EMPLOYMENT AND THE ELDERLY


Rethinking Retirement, edited by Ellen M. Gee and Gloria M. Gutman. Gerontology Research Centre, Simon Fraser University, Vancouver, British Columbia, 1995, 118 pp., $12.00 (paper).

Reading these three books has provided me with an opportunity to learn about and reflect upon what is new in the social sciences and aging. Rather than attempt to summarize the contents of three very different books, a nearly impossible task, I will describe them briefly and then discuss some themes that arise from them. The bottom line is that it is a very exciting time to be in gerontology!

Employment and the Elderly

The Handbook on Employment and the Elderly, edited by William H. Crown, has a typical handbook format – 20 academic papers (with frequent cross-references among them) averaging about 20 pages in length, by a total of 29 authors. Following an introductory essay by the editor and two coauthors, there are four chapters describing important demographic attributes of older Americans – their labor force characteristics, current and future demographic trends (with an emphasis on the diversity of the elderly population), historical trends in labor force participation and employment, and a separate chapter on older female workers. Then follows an essay on the history of retirement prior to Social Security, and four articles on public and private retirement income programs in the U.S. and abroad. After a chapter on the economic and legal aspects of age discrimination, there are three papers that present three alternative theoretical perspectives on retirement: the standard economic model of labor-leisure choice, which focuses on the financial options and incentives facing older workers; a broader social gerontological view that incorporates individuals’ feelings, attitudes and expectations about work and retirement; and a third, related perspective called productive aging, which emphasizes productive activities both inside and outside the paid labor market. The next three chapters include a review of the literature on the interactions among productivity, functional limitations and aging, another on the efficacy of employment training programs for the elderly, and a third on the costs and benefits of hiring or retaining older workers. The volume concludes with chapters on the economics of occupational labor shortages, the implications of an aging workforce for aggregate productivity and economic growth, and a discussion of the political context of older worker employment policy.

These essays are generally thorough, well written and insightful. The coverage of the volume is broad and the tone is upbeat. Despite a long-run decline in the labor force participation of older workers (a trend that seems to have come to an abrupt halt during the last decade in the United States and in some other industrialized countries, as discussed below), and despite some modest declines in certain individual capabilities with age, older workers in America represent an experienced and very valuable resource. They contribute a great deal, both within and beyond the formal labor market, and they have the potential to contribute considerably more. The title of the handbook is both instructive and refreshing – it refers to employment and the elderly, not to the other, more typical side of the coin, retirement. This emphasis on working and other productive activity in old age pervades the handbook.

Why the emphasis on older workers and employment? As the United States and other industrialized nations undergo population aging, there are concerns about the ability of these economies to support a larger and larger number (and a larger proportion) of older, nonworking citizens. The longer that these older citizens remain employed, perhaps even while claiming retirement benefits, the larger will be the aggregate output of the nation, and it is this output which will be allocated among the working and nonworking populations of the future. Some analysts, extrapolating from recent demographic and retirement trends, have forecast labor shortages in the near future, as the number of baby-boomers leaving the labor force becomes larger than the number of new entrants. One obvious source of labor supply is the elderly population.

There are also reasons at the individual level to study older worker employment policy. Economic distress – poverty – is much less common among older
Financial Gerontology

The Encyclopedia of Financial Gerontology, edited by Lois A. Vitt and Jurg K. Siegenthaler, is a very different type of book. Financial gerontology is the study of the economic security and the financial well-being of the elderly. Well-being can be measured (although imperfectly) by income, wealth, or better yet, consumption, which in turn can be financed by individuals’ income or assets, by social or private insurance, or by public welfare benefits. Economic security depends not only on one’s current status, but also on the risks and uncertainties about financial needs and sources of income in the future.

This encyclopedia contains over 130 entries in alphabetical order, from accelerated death benefits, accident insurance, and adult day care to wills, working retirees, and zoning. There is also an appendix that briefly summarizes the provisions of 24 pieces of federal legislation affecting employee and retirement benefits that have been enacted since the passage of the Employee Retirement Income Security Act of 1974, and a very thorough and detailed 42-page index. Most of the encyclopedia’s articles are brief (they average about 4 pages), and are followed by references to related entries in the volume as well as references to books, articles and organizations (whose addresses and phone numbers are found in a second appendix) that can provide more detailed information or assistance on the specific topic.

The entries are listed in the front of the book (but not in the text) under eight core topics: economic and income security; employment, work and retirement; family and intergenerational issues; financial advice, investments and consumer services; health care and health insurance; housing and housing finance; legal issues and services; and quality of life and well-being.

By my categorization, the entries fall into a small number of types. A few are academic reviews of a literature – much more succinct versions of what might appear in the Handbook on Employment and the Elderly. Examples include the economic status of the elderly (and a separate entry on the economic status of elderly women), pension fund trends, the history of retirement, divorce and the elderly, and health and longevity. Most of the encyclopedia’s entries are descriptions of programs or of legal or financial terms, such as Social Security, Medicare, Medicaid, Supplementary Security Income (SSI), medical savings accounts, employee stock ownership plans, Keoghs, annuities, capital gains, derivatives, reverse mortgages, and continuing care retirement communities. Several entries provide limited “how to” advice, such as those on business succession planning, asset allocation after retirement, cash flow planning, estate planning, Medicaid planning, and, for those less fortunate, bankruptcy. Finally, a few are cautionary tales, including those on consumer protection, crime, financial elder abuse, and my favorite, the King Lear Syndrome, on the dangers of inadequate estate planning, complete with excellent quotes from the Bard himself.

Because most of the entries are so short, they provide only a brief overview of each topic. As such, they will be of little interest to experts in the field. But they can provide a useful introduction for the novice, as well as suggestions on where to find additional information. Many of the quantitative details in the descriptive entries (such as the total amount of assets in defined benefit plans [in 1992], or the exempt amounts under the Social Security earnings test [in 1995]) will become increasingly out-of-date over time. Here is where the references are particularly useful, especially when they include sources that are updated annually, as the entry on Social Security does.

Rethinking Retirement

Rethinking Retirement, edited by Ellen M. Gee and Gloria M. Gutman, contains an introduction by the editors, and then six short articles on aging, work and retirement in Canada, four of which are based on papers presented at a 1995 lecture series at Simon Fraser University. The authors are sociologists and gerontologists and one actuary. The book begins with the observation that population aging in industrialized nations is first and foremost a social triumph, not a social disaster. Thanks to advances in hygiene and medicine, people are living longer and, in most cases, healthier. This is a very useful reminder, given the aura of societal crisis and financial doom that so often accompanies discussions of these demographic trends.

The authors urge policy makers and others to think positively and creatively about the retirement process, in a world in which a number of fundamentals are changing, including the role of women in the family, the importance of paid work for married women, technology, industrial and occupational structures, and the relative importance of social and individual responsibility for one’s own financial well-being in retirement. Two of the six chapters focus specifically on women and retirement.

The authors think and hope that the institution of retirement in Canada will change as well, toward one with more flexibility for older workers, who will continue to exhibit a wide variety of needs and desires. In this volume, various authors call for the abolition of mandatory retirement (which still exists in some provinces in Canada), an increase in the age of eligibility for the public pension plan (a proposal that I suspect some of the other authors in this volume would oppose), and more public assistance for older workers than it is among those who are no longer employed. In addition, for many, employment provides important nonpecuniary benefits – social contacts, self-esteem, a reason to wake up in the morning. It is interesting to note that economists are nearly alone in defining leisure as a good and work as a bad – something to be avoided, except for the income, and therefore consumption, that it makes possible. I suspect that we economists are correct at the margin (on our death beds, how many of us will lament not having spent more time at the office?), but few of us would be better off with no work at all, even if we could afford it.
workers who are forced to exit early because of poor health or poor job prospects.

Diversity

Several interesting themes emerged as I read these books. The first — by now well documented and well understood, but still worth repeating — concerns the incredible diversity of elderly adults. I once wrote,

"Never begin a sentence with 'The elderly are . . .' or 'The elderly do . . .' No matter what you are discussing, some are, and some are not; some do, and some do not. The most important characteristic of the elderly is their diversity. The average can be very deceptive, because it ignores the tremendous dispersion around it. Beware of the mean." (Quinn, 1987:64).

In these volumes, diversity is encountered in many dimensions. In the Handbook, Eric Kingson discusses the varied demographic characteristics of elders — their racial and ethnic composition, their ages (even among those over 60 or 65), their health, education levels, and family structures, and their abilities to continue to work. Christopher Ruhm documents the diverse economic situations facing older Americans with respect to pension, health and disability coverage, and financial incentives to retire, and discusses the variety of retirement transitions observed as workers exit the labor force. Sterns, Sterns, and Hollis review the extensive literature relating chronological age to changes in a number of physical, sensory and cognitive abilities, emphasizing that the changes that are observed on average do not happen to all individuals. Even when they do occur, these limitations may or may not affect one’s productivity on the job, depending on the job skills required, the ability of workers to compensate for declines in some characteristics, and the willingness of employers to design workplaces to assist older workers who want to stay on the job.

With its emphasis on employment and the elderly, the Handbook makes clear that the traditional dichotomies between work and retirement or between work and leisure are inaccurate and misleading. Although the archetypal (male) pattern of a long-term career job followed immediately by complete labor force withdrawal is still common, many workers leave career employment in much more interesting ways, utilizing bridge jobs on the way out. Christopher Ruhm has been one of the leaders in this area of research in the United States, and his Handbook article on historical trends in employment and labor force participation documents the importance of gradual and partial retirement in America. (There seems to be no analogous body of research in Canada, since the material on bridge jobs in Rethinking Retirement just refers to the American literature.) These transitional jobs often involve fewer hours, fewer responsibilities and physical demands, sometimes self-employment and frequently, a new line of work. Some workers choose these transitional routes because they have to, lacking the financial resources to stop working altogether. Others do so because they want to. They may enjoy the work, or at least enjoy the company of fellow workers or the feeling of being productive. Others may fall in between, preferring to remain full time on their career jobs, but deciding not to because of pension incentives that penalize those who choose to stay too long. (The nature and impact of these financial incentives is discussed in the Handbook chapters by Barry Friedman [on Social Security] and by John Turner and Tabitha Doescher [on employer pensions], and also in the very thorough review of the economics literature on retirement by Michael Leonesio.) Whether job transitions that occur in response to changing financial incentives (which are really equivalent to surreptitious pay cuts) are voluntary or involuntary is a matter of semantics. Under the circumstances, workers choose to leave their career jobs, but they wish the circumstances were such that they could stay.

Scott Bass and Frank Caro (in the Handbook) have expanded the concept of productive engagement, clouding the economists’ distinction between work (for pay) and leisure. They define “productive aging” to include all activities that produce socially valued goods and services, whether sold in a market or not, as well as any activities that develop the capacity to produce them. (They exclude activities that are undertaken strictly for personal enjoyment or enrichment.) They are interested in the extent and determinants of volunteer work and certain caregiving activities performed for family members or friends — services that would have to be purchased were they not provided for free.

Much of their empirical work is based on a 1991 Productive Aging Survey of Americans aged 55 or older, sponsored by the Commonwealth Fund. Bass and Caro find productive activity far in excess of what would be implied by traditional labor force participation statistics. For example, nearly three quarters of those aged 65 to 74 and nearly half of those aged 75 or older either worked for pay, volunteered for service organizations or provided informal caregiving services; in contrast, only about 17% of those 65 to 74 and less than 5% of those 75 or older worked in the labor market. A significant proportion of those productively active (about half of those aged 65 to 74 and about a third of those 75 or older) provided 20 hours or more of service per week — the equivalent of a half-time job.

Bass and Caro’s work reveals an irony in proposals designed to keep older workers in the traditional labor market. These proposals, if effective, would reduce the amount of time available for other (unpaid) productive activities — activities that society might well value more than the alternative work for pay, even though these unpaid services are ignored in national income and output statistics. Society might lose, even as the GDP statistics register a gain.

The behavior of the elderly does not fall into neat categories. The elderly are diverse, as are their activities. One might question whether the definition of the elderly should even be based on chronological age, which turns out to be an inaccurate and often misleading proxy for most concepts of interest.

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The Determinants of Choice

A second important theme in these books concerns the determinants of these diverse choices by older Americans. Why do some workers leave the labor market early, while others stay on, either in a career job or in bridge employment? Why do some stay productively engaged after leaving paid employment, while others do not? Why do retirement patterns differ in various industrialized countries? What are the relative contributions of institutional factors, societal norms, and individual situations and preferences? How much can these decisions and trends be influenced by public policy initiatives?

These questions of causation become all the more interesting when one examines recent changes in retirement patterns in the United States, Canada, and elsewhere. In the United States, as I have argued elsewhere (Quinn, 1997), the early retirement trend is over, and has been so since the mid-1980s. Figure 1 shows the labor force participation rates for American men aged 55 to 64, from 1970 through 1995. The straight line is a linear approximation (from a regression) of the trend that existed from 1970 to 1985, which is then extrapolated from 1986 through 1995. The break in the pattern around 1985 is clear. During the past decade, and in distinct contrast to the prior 15 years, participation rates for these men have been nearly constant, with perhaps a slight uptick at the end. More younger American men are working now than would have been predicted by the prior trend. The same pattern can be seen for men younger (55 to 59) and older (70+), and for women in these same age categories (Quinn 1997). The older women's trends between 1970 and 1985; however, were much flatter and in the case of one subgroup (women aged 55 to 59), slightly upward sloping. But in every case, as with the men, participation rates since 1985 have been well above the extrapolation of earlier trends.

Why did the long-run postwar patterns in the United States come to a halt? Ruhm (in the Handbook) suggests several plausible explanations, including changes in Social Security incentives that encourage (or at least do not discourage) work late in life, a shift from defined benefit to defined contribution pension plans (since the latter, by their very nature, contain no age-specific retirement incentives), and increases in health expenses, which make some potential retirees wary of leaving their employers and losing their health insurance coverage. One could add to the list the legislated demise of mandatory retirement in the U.S., which increased options for some and which may have sent a societal message about the appropriate age to retire, as well as the very strong domestic economy, in which the aggregate unemployment rate has declined from near 10% in 1983 to less than 5% today. Strong labor markets increase the options of older workers who want to remain employed.

The recent Canadian experience provides quite a contrast, as seen in Figure 2. From 1970 to 1985, the U.S. and Canadian participation rates and trends for men aged 55 to 64 were almost identical. Both rates declined from near 85% to near 70%, a drop of about 1% per year. But in Canada, the pre-1985 early retirement trend has continued unabated. In 1985, participation rates for these men in Canada and in the U.S. were 70% and 68%, respectively. By 1995, the Canadian rate had dropped another 11 points, to below 59%, while the U.S. rate remained steady in the 66–67% range. The Canadian rate in 1995 was almost identical to the extrapolated prediction; in the U.S., the actual rate was nine points above the prediction. Something is very different here. Higher marginal tax rates, mandatory retirement, and continued double-digit unemployment in Canada may explain some of the difference, but the mystery remains unsolved.

The Future of Employer-Sponsored Pensions

A topic that receives considerable attention in these books is pensions. Three Handbook articles focus directly on employer-sponsored pensions, and many others discuss them extensively. The Encyclopedia includes entries on pension plan trends, Keogh plans, Individual Retirement Accounts, employee stock ownership plans and ERISA legislation. Pensions are a management tool, one objective of which is to influence employee behavior. The obvious influence comes near retirement time, when defined contribution plans often impose financial penalties on those who do not leave—the carrot, in contrast to the mandatory retirement stick. But pensions also influence behavior much earlier, by also penalizing those who leave the firm too early. Vesting periods have this effect, as do benefit rules that fix eventual benefits in the dollars of the year of departure. Several interesting questions arise, which are ripe for further research.

Now that mandatory retirement has been outlawed for the vast majority of American workers, and Social Security work disincentives are being phased out, will employers go along, and make their pension plans more age-neutral as well? Or, on the contrary, will employers increase the financial penalties for those who remain on the job, to compensate for the loss of the other work disincentives? Will public and private retirement signals diverge, with one encouraging work late in life and the other discouraging it, at least on the career job? Do firms realize that the movement toward defined contribution plans reduces their ability to influence the timing of retirement? Will they continue to attempt to influence retirement decisions with specially designed and targeted early retirement incentive programs? If so, will they be effective? Will we see more bridge-job activity in the future, as older Americans respond to these contradictory incentives by leaving career jobs when the pension incentives dictate, but then continuing to work on postcareer jobs? If labor shortages become severe, will employers change employment incentives to encourage older workers to remain on the job, perhaps with increased training opportunities and more hours and job content flexibility?

In addressing the uncertainties of the future, many
Figure 1. U.S. Labor Force Participation Rates (men, age 55–64, 1970–1995).

Source: OECD Labour Force Statistics database

Figure 2. Canadian Labor Force Participation Rates (men, age 55–64, 1970–1995).

Source: OECD Labour Force Statistics database
of these authors describe how the social, demographic and economic environments are changing. Health and longevity, marriage, divorce and fertility patterns, the roles of women in the home and in the workplace, Social Security and pension rules, health care reform, and aggregate economic performance will all influence future retirement patterns and the overall well-being of tomorrow’s elderly population.

The economic status of older Americans, on average, has improved dramatically in the postwar period, to a great extent because of the growth and generosity of a maturing Social Security program. Given the long-run financial difficulties facing Social Security in the United States (and similar public programs elsewhere), and the wide variety of reform options that are now being proposed, it is difficult to forecast the future with much confidence. Nonetheless, it seems likely that Americans will be working (and living) longer than they currently do – perhaps on their last career job, and perhaps on new bridge jobs. I welcome, therefore, the emphasis in recent research and in these volumes on the productive potential of the elderly. I hope that as a society we are able to provide the financial incentives and the workplace flexibility to utilize this valuable and experienced resource.

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References

HEALTH CARE DECISION-MAKING

Legal and Healthcare Ethics for the Elderly, by George P. Smith, II. Taylor & Francis, Bristol, PA, 1996, 207 pp., $24.95 (paper).

Our individualistic society values freedom and autonomy very highly. As our population ages and medical technology increases we are often confronted with a clash of values among autonomous decision-making, societal moral values, and limited economic resources. The topic of health care decision-making is one of the most timely in the field of aging. Whether the debate focuses on “the right to die,” physician-assisted suicide, allocation of health care resources, or the efficiency of advance health care directives, such discussion permeates the public policy arena.

These topics are treated in the three new books reviewed in this essay. Frankly, the most worthwhile of these texts from my perspective is Older Adults’ Decision-Making and the Law, edited by Michael Smyer, K. Warner Schaie, and Marshall Kapp. Few books in the field are as provocative as this volume. Materials on competency and assessing competency provided me with new insight, especially the article by Timothy Salthouse which provides a psychologist’s perspective on the assessment of cognitive competency. I also found the article by Sherry Willis entitled “Assessing Everyday Competency in the Cognitively Challenged Elderly” to offer an excellent discussion of issues that have not often been raised in the elder law literature. I agree with Mary Joy Quinn, who notes the need for more research with respect to the concept of “undue influence” as it relates to competency. Kapp focuses on an issue that has not been adequately addressed in the context of guardianship, i.e., fear of liability by service providers and family members. As Kapp points out, “It is important for providers to realize that litigation against health or social services professionals or other private individuals providing alternatives to guardianship assistance is extremely rare. Research has uncovered no published cases in which AGS providers for cognitively or emotionally impaired elderly clients were cited as defendants” (p. 194). This liability mythology can have real consequences for elderly clients.

I thought that the article by Alison Barnes (in Smyer et al.) provided some of the most challenging thinking regarding reform in the surrogate decision-making area. Her focus on the fact that the law cannot provide solutions to all human problems is useful and appropriate. In addition, I was encouraged to see the discussion she raises with respect to estate planning and assets being passed on to younger family members. This is clearly a taboo area and raising it is commendable.

Making Sense of Advance Directives, by Nancy M. P. King, is a useful and sensitive discussion of the topic. The last chapter, “The Forecast for Advance Directives,” is excellent. It sets the social and ethical policy context with a discussion of provocative issues such as advance directives as cost-containment devices, use of litigation to enforce advance directives, and the allocation of limited resources. King also gives special attention and guidance to physicians on how to interpret advance directives. The bibliography is excellent, as is the listing of various state statutes. However, the format of the book is not particularly user friendly if its intended audience is clinicians and...