers during the same time period, is almost entirely defined contribution (Turner & Beller, 1992). Overall, double-counting those covered by more than one plan, the proportion of active participants in defined contribution plans rose from 29 percent to 65 percent during the decade ending in 1987 (Turner & Beller, 1992). If this trend continues, the aggregate importance of pension retirement incentives will decline.[11]

In the meantime, however, defined-benefit pensions still provide the bulk of the primary coverage, and they have continued to encourage earlier and earlier retirement. William Wiatrowski (1990) reports that nearly all defined-benefit plans now have early retirement provisions, and fewer than one fifth of those eligible face full actuarial reductions in annual benefits if they retire early. This means that pension wealth declines with additional work. Olivia Mitchell (1992) estimates that the proportion of defined-benefit participants who could retire at age 55 rose from 60 percent to 66 percent during the 1980s. The proportion needing only five years of service to be eligible at age 55 rose from 5 to 9 percent; those needing 10 years rose from 36 to 43 percent, and only half as many people needed 30 years of service.

One recent policy change in the other direction was 1986 legislation requiring firms to continue pension contributions and accruals for workers who work beyond normal retirement age, up to the maximum number of years permitted. Previously, accruals could cease at this age; in 1988, the year before the change went into effect, about 60 percent of defined-benefit participants were in plans that gave no credit for service after age 65 (Gustman, et al., 1992). This change will increase total compensation for some older workers, and may induce some to delay retirement.

<u>The Older Americans Act</u>

The federal government has established numerous programs which could be included as part of a larger effort to develop policies that could result in increased opportunities for older workers. Perhaps the most significant federal program for nonmedical services and training targeted at older people is the Older Americans Act (OAA). First established in 1965, the OAA has sought to assist older Americans in being productive by advocating for an adequate income; opportunity for employment without discrimination; retirement with health, honor, and dignity; and free exercise of individual initiative. Numerous other objectives beyond our scope here were identified in the original and amended versions of the Act (which has been amended and reauthorized 11 times since its creation). A more detailed discussion of the OAA can be found in Donald Gelfand's book The Aging Network (1988).

The OAA is a comprehensive document that currently has six major sections, or titles, which provide specific authorization for programs and services, several relating to productive aging. For example, Title II establishes the Administration on Aging (AoA), whose purpose is to advocate for aging programs throughout the federal government. The Commissioner of the AoA, a presidential appointee, reports directly to the Secretary of Health and Human Services as an Assistant Secretary. The AoA provides a vehicle for governmental coordination of programs and services on behalf of the elderly, including initiatives designed to provide significant economic roles to the elderly.

Currently, Title III of the OAA focuses on services provided at the local level to assist the elderly. Although these current activities are for the most part outside the realm of older worker employment, the formal structure established by Title III can assist in promulgating a pro-work agenda. Under Title III, each state governor designated a state unit on aging responsible for planning and coordinating services to the aged. Every three years each state is required to develop a three-year plan and submit this plan to AoA. As part of the plan, the state unit must designate service areas as well as establish Area Agencies on Aging (AAA) throughout the state. In addition to the overall state plan, each AAA must prepare its own three-year service plan and submit this plan to the state unit for approval. Federal funding is contingent on the approval of these three-year plans.

Title III explicitly states that the AAAs should seek out opportunities for older people to further their education. Educational training may include career training or retraining. Although identified in the Act, educational programs have not been a primary focus of Title III, nor have the AAAs been particularly active on issues concerned with the productivity of the elderly. Their efforts and concerns have primarily focused on the needs of the frail and disabled elderly. Nevertheless, a communication and planning link between local communities and the federal government has been made through the existing structure. This structure could serve an important function in setting national priorities and in shaping and developing them to suit local needs. The planning functions of the AAAs could be tapped to assess opportunities for career-related educational opportunities for older adults and to improve these opportunities. AAA's could work with local employers to expand job flexibility and job retraining to accommodate the aging workforce. The capacity to reach local communities and involve them in a pro-work national agenda at little or no cost exists within Title III but to date has not been utilized.

Title IV was designed to provide funds for training, research, and demonstration. This title provides monies to AoA for the primary purpose of enhancing the skill level and service delivery of professionals working in the field of aging. Recent priorities have focused on developing national centers to assist in the dissemination of information to professionals and families about problems associated with aging.

The AoA Commissioner has some flexibility in establishing the funded programs under Title IV. Monies could be made available for research and demonstration that examine flexible work options for older workers and evaluate the impact of different policy proposals designed to encourage increased productive roles among older people. In FY 1994, for example, AoA has proposed an initiative to fund demonstration programs aimed at the retraining of older workers at community colleges.

Title V of the OAA is specifically targeted at community-service employment of low-income individuals (people living at 125% of the poverty level) who are aged 55 and older and unemployed. Approximately $395 million was appropriated in 1992 for community-service employment programs, providing over 65,000 jobs (Alegria, 1992). Under Title V, funds are made available for the Senior Community Service Employment Program (SCSEP) and contracted by the Department of Labor. Twenty-two percent of the funds are allocated to states, with the remainder to 10 national agencies. Programs are run nationally by groups such the National Caucus and Center for the Black Aged, as well as some large national organizations, including the American Association of Retired Persons and the National Council of Senior Citizens. Participants are paid the minimum wage for work averaging 20 to 25 hours per week, with a limit of 1,300 hours per year.

