The Pros and Cons of Pro-Work Policies and Programs for Older Workers

Tay K. McNamara, Joelle M. Sano, and John B. Williamson

Abstract

As the population of the United States ages, there is increasing pressure to encourage people to work past the traditional retirement age. A concern with “pro-work” policies, government and employer policies encouraging older workers to remain in the labor force, has grown out of these pressures. For most of the 20th century, government and employer policies instead tended to be “pro-retirement,” encouraging workers to exit the labor force at a set age. In this chapter, we discuss the waning of pro-retirement policies and the rise of pro-work policies, along with the possible futures for pro-work policies. Putting pro-work policies in the context of organized labor, economic conditions, and social conditions, we discuss the potential implications for employers, government, and individuals. Today, pro-work policies have largely eclipsed the pro-retirement policies that dominated prior to the 1960s. However, by transferring risk from employers and government to workers, they tend to encourage work while creating a population of workers who are not financially well protected by the system. Over the next few decades, developing and implementing pro-work policies that protect and include more vulnerable populations is a task for organized labor, employees, employers, and policymakers alike.

The aging of the U.S. population will pose substantial challenges to public policy and employer practices over the next few decades. While the United States is aging less rapidly than most other industrialized nations, the retirement of the Baby Boom generation will reshape the workplace over the next few decades. For instance, in 1980, individuals age 50 and above represented only 26% of the population. By 2050, individuals age 50 and above will represent 37% of the population (U.S.
Census Bureau, 2005). Due in part to these demographic changes, there is increasing pressure to encourage people to work past the traditional retirement age, and a concern with “pro-work” policies has grown out of these pressures.

The shift to a pro-work focus runs counter to labor force participation and policy concerns for most of the 20th century. Until the 1990s, the labor force participation of older men declined steadily throughout the century (Costa, 1998). However, by the end of the 1990s, the trend toward earlier retirement ceased or even reversed (Quinn, 2002). Over the same time period, the labor force participation of older women steadily increased, but this was largely a product of the increased labor force participation of women of all ages (Gustman & Steinmeier, 2009). Today, larger numbers of older adults plan to work past the typical age of retirement. In 2003, for example, nearly 70% of 50- to 70-year-olds who had not yet retired reported that they planned to continue working during the typical retirement years.

The shift toward longer working lives has been made possible in part by policy changes. For much of the 20th century, government and employer policies promoted retirement and discouraged continued work among older Americans (Burkhauser & Quinn, 1997). In this chapter, we refer to those policies and practices, including mandatory retirement, Social Security regulations, and pension structures, as “pro-retirement” policies. Mandatory retirement was the most visible of these policies, but many older adults retired even before the mandatory retirement age, influenced by more subtle factors. For instance, even accounting for the presence of mandatory retirement, Social Security and pension policies in the 1970s accounted for about a quarter of the reduction in full-time work by men in their early 60s (Anderson, Gustman, & Steinmeier, 1999). Pro-retirement policies directly affected labor force participation of older adults. While other previous literature, such as Burkhauser and Quinn (1997), has referred to these policies as “anti-work,” we choose instead to highlight the positive intentions of those policies as well as the negative.

Beginning in the 1960s, pro-retirement policies gradually began to give way to pro-work or neutral policies. While some of these policies, such as the Americans with Disabilities Act and the Older Americans Act, are new statutes, many of the strongest pro-work effects are due to major changes in existing pension and Social Security programs. Like pro-retirement policies, pro-work policies have had far-reaching effects on labor force participation among older adults. For instance,
recent research has found that about one sixth of the increase in labor force participation from 1998 to 2004 among married men ages 65 to 67 was due to changes in Social Security policy alone (Gustman & Steinmeier, 2009). While increased labor force participation among older adults has potentially positive effects for businesses and workers alike, we highlight both the advantages and potential risks of pro-work policies.

This chapter is divided into four major sections. First, we discuss the waning of pro-retirement policies and the rise of pro-work policies. Second, we examine the possible futures for pro-work policies. Third, we put pro-work policies in context by highlighting the importance of organized labor, economic conditions, and social conditions to understanding the effects of these policies. Finally, we discuss the potential implications for employers, government, and individuals. By tracing the shifts from pro-retirement policies to pro-work policies from the mid-1900s until today, we show how expanding opportunities for working late in life have included both advantages and disadvantages. While the pro-work influence is not likely to change over the next few decades, a detailed understanding of current pro-work policies may help sensitize us to possible pitfalls when related policies are under consideration in the future.

From Pro-Retirement to Pro-Work Policies

This section will discuss several examples of pro-retirement policies, which predominated prior to 1990, and the shift away from them. While the benefits of pro-work policies are discussed, the potentially negative repercussions for certain subgroups are also highlighted. We focus on three major policies: mandatory retirement, Social Security policy changes surrounding the earnings test, and the shift from defined-benefit to defined-contribution pension plans.

Mandatory Retirement and the Age Discrimination in Employment Act

Mandatory retirement policies, in which employers required employees to retire at a certain age, came under fire in the United States in the 1950s and 1960s. Although labor force participation among older adults in the United States had begun dropping in the early 1900s, the prevalent belief until the 1940s was that older men retired due to poor economic conditions. The improved economy of the 1950s and 1960s, however, highlighted the persistent issue of mandatory retirement and its
effects on the economy and individuals (Macnicol, 2006). As President Lyndon Johnson said, "Hundreds of thousands not yet old, not voluntarily retired, find themselves jobless . . . this is a serious—and senseless—loss to a nation on the move" ("Older Americans Message," 1967, cited in Macnicol, 2006). Partly in response to these concerns, the 1967 Age Discrimination in Employment Act (ADEA) was signed into law.

Although conservatives in the 1980s later charged the ADEA was misguided legislation forced into law by a vocal minority, there was originally widespread support for its adoption. If anything, the ambiguity surrounding the ADEA was which of the issues, such as fairness in employment or poverty among older adults, it was supposed to address. As Shuck (1981) commented, the Act was a “solution in search of a problem.”

At its inception in 1967, the ADEA forbade discrimination on the basis of age for those aged 40 to 65 (Neumark, 2009), and could be seen as a protection aimed mainly at middle-aged workers, not at workers over the typical mandatory retirement age of 65. The explicit aims of the Act were to promote the employment of older workers based on their ability rather than their age, to prohibit arbitrary age discrimination, and to help employers and workers solve the problems that might arise due to age (ADEA, Section 2b). The influence of the civil rights movement is apparent in the focus that the ADEA put on age discrimination as analogous to race or gender discrimination, and even today the ADEA has many parallels to Title VII of the Civil Rights Act. However, because the original ADEA provided little protection against mandatory retirement, and pertained only to private employers with more than 25 employees, fewer than half of employees ages 45 to 65 were protected under the ADEA of 1967 (Macnicol, 2006).

In the 1970s, the ADEA’s scope and coverage was expanded. Local, state, and federal employees were included and the minimum company size was reduced to 20. Consequently, the law as revised covered nearly 70% of workers ages 40 to 65 (Macnicol, 2006). In 1978, the protected age range was increased to ages 40 to 70. This change effectively increased the mandatory retirement age to 70. The U.S. Equal Opportunity Commission (EEOC) took over administrative responsibility for the ADEA from the Department of Labor and the U.S. Civil Service Commission in 1979, leading to more resources to enforce and process lawsuits related to age discrimination. The last direct amendment to the ADEA occurred in 1986, and by eliminating the upper age limit of the act, it
effectively outlawed mandatory retirement for the vast majority of older Americans (Neumark, 2003).

The ADEA, both by outlawing mandatory retirement and by forbidding most age-based discrimination, is one of the most visible landmarks of the pro-work landscape. However, the interpretation, effectiveness, and necessity of age discrimination law have remained controversial.

Many of the original arguments against the necessity of outlawing mandatory retirement in the United States have been mirrored in the recent debates about mandatory retirement in Canada and Great Britain. Some feared that while these laws might reduce age discrimination, they would weaken workers’ claims to pensions by making retirement culturally viewed as “voluntary.” For instance, Macnicol (2006) argues that mandatory retirement serves important functions by allowing older workers to save face and dealing with declining abilities with age. More importantly, he suggests that eliminating mandatory retirement makes it expected that older workers will continue working, and “forcing older citizens to ‘work till they drop’ may be the ultimate form of ageism” (p. 226). Palmore (2006) points out that there is a large difference between forcing older workers to continue working and allowing older workers to continue working, but most of the strongest arguments against eliminating mandatory retirement have been about the more subtle effects of such a policy change on expectations.

The effectiveness of laws concerning age discrimination has not been widely researched, but some research suggests that age discrimination legislation leads to increased labor force participation among older adults. For instance, Neumark and Stock (1999) found that state and federal anti-age discrimination laws were associated with increased labor force participation among older adults. However, outlawing mandatory retirement may have smaller effects on labor force participation than otherwise expected, simply because many people choose to retire before the mandatory retirement age due to pension and Social Security incentives. Also, because most charges of age discrimination surround promotion and firing of older workers, the ADEA may have had the unintentional consequence of reducing hiring of the older group of workers. Adams (2004) found that age discrimination laws had a large negative effect on the hiring of individuals age 65 and older. In part, this may be due to Lazear’s (1979) observation that mandatory retirement was
used to enforce termination of employment at an appropriate time, with workers being paid a low initial wage and a higher final wage as a disincentive to voluntary turnover. There is some evidence that mandatory retirement may have unintentionally benefited older workers up until the retirement age by encouraging employers to pay them more than their reservation wage (the lowest wage rate a worker would accept for that time of job) at the end of their careers.

Finally, the interpretation of age discrimination laws has changed substantially over the past two decades. On one hand, in 2004 the EEOC approved a rule regarding health benefits that eased restrictions, allowing employers to coordinate retiree benefits with Medicare more easily. However, the “reasonable factors other than age” ADEA exception recognizes that factors other than age can lead to an appearance that age drove a hiring, promotion, or firing decision (Neumark, 2009). In light of these interpretations, age discrimination is very difficult to establish because there are legitimate and nondiscriminatory reasons why age can affect labor-market outcomes.

The advent of the ADEA and the eventual elimination of mandatory retirement are two of the most visible signs of the waning of pro-retirement policies. Gradually expanded beyond its original scope, the ADEA now covers most workers ages 40 and older. However, discrimination law as a pro-work policy is not without its critics. It can be viewed as increasing social expectations that workers will continue to work regardless of whether they want to do so, while being problematic in its the interpretation and effectiveness (Macnicol, 2006; Neumark, 2009).

**Social Security and the Earnings Test**

A second major aspect of the shift from pro-retirement to pro-work policies was the changes to Social Security policy, particularly in relation to the earnings test. Once Social Security beneficiaries earned more than a specific “exempt” amount, their benefits were reduced in proportion to their original earnings. The earnings test, introduced in 1939, was gradually relaxed beginning in the 1950s.

When the earnings test was established, it purposely discouraged continued work because the intention was to push older workers out of the labor force. Social Security beneficiaries lost an entire month’s benefits if their monthly earnings exceeded $15, so there was little to no financial incentive for Social Security-eligible older adults to continue to work (Friedberg, 2000). The benefit...
reductions were actuarially fair because they compensated workers for their losses while working with higher benefits in later years, but most workers saw the tax on their Social Security benefits as a direct loss to them. Hence, the earnings test was widely viewed as a disincentive to work at older ages (Engelhardt & Kumar, 2007).

Beginning in the 1950s, for social and economic reasons, the emphasis shifted from discouraging work to encouraging work and savings. Hence, from the 1970s until today, the exempt amount (the amount a person can earn that is exempt from the earnings test tax), the affected age groups, and the tax rate have gradually changed to be less unfavorable to continued work while receiving Social Security benefits. In 1978, the exempt amount was increased by about 25% for workers ages 65 to 71, and in 1983 the earnings test was eliminated for workers ages 70 and 71. For those ages 65 to 69, the exempt amount was increased beginning in 2002 (Friedberg, 2000). The common feature of these changes was that they mostly addressed workers who had typically already left the labor force. In 2000, the Senior Citizens Freedom to Work Act abolished the Social Security retirement earnings test for those aged 65 to 69. The rationale for removing the earnings test above the full retirement age was to encourage older people to work so their savings and earnings would supplement Social Security benefits (Song & Manchester, 2007). The earnings test remains in place for workers ages 62 to 64.

For workers affected by the earnings test, future benefits were increased to offset amounts removed by the earnings test. However, researchers have generally argued that workers ignore these future increases and tend to perceive the earnings test as a pure tax (Loughran & Haider, 2007; Mastrobuoni, 2006). And although the earnings test was substantially relaxed, it remained a deterrent to continued work throughout the 1990s. In 1998, for every additional $2 that a worker under age 65 earned above $9,120, his or her benefits were reduced by $1. This amounted to a 50% tax on wages. For every $1 earned above the $14,500 exempt amount, workers ages 65 to 69 faced a 33% loss of benefits (Friedberg, 2000). The net result was that people were often compensated more for not working than they were for working.

Despite the popular attention paid to the earnings test, research throughout the 1990s suggested that it had only small effects on labor force participation (Burkett & Moffitt, 1985; Gruber &
More recent studies such as Friedberg (2000) and Loughran and Haider (2007) have found larger effects. Baker and Benjamin (1999), in a study of the earnings test in Canada, found similarly large effects. The more recent research has benefited from additional data, such as being able to study the changes in the earnings test over time. For instance, Friedberg (2000) studied three shifts in the earnings test, concluding that workers tend to cluster around the exempt amount in substantial numbers. Recent research on the Senior Citizens Freedom to Work Act of 2000 suggests even larger effects. For instance, Engelhardt and Kumar (2007) reported that repealing the earnings test increased labor supply by 12% to 17%. Despite these recent findings, there is still controversy about the extent to which the earnings test affects labor force participation.

Current research on the effects of the 2000 removal of the earnings test also highlights a troubling aspect. For the most part, changes to the earnings test affected labor force participation and earnings among highest earners and least-vulnerable groups. For instance, Engelhardt and Kumar (2007) found that the strongest effects of removing the earnings test occurred among men with a high-school degree, compared to women and men without a high-school degree. Loughran and Haider (2007) similarly found that the effects of the earnings test are concentrated among younger men. For instance, the 2000 modifications to the earnings test affected 65- to 69-year-old men, who were better able to take advantage of these changes than the age 70 and 71 cohort that the 1983 modifications affected. The effects are far less pronounced for women. Similarly, Song (2003, 2004) and Song and Manchester (2007) argued that eliminating the earnings test caused only some workers to increase their earnings, in particular high earners. This is not surprising, in that low-wage workers often would not exceed the original exempt amount in earnings, and finding adequately paying jobs was often more of a problem than avoiding having their benefits reduced.

Despite the lack of an effect among low-wage workers, these workers rely upon Social Security for large proportions of their retirement income. For example, among elders in the lowest income quintile (the lowest one-fifth of incomes), Social Security represents 83% of their total annual income. Among elders (age 65 and older) in the highest income quintile (the highest one-fifth of incomes), Social Security represents 20% of their total annual income (Gonyea, 2007). Hence,
repealing the earnings test above the normal retirement age most benefited the workers who depend the least on the Social Security benefits.

Elimination of the earnings test above the normal retirement age has had at least modest effects on the labor force participation of older adults, particularly high wage earners. However, it has substantially smaller effects on low-wage workers who rely most on Social Security for their retirement income.

**Defined-Benefit and Defined-Contributions Pensions**

Company-paid and -sponsored pensions appeared during World War II and spread in the affluent decades that followed (Gonyea, 2007). These company-paid plans were predominantly defined-benefit plans, which provided workers at their retirement with a lifetime annuity, based on their earnings and years of service within a company. Up until the 1970s, nearly three-quarters of workers with a pension had defined-benefit plans. These plans tended to be pro-retirement in that they encouraged workers to retire at a certain age. However, beginning in the 1980s, the predominant type of pension plan began to shift to defined-contribution plans, which relied on worker and employer contributions. At retirement the worker received the account balance. By 2001, 77% of pension-covered workers had defined-contribution plans (Even & MacPherson, 2007). Defined-contribution plans tend to be pro-work in that they do not penalize workers for continued employment (Burkhauser & Quinn, 1997). Defined-benefit plans worked best in situations where an employee had lifetime employment with one large firm and retired at exactly the age specified in the pension plan. The most traditional defined-benefit plans offered workers income security in old age (Gonyea, 2007). However, they also discouraged continued work past the accepted retirement age. Under these plans, pension wealth accumulated slowly during early years on the job, accelerated after many years of tenure, then slowed or even decreased at the end of a worker’s career. A typical defined-benefit plan encouraged workers to remain at a single job for 25 to 30 years, then encouraged an abrupt retirement (Friedberg & Webb, 2005). Because they were often structured in such a way that the value of expected future benefits fell with each additional year on the job (beyond the expected retirement age), remaining on the job was a real financial loss to workers, even accounting for the
extra wages earned (Burkhauser & Quinn, 1997). Most workers with defined-benefit plans retired when it was financially advantageous to do so. Because of the dramatically pro-retirement structure of these plans, as Friedberg and Webb (2005) observe, defined-benefit plans may have influenced retirement behavior more strongly than Social Security did.

Defined benefit plans, while they remained more common in the public sector, began to wane in popularity beginning in the 1980s. Their high administrative costs made them unpalatable to many firms, especially as the economy shifted to new industries and to smaller firms that could not necessarily afford these costs. Because unions had often been a major force behind the development and preservation of traditional pensions, a decline in unionism also led to the waning of defined benefit plans. However, one of the most salient factors was simply that defined benefit plans were not portable and assumed lifetime employment, when that was no longer a reality for many employees (Even & MacPherson, 2007). In fact, the shift away from defined benefit plans was symptomatic of a changing worldview in which employers no longer are assumed to have a paternalistic relationship with their employees (Gonyea, 2007). Employees were expected to be more self-reliant in planning their retirements.

Due to these economic and social changes, defined-contribution plans were already more attractive to most employers and many employees by the late 1970s. Hence, the passage of Section 401(k) of the Revenue Act in 1978 triggered a rapid transformation of the pension landscape.

Furthermore, 401(k) plans were more attractive to most workers than the traditional defined-contribution plans. Traditionally, defined-contribution plans allowed employer contributions to be in pre-tax dollars, while employee contributions were in post-tax dollars. From the employee's perspective, the main advantage of a traditional defined-contribution plan was that it allowed them to control their level of contribution to some extent. In contrast, 401(k) plans allowed pre-tax contributions from employees. Both because of the intrinsic attractiveness of 401(k) plans and the existing social and economic trends, 401(k)s gained rapidly in popularity in the 1980s and 1990s.

For instance, 401(k) assets grew dramatically from $91.7 billion in 1984 to $1,772 billion in 1999 (Even & MacPherson, 2007). According to 2003 Department of Labor data, more than 60% of workers with pensions had a defined-benefit pension alone (Buessing & Soto, 2006). On the flip side, while the original intention of Section 401(k) was to supplement company-paid pensions, in
the decades since its passage, 401(k)s and similar defined-contribution plans have displaced most private-sector defined-benefit plans. The striking growth of 401(k) plans has been accompanied by a marked decline in defined-benefit plans.

The shift away from defined-benefit plans substantially reduced pension-related disincentives to continued work. Because pension wealth does not necessarily decrease at a particular age, workers with defined-contribution plans tend to retire later than workers with defined-benefit plans (Friedberg & Webb, 2005). However, the pro-work pension changes also had several unintentional effects.

First, under defined-benefit plans, employers were obligated to cover promised benefits. Hence, employers bore most of the risk associated with investments and other uncertainties. Under defined-contribution plans, these risks fall entirely to the worker. Defined-contribution plans expose employees to investment risk that they were insulated from in defined-benefit plans (Even & MacPherson, 2007; Shuey & O’Rand, 2006; Vickerstaff & Coz, 2005). The potentially dramatic impact of market risk was all too evident in connection with the recent stock market meltdown (Munnell, Golub-Sass, & Muldoon, 2009).

Second, under defined-contribution plans, contribution rates and eventual retirement wealth tend to be more variable than under defined-benefit plans (Poterba, Rauh, Venti, & Wise, 2007). In particular, less-educated, lower-wage, and younger workers tend to accrue less pension wealth (Even & MacPherson, 2007). For instance, from 1989 to 1998, even while defined-contribution plans were rapidly growing in wealth due to the performance of the stock market, the mean pension wealth fell for workers with 12 or fewer years of education (Wolff, 2002). While defined-contribution plans offer many advantages, they also create cracks through which vulnerable populations, such as low-wage workers, women, and persons of color, disproportionately fall (Gonyea, 2007).

Third, compared to defined-benefit plans, defined-contribution pensions lead to more inequality of pension wealth due to financial choices at retirement. In theory, it is possible that workers will accumulate more wealth or make more contributions to savings with defined-contribution plans (Even & MacPherson, 2007; Poterba, Rauh, Venti, & Wise, 2007; Poterba, Venti, & Wise, 2001;
Samwick & Skinner, 2004; Wolff, 2002). However, the mix of stocks and bonds in workers’ defined-contribution plans can have a major effect on their eventual pension wealth (Blank, 1999), and poor financial planning can lead to major problems at retirement. Wealth accumulation under 401(k)s is further complicated by the practice of “cashing out” accumulated 401(k) funds to buy homes, finance education, or care for an aging parent. In the face of immediate financial needs, many workers may choose to reduce their retirement savings (Gonyea, 2007). Financial decisions, whether well or poorly thought out, easily can also erode pension wealth in a defined-contribution plan. While in theory workers covered by 401(k) plans could do well, in practice this often does not happen. A major reason is that workers bear the risk burden by themselves, and their control over decision making translates into “mistakes at every step along the way” (Munnell & Sundén, 2004, pp. 173–174).

Defined-contribution plans fit well with the economic and social realities of today, but they are also somewhat problematic. While they may have modest long-term positive effects on overall retirement wealth, especially as compared to no pension plan at all, they also lead to greater inequality in eventual pension wealth, with low-wage workers, women, and persons of color the most likely to be adversely affected.

**A Future for Pro-Work Policies?**

Pro-work policies are well entrenched in today’s landscape, but what is their future? This section will discuss the future of pro-work policies, with a focus on three types of policies: federal legislation not specifically aimed toward labor force participation among older adults, Social Security changes that are only recently being phased in, and employer policies designed to encourage continued labor force participation. Attention is paid both to the advantages of these programs and their potential pitfalls.

**Federal Legislation Concerning Older Adults**

Unlike pension and Social Security law, some of the programs affecting older workers were broader in their original aims. For instance, the Older Americans Act (OAA) of 1965 created a number of programs that directly or indirectly boosted the employment opportunities of older Americans. The
Act grew out of increasing concerns about older Americans, beginning with the first National Conference on Aging held in 1950. By 1962, over 160 aging-related bills were introduced in Congress, largely because of the lack of resources and services for older adults. In the early 1960s, almost half of all Americans over 65 had less than $1,000 a year in income, and few social and health programs existed for their benefit (Wallace, McGuire, Lee, & Sauter, 1999). The OAA was first approved in 1965 by President Johnson as part of his Great Society programs (Wallace, McGuire, Lee, & Sauter, 1999). It included a number of provisions for older workers, such as the establishment of the Administration on Aging (AoA), which advocates for programs related to older adults within the federal government; the creation of a number of state and community programs designed to meet the needs of older persons on a community level; and the authorization of the discretionary funds program, intended to build knowledge about older adults (Burkhauser & Quinn, 1997).

Throughout the 1970s and 1980s, the OAA was revised to expand programs and services to a larger network. In the 1990s, additional amendments focused on providing services to vulnerable elders (Wallace, McGuire, Lee, & Sauter, 1999). The Act established a number of programs that might indirectly promote work among older adults, although this was not the stated goal.

The Americans with Disabilities Act (ADA) of 1990 similarly might affect older adults differently than younger adults. The main objective of Title 1 of the ADA, which forbade employers from discriminating against a qualified individual with a disability, was to increase the wages and employment of people with disabilities (ADA, Pub. L. No. 101-336, 1990). The population of adults with disabilities is extremely diverse (Baldwin, 1997), and in fact older workers are less likely to report short-term disability that has caused them to lose work. However, when they are injured, they are likely to take more time off than younger workers. By some estimates more than three quarters of long-term disability cases are for workers over the age of 40. In part, this is because of the type of disabilities they experience. The most common disabilities among older workers tend to be cancer, mental health disorders, musculoskeletal disorders, and circulatory disorders (UnumProvident, 2005). Substantial numbers of older adults suggest that disability is a major reason they leave the labor force. A 2008 study found that among early retirees, more than half said that they retired due to a health problem or disability (Helman, Copeland, VanDerhei, & Salisbury, 2008). Because the consequences of long-term disability tend to be more...

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financially devastating than short-term disability, older adults may be affected differently than younger adults by the ADA. Both the Older Americans Act and the Americans with Disabilities Act were not aimed directly toward labor force participation among older adults, but both have indirect pro-work effects.

**Additional Changes to Social Security**

Additional changes in Social Security, such as increasing the normal retirement age from 65 to 67, also encourage work at later ages. While these changes can encourage later labor force participation, they may also have unintended negative consequences on certain groups of workers.

Many recent changes to Social Security are in response to the Social Security Amendments of 1983. The Amendments were enacted mainly to improve the solvency of the Social Security system. Several of the changes were or are being phased in, and are only recently beginning to fully affect the labor force. First, the full retirement age (also called the “normal” retirement age) is the age at which a worker becomes eligible for the “full” Social Security retirement benefit. Until just a few years ago, the full retirement age was 65, but during the past six years it has been gradually increased at a rate of two months per year to age 66, where it is today and will remain for those born between 1943 and 1954, then between 2022 and 2027 it will again gradually increase from 66 to 67. For each two months the age of eligibility increased, the result was about a 1% decrease in projected lifetime Social Security benefits (Mastrobuoni, 2006). Second, the delayed retirement credit, which gives workers who delay receiving Social Security benefits additional benefits later, was increased starting with workers born in 1925 (Song & Manchester, 2009). Both of these policy changes encourage continued work past the typical retirement age. They were enacted with the goal of increasing labor force participation among older adults, which would indirectly affect the solvency of the Social Security Trust Funds.

Despite the fiscal benefits, these changes to the Social Security system have a number of potential flaws. First, the gradual increase in the full retirement age has led to a decreased number of people taking early benefits at age 62 (Song & Manchester, 2009). The early retirement age remains fixed at 62, but increases in the full retirement age means that workers now must accept steeper cuts in their monthly Social Security benefits if they choose to take early retirement benefits (Song & Manchester, 2009). While this change would discourage workers who could afford to
continue working from taking early Social Security benefits, it could also cause serious financial problems for workers who must stop working due to health reasons or lack of available jobs.

Second, because Social Security disability benefits are not affected by age, claims for disability benefits have risen steadily. Duggan, Singleton, and Song (2007) outline possibly reasons for the steady increase in workers receiving Social Security disability benefits. A 1984 policy change liberalized the program’s medical eligibility criteria, allowing more potential beneficiaries to apply.

The aging of the Baby Boom generation means more workers experience long-term disability and need to apply for disability. And, perhaps most importantly, the increase in the age for eligibility to collect full retirement benefits means that many disabled older adults who would otherwise apply for retirement benefits instead apply for disability benefits. The changes to the retirement program can explain more than one third of the increase in male disability enrollment and one quarter of the increase in female disability enrollment. While disability provides financial assistance, it does not carry the same sense of entitlement as retirement benefits do. Hence, workers who need to apply for disability benefits may suffer from negative social stigma.

**Pro-Work Employer Policies**

As institutional barriers to continued employment past the typical retirement age have decreased, increasing attention has been paid to employer policies specifically designed to promote later retirement among employees with “in demand” skill sets. Many of these policies encourage a nontraditional exit from the labor force, such as part-time work or flexible schedules. The traditional pathway out of the labor force, where a worker goes from full-time work to retirement abruptly, is becoming less common. For example, Maestes (2007) found that nearly 50% of retirees followed a nontraditional path involving partial retirement or reverse retirement [i.e., returning to the labor force after retirement](http://example.com). While these policies can be very advantageous to older workers who want to continue to work, they are often not made available to all workers at a company because they are used as incentives to keep skilled workers. We discuss three examples below:

flexible work schedules, part-time work, and phased retirement.

- First, flexible work schedules, which allow workers to change their start and quit times, work different days of the week, or otherwise reshape their schedule to better fit their lifestyle, encourage
older workers to remain in the labor force longer than they otherwise would. Many workers prefer to gradually reduce their hours as they edge toward retirement, and approximately one quarter of American workers aged 55 and older report having flexible schedules on their current job (U.S. Census Bureau, 2005). Also, substantial numbers of older workers say that flexible schedules are among the most important aspects of a job to them (Groeneman, 2008; Parkinson, 2002), and there is evidence that flexible options can also contribute to overall satisfaction with the workplace, leading to lower turnover (Randstad Work Solutions, 2008; Pitt-Catsouphes, Matz-Costa, & Besen, 2009).

Second, phased retirement refers to gradually phasing out of work, either through a job with less responsibility or with fewer hours compared to the worker’s current career job. A substantial number of older adults who retire from a career job continue to work after their retirement (Cahill, Giandrea, & Quinn, 2006; Koppen & Anderson, 2008), but they do not always continue on the same career path or at the same level of work intensity. In some cases, older workers want to move to a job that is less demanding or more personally meaningful (SHRM, 2003). Although most firms offer some kind of phased retirement (Hutchesen & Chen, 2004) and many workers say they would postpone retirement if they were offered phased retirement (Mulvey, 2004), many workers move to a different occupation or industry instead of staying with their current firm. Currently, about 85% of older workers who find new jobs move into new occupations and 80% move into new industries (Johnson & Kawachi, 2007). The most popular industries for workers to “phase” into tend to be education, health care, government, or other jobs with a public good focus (Metlife Foundation, 2008).

Third, part-time work is common at all ages, but particularly among older adults (Bureau of Labor Statistics, 2006). About 45% of women and 28% of men ages 65 to 69 work part-time. Part-time work is much less common among younger workers (Nelson, 2007; Purcell, 2008), because it tends to be attractive to retirees who are not ready to retire entirely, but no longer wish to work a full schedule. More than 30% of pre-retirees believe that they will work part-time after their formal retirements (Hunt, Revell, & Rotenberg, 2007; Reynolds, Ridley, & Van Horn, 2005), and about 43% of older workers who left career jobs worked part-time on their new jobs (Johnson & Kawachi, 2007). Because the fastest-growing occupations hire increasingly large proportions of part-time
workers (Mermin, Johnson, & Toder, 2008), part-time work has the potential to grow as a strategy for workers above the typical retirement age.

Flexible schedules, phased retirement, and part-time work are all pro-work policies, in that workers generally say they will work past the typical age of retirement if they have access to these policies. However, despite their potential, there are a number of criticisms of these employer policies.

First, the availability of these options tends to be focused among more affluent workers. Most workers who successfully phase into second careers come from professional jobs and a college education (Metlife, 2008). Similarly, as McMenamin (2007) finds, white and Asian workers are more likely to have access to flexible schedules than are black workers and workers with Hispanic ethnicity. He also finds that men are more likely than women to have access to flexible schedules. Despite the popularity of these pro-work policies among workers, they are often available only to the most affluent older adults.

Second, using pro-work policies can often lead to reduced wages and benefits. While the majority of white-collar employees have opportunities for phased retirement, those opportunities can carry a loss of health insurance, pension coverage, or wages (Hutchens, 2003; Hutchens & Chen, 2006). Only 6% of employers offer phased retirement without job sharing, without changes in health insurance, with pension payments, and with the ability to return to full-time work at some later date (Hutchens & Chad, 2004). Also, workers who move to a new job to try to gain access to these benefits often find that their wages drop considerably. Similarly, when moving to a new job, almost a quarter of workers lose health insurance, while only 10% gain it (Johnson, Kawachi, & Lewis, 2009). Part-time work carries similar risks. Many older adults believe it would not be possible to reduce their current work hours on the job (Henretta, 2000), and in fact since the mid-1990s increasing numbers of older workers are working full-time (Bureau of Labor Statistics, 2008). In part, this may be a reflection of employer policies. Fewer than half of employers would allow at least some employees to move from full-time to part-time work while remaining at the same position or level (Galinsky, Bong, & Sakai, 2008). Only 17% of the employers reported offering health insurance to families of part-time employees (Pitt-Catsouphes, Smyer, Matz-Costa,
Part-time work, like other pro-work policies in the workplace, can carry reduced benefits and wages. Finally, pro-work policies such as these can be seen as a mechanism to pay workers substandard pay and benefits (Gonyea, 2007). Part-time work in particular is problematic in that some older adults may want to work full-time but be unable to do so. Phased retirement and flexible work schedules may end up displacing adequate pension or medical benefits. Many older adults would like to take advantage of pro-work policies at the workplace but find that the penalties are too high. For instance, half of retirees with a defined benefit pension plan believed that they would have delayed their retirement if they could have worked part-time and received their full pension (Helman, Copeland, VanDerhei, & Salisbury, 2008).

**Pro-Work Policies in Context**

The following section discusses pro-work policies in the context of three topics: labor unions, other policies affecting pro-work initiatives, and the current economic downturn. These topics were chosen for several reasons. First, while unionized workers make up only about 12.4% of the current workforce (Bureau of Labor Statistics, 2009), labor unions play a larger role in policy formation and politics, as some estimates show that union household members accounted for one in four voters in the 2004 presidential election (Strope, 2004). This means that unions will likely have an influential voice in pro-work policy discussions, and could have a role in the implementation of these programs. Second, pro-work policies will affect and be affected by other issues such as health insurance, job training and retraining for older workers, and protection for older workers against age discrimination. Because these coinciding policies will likely have an impact on pro-work policies, we think it is important to consider them here. Finally, the current economic downturn has greatly affected the financial security of older Americans, possibly making it more likely that they would be interested in pro-work policies. Likewise, younger workers who have also suffered in the economic downturn may be hesitant to support the use of government funds to bring retirees back, given the current very competitive work environment. We consider how the economic downturn might influence pro-work policies and suggest how policymakers might deal with these issues.

**Pro-Work Policies in the Context of Labor Unions**
Labor unions have traditionally been unresponsive to the issues of pro-work or pro-retirement policy and have instead seemed happy to maintain the current work–retirement life trajectory. Due to the importance of seniority-based salaries, issues of representing interests of older and younger members (as well as full- and part-time workers), and the strength of current union pension programs, labor organizations have tended to favor traditional retirement at age 65 or younger.

Traditional retirement age has operated in unionized workplaces for over a century, allowing workers with less seniority to move up the pay scale following the retirement of older members and therefore opening entry-level jobs for new workers exiting union-trainee programs. While there may be some difference in union policy towards retirement between so-called “white-collar” and “blue-collar” jobs, several studies (Hutchens & Chen, 2006; Pitt-Catsouphes, Sano, & Matz-Costa, 2009) have found that unionized workplaces are less likely to offer pro-work programs and policies for older workers. While unions have been generally unresponsive to pro-work policies up to this point, there are possibilities, such as union-administered older worker retraining programs, that may influence unions to support such initiatives.

Research on Pro-Work Policies in Unionized Workplaces

Research investigating union reactions to pro-work policies has heavily focused on the lack of pro-work opportunities, particularly phased retirement, in unionized and non-unionized workplaces. Such studies have found that employees at unionized workplaces have significantly less access to phased retirement than employees at non-unionized workplaces (Grace-Martin & Hutchens, 2006; Hutchens & Chen, 2006).

In a study of 950 establishments, Grace-Martin and Hutchens (2006) found that unionization was particularly important in predicting the availability of phased retirement options for white-collar workers. The researchers found that among workplaces permitting phased retirement, 16% of white-collar workers were unionized, while 29% of establishments that forbid phased retirement were unionized (2006, p. 532). Even after controlling for region, industry, and workplace size, the researchers found that unionized workplaces were less likely to offer a phased retirement option. Since the researchers also found that employers offering phased retirement favored informal agreements, they suggested that unions’ distaste for these non-contractual deals contributes to the
absence of phased retirement in unionized workplaces. The authors also found that phased retirement was less correlated with workplaces offering defined-benefit pensions (discussed below), which are positively correlated with unionization (2006, p. 541). Similarly, Hutchens and Chen (2006) also concluded that phased retirement opportunities were more available to part-time workers, due in part to these workers being less likely to be union members than their full-time counterparts.

Expanding on these findings, Pitt-Castsouphes, Sano, and Matz-Costa (2009) found that unionized workplaces tended to offer fewer phased retirement opportunities and flexible retirement options for older workers. The researchers suggested that this may be due to the increasingly common usage of corporate buyout offers. Also, since phased retirement often changes the status of workers from full-time to part-time employees, the authors questioned whether these arrangements could affect workers’ relationships with their union and the contract. Part-time employees may be ineligible for collective bargaining agreement covering full-time employees, so phased retirement may also be seen as a method of decreasing union strength.

Several studies have found that phased retirement, one of the most popular and common pro-work programs, is less likely to occur in unionized than in non-unionized workplaces. Researchers found that the main factors influencing these decisions were concerns over seniority pay and individualized pay schemes, pension plans and buyout options, and problems representing part-time workers. We turn now to each of these topics in more detail.

### Seniority and Individualized Pay Schemes

Labor unions usually negotiate contracts offering a seniority-determined pay scale where those with the most years of experience at a company receive the highest salary, and vice versa. This sliding scale usually operates in “tiers” or “grades” where a range of years is included in each tier and is associated with a certain salary. For example, the group of union employees who have been employed by the company for 0 to 3 years may be “tier 1” employees and earn $25,000; the next group, 3 to 5 years, is considered “tier 2” and all earn $28,000. This type of scale continues to the highest group, where employees who have been with the company for 25 years or more would make around $70,000. This seniority-based scale treats employees as groups of workers each
receiving the same salary based on their years with the company rather than on individual
productivity, specific skills, or education levels (Bayo-Moriones, Galdon-Sanchez, & Guell, 2004).
This type of group-based arrangement is the heart of most union collective bargaining agreements
and is based on the principle than employees can garner more power in their pay and benefit
arrangements if they negotiate as a group rather than as individuals.

The issue of seniority-based pay is important to the discussion of pro-work policies because
phased retirement agreements are typically negotiated on an individual basis. Casey (1997) explains
that unions may be opposed to programs such as phased retirement because of the individual pay
systems that often accompany phased and flexible retirement arrangements. It is likely that unions
would want to create particular contract agreements dealing with pay arrangements for such pro-
work policies in order to determine a group-based rather than individual system for these
employees. This could prove difficult, as employees with differing degrees of seniority may choose
phased retirement at the same age but at different pay steps. It may be that unions agree to a
percentage of the tiered income the employee was receiving when the phased retirement began or
another similar arrangement. Still, as Casey (1997) suggests, this setup may still be too
individualized for the unions’ tastes.

Pension Benefits

Much of the labor movement’s traditional pro-retirement philosophy may come from the likelihood
that unionized employees will have more substantial pension benefits for their retirement.

According to the AFL-CIO, 79% of union workers are covered by pension plans, compared with
only 44% of non-union workers. Of these groups, 79% of union workers have defined-benefit
retirement coverage, compared with only 16% of non-union workers (AFL-CIO, 2009). This means
that while the union workers are guaranteed a monthly fixed income from the employer-provided
retirement pension, the non-union workers’ benefits more likely depend on variable monthly
income from market-dependent defined-contribution plans. In addition to having an AFL-CIO-
dubbed “union advantage” in retirement pensions, unionized workers also are more likely to have
retiree healthcare and disability benefits than non-unionized workers. These comparisons break
down to 80% to 49% and 62% to 35%, respectively (AFL-CIO, 2009).
Several researchers have also suggested that the labor movement’s apparent dislike of pro-work policies is related to pension issues. As many pension rules in the United States base pension payments on the last year of employment rather than an average of lifetime earnings, many union employees worry that partaking in phased retirement would significantly reduce their pension payments. Because their last year would be based on a part-time rather than a full-time salary, union leaders suggest that phased retirement involving part-time work would hurt, rather than help employees making the transition to retirement.

Older Worker Buyout Plans

Another concern to labor unions regarding the issue of retirement is the increase of employer-sponsored buyout options to older workers. Buyout options are company-led initiatives to decrease workforce costs by offering employees monetary compensation to voluntarily terminate their own employment. These options can take several forms. For example, if full retirement for a company is at age 55, the company will offer a lump sum of money to workers based broadly on how long they have been with the company in order to encourage them either to retire early or to leave the company. The company may also provide older workers with their health care and pension benefits, but workers who take the buyouts at a younger age, such as age 40, cut all ties with the company and lose their retiree benefits. Those who take the buyouts often explain they do so out of fear that the company will fail, the availability of other work opportunities, and/or poor physical health.

Since older employees, particularly unionized workers due to the seniority pay scale, are more expensive, employers encourage them to take the buyout option to cut the company’s costs. Buyout options recently made national headlines as the “Big Three” automakers (General Motors, Chrysler, and Ford Motor Company) announced they would be altering retiree health plans in their United Auto Worker-negotiated contracts. Due to widely debated factors, including international competition and the higher cost of union-level pay and benefits, the automakers have experienced financial difficulties in recent years. As such, the companies have offered buyout options to the bulk of their employees in order to cut some of the workforce costs in order to hire less expensive, lower-skilled, and often non-unionized and/or contingency workers.
From a life course perspective, some research (Policy Research Institute, 2005) has suggested that “voluntary” buyouts are becoming a substitute for the now-banned mandatory retirement. To decrease costs once alleviated by mandatory retirement, employers are signing contracts with workers, often through their union, that involve buyout options for older workers. Pitt-Catsouphes, Sano, and Matz-Costa (2009) found that many union workers heavily considered their role, especially regarding their social network, in the union when deciding whether they would take a buyout option. In addition to representing older workers, most labor union locals also offer specific retiree programs focused on financial planning, political activism, and social activities such as bus trips and volunteering opportunities. While some of these programs specifically deal with Political Action Committee lobbying and financial planning information, others are more based on providing a social network for retirees in the form of group dinners and entertainment trips. As workers who take buyouts no longer are union members, they do not have access to the union’s retiree programs. This social aspect proved important to many workers when making their buyout decisions and may also influence union members’ decisions whether to consider phrased retirement or other pro-work options if this means they would no longer be part of the union (Pitt-Catsouphes, Sano, & Matz-Costa, 2009). These findings speak to a possible problem of union workers disapproving of pro-work policies if they jeopardize the retiree’s union member status and make him or her ineligible for such activities.

Representing the Interests of Retired, Older, and Younger Workers

Another issue that labor unions must consider when dealing with pro-work policies is how such programs would affect their ability to represent a wide range of worker interests. Kohli (2000) found that the role of older workers and retirees in the union may cause conflict for union leaders trying to represent the interests of the younger working population. With an increase in pro-work policies, labor unions in the United States would have to face important questions on the role of retirees, partial retirees, those re-entering the workforce, and part-time workers.

According to the Bureau of Labor Statistics, in 2008 the union membership rates were highest among workers 55 to 64 years old, at about 17%, and among workers 45 to 54 years old, at about 16%. By contrast, the lowest union membership rates were among workers 16 to 24 years old, at
only 5% (Bureau of Labor Statistics, 2009). Another factor to consider is that fewer than 7% of part-time workers are unionized, as opposed to almost twice that amount for full-time workers, close to 14%, which might skew these estimates as teenage workers are more likely to be employed on a part-time basis. Still, these numbers suggest that there is a “graying” trend in U.S. labor unions, and that union leaders will have to balance interests between retirees and older and younger members more and more in future years.

In Germany, Kohli (2000) found that retirees and older union members re-entering the workforce on a part-time basis after retirement were often an asset to the union as they could volunteer, offer support in pickets and rallies, and recruit new members. However, Kohli also concluded that older workers, particularly those returning to work after retirement or working part-time in a phased retirement type of situation, brought a set of representation problems with them. As unions are more likely to represent and bargain for full-time employees, the role of retirees and older part-time workers in the union often created conflicts for the union, leading to power struggles and disagreements over union direction and decisions. For instance, in choosing which political candidates to endorse, retirees and partial retirees may have less interest in favoring a candidate supporting tax cuts for families with young children than would younger members in the same union. Kohli suggest that part-time work situations for retirees and older workers might actually be easier for workers in the United States than in Germany because weaker labor unions may allow for more individualized retirement plans.

While labor unions in the United States have not dealt with conflicts between representing retirees and workers, they have tackled the difficulties of representing both full-time and part-time workers. One example of this is the Teamsters Union’s representation of both part-time and full-time United Parcel Service (UPS) workers. This union made national news in 1997 when the part-time workers went on strike for 15 days and workers across the labor movement, including many of their full-time colleagues at UPS, supported their efforts. This bridge between part-time and full-time employees serves as an example of how one union, the Teamsters, was able to balance the needs of each group while encouraging solidarity between them.

Example of Pro-Work Policies in the Unionized Workplace
Though several researchers have found that unionized workplaces are less likely to offer pro-work policies to employees, some unions have worked with employers to offer such programs (New York State Controller Office, 2004). Due to the power of lawmakers to influence public sector employment, as well as their lower physical demands, these job opportunities seem to be most available to white-collar employees in the public sector. One example is the program New York State offers to its public employees, which has been secured through state legislation. Sections 211 and 212 of the New York State Retirement and Social Security Law allow retirees the ability to return to work after they have formally retired and are receiving their state pension. While this is seen as a pro-work policy that encourages post-retirement age employment, earnings for returning retirees cannot exceed a statutory limit computed on a calendar year basis. For example, in connection with Section 212 the earnings limit (per calendar year) is $30,000, regardless of the employee’s salary at the time of retirement. If employees exceed that limit, they will forfeit their pension money or the state will terminate their post-retirement employment. Either way, employees will receive a service credit for their time employed.

The second program, Section 211 of the same legislation, allows retirees to return to work at any salary level and for any public employer without any decrease of retirement benefits. While there is no earnings cap as in Section 212, employees returning to work under 211 legislation receive no additional service credit to their years as a public employee, which they do receive from Section 212. The law was recently changed to disallow any return to the same or a very similar position for any time over one calendar year (police officers are excluded). This recent legislation reflects a conflict between retirees and younger workers hoping to advance into the retirees’ vacated positions (New York State Controller Office, 2004).

Each of these programs was negotiated through state legislation based on lobbying efforts from the Organization of Management Confidential Employees (OMCE), a labor guild associated with the larger Office and Professional Employees International Union (OPEIU) and the Civil Service Employees Association (CSEA), the labor union for New York State public employees. These programs are one example of how labor unions took the initiative to implement pro-work policies and balanced demands of younger and older members. It is also clear that these types of programs
are more common in white-collar and public-sector jobs than in blue-collar or private-sector jobs, which are usually less accountable to public legislation.

**Impact of Other Policies on Pro-Work Policies**

Numerous other policies involving workers and retirees may affect the efficacy and dynamics of pro-work policies. For instance, job training and retraining, health insurance, and social protections for older workers can make pro-work policies more or less attractive. Also, the current economic recession has raised other issues that are crucial to older workers, whom researchers find have a more difficult time finding employment during an economic downturn. As it is important to involve labor unions, legislators, and businesses in pro-work policymaking, it is also essential to engage these groups in the creation and maintenance of interrelated policies. We now make suggestions about these policies and issues and their relationship to pro-work initiatives.

**Job Training and Retraining**

Job training and retraining programs are one aspect of pro-work initiatives that are important to the discussion of post-retirement age employment. While many older workers are lauded for their increasingly rare skill sets, many are also at a loss in terms of the technical and technological training often needed to take part in today’s economy. Rather than appealing to older workers, training programs in the United States are more commonly offered to younger, and often financially disadvantaged, workers in order to supplement their education and make them more productive employees. However, other countries, such as Japan, have begun to offer similar programs to aging workers in an attempt to help them remain active in the workforce and/or re-enter the workforce in a new profession (Williamson & Higo, 2009).

There are also several international programs that may serve as guides for the development of older worker training and retraining programs in the United States. One example of an international training effort of older workers is the Organisation for Economic Cooperation and Development’s (OECD) program titled “Active Aging.” Active Aging is a collaboration of the OECD and the European Union that generates suggestions on how OECD countries might best respond to the aging population. While the plan’s implementations differ based on the economy, demographics, and individual characteristics of each country, several nations have applied suggestions from the
main study of the Active Aging initiative, called “Workforce Aging for the New Economy” (WANE), to workforce training. As an example, Canada has implemented a WANE-based initiative that involves retraining older workers to fill roles most needed in the economy, often including those of a technological nature. An Active Aging-type initiative could also influence policies in the United States, which would affect the efficacy of pro-work programs.

Job training and retraining would likely be an area of interest to labor unions as they already have experience in their apprenticeship training programs. Also, unions, especially those in the public sector, also often offer training programs to their members focused on technological and computer-based skills. It is possible that one way to encourage labor unions to support pro-work policies would be to involve them in the training and retraining of older employees. It seems likely that if unions were to have a voice in the design and implementation of these training programs, they would be more likely to support pro-work initiatives for older workers, and this would make the programs more efficient.

Health Insurance

A second policy issue that will affect the efficacy of pro-work policies is employee health insurance. As the cost of healthcare increases, it is also an increasing concern for employers and all workers, but especially for older workers, who often have higher healthcare costs than their younger counterparts. Providing a comparison, a 1995 study of companies in the United Kingdom found that employers stated pension costs as the number-one deterrent from hiring older workers, noting that the British government provides employee health insurance (Auer & Fortuny, 2002). In the United States, many companies have already addressed high pension costs by switching from defined-benefit to defined-contribution pension plans, and in recent years employers have begun to adopt similar policies in regards to health benefits. This issue is especially important to labor unions, who have historically touted their ability to provide the most healthcare coverage to their members, including older workers and retirees.

Older workers, labor unions, and healthcare advocates may worry that pro-work policies could allow employers to avoid funding healthcare costs for aging workers phasing into retirement. As healthcare has recently been a pivotal political and social issue, in order for these groups to support
to pro-worker policies, there would need to be assurances that health plans were in place for aging employees and retirees. Similarly, these groups would likely insist that if phased retirement was used, employees must be able to remain on their full-time healthcare plans, begin accessing retiree healthcare benefits, or be provided with some comparable option. This issue has not been a concern to many European countries where healthcare is provided by the state. For example, in Germany, labor unions have been more willing to agree to phased retirement programs because there is no concern about healthcare for part-time workers.

Social Protection for Older Workers

In 1967 Congress adopted ADEA, which prohibits employers from firing or refusing to hire someone based solely on his or her age. More recently, in 2000 the European Union Council of Ministers adopted the European Directive on Equal Treatment, which required all EU member states to introduce legislation prohibiting discrimination in employment on the grounds of age, sexual orientation, religion and belief, and disability by 2006. However, this directive has suffered a few setbacks, including a ruling in the past couple of years that said mandatory retirement was acceptable in certain occupations. As mandatory retirement was traditionally used in Europe as an answer to high unemployment, there remains some cultural bias against older workers.

Employers in these other countries admit that it is the pension costs of employing older workers that makes them less likely to hire an older, and therefore more expensive, worker over a younger, less expensive candidate. Older workers also tend to have more experience and demand higher salaries, adding to the cost of their employment. Because of the reluctance of employers to hire older workers, European governments are more actively encouraging older employees to remain in the workforce and pushing employers to maintain and hire older workers (Curl & Hokenstad, 2006).

Research conducted by individual governments, the OECD, and the International Labor Organization (ILO) have all expressed concerns that as the Baby Boomer generation begins to retire, there will not be enough people in the workforce to fund the pension plans and retirement needs of the new retirees. These institutions are working to develop programs, including phased retirement, training programs, and pension reform, to encourage workforce participation in the aging population. While some countries, such as Canada and Finland, have seen some success...
resulting from these programs (Policy Research Initiative, 2005), others, including the United States, hear increasingly of the discrimination older workers face in the workforce (Levitz & Shishkin, 2009). Despite legislation prohibiting age discrimination, recently age discrimination claims in the United States have soared, increasing 29% from 2007 to 2008 (Levitz & Shishkin, 2009). These researchers relate these age-bias claims to layoffs that older employees have faced in the recent economic downturn, which is discussed further below.

One method countries have used to counter age discrimination is the creation of a pro-work culture that makes it more socially acceptable for older workers to remain in the workforce. One example of such a program in Finland, “Finland for People of All Ages,” focuses on providing opportunities for skilled and able-bodied older Finns to continue to work and/or to re-enter the workforce (Policy Research Initiative, 2005). The program is based on values of intergenerational solidarity, as well as gender and generational equity. The program also aims to increase incentives and reduce barriers to employment for retirement-age workers in hopes that they will remain in the workforce. The program has taken advantage of the increasingly rare skills older workers often hold and has encouraged prolonged workforce participation that benefits the workers and the government. Modeling these efforts in the United States would allow for an easier transition from the introduction to the implementation of pro-work policies with an anti-discrimination focus.

The Current Economic Downturn

The current economic downturn will also have long-term effects on the prospects of older workers and on the implementation of any pro-work policies. Since older workers tend to have higher wages and more lucrative benefits, they frequently cannot find jobs that pay what they desire in unfavorable job markets (Levitz & Shishkin, 2009). As a result they either experience longer periods of unemployment or choose to retire early and exit the job market. In May 2009, the unemployment rate in the United States stood at 9.4%, with an unemployment rate of 7.0% for workers aged 55 and over (U.S. Department of Labor, 2009). This number is most likely understated due to the fact that many older workers simply retire early after losing their jobs, rather than “actively seeking employment,” and are therefore not considered in the unemployment statistic, adding to the impact of the recession on aging employees.
Beckett (1988) looked specifically at the impact of plant closings, which have been increasingly common in recent months, on older workers. Due to their experience, older workers tend to lose jobs at a higher level of earnings than younger workers, which also makes it more difficult for them to find new jobs. In an updated study, Brand, Levy, and Gallo (2008) found that plant closings have affected older workers during this economic downturn, especially on an emotional level, as older workers often reported experiencing depression and a sense of loss of worth following layoffs and plant closings.

The current economic situation has also affected retirees who had not planned on re-entering the workforce, but have faced a loss of income due to losses in pension funds and stock portfolios. One researcher (Crimaldi, 2008) estimates that Americans have lost approximately $2 trillion in retirement savings during the current economic recession. Pro-work policies may be most helpful in aiding these people as they look to replenish their savings by re-entering the workforce. Government, employers, and unions should look to this group as possible candidates who may be interested in testing certain pro-work policies due to their recently actualized economic need.

**Implications for the Future**

In this chapter, we have outlined the history, potential future design, and context of pro-work policies. In many cases, pro-work policies are shown as having distinct advantages but as being less available to vulnerable populations and as removing a large proportion of the certainty of retirement. In light of these successes and failures, what are the implications for the future of pro-work policies for government, employers, employees, and organized labor?

**From a Government Standpoint**

The main issues surrounding pro-work policies for the government concern the larger effects on the economy, the solvency of various federal programs, and the welfare of older adults. In the long term, encouraging labor force participation among older adults is desirable in light of population aging. By 2050, individuals age 50 and above will represent more than a third of the U.S. population, and if labor force participation rates among this age group do not rise, we can expect the size of the labor force to shrink (U.S. Census Bureau, 2005). This could have adverse effects on...
long-term economic growth. In the short term, however, creating an environment in which older
adults are expected to work can lead to negative social and economic repercussions for these adults
when the economy is weak and jobs are scarce.

Many pro-work policy changes, such as the Social Security Amendments of 1983, are designed
specifically to improve the solvency of those programs. They primarily aim to do so by encouraging
longer working lives and hence collecting more payroll taxes. However, some of these policy
changes are costly. For example, increasing the Social Security retirement age led to increased costs
for the disability program (Duggan, Singleton, & Song, 2007). Other costs are more direct, such as
the substantial amount of funding required to administer ADEA.

Some of the pro-work changes were made specifically to improve the conditions of older adults.
OAA, for instance, was designed to improve the quality of life of older adults. However, as
discussed above, these policies tend to carry additional risks for older adults. The shift to defined-
contribution pensions, in particular, will lead to wider variability in the assets of older Americans.
In the coming years, policymakers may find that controlling the unintentional effects of pro-work
policies is as important as finding the policies that best encourage labor force participation.

From an Employer Standpoint

Employers face a different set of issues when considering pro-work policies. These include
potential issues managing the multigenerational workforce, administration of pro-work programs,
and balancing the programs available to high-wage and low-wage workers whom they employ.

While keeping older workers in the labor force longer can have positive effects for employers,
many employers worry about the potential for generational conflict. When as many as four
generations need to coexist within the same organization, disagreements in perception or work style
can arise. For instance, in a 2003 survey, only 8% of human resource professionals said that
employees never took coworkers from other generations less seriously than coworkers from their
own (Society for Human Resource Management, 2003). While employers have long managed
diverse workforces, the infusion of many older adults may complicate the processes of work teams
within many organizations.
Also, administration of pro-work policies can be problematic. Concerns about abuse of policies such as phased retirement and teleworking are among the top reasons that employers do not choose to extend these policies to most or all of their employees. For instance, because pro-work policies can often lead to reduced wages and benefits, these policies can be seen as a mechanism to pay workers substandard pay and benefits.

Perhaps most problematic, employers have typically offered pro-work policies to employees with scarce skill sets to keep them at work longer. These employees often do not need the extra income as much as manual or clerical employees who do not have access to the same policies. While pro-work policies can benefit employers, the implementation and consequences of those policies can create various human resource challenges.

**From an Employee Standpoint**

The main issues affecting workers when considering the shift to pro-work policies are the issues of defined-contribution pensions that have historically accompanied this shift and the effect of work on the older employees’ physical and mental well-being.

In recent years there has been a trend among employers toward implementing defined-contribution pension plans, where employers give a set amount to pension funds each year and allow financial markets to determine how much pension income workers receive. This differs from the defined-benefit approach (described earlier) where employers have historically provided a fixed monthly pension to retirees. In some cases, it is periodically adjusted to take into account the impact of inflation on that pension. By 2006 only 8% of private-sector workers had defined-benefit plans alone, although another 22% were covered by a combination of both defined-benefit and defined-contribution plans (Munnell, Aubry, & Muldoon, 2008). This change means that many employees now have less stable income in retirement and therefore may be more interested in and benefit more from pro-work policies. Also, because phased retirement usually includes some type of part-time work, many employees may be cut off from their healthcare benefits before they are eligible to receive Medicaid or other state-provided health insurance (Chen & Hutchens, 2006). As pension plans are often determined in part by salary during last year of employment, some employees would shun this type of pro-work plan if it would reduce their pension payments. Also, Chen and Hutchens
(2006) note that employees with defined-benefit pension plans tend to face obstacles when considering phased retirement due to IRS regulations.

A second issue that will be important to employees when considering pro-work policies is their physical and mental health. Several researchers (e.g., Sterns & Sterns, 1995) have found that many Americans are physically able to work past the traditional retirement age of 65 and even 70 if the job responsibilities are matched to the older worker’s abilities. To be successful, pro-work policies would need to be sensitive to the physical limitations of older workers and match older workers to jobs fitting their physical capabilities.

In regards to mental well-being, it seems that pro-work policies could improve the mental health of older Americans. Researchers have found that retirement is often accompanied by feelings of depression and negative self-esteem, especially for those who retire before age 62 (Butterworth, Gill, Rodgers, Anstev, Villamil, & Melzer, 2006; Reitzes, Mutran, & Fernandez, 1996). Other studies have found that retirement increases feelings of alienation and isolation and decreases social interaction among older people (Drentea, 1999). These findings suggest that retirement often has a negative impact on the psychosocial health of older citizens. Pro-work policies designed to offer opportunities to aging workers who may postpone retirement may prevent many of the isolating effects of retirement and decrease the impact that the drastic change from full-time employee to retiree has on some older workers.

From the Labor Standpoint

As explained earlier, pro-work policies may create difficult scenarios for labor unions trying to organize a workplace. Older part-time workers may not be eligible for union membership and collective bargaining, regardless of previous union membership. However, if unions are allowed to represent and negotiate contracts for these part-time employees, such policies could increase union membership and strength. With the diversification of membership, unions may face problems representing interests of part-time and full-time employees. As such, any shift to pro-work policies would bring many issues to the table for organized labor.

First, organized labor may worry that pro-work policies, such as phased retirement, would lead to individualized pay schemes and informal agreements rather than contracts negotiated through
collective bargaining. If unions are not given the opportunity to organize these part-time workers or if they lose members to phased retirement plans, then the pro-work policies may have a negative impact on unions. However, it is possible that the labor movement could take a leading role in the planning, creation, and implementation of pro-work initiatives and use these policies to strengthen their mission and their membership.

Labor unions in the United States might follow the example of their counterparts in countries such as Finland and Germany, who have been active in older worker programs and have continued their representation of retiring employees. It is possible that unions in the United States could take a leading role in the training and retraining programs often associated with these policies. As unions have the longest-running and most-respected training program for the building trades industry, as well as professional training programs for white-collar workers, they already have an infrastructure to train and retrain older workers. If the government will allow a certain percentage of these training programs to be administered through unions, and agree to the right to organize employees exiting these programs, the unions may actually gain new members from these policies. While co-representation of part-time and full-time employees may stretch some resources of the organized labor movement, with proper planning and pro-work policy examples from abroad, it seems that unions and their members could benefit from these policies.

Conclusions

Pro-work policies have largely eclipsed the pro-retirement policies that dominated prior to the 1960s. Also, the aging of the U.S. population and the potential shortages of needed skills in the workforce may make the further development of pro-work policies necessary for the future. However, it is useful to consider the potential pitfalls of policies encouraging later labor force participation. In general, these policies have most benefited more affluent workers and least benefited less affluent workers. By transferring risk from employers and government to workers, they encourage work but also create a population of workers who are not as well protected by the system as when retirement was a socially expected and ensured phase of life. Over the next few decades, developing and implementing pro-work policies that protect and include more vulnerable populations is a task for organized labor, employees, employers, and policymakers alike.
Future Directions

1. What kind of unintended consequences may policymakers encounter as pro-work policies are expanded in the coming years?

2. What human resource challenges should employers prepare to face in the years ahead as they shift to pro-work policies?

3. How can older workers adapt to the issues surrounding pro-work policies, such as defined-contribution pensions?

4. What challenges do pro-work policies present for labor unions, and how can they approach these challenges?

Related Chapters

Chapter 16, Age Stereotypes and Workplace Age Discrimination

Chapter 21, Retention Strategies and Older Workers

Chapter 29, Retirement Dilemmas and Decisions

Chapter 33, The Fiscal Challenge of an Aging Population in the United States

Chapter 34, Entitlement Programs, Retirement-Related Policies, and Governmental Politics

References


Further Readings


