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America's Opportunity

The Potential Of An Aging Society

The MacArthur Foundation
Research Network on an Aging Society

From the Editor

The Senate Special Committee on Aging at 50: Past Accomplishments and Future Challenges

Robert B. Hudson, Editor

Public Policy & Aging Report is pleased to honor here the work and role of the Senate Special Committee on Aging, which celebrates its 50th anniversary this December. The Committee has called attention to pressing needs that have faced older Americans over these past five decades, and has publicized the accomplishments and contributions that this population has made to our civic culture.

My opening article documents the advocacy and investigative efforts the Committee has made to this point in its life, recounting major activities the Committee has engaged in and pointing to the particular contributions made by Committee Chairmen, Democrats and Republicans alike, who crossed the aisle to move agendas on aging forward.

The remaining articles analyze various futures that older Americans and the Committee may face in the coming years. Major population changes are now underway or accelerating, changes that are taking place within the older population but across the life-span as well, involving individuals of all ages. Three of the following analyses of these developments are based on the work of the MacArthur Foundation Research Network on an Aging Society, under the direction of John W. Rowe. Dr. Rowe's overview essay calls on policymakers to appreciate the positive aspects of life extension and to understand population changes in society-wide rather than cohort-specific terms. Anything less, he fears, will result in growing tensions between generations, between the haves and have-nots, and between the more and the less educated. Axel Boersch-Supan, Gabriel Heller, and Anette Reil-Held, using data from Europe where population aging is more pronounced than in the U.S., explore how prevalent intergenerational concerns may be. They see fears of looming gerontocracies as overblown, with European survey responses finding great variation in generational relations, regions suggesting generational tensions to be widely scattered, and most importantly, "no evidence that the burden of population aging, measured by the old-age dependency ratio, is systematically related to a broad array of indicators for generational conflict" (page 17).

The future, which concerns Shirley Franklin and Jane Hickie, centers on the quality and affordability of community life for tomorrow's elders. If needed innovations and adjustments can be made, they see a positive future, one marked by considerable aging in place. But critical pieces must come together for this to be the case, including containing community-living costs, increasing and integrating housing, health, transportation, and supportive services, and making special efforts directed toward improving the purchasing capacity of elders with disabilities. A final analysis by Richard Johnson from the Urban Institute focuses on work, retirement, and labor market conditions for older workers. Both employers and public policy can and should be modified to meet the needs and preferences of older workers and can be done so in a manner that also meets the workforce concerns of employers. Modifications in pension regulations and ongoing employment practices could generate workplace flexibility, ease phased retirement, and redound to the advantage of employee and employer alike.

We dedicate this issue of* Public Policy & Aging Report *to Robert H. Binstock, who devoted his career to promoting the policy needs and interests of older Americans.

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Standing for, Not Standing by: The Senate Special Committee on Aging's First 50 Years

Robert B. Hudson

The Senate Special Committee on Aging celebrates its 50th anniversary this year. The Committee, first chaired by a towering figure in aging policy, Sen. Pat McNamara of Michigan, has had 14 chairmen and 12 staff directors, has held more than 2,000 national and regional hearings, and has had its hand in—if not officially on—numerous pieces of legislation that have proven critical to the well-being of older Americans. An examination of the Committee's standing and initiatives over the years yields three overlapping stages that may be said to have marked the Committee's existence to this point: Committee creation and maintenance, placing older Americans' needs on the nation's legislative agenda, and overseeing the workings of programs established in their interest.

Committee Origins and Maintenance

The current Senate Select Committee on Aging grew out of the Subcommittee on Problems of the Aged and Aging of the Senate Committee on Labor and Public Welfare, itself established in 1959. As recounted in former Special Committee staff director William Oriol's (1985) history of the Committee, pressures were building in Congress to address problems facing older people, especially the twin issues of low incomes and high health care costs. Initially, it was not clear how much such a nonlegislative committee might be able to accomplish given that it could not receive bills or report them to the Senate floor. Yet, turning potential weakness into strength, the Committee by design and in practice was able to address aging-related concerns that crossed the jurisdictional boundaries of several standing committees. In McNamara's words, "[T]he problems of older persons are not contained within a narrow subject matter compass but cut across most areas of governmental and legislative responsibility (quoted in Oriol, 2009, p. 3).