To review, the existing authorization of the OAA is a powerful tool that the AoA can use, should it seek to emphasize programs that assist older people in significant economic roles. The AoA is the major governmental advocate for the elderly, and it could serve as the central agency in the development of interagency and intergovernmental programs designed to emphasize the constructive role of older people in the United States. Further, the AoA, through Title IV, could make discretionary funds available for new initiatives in the area of research, employment, and training of older people in aging-related professions. Additionally, the AoA has access to a national network of state and local agencies concerned with the welfare of the elderly. These agencies could also target local employers to encourage employment of individuals 55 years of age and older. To date, the organizations that serve the elderly have not emphasized productive roles for the elderly and, of necessity, have focused on the needs of the frail and vulnerable. However, significant potential exists within the existing authorization and within appropriation levels to achieve a national priority for enhanced roles for active older Americans.

Other Employment Programs

There are three other federal employment-related programs for older people that operate outside of AoA and which could be used to expand the involvement of older people in our society. Green Thumb, administered by the National Farmers Union and funded by the Department of Labor, seeks to involve people 70 years or older in working with children in rural schools. The Conservation Employment Program, administered by the U.S. Forest Service, seeks to engage older people in improving national park lands. And the Job Training Partnership Act (JTPA), funded by the Department of Labor, earmarks 3 percent of all training funds for economically disadvantaged individuals (at the poverty level, or at 70 percent of the state's lower living-standard income level) who are 55 years of age or older. In FY 1993, the

JTPA Title II-A Program is funded at approximately $54 million and serves about 32,000 people (Alegria, 1992).

These programs could serve more people by making income eligibility criteria less restrictive and by providing more part-time options. Three states -- Colorado, Louisiana, and South Dakota -- while staying within JPTA income guidelines, have accepted evidence of forced or early retirement as comparable to a layoff notice so that more people will be eligible for the JTPA program (Alegria, 1992). Other states have linked JTPA with other federal employment programs and with state and local training initiatives to expand employment possibilities for older people. Such coordination with state government and local businesses will only improve the effectiveness of these and other programs. A statewide plan for older workers is an important step in coordinating existing resources for older-worker retraining. A state's Area on Aging unit, in cooperation with its department of labor and various units of higher education, could plan a comprehensive approach in coordinating existing resources and in identifying areas that need additional support.

According to the National Governors' Association, several states have made changes in their civil service policies as well as in the implementation of the Wagner-Pyser Act (known as the Job Service Act and first implemented in 1933) to provide greater flexibility and support for older workers. For example, California has established an innovative program in which older retired civil servants may work up to 960 hours a year for pay while receiving a retirement pension (Alegria, 1992). This partial-service retirement option allows those with caregiving responsibilities or health-related problems greater options within the civil service system. Numerous other states have used Job Service staff under the Wagner-Pyser Act to provide career counseling and referral specifically targeted to older workers.

Some states have developed task forces to examine state policies and resources targeted to older workers. These states have often developed a series of coordinated initiatives to promote more flexible work options for older people. For example, Wisconsin's governor appointed a Commission For A Quality Workforce, which looked into the issue of older workers as a way of maintaining a competitive workforce. The Commission's plan provides a blueprint on how a state can provide lifelong training and work options for its citizens. Colorado, Maryland, New Mexico, and South Dakota have also established task forces to examine their policies. Other states should be encouraged to develop a similar plan of action.

It is possible to envision other government-assisted programs to encourage the employment of older people. In Japan, for example, the Ministry of Labor provides assistance to local Silver Human Resource Centers which contract with local businesses or government for part-time, temporary work for older people. These successful centers work as a cooperative and seek to remain noncompetitive with local industries while still generating income for its older worker members (Schulz, Taka, & Hoshiro, 1989). Surely, within the United States comparable creative programs could be designed which would assist local communities while providing meaningful activity for older people.

Stipend-Volunteer Programs

There are four major federal stipend-volunteer programs: the Retired Senior Volunteer Program (RSVP), the Foster Grandparent Program, the Senior Companion Program, and the Service Corps of Retired Executives (SCORE). RSVP, the Foster Grandparent Program, and the Senior Companion Program provide a stipend of $2.45 per hour for older and low income volunteers. They were authorized by Title II of the domestic Volunteer Service Act of 1983 and administered by ACTION. In 1993, these program were included in legislation to establish a new Corporation for National Service. The new corporation was to replace ACTION. These programs are assisted by funds provided by various states, local governments, and private-sector organizations.

RSVP involves more than 400,000 volunteers who provide support to local communities throughout the United States, working part-time in courts, schools, hospices, hospitals, nursing homes, or other community-service centers. They give millions of volunteer hours each year to public and community service. The program is currently proposed to be funded at $45 million annually in federal funds, which are nearly matched by state and local contributors. The age limit for participation is recommended to be lowered from age 60 to age 55, with preference to those over age 60.

Another program in which older people provide community services is the Foster Grandparent Program, designed to connect low-income adults 60 years old or older with children with special needs. It has been in operation since 1965. Foster Grandparents work half-time (20 hours a week) providing direct care to young people with disabilities, educational problems, and social problems, such as abuse or neglect. Currently, there are over 23,000 Foster Grandparents, funded at a proposed level of $85 million annually from Congress and $25 million from other sources.

The Senior Companion Program parallels the Foster Grandparent Program and provides friendly visiting services primarily to institutionalized or home-bound elderly. Federal funds are projected to be at $40 million with an additional $14 million coming from other sources.

The fourth stipend-volunteer program is the Service Corps of Retired Executives (SCORE), which is sponsored by the Small Business Administration and designed to provide technical assistance to small business. SCORE volunteers receive reimbursement for expenses incurred as part of their assignment.

States have also implemented their own stipend programs for able older people. Some, such as the Elder Service Corps in Massachusetts, have no income requirements for eligibility.

These stipend-based volunteer programs have been operating successfully for many years. The concepts and approaches have been well tested. It would be possible to build upon these programs to offer additional targeted governmental stipend-volunteer programs for older people. To reach the widest segments of the population, as demonstrated by The Commonwealth Fund survey discussed in this volume, new programs would be wise not to restrict eligibility by income. Older people, regardless of their income, could be a valuable asset in providing services for the health and welfare of local communities. Both federal and state governments can play an important role in establishing new, expanded stipend-volunteer programs.

Educational Programs

Career-related educational programs at the college and university level specifically designed for older learners became more common in the 1980s. A report prepared for The Commonwealth Fund entitled "The Next Educational Opportunity: Career Training for Older Adults" (Bass & Barth, 1992) develops the rationale and argument for increased participation of community colleges in career-related training for older adults. In the report, two case studies of successful programs are presented -- one at the University of Massachusetts at Boston and the other at Westchester Community College in New York.

Some public colleges and universities can grant tuition waivers for students 60 years or older, providing an additional mechanism to attract nontraditional students. The key to successful career-training programs targeted at older learners is designing program modules that match the educational needs of the older population. Recognizing the limited number of such collegiate programs nationwide, a national coalition of community colleges and aging organizations has sought to encourage greater involvement by local community colleges. The coalition, calling itself Community Education and Economic Development in an Aging Society (CEEDAS), is currently seeking to develop several national demonstration programs involving business, community colleges, and older adults.

Support for career-related training of older adults within the existing publicly funded collegiate system represents a cost-effective way to expand training opportunities for older people. These programs can encourage either paid or volunteer work for their graduates. There remains a substantial opportunity for colleges to expand the offering of educational programs for older adults interested in career retraining. Such programs should be encouraged at the state and local levels.

Disability Policy and the Americans with Disabilities Act

The federal government also influences public and private policy through its regulatory power, which in turn can affect the participation of older people in the labor force. One good example is the 1990 Americans with

Disabilities Act.

All modern industrial societies attempt to ameliorate the economic consequences of work-related health impairments, either through transfer programs that replace lost earnings or provide an income floor or through employment programs that attempt to offset the effects of an impairment or encourage employers to hire people with disabilities. Countries differ dramatically in the relative emphasis they place on income transfers versus employment, and the different emphases are reflected in labor force behavior.

The decline in U.S. male labor force participation begins well below age 62 -- the earliest age of eligibility for Social Security retirement benefits in the United States. The same is true in other industrialized countries. The decline in elderly employment in the United States and an accompanying increase in the disability rolls are partly due to the fact that our disability systems are dominated by their transfer component, rather than by attempts to keep people with disabilities on the job.

Leo Aarts, Richard Burkhauser, and Philip de Jong (1993) have calculated the ratio of disability transfer recipients per 1,000 active labor force participants in the United States, Germany, Sweden, and the Netherlands between 1970 and 1989 (Table 1). In 1970, the U.S. ratio, for men 15-64, was about half that in the three European countries. By 1980, the rate had increased by 150 percent in Holland, by 40-50 percent in the United States and Sweden, but only by 16 percent in Germany. At the same time, the German ratio for men aged 60-64 more than tripled. During the 1980s, in contrast, the disability rolls leveled off in all four countries and even declined in Germany.

It is difficult to imagine that health alone could be responsible for such dramatic differences in disability rates across countries or for such large changes over time. In fact, researchers have shown that major increases in the scope and generosity of disability programs in these countries were primarily responsible for the rapid build-up in the "disabled" transfer population during the 1970s and its leveling off in the 1980s (Aarts, Burkhauser, & de Jong, 1992; Haveman, Halberstadt, & Burkhauser, 1984; Quinn, 1993; Quinn & Burkhauser, 1993). They argue that much of this population would have been unemployed, retired, or still working under different policies.

Historically, U. S. disability policy has been dominated by transfer programs rather than by rehabilitation efforts or direct labor market intervention on behalf of people with disabilities. European countries, in contrast, have generally made re-employment a major policy goal of their disability programs, either through quotas for disabled people or through direct job creation by the government.

In Sweden, for instance, only those judged unable to be rehabilitated are allowed onto the disability transfer rolls. When necessary, government-provided jobs are made available to those who are not employable in the private sector. Germany does not directly create jobs for people with disabilities, but it has a mandated quota system that requires both private and public enterprises to employ workers with handicaps.[12]

The United States has moved closer to the European approach by enacting the 1990 Americans with Disabilities Act (ADA). This extends protection from employment discrimination to people with disabilities, in firms with 25 or more employees as of July 1992 and in firms with 15 or more employees in July 1994 (Burkhauser, 1992; Weaver, 1991).

Under this act employers must make "reasonable accommodations" to disabled workers unless this would result in "undue hardship" on the operation of business. Reasonable accommodations include job restructuring, part-time or modified work schedules, reassignment to vacant positions, the use of qualified readers and sign interpreters, and attendants for travel. It will be some time before the impact of the ADA on work decisions is known. Its impact on older workers may be limited because it is but one of many policies that influence the timing of retirement.

A pro-work policy for encouraging older people with disabilities to stay at work or to return to work would involve using the "carrot" of increased accommodation, through ADA mandates and subsidies to employers, as well as the "stick" of strict criteria for Social Security disability eligibility.

In developing this pro-work agenda, it is important to recognize that the transition to disability is a process, and the timing and the actual policy intervention used to encourage work are important. The role policy plays in determining whether people with disabilities apply for transfer payments or continue to work is seen in the recent work of John Bound and Donald Parsons. Bound (1989), using data from the 1972 and 1978 Survey of the Disabled, found that only about one half of <u>rejected</u> disability applicants ever returned to work. This suggests that for many of those who apply for disability benefits, health constraints may be so great that a return to work is unlikely even if they are denied benefits. But in a recent exchange, Parsons (1991) and Bound (1991) both recognized that the process of applying for disability insurance benefits may have a "scarring" effect that lowers the probability that the applicant will ever return to work. If so, then the fact that most unsuccessful disability candidates stay out of the labor force does not in itself mean that health is the primary determinant of work.

Application for benefits is a risky gamble whose outcome can be delayed for some time. Those who gamble and lose may have permanent "scars," since they have to leave the labor force, often for a long time, in order to maximize their chances in the disability review process (Parsons, 1991). Bound (1989) found that for most workers, whether accepted or denied, the decision to apply for disability benefits is tantamount to withdrawing permanently from the labor market. This scarring would be reduced if the time lags were reduced, or if Social Security eligibility rules permitted those with partial disabilities onto the rolls, as is true in most European nations.

Richard Burkhauser, J. S. Butler, and Yang Woo Kim (1992) have studied the ability of accommodation to extend job duration following the onset of a health condition that affects work. Using retrospective data from the 1978 Survey of the Disabled, they found that accommodation by an employer significantly extended a worker's duration on the job and that increases in the Social Security replacement rate decreased duration. Hence, disability policies can either increase or decrease work effort. But the authors caution that accommodation by the firm is probably not randomly assigned (it is more likely to have been offered to those less severely disabled), so that the research results may be biased.

The research also suggests that accommodation is more likely to be successful if offered immediately after the onset of a health condition, rather than delayed until after the disability review process. For those with a longstanding health condition and a scant work history, the ADA is unlikely to be able to replace disability transfer payments with wage earnings. But for most people with disabilities, early intervention is possible. Despite the now-familiar wheelchair as the symbol of people with handicaps and the high profile of people with sight- and hearing-impairments in the battle for the ADA, only a small fraction of the population with handicaps are blind, deaf, or in wheelchairs. Most of those on the disability rolls suffer from one of four broad health conditions: mental disorders, circulatory diseases (predominantly heart problems), musculoskeletal diseases (predominantly arthritis), and neoplasms (cancer). They did not have these handicaps during most of their work lives. About 60 percent of those on the Social Security Disability Insurance rolls in December 1989 were between the ages of 50 and 64.

But whether the law will significantly increase accommodation, especially to older workers with handicaps, remains to be seen. The ADA's accommodation criteria are far from precise. Walter Oi (1991) has suggested that workers with handicaps are more often constrained by their time and energy than by physical barriers, since the time and energy they expend in day-to-day maintenance is greater than that of those without handicaps. Future court decisions on the reasonableness of accommodation through more flexible hours, or even permanent part-time work, are likely to be important in shaping the future workplace. Such decisions will be crucial to the argument that the work environment must be altered to accommodate the infirmities and frailties associated with aging.

The Age Discrimination in Employment Act

The Age Discrimination in Employment Act (ADEA) of 1967 flowed out of the civil rights legislation of the 1960s, and was patterned after the Equal Pay Act of 1963 and the Civil Rights Act of 1964. The central section of the ADEA (Section 4) follows the language of Title VII of the Civil Rights Act in prohibiting employers from refusing to hire, discharging, or otherwise discriminating against any individual because of age. Those aged 40 and over are now covered by the Act.

The interpretation by the courts of unlawful discrimination under the ADEA has varied over time in much the same manner as their interpretation of discrimination under the Civil Rights Act. Initially the courts used a "disparate treatment" rule for determining discrimination, under which the plaintiff was required to show that some action by the employer had a disproportionate effect on the hiring or employment of older workers. The plaintiff also had to show an intent to discriminate. If the plaintiff was successful, then the burden of proof shifted to the defendant, who had to establish that the action was not based on age but on a bona fide occupational qualification, or that the action was based on a reasonable factor other than age. These two defenses closely paralleled those laid out in the 1963 Equal Pay Act.

In the 1970s, following the Griggs vs. Duke Power case [401, US424, 430 (1970)], the courts shifted the burden of proof rule in civil rights cases from "disparate treatment" to "disparate impact." This substantially reduced the burden of proof on plaintiffs by requiring them only to show a disproportionate outcome; proof of intent was no longer required. But the Supreme Court has not yet adopted or rejected the disparate impact theory of discrimination under the ADEA. However, many lower courts have used the disparate impact concept in their decisions. Geller v. Markham [635 F. 2d 1027 (2d Cir. 1980)], the first to do so, ruled that a cost saving measure that prohibited the hiring of teachers with more than five years experience was discriminatory because a disproportionate number of teachers aged 40 to 65 have five years experience and hence, this employment rule had a "disparate impact" on older workers.

As discussed above, Congress amended the ADEA in 1978 to prohibit mandatory retirement below the age of 70. The 1986 Amendment to the ADEA outlawed mandatory retirement at all ages with only a few exceptions. Other changes in the 1980s included prohibition of age discrimination in health care plans, in 1982; age discrimination against Americans employed in foreign countries by American firms, in 1984; and the outlawing of the discontinuation of employer pension accrual because of age, in 1986.

O'Meara (1989) documents the steady increase in the number of allegations filed with the Equal Employment Opportunity Commission in the 1970s--from 1,031 in 1969 to 5,374 in 1979, followed by an even faster growth in the early 1980s (8,779 in 1980, 12,710 in 1981, 16,002 in 1982, 23,719 in 1983) and then a leveling off in 1984 and 1985 (21,635 and 24,830, respectively).

O'Meara also shows that the vast majority of allegations of violation under the ADEA -- 76 percent between 1978 and 1983 -- resulted from terminations. It is not surprising that during the deepest recession (1981-1983) since the 1930s, ADEA allegations would increase as firms tried to downsize their workforces, both legally and illegally. But the shift from a disparate treatment to a disparate impact rule, which made the plaintiff's burden of proof easier, may also explain part of this increase in litigation, as well as a key Supreme Court ruling in 1978 [Lorillard v. Pons, 434 US 575 (1978)], that gave individual plaintiffs the right to a jury trial. Following this decision, Congress amended the ADEA to incorporate this ruling into the law. O'Meara argues that the increased likelihood of winning large settlements in front of a jury has increased the willingness of lawyers to take on ADEA cases.

What is more difficult to determine is the overall effect this legislation has on the employment of older workers. The complaints brought before the EEOC in the early 1980s represent a small fraction of the older workers who left their jobs during this recession. Furthermore, most plaintiffs during this period were white male professionals and managers (see Schuster & Miller, 1986).

The labor force participation rate of the baby boom generation of women is much higher than their mothers' generation and the skills and sophistication they bring to the work force are much greater. Hence, it is likely that this new generation of older women will make more use of the ADEA than the current generation of older women. Nonetheless, it is questionable whether the courts offer a viable means of insuring employment at older age for either men or women who are less sophisticated in the legal process.

While illegal discriminatory practices certainly play a role in forcing older workers from their jobs, a far more important reason for the "voluntary" exit of workers in their fifties and sixties is the nonactuarially fair pension plans they face, as was discussed above. Legislation that required such plans to be age neutral or an interpretation by the Supreme Court that current ADEA language prohibits age-biased plans would have a major affect on the work of older people.

It is unlikely that such an interpretation will occur, however, without a change in ADEA language. A decision by the Supreme Court in Public Employees Retirement System v. Betts [50 FEP Cases 104 (U.S. Sup. Ct. 1989)] effectively immunizes benefit plans from age-based challenges unless it can be shown that the employer intended changes to result in age bias in terms and conditions outside the fringe benefit area. This is a clear return to a "disparate treatment" role in which an "intent to discriminate" is required in this area of employer action. (See Rappoport [1989] for a fuller discussion.)

This 1989 decision was part of a series of rulings that signalled that a more conservative Supreme Court was moving back toward a disparate treatment rule in civil rights cases in general. However, the Civil Rights Act of 1990 was intended by Congress to send a message to the Supreme Court that they should return to the disparate impact rule in determining discrimination under that Act. How the Supreme Court will react to these latest Amendments to the Civil Rights Act in its rulings in age discrimination cases remains to be seen.

From Neutrality to Pro-Work Policies

By examining government policies, programs, and regulations, this chapter has identified numerous areas that can be changed or enhanced to encourage older people to work. Also, legislation already in place can be enforced to aid this effort. Although the policies identified here are pro-work, in no way are we advocating work obligations for the elderly. Our position is to develop public policies that provide incentives and reduce barriers for those who are positively inclined toward participation in the labor market. This volume has provided substantial evidence of the work capacity of older people (Chapter 8) and their interest in work (Chapter 2); the problem of developing polices that support this capacity and interest remains.

A significant change in public policy is needed to encourage older Americans who would like to continue to work. Already, there has been some progress. Mandatory retirement has virtually been eliminated, and Social Security is on the way to becoming approximately age-neutral; that is, will not penalize those who work beyond a particular age. The earnings test has been liberalized, and will in essence be eliminated as the delayed retirement credit approaches actuarial fairness.

The big unknown is how the private sector will react to these changes in the Social Security environment. Will firms change their pension incentives to go along with federal initiatives towards age-neutrality, perhaps anticipating labor shortages as the demographic changes described in Chapter 2 occur? Will they create more flexible work opportunities for older workers, including part-time jobs or jobs with less stress and fewer physical requirements? If so, it is likely that workers will stay longer on their career jobs, as many in The Commonwealth Fund Productive Aging survey suggest they would like to do. Or, will firms <u>increase</u> their retirement incentives, to compensate for the loss of mandatory retirement and the Social Security retirement incentives, as some evidence suggests they did in the 1980s? In this case, it is likely that workers will work longer, as the Social Security penalties disappear, but not on their career jobs, where penalties remain. They will continue to leave their career jobs when the value of their pension rights is maximized (that is, before the negative accruals commence), but will then look for subsequent employment. More workers will utilize bridge jobs -- second careers -- between full time work on the career job and complete labor force withdrawal.

The policy options for the private sector are clear. Research has established that workers do respond to financial incentives, and that many would prefer more flexible work arrangements late in life. If firms become convinced that it is in their best interests, they know how to delay retirement. Penalties for work beyond the earliest age of pension eligibility can be eliminated. Delayed retirement credits can be made actuarially fair, or more than actuarially fair. Benefit calculation rules that base benefits on the last few years of earnings, and which therefore seriously penalize those who work their last few years part-time, can be changed. Employers can offer part-time work and more flexible daily or annual schedules -- the kind of changes that the ADA may require for workers with disabilities. Job retraining can be offered to move older employees into less stressful or less physically demanding lines of work.

But what about public initiatives? What additional changes are possible that would encourage more work by older Americans? Here are some suggestions:

1) Amend the Employment Retirement Income Security Act (ERISA) to allow prorated fringe benefits (e.g., a prorated subsidy on medical insurance) for part-time employees, depending on how many hours they work. Current ERISA legislation requires employers to offer to part-timers who work 1,000 or more hours per year the same full pension coverage and other fringe benefits that full-time workers enjoy. This increases the cost of hiring part-time workers, since the per-hour cost of fixed fringes like medical insurance is higher the lower the number of hours worked. This also gives an incentive for firms to restrict the hours of part-timers to less than the statutory minimum. A change here would allow employers and employees to agree to more flexible work contracts to the benefit of both.

2) Reverse Medicare policy to make Medicare the primary source of health care coverage for workers aged 65 and over. This would encourage the employment of older workers by, in essence, subsidizing their compensation. Health costs are a significant concern to employers, especially for older workers. In the 1980s, Medicare eligibility rules were changed to make

Medicare secondary to benefits provided by employment-based health insurance; in other words, the employer's insurance must meet its obligations before Medicare steps in. This applies to workers aged 65-69 (since 1982), spouses of workers aged 65-70 (1984), and individuals with disabilities covered by firms with at least 100 workers (1986) (U.S.S.S.A., 1991, pp. 56-57). These changes reduced Medicare expenses, but raised a major barrier to the employment of older workers.[13] A reversion to the original policy would do the opposite.

3) Permit workers aged 65 and over to opt out of additional Social Security contributions and average monthly earnings recalculations. Currently, older workers and their employers continue to contribute into the Social Security system. Each pays 7.65 percent of the first $57,600 (1993) and 1.45 percent (the health insurance component) on all earnings above that. (The Clinton Administration has proposed assessing the HI component on all earnings.) One idea would be to encourage the employment of older workers by allowing those over age 65 to opt out of Social Security. To encourage part-time work, one could exempt a certain amount of earnings (perhaps the first $10,000) from Social Security contributions for those over a particular age.

4) Eliminate the qualifying-child requirement for the Earned Income Tax Credit (EITC). This would make some low-income older workers eligible for this credit, and, to the extent that some of the incidence of the subsidy fell on employers, would make the elderly more attractive candidates for employment. The EITC is a mechanism that subsidizes the wages of workers with children in low-income households. In 1993, the wage supplement is about 19 percent of the first $7,760 in earnings -- a maximum of about $1,500.

It phases out slowly as adjusted gross income increases from about $12,000 to $23,000 (U. S. House, 1992, pp. 1013-15). Many older workers have earnings and incomes that would make them eligible, but do not have the dependent child needed to qualify.

5) Use direct tax credits to encourage employers to hire and/or train older workers; for example, a tax reduction equal to a certain percentage of the wages paid to workers aged 65 and over, perhaps with a maximum dollar limit per worker. In Europe, similar mechanisms are used to encourage the employment of workers with handicaps. The same tool could be used in the United States, but applied to workers over a certain age.

6) Increase federal employment training assistance for older workers, expand income eligibility criteria, and offer part-time work options. Real (inflation-adjusted) outlays for the Job Training Partnership Act (JTPA) have declined from about $5 billion in 1981 to about $1.6 today (U.S. House, 1992, p. 1692). The law requires that 3 percent of these funds be set aside for people aged 55 and over; 5 percent of those who passed through the program in 1991 were this age (U.S. House, 1992, p. 1691). In 1985, fewer than 1 percent of those aged 55-64 and eligible for this training assistance (and less than 10 percent of the unemployed of this age) participated in this program, despite evidence that programs such as these are moderately successful with older displaced workers (Rupp, et. al. 1987; Sandell & Baldwin, 1990). In addition, at the state level link JTPA with other federal employment programs.

7) For cases in which employers do not offer training opportunities, encourage the workers themselves to undertake human capital investment by offering a partial personal tax credit for work-related educational expenses, up to a dollar limit, for those over a certain age.

8) The most important potential policy change would be a federal mandate that employer pensions must be age-neutral; that is, must not have financial penalties for those who work beyond a particular age. Given the importance of defined-benefit pension incentives on those who are covered, this might have a significant impact on work at older ages -- much larger, for those covered, than the Social Security changes currently underway.

Such a proposal, however, should be treated with caution, with the benefits compared carefully to the costs. There may be advantages to the present system that would be lost. Edward Lazear (1979, 1990), for example, has argued that an agreed-upon retirement date permits lifetime compensation schemes (underpayment early in one's career, and overpayment later) that reduce turnover costs, and thereby raise the lifetime compensation that workers enjoy.

Others have argued that mandates in one part of the compensation package are offset by changes in another, leaving workers no better off, or worse off, if they preferred the previous allocation (Andrews, 1993; Mitchell, 1990).[14] If the mandates do raise costs to the firm, one possible outcome is a reduction in employment.[15] Another possibility is that legislation mandating age-neutrality would lower the attractiveness to employers of providing pensions, and result in a further decline in coverage. Finally, what might be appropriate in some industries or regions may be inappropriate in others, and one should be wary of excessive government intervention into voluntary private contracts. These arrangements have arisen for a reason, and one should proceed with caution in overriding them.

9) Make greater use of current AoA authorization to coordinate pro-work agendas throughout the federal government. A national Older Workers

Task Force jointly administered by the Department of Labor and AoA would be a proactive step in forging federal initiatives. Such a task force would be part of the development of an inter-agency older worker plan. In addition, AoA through its local Area Agencies on Aging (AAA) and state agency affiliates could develop local assessments of current training and employment opportunities for older people. These assessments would identify the AAA goals in working with community colleges and employers around expanding opportunities for older people. Finally, current AoA Title IV funds could be targeted for initiatives that provide support for training, research, and demonstrations for older-worker initiatives.

10) Expand funding and eliminate income eligibility criteria for federally funded stipend-volunteer programs, such as RSVP, the Foster Grandparent Program, the Senior Companion Program, and SCORE.

11) Establish new demonstration programs that broker part-time temporary jobs (like Japan's Silver Human Resources Centers) for older retirees.

12) Enforce ADA requirements concerning the adaptation of work environments for older workers.

13) At the state level, states should be encouraged to develop a comprehensive plan to coordinate training and employment of older people. Several states have undertaken such efforts and others should as well. The plan could examine issues such partial-service retirement options to provide greater flexibility for civil-service workers; coordination between education, labor, business and aging programs; tuition waiver programs for students over 60 years old perusing career-related studies; and the establishment or maintenance of state-funded stipend-volunteer programs.

Indeed, innovations and programs are already being tried at the local and state levels to encourage able older workers to remain employed. These programs are too few, however, and frequently operate without adequate funding, systematic evaluations, and any dissemination of their activities. Nevertheless, it is our opinion that the hurdles to moving a pro-work agenda for older people forward are far more structural and policy-related than financial. Various mechanisms and avenues for communication already exist; they can be strengthened so that we can shift from anti-work to pro-work incentives to assist those who want to continue working beyond the traditional retirement age.

Conclusion

The potential for harnessing the capacity of older people to effectively contribute to the larger society remains within the reach of current federal and state programs, legislation, and regulation. Numerous programs already exist, such as those identified here. Indeed, there may be certain problems with specific programs; however, with minor changes and modest funds, much could be accomplished. Along with these changes, employers may become more receptive to older workers.

With a larger vision of the role of older people and the capacity of government to serve as a catalyst, enhanced outcomes are possible. To do this requires a level of priority- setting and coordination that has not yet been evidenced. The goal of stimulating the economy and making America more productive can and should include older people. With some imagination, government could play a far more effective role in tapping the existing potential of able older people.

NOTES

1. Many Americans know this "7 percent" in another form: the fact that benefits claimed at 62 are only 80 percent of what the "full benefits" would have been at age 65. A 20-percent reduction for three additional years of receipt is 6.67 percent per year, or 8.33 percent when viewed against the 80-percent, age 62 base.

2. Gustman and Steinmeier (1992b) have analyzed the impact of another incentive -- health benefits after retirement -- on the timing of the retirement decision. They find that workers tend to delay retirement at least until the date at which they become eligible for these benefits, and then are slightly more likely to retire once eligible. The net effect is a very small decline in average retirement age. Paine (1993) reports that retiree medical coverage is declining, and predicts that it will continue to do so.

3. Universities were permitted to retain mandatory retirement provisions at age 70 until January 1994. For certain other groups, such as those with a bona fide age-related requirement (police, firefighters, airline pilots) and certain high-paid executives, mandatory retirement can continue after that date.

4. Prior to 1978, two strong anti-work factors affected many American workers at exactly the same time, age 65: the "carrot" of financial incentives and the "stick" of mandatory retirement. Legislation delayed and then

removed the stick, but not the carrot. Mitchell and Luzadis (1988) and Luzadis and Mitchell (1991) found that some employers actually increased their retirement incentives, perhaps to compensate for the loss of mandatory retirement. Burkhauser and Quinn (1983a) found that at least half of the difference in behavior between those with and without mandatory retirement was due to factors other than this constraint. Since those other factors, especially the financial incentives, did not change -- or, if Mitchell and Luzadis are right, changed in an offsetting direction -- one should expect little change in aggregate retirement behavior following the elimination of mandatory retirement.

5. For an excellent summary of these details, see U.S. House (1992).

6. As Gustman and Steinmeier (1991) point out, a common delayed retirement credit applied to all cannot be actuarially fair to all, since different demographic groups have different life expectancies.

7. The increase in the delayed retirement credit to close to actuarially fair will in essence eliminate the earnings test, even if it remains on the books. The reason is that benefits foregone because of earnings in excess of the exempt amount will be returned, in an actuarial sense, through higher benefits later. In this context, there is nothing "full" about "full benefits" -- benefits are actuarially lower if one retires earlier and actuarially higher if one retires later. Without the kink in the delayed retirement credit rules that used to exist at age 65, the designation of which year's benefits are labeled "full" is arbitrary.

8. Among those who have analyzed various of these Social Security changes are Fields and Mitchell (1984), Burtless and Moffitt (1984), Gustman and Steinmeier (1985, 1991), Gohmann and Clark (1989), Leonesio (1990), and Stock and Wise (1990). In very recent work, Reimers and Honig (1993) (and Honig and Reimers, 1992) suggest that the labor supply effects of these changes may be greater on women than on men. According to their results, women have longer time horizons than do men; that is, women are more likely to view Social Security in a long-run, present discounted fashion rather than just looking at current benefits. On the other hand, in one of the few other studies comparing the retirement patterns of men and women, Lumsdaine, Stock, and Wise (1992) find no statistically significant differences in retirement behavior. This is an area where research is long overdue.

9. See Woods (1989), Short and Nelson (1991), Bloom and Freeman (1992), and Reno (1993). Korczyk (1992) and Reno (1993) both note that while pension coverage has been declining for men (from 54 percent to 49 percent of full-time male workers between 1972 and 1988), it has been increasing (from 38 to 43 percent) for full-time women over the same period. Pension coverage is still more common among male workers, but the gap is narrowing.

10. Gustman and Steinmeier (1992a) estimate that about half of this change is due to the shifting employment mix, from large unionized manufacturing firms to smaller service-oriented nonunion employers who have always been more likely to offer defined contribution plans. Clark and McDermed (1990) emphasize the importance of changes in federal pension regulation. New vesting, funding, insurance, and reporting requirements have increased the

relative cost of defined-benefit plans, and have induced some firms to terminate coverage or to switch to defined contribution plans.

11. Paine (1993) thinks that this trend toward defined-contribution plans will continue for several reasons: future sources of employment growth are likely to be in smaller firms and in the service industry, both of which prefer defined-contribution plans; most large employers now have defined-benefit defined-contribution plans, but any expansion will be in the latter; as defined-benefit plans decline, they will no longer be needed to attract workers; and finally, competing in a global environment will reduce firms' willingness to offer long-term promises based on future wage increases.

12. For a fuller discussion of the disability systems in Germany and Sweden, see Burkhauser and Hirvonen (1989).

13. The U.S House (1992, p. 184) estimates that these secondary-payer provisions on the working aged saved $1.35 billion in FY 1991.

14. Gruber (1992) has recently presented evidence that the costs of mandated maternity health benefits were financed entirely by reductions in the wages of those covered.

15. Andrews (1993) reviews the evidence on a proposal, last seriously presented in 1981, to mandate pension benefits for all workers. Simulations, based on the literature of the time, assumed that the costs would be borne

entirely by the workers. In the case of minimum-wage workers, whose wages could not decline, disemployment effects would result, disproportionately in small firms.

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