Of these three treatments, ultimately it is the Powell et al. and Himmelfarb volumes that make the most interesting contrast. In lively and engaging fashion, Powell and his colleagues both trace the senior movement's development and the symbols it and its opponents use in policy clashes. However, their attempt to connect the movement to policy formation presents only a partial and somewhat misleading portrait of how policy is formed. Without doing it explicitly, Himmelfarb's account makes the independent role of policy much clearer (and, to be fair, MCCA presents a great opportunity for doing so). Yet, to conclude on both a complementary and a complimentary note, (1) these treatments allow us to see the independent role of public policy in times of both expansion and retrenchment and (2), a version of the Powell, Branco, and Williamson discussion of symbol manipulation and rhetoric would elevate Himmelfarb's fine study to a higher theoretical plane.

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References

SOCIAL SECURITY AND EMPLOYMENT POLICY


It is easy to think of retirement income policy in the United States as being synonymous with Social Security policy. Social Security, however, was never intended to be the sole means of retirement income support for older Americans. In some ways, Social Security amendments since the 1980s recognize the interrelationships of the program with private pensions, and private savings. For example, the rising average income of the elderly—due largely to increases in private pension wealth and assets—is frequently used to justify reductions in Social Security benefits for affluent older persons (e.g., via increased tax-
the arguments for and against means-testing of Social Security and Social Security disability coverage are also considered. A very attractive feature of the book is a series of short chapters with additional (and generally dissenting) views on adequacy and equity, Social Security financing and work issues, and institutional and administrative issues. The book concludes with chapters that discuss options for Social Security reform and the past and future role of Social Security in retirement income policy. Social Security in the 21st Century provides a balanced treatment of the many issues facing the Social Security program in the United States. Despite its breadth, the chapters go into sufficient detail to provide the reader with an adequate understanding of the issues covered. Readers familiar with the literature will find the book useful as a reference volume. Its greatest value, however, may be as a comprehensive introduction to the issues confronting Social Security for the previously uninstructed.

The Social Security program in the United States is not the only retirement income program that has multiple objectives. The same is true of retirement income programs in many other developed countries, and underdeveloped countries as well. Challenges to Social Security: An International Exploration, edited by James Midsley and Mary B. Tracy, and Ageing and Social Policy: Global Comparisons, edited by Peter Lloyd-Sherlock and Paul Johnson, examine Social Security programs, social welfare policy, and pension policy in developed and developing countries. Because of the large number of countries considered, both books face the difficult task of attempting to characterize the main issues in the respective countries without being too superficial. This is particularly true for Ageing and Social Policy, which is a research center monograph, rather than a fully-developed book per se. Both books draw examples from developed and developing countries that face very different problems. For example, in developed countries, population aging raises familiar concerns about future labor shortages, financing pension and health care benefits, and equity issues stemming from the age distribution of public expenditures and rising life expectancy levels. In contrast, developing countries typically need to confront problems of expanding coverage to rural and subsistence populations, and funding problems caused by poor economic performance. On balance, the challenges faced by developed countries pale in comparison with those of developing countries.

Readers who are interested in alternative international approaches to providing pension coverage and benefits will find both of these books useful. Nevertheless, a cursory comparison of the chapter on Social Security financing in the United States in Challenges to Social Security (by Howard Karger) to the in-depth discussion of the same subject matter in Social Security in the 21st Century, quickly drives home the point that volumes containing discussions of several countries must, by necessity, touch only the surface of the issues.

Despite broad similarities in the challenges of financing retirement benefits faced by developed countries, significant variation in the size of these challenges does exist. For example, the financial difficulties faced by the United States Social Security program seem quite manageable when compared to those of Japan. The Economic Effects of Aging in the United States and Japan, edited by Michael Hurd and Naohiro Yashiro, focuses on the economic implications of aging in the two countries. Chapters are grouped under four main headings: (1) Demography and Macroeconomic Impact of Aging, (2) Aging and Asset Markets, (3) Aging, Household Saving, and Retirement, and (4) Public Pension Reform.

The introductory chapter by Hurd and Yashiro does a nice job of distilling some of the broad conclusions that can be drawn from a comparison of research findings on the economics of aging in the United States and Japan. In general, the elderly in Japan receive a much higher share of their retirement income from public pensions and earnings than the elderly in the United States. Moreover, public pensions in Japan tend to have significantly higher replacement rates than in the United States. This result is affected by both the higher labor force participation rates of the Japanese and the concentration of their wealth holdings in home ownership. In particular, the concentration of wealth holdings in home ownership implies that public pension replacement rates in Japan need to be higher than in the United States because the private savings of elderly Japanese tend to be tied up in home equity. The higher replacement rates of Japanese public pensions, coupled with the more rapid pace of population aging in Japan than in the United States, implies that the financing of future pension benefits faces greater challenges in Japan.

In contrast to the other three volumes, The Economic Effects of Aging in the United States and Japan is a compendium of chapters presenting the results of new research. This book will be of greatest interest to economists; noneconomists may find the presentation rather technical. Nevertheless, the new material on aggregate savings and individual savings behavior in the two countries makes The Economic Effects of Aging in the United States and Japan a significant contribution to the literature.

Retirement Incentives and Disincentives

If the problems faced by Social Security in the United States are so manageable compared to other countries, why all the debate about the program? One possibility is that its multiple objectives create internal conflicts that make it difficult to meet its objectives well. The retirement incentives and disincentives imbedded in Social Security provisions are the most striking example of such external contradictions. These seemingly conflicting provisions arose out of shifts in Social Security policy objectives over time.

When the Social Security Act was originally passed in 1935, the creation of jobs was a major objective. One way to create jobs was to move older workers out of the labor force to make room for younger workers. The Social Security program did this by linking the receipt of benefits to an earnings test, thereby ensuring that those who accepted Social Security benefits really left the labor force. In recent years, however, policymakers have become increasingly concerned about the need to encourage older persons to work longer, rather than less. Consequently, changes made to Social Security since the early 1980s have tended to shift the work incentives in the latter direction.

Ironically, although we know a great deal about the determinants of retirement, we know remarkably little about older workers and what motivates them to remain in the labor force. Are these motivations necessarily the mirror image of those that induce older workers to retire? Probably not. We know that older workers tend to be healthier and better educated than those who are not working (Louis Harris and Associates, 1992). But this simple outcome masks the result of several complex processes. For example, people in poor health may not be physically able to remain in the labor force as long as those in better health. As a consequence, the exit of less healthy older workers would raise the average health status of older persons who continue in the labor force. In addition,
people with higher education levels are likely to have better jobs that pay more than people with poorer educations. Everything else equal, older workers with higher pay would be expected to remain in the labor force longer than workers with lower pay. (Although the workers with higher pay may also have greater pension wealth that would encourage retirement.) Finally, it is well-known that health status is positively correlated with economic status. Thus, health and wage levels may interact in the retirement decisions of older workers—healthier workers with high wage levels may be the most likely to continue working of all. On the other hand, there is evidence that labor force participation rates are also very high among economically disadvantaged groups. Some older persons may need to continue working because of inadequate retirement income even though their health status and wages may be poor (Lams, 1986).

As complicated as these issues are, however, the reality is more complex yet. We know that many healthy, highly educated older workers in good paying jobs choose to retire. Perhaps this is because of complicated tradeoffs between the gains from another year of earnings versus opting for pension benefits. But workers do not always choose to retire at the point where their pension wealth is maximized—they also trade off the wealth effects of work/retirement with other uses of their time. Moreover, some individuals may leave the labor force with the expectation that they will return it in another way to their expectations, they may find that the anticipated work opportunities do not exist (or they may have inadequate training for opportunities that are available). Others may simply prefer pursuing nonwork activities such as caring for grandchildren, volunteering, or pursuing "nonproductive" activities such as travel, golf, or fishing.

In short, there are many reasons why older persons choose to continue working or to retire. As a result, policies designed to influence economic incentives related to retirement, such as changes to Social Security provisions, might not have the intended effect of encouraging increased labor supply by older persons. Although most older workers choose to retire at least partly as a result of financial considerations, changes to Social Security provisions may not change the economic implications of retirement enough to alter their retirement decisions. Moreover, a significant minority of older workers retire as a result of health limitations. Policies that encourage increased labor force participation of older persons (such as raising the normal retirement age for Social Security benefits) may inflict financial penalties on those with health limitations even though the decision to leave work is beyond their control (Podoff, 1986).

Employers, like policymakers, are concerned about pension and health care costs associated with retirees (Barth, McNaught, & Rizzi, 1996). This concern, however, has not translated into an increased demand for old workers to forestall their retirement. Rather, many employers have attempted to shift the responsibility for pensions to workers by switching from defined benefit plans to defined contribution plans. Similarly, many employers have reduced the generosity of health care coverage offered to retirees. Everything else equal, rising retiree benefit costs will reduce employer demand for older workers.

The willingness of employers to hire older workers may also be influenced by the rapid growth in minority population groups (Kingson, 1996). Minority groups such as Hispanics and African Americans have traditionally had lower education levels than the population as a whole. As a consequence, many of the new entrants to the labor supply pool from these groups may have poorer job skills than older Caucasian workers. If so, it is hard to predict how employers will react. Employers may place stronger emphasis on retraining of existing workers to keep workers' skills up-to-date. If so, the productivity of older workers may be enhanced and employers may choose to encourage older workers to remain on the job. On the other hand, employers may opt for training new labor force entrants, banking on a longer period to recoup their investment. Or, employers may decide to reduce their need for workers altogether by substituting capital (e.g., computers or robotics) for labor. The important point is that employers will only encourage the continued labor force participation of older workers if it is in the employers' economic interests to do so.

To the extent that employers decide to encourage (or discourage) continued labor force participation on the part of older workers, the most effective tools that they have at their disposal are the retirement incentives created by private pensions provisions and early retirement incentive programs (ERIPs). In all likelihood, the demand for older workers will differ substantially across industries because of variations in the growth of demand for different industries' products and the types of workers that these industries require. Some industries will experience shortages; others will not. Individual employers (especially those offering defined benefit plans) have the capability of responding to their labor force needs by altering private pension incentives in their own settings. But, in general, ERIPs are of limited use.

If potential labor shortages were the only problem, Social Security policies to encourage extended labor force participation on the part of older workers would probably not be the most effective approach. In the absence of another economy-wide depression, labor shortages are likely to be concentrated in specific industries and can be dealt with more effectively through private pension policies and ERIPs. In fact, Social Security policies that encourage continued labor force participation may work at cross purposes with employer attempts to encourage older workers to retire.

To the extent that future labor shortages are a concern, policymakers should place more confidence in employers to create the proper incentives (or disincentives) necessary to meet the labor supply needs of the economy. It is much more likely, however, that Social Security's retirement disincentives are motivated by policymakers' concerns about the affordability of an aging population.

Policymakers in the United States who are concerned about Social Security financing would do well to read the four volumes reviewed in this essay. If they did so, they would probably conclude that the situation is not as grave as they feared. By letting employers take a greater responsibility for retirement incentives and disincentives, policymakers could avoid adding further complexity to Social Security provisions, as well as avoid the unintended consequences that changes to Social Security provisions often engender.

Affordability of an Aging Population

Potential labor shortages, however, are not the only policy concern driving the interest in encouraging older persons to remain in the labor force longer. Another important motivation, is concern about the affordability of an aging population. These concerns are shared by employers and policymakers alike. Employers have seen pension and health care benefit costs rise as their retiree populations have grown. Policymakers are concerned about the future solvency of the Social Security trust fund as the baby boomers enter retirement, and even more
worried about health care costs for elders in the Medicare and Medicaid programs.

The concerns of public policymakers about the financial implications of population aging are understandable. In 1950, there were about 7.5 persons aged 16–64 (or labor force age) for each person aged 65 and over; by 2025, this ratio will decline to about 3. It is easy to conclude, based upon these figures, that the support burden for each worker will rise dramatically when the baby boom enters the retirement years over the period 2015–2040. But this conclusion is based on an oversimplified view of the problem.

The elderly are not the only population group that is largely outside of the labor force. Children, and many adults of labor force age also fall into this category. Moreover, many elderly are employed. Studies that take account of the labor force participation rates of all age groups invariably conclude that the support burden on members of the labor force age will be lower in the future than it was in the 1950s or 1960s (e.g., Schulz, Borowski, & Crown, 1991). The reason for this result is that the same individuals who will be the baby boom retirees of 2010–2030 were also not present in the labor force as children in the 1950s and 1960s. But in the meantime, the labor force will more than double in size. In short, despite rhetoric to the contrary, there is little evidence of a demographic “time bomb” in terms of the ratio of workers to “dependents.”

Of course, it can be argued that if the support costs of older people are higher than those of children, the support burden on workers may rise nevertheless. Again, however, studies that account for the relative costs of supporting children and older persons reach the conclusion that the support burden will be lower when members of the baby boom retire than it was when they were children (Schulz, Borowski, & Crown, 1991).

Finally, any measure of the support burden arising from population aging—even those that take account of the relative costs of supporting younger and older persons—will underestimate the degree to which relative support costs could rise before an increased burden would be placed on workers. This is because, to the extent that real economic growth occurs over time, there is the potential to allocate some of this growth to nonworking members of society without imposing an increased burden on workers. Thus, although the implications of population aging need to be closely monitored, there is no convincing evidence that the “burden” on future members of the labor force will be too great to bear.

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LONG-TERM CARE POLICY: LOTS OF SMOKE, NOT MANY MIRRORS, AND LITTLE PROGRESS


The good news is that there are three new books that include an extensive amount of information about long-term care. The bad news is that because of a changing policy and practice world, it is not clear what long-term care is anymore.

Major changes in the health and long-term care sectors, including DRC’s, assisted living, the expansion of home health care, the increase in case managed in-home care, pre-admission screening, Medicare HMO’s, OBRA, private long-term care insurance, and others have resulted in a blurring of the definition of long-term care. Care that used to be short-term, such as home health, is now long-term. Nursing home care, the long standing symbol of long-term care, is for many, short term. For example, an evaluation of Ohio nursing facilities found that 47% of those admitted were no longer residents after 3 months and 60% were no longer residents after 6 months (Mehdizadeh, Applebaum, & Straker, 1997). These use patterns are indicative of a world in which it is becomingly increasingly more difficult to classify types of services and types of clients. Thus, while we have new initiatives and new books on long-term care, we do not seem to be making progress on developing a systematic approach to serving people with chronic disability.

The three books reviewed in this essay include a range of long-term care topics of importance. The Future of Long-Term Care: Social and Policy Issues, edited by Robert H. Binstock, Leighton E. Cluff, and Otto von Mering, is a volume that includes contributions from many of the major authors and researchers in long-term care. Several of the chapters provide excellent background material about the current state of long-term care. The chapters on the history of long-term care, by Martha Holstein and Thomas Cole, and the evolution of the American nursing