The transformation of the Subcommittee of the Aged and Aging into the Special Committee on Aging was one result of a broad advocacy movement at the turn of the 1960s, revolving around the nomination and election of John F. Kennedy as president and the activities on the part of organized labor and other groups to press forward with the Medicare legislative agenda (J. Rother, personal communication, 2011, November 9). Sydney Spector, who chaired the Subcommittee, later noted that there was no preconceived notion that health care would dominate its early agenda, but the issue generated enormous volumes of testimony from around the United States and transformed the Forand Bill (the initial Medicare proposal) into what the *Baltimore Sun* editorialized as the "foremost issue of the Presidential campaign" (quoted in Sundquist, 1968, p. 297). At one hearing in 1961, before the newly constituted Special Committee on Aging, an older couple, living on $1,500 annually, asked what would happen if one of them became seriously ill. The husband testified, "I will have to seek some charity institution and . . . pronounce to the whole world that I am a pauper, a beggar" (Sundquist, p. 288).

The Committee under its early leadership set its sights broadly. It did so first by identifying problems and soliciting input both from members of the public and individuals expert on the issue in question. Testimony from vulnerable elders gave unequivocal voice to the straits in which many found themselves. Among other experts, Wilbur Cohen published a series of working papers for the Labor and Public Welfare Subcommittee on Health and Income Issues, and soon after comments and support for legislative action came in from experts and the public alike. Spector understood that the Committee had no legislative power, but he realized the power of the printing press. He commissioned papers, such as those by Wilbur Cohen, and made a record of everything he could. With time, "government agencies would look on requests for testimony as a virtual command, and people from the field were eager to come forward" (E. Cohen, personal communication, 2011, November 7).

The substantive concerns raised by hearings and publications, though far-ranging, had a common thread: They recognized that widespread and profound problems faced a growing older population and that the

nation overall and the government in particular were not paying sufficient attention to them. From today's vantage point, it seems hard to believe that getting aging on the agenda was a tall order, but that was clearly the case. The Committee developed an especially propitious vehicle to make these needs known: its annual publication, *Developments in Aging*, first published in 1963 and put out until the mid-1980s. Beyond enumerating particular concerns, the title of the opening chapter in the early volumes (mostly written by Herman Brotman, and referring to the proportion of older Americans in the population) were "1-in-11," and then "1-in-10," and finally "1-in-9," by which time the point had been made that the United States was indeed growing older. These annual editions came to contain reams of information about the lack of well-being of older people across a range of dimensions, and they were widely distributed. By the late 1960s, *Developments in Aging* was being published in a two-volume format, with the second volume summarizing actions that a wide range of executive branch agencies had taken with regard to aging issues during the preceding year (Vinyard, n.d.).

At the same time as data and testimony were being marshaled about the growing needs of older Americans, a stark realization grew that little governmental action had been taken on their behalf in nearly 30 years. Medical Assistance for the Aged (MAA) emerged in 1950, but was still a so-called welfare program; the provision of disability insurance became law in 1956 for workers over 50 but had limited effect in its early years. Yet as *Developments in Aging* summarized in its initial edition, a gamut of unattended needs existed: adequate income, access to medical care, decent housing, older worker opportunities, and research on aging. From their beginnings, both the Subcommittee and the Committee publicized these concerns through hearings—field hearings, in particular—and through expert testimony in which stakeholders presented proposals to be incorporated into legislative initiatives. By the mid-1960s, what Henry Pratt (1976) referred to as the dismal years of aging advocacy and policy (1946–1964) had ended, and older people were on the nation's agenda.

Legislative Successes

In the period that followed, with the Special Committee on Aging thoroughly involved, an unprecedented spate of legislation on behalf of older Americans became law. Medicare, of course, led the parade, with older people ultimately settled on as program beneficiaries in the wake of 30 years of Democratic efforts to enact a broader national health insurance proposal. The Aging Committee's hearings and publications provided a drumbeat of attention and support, helping to keep the original King-Anderson proposal on the legislative burner. In Oriol's (2009) estimation, "[T]he new Special Committee on Aging was critically important in the long struggle leading to enactment of Medicare" (p. 8). In particular, the Committee pointed out the shortcomings of the MAA (later expanded into the Kerr-Mills program), noting that (a) a few states received the lion's share of benefits (Marmor, 1970), (b) fewer than 1 percent of elders had received any assistance through Kerr-Mills by 1963 (Quadagno, 2005), (c) states were shifting associated costs to the federal government rather than enrolling medically indigent individuals, and—as the previous quote makes clear—(d) the image of welfare medicine continued (Oriol, 1985). On a second front, the Committee parried contentions that the private health insurance market could provide for older Americans, arguing that half of older Americans had no such insurance, that "great strides" were not being made in the private sector to extend such benefits—commercial insurance benefits covered only roughly half of what hospitals were billing, and companies were able to reduce benefits through a complex array of deductibles, co-payments, and lifetime benefit limits (Oriol, 1985, pp. 53–55).

Senate Special Committee on Aging Chairmen

Name	Party-State	Years
Patrick V. McNamara	D-MI	1961–1962
George A. Smathers	D-FL	1963–1966
Harrison A. Williams, Jr.	D-NJ	1967–1970
Frank F. Church	D-ID	1971–1978
Lawton M. Chiles, Jr.	D-FL	1979–1980
John H. Heinz, III	R-PA	1981–1986
John Melcher	D-MT	1987–1988
David H. Pryor	D-AR	1989–1994
William S. Cohen	R-ME	1995–1996
Charles Grassley	R-IA	1997–2000
Larry E. Craig	R-ID	2001
John B. Breaux	D-LA	2001–2002
Larry E. Craig	R-ID	2003–2004
Gordon H. Smith	R-OR	2005–2006
Herbert H. Kohl	D-WI	2006–

Senate Special Committee on Aging Ranking Members		
Everett Dirksen	R-IL	1961–1969
Winston Prouty	R-VT	1969–1971
Hiram Fong	R-HI	1971–1976
Pete V. Domenici	R-NM	1977–1980
Lawton M. Chiles, Jr.	D-FL	1981–1982
John Glenn	D-OH	1983–1986
John H. Heinz, III	R-PA	1987–1991
William Cohen	R-ME	1991–1994
David H. Pryor	D-AR	1995–1996
John B. Breaux	D-LA	1997–2001
Larry E. Craig	R-ID	2001–2002
John B. Breaux	D-LA	2003–2004
Herbert H. Kohl	D-WI	2005–2006
Gordon H. Smith	R-OR	2006–2007
Mel Martinez	R-FL	2008
Bob Corker	R-TN	2008–

The Special Committee weighed in on the remainder of major aging-related legislative enactments of the 1965–1974 decade. Medicaid's enactment in 1965 continued and broadened much of the Kerr-Mills program and, with the revelation of fraud and abuse within the nursing home industry, soon became an oversight target of the Committee. The Older Americans Act passed in the same year with, as Binstock (1972) observed, "considerable support from the members and staff of the Special Committee on Aging" (p. 272). The Act brought together the growing number of state commissions and boards, some of which had been providing social services to elders since the early 1950s. With the ongoing support of the Special Committee on Aging, the Act grew exponentially over its initial 15 years as more than 600 Area Agencies on Aging joined 57 State Units on Aging, and budgetary outlays increased from $7 million in 1966 to nearly $1 billion by 1980.

The Committee was also active in pressing for elevation of the Administration on Aging (AoA) within the Department of Health and Human Services (Health, Education, and Welfare until 1977). The battle between members of the Committee and a series of administrations went on literally for decades. The Johnson administration had placed the AoA in a new Social and Rehabilitation Service, which aging advocates essentially found as insulting the dignity of senior citizens (Hudson, 1973). A classic exchange took place in 1972, when Assistant Secretary of Health, Education, and Welfare Steven Kurzman testified against placing the AoA within the HEW Secretary's Office:

> "I would oppose [creating an Assistant Secretary of HEW for Aging], and I would like to make sure that this Committee, when they came to the question, had fully in view the reasons why I would oppose it. These have to do with the way in which HEW is structured. As the name implies, it is organized along essentially functional lines, around health, education, and welfare. Now, the elderly have needs and problems under each of these functional headings, very obviously. So do children, and for that matter, so does everybody in between. We could have had a Federal Department of the Young, the Middle-Aged, and the Elderly. . . . Now, when you approach the question of who should be for what function as Assistant Secretary of HEW, you start with this basic subdivision along functional lines. . . . So, the creation of a position for an Assistant Secretary for the Elderly would represent a significant departure from the overall structure, and would lead as well to the question of what other group concerns should be made the subject of an office of Assistant Secretary."

The Aging Committee clearly thought that the executive branch should have a cross-cutting, multi-jurisdictional entity, in some ways a mirror image of itself. In 1973, the Committee succeeded in moving the Commissioner of Aging into the Secretary's Office, only to have the Secretary cleverly parry the move: He created the Office of Human Development Services within his Office that included five social welfare constituencies and bureaus, including the AoA. In the early 1990s, aging advocates and the Special Committee finally prevailed, with creation of an Assistant Secretary for Aging located in the Secretary's Office.

Income security has been a central concern of the Committee since its beginning. These efforts came to a head in the late 1960s, with Committee Chairman Harrison Williams pronouncing in *Developments in Aging* in 1969, "Never before has such intensive congressional attention been paid to what might be called the personal economics of the elderly in the nation" (Oriol, 1985, p.

104). A major working paper authored principally by Professors Juanita Kreps from Duke and James Schulz from Brandeis served as the basis for further activity. The paper was notable for simultaneously addressing both savings and spending patterns and both public and private pensions. These efforts, featuring future Chairman Frank Church in addition to Chairman Williams, contributed to extraordinary advances in income maintenance for older adults during the ensuring years: a 20 percent increase in Social Security benefits, cost-of-living adjustments to address inflation, the federalization of adult public assistance titles dating to the New Deal in the form of the Supplemental Security Income program, and placing private pension protection centrally on the legislative agenda.

The Committee's ongoing concerns about the plight of older workers (including those then considered in late middle age—that is, 40 and older) saw it pressing Office of Economic Opportunity Director Sargent Shriver and other officials charged with implementing the Great Society's Economic Opportunity Act to incorporate older as well as younger workers into its mission. Operation Mainstream on behalf of older adults was developed in 1967 partially as a result of these efforts; soon thereafter, Chairman Williams and other members introduced the Middle-Aged and Older Workers Employment Act, only to see it vetoed by President Nixon. What has since emerged as the Senior Community Service Employment Program was later enacted as part of the Older Americans Act, today designated as Title V and continuing to be administered through the Department of Labor (Gonyea & Hudson, 2011).

Committee members were also on board on the matter of age-based discrimination in employment, with Committee members McNamara, Clark, and Randolph introducing a bill in 1961 to outlaw such activity. Passage of the Age Discrimination in Employment Act finally occurred in 1967 and saw two major rounds of amendments in subsequent decades. Finally, and as happened repeatedly over the years, joint work between the Special Committee on Aging and the Finance Committee led to enactment of the Employee Retirement Income Security Act in 1974, with the legislation being introduced by Senators Jacob Javits and Harrison Williams. Through these and other efforts, the Special Committee drew both attention and resources to elder needs, and by the mid-1970s had established itself as a catalyst in moving aging-based legislative items forward.

In light of these successes, it seems remarkable to recall that a serious move was made during 1977 to

Senate Special Committee on Aging Staff Directors

Congress	Majority Staff Director	Minority Staff Director
87th Congress	William Reidy	John Guy Miller
88th Congress	William Reidy	John Guy Miller
89th Congress	J. William Norman, Jr.	John Guy Miller
90th Congress	William Oriol	John Guy Miller
91st Congress	William Oriol	John Guy Miller
92nd Congress	William Oriol	John Guy Miller
93rd Congress	William Oriol	John Guy Miller
94th Congress	William Oriol	John Guy Miller
95th Congress	William Oriol	Letitia Chambers
96th Congress	E. Bentley Lipscomb	David Rust
97th Congress	John C. Rother	E. Bentley Lipscomb
98th Congress	John C. Rother	Diane Lifsey
99th Congress	Stephen R. McConnell	Diane Lifsey
100th Congress	Max I. Richtman	G. Lawrence Atkins
101st Congress	Portia Porter Mittelman	Jeffrey R. Lewis
102nd Congress	Portia Porter Mittelman	Jeffrey R. Lewis
103rd Congress	Portia Porter Mittelman	Mary Berry Gerwin
104th Congress	Mary Berry Gerwin	Theresa M. Forster
105th Congress	Theodore Totman	Bruce Lesley, Ken Cