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

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Written Testimony

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

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

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

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

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

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

REPORT

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

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

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

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

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

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

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

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

Older Workers Are Growing Among the Ranks of the Working Poor

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

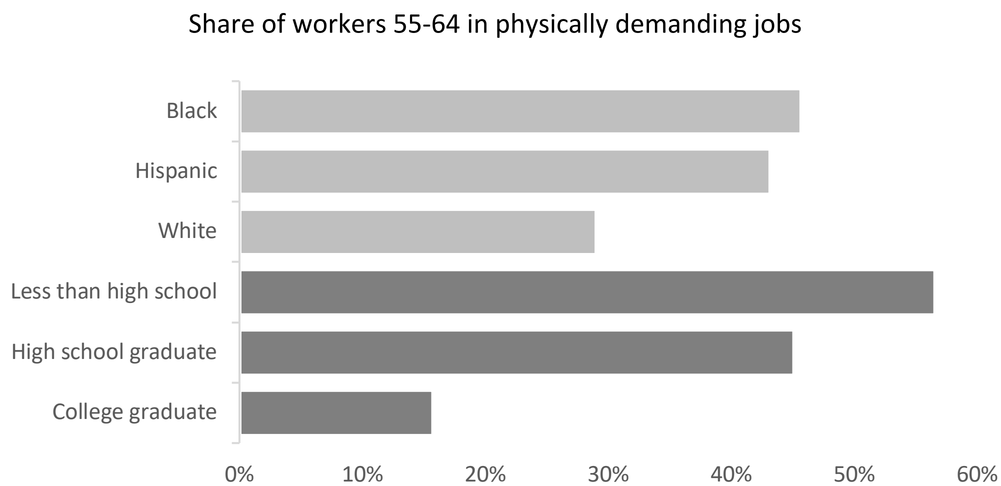
Racial aspects of the working poor
The risk of being in a low paid job as an older worker is much higher for non-Whites. Non-White and Hispanic older workers face a 27 percent chance of being poor, while the risk is 18 percent for an older White worker. Older non-White women are at the highest risk of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

Falling Job Quality for Older Workers

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

Figure 2

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



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

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

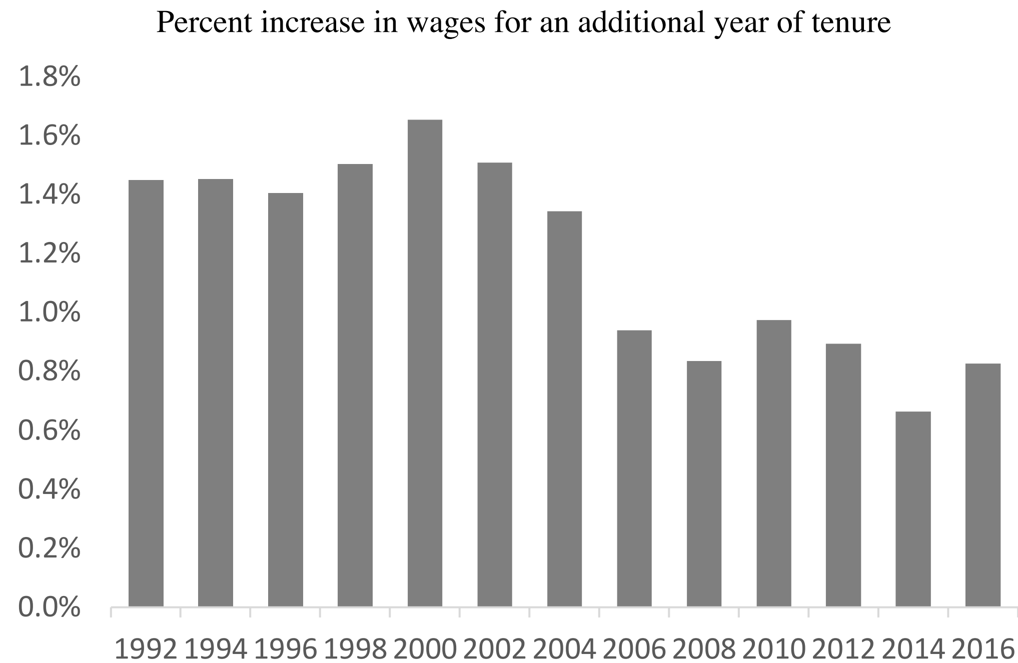
The share of older worker fatalities is growing.
In 2020, a *Monthly Labor Review* article found that more workplace fatalities are occurring among older workers. In one sense this is not surprising, because older workers are a growing share of the labor market. What is noteworthy is that some occupations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

Wages and Pay Premiums Are Falling

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

Figure 3

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



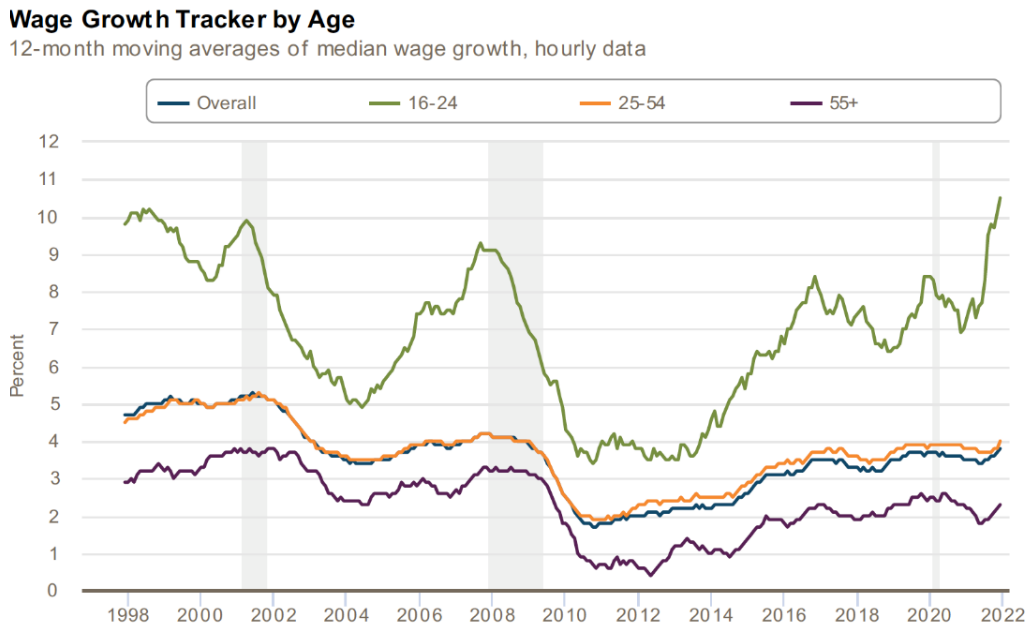
Source: SCEPA calculations based on RAND HRS 1992-2016
Note: Sample is restricted to full- and part-time wage and salary workers ages 55 to 64. Returns to tenure are calculated as coefficients on a linear regression of log wages on tenure. Control variables include age, age squared, gender, race, sex,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

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

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

Figure 4

Wage Growth Since the Pandemic Increased For Everyone But Older Workers



Source: Wage Growth Tracker - Federal Reserve Bank of Atlanta

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

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

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

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

II. Reasons Older Workers Are Losing Bargaining Power

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

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

Workers with Weak Pensions Have Less Bargaining Power

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

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

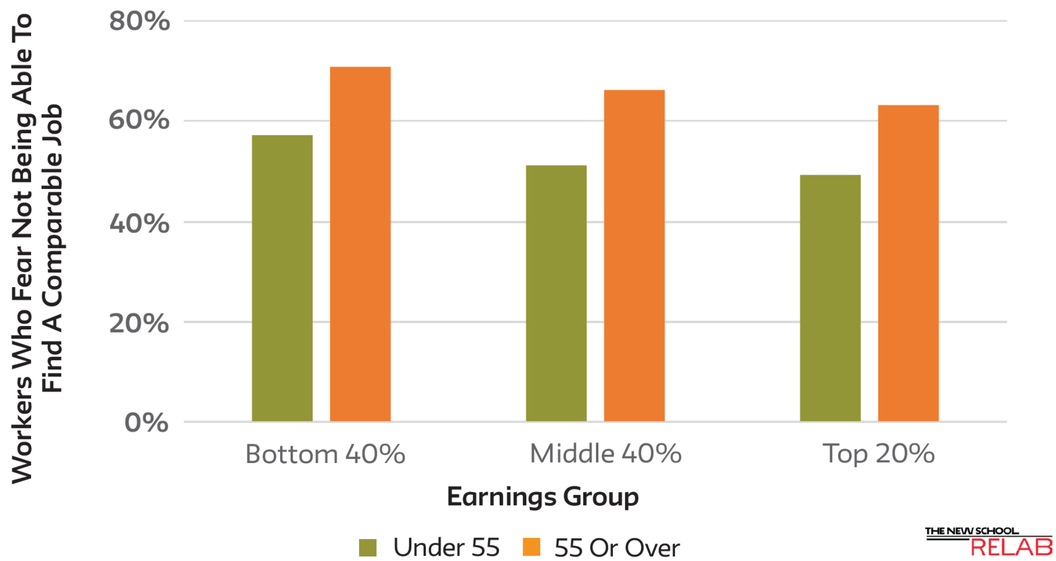
> *Terry and Nancy Koch of West Allis, Wisconsin once had a retirement account, though today they can't agree as to whether it had $10,000 or $20,000 in it. No matter; they cashed it in, paying taxes and the early-withdrawal penalty, and now it's about gone.*
> *"We never saved a lot of money," Nancy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

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

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

Figure 5

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



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

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

Workers Facing Age Discrimination Have Less Bargaining Power

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

Workers Faced More Age Bias During the Pandemic

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

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

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

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

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

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

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

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

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

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

Profitable Sectors Depend on Low Paid Elders and Inadequate Pensions

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

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

<u>Figure 6</u>

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

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

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

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

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

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

Figure 7

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

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

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

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

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

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

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

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

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

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

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

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

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

Negative Impacts of Low Paid Elders And Inadequate Pensions on Productivity

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

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

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

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

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

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

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

1. An Older Workers Bureau

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

An effective OWB fulfills three functions:

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

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

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

2. Improved Retirement Security

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

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

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

3. Raise Compensation

Raise the minimum wage

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

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

Unionization

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

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

4. Enforce Age Discrimination Laws

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

5. Make Medicare First Payer

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

IV. Policy Don'ts

Don't Raise The Retirement Age

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

Healthy Retirement Time Is Becoming More Unequal

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

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

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

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

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

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

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

Don't Allow Premature Withdrawals

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

APPENDIX

Supplemental Tables on the Working Poor

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

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

Source: SCEPA's calculations, CPS ASEC 2021

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

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

Source: SCEPA's calculations, CPS ASEC 2021.

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

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

Source: SCEPA's calculations, CPS ASEC 2021.

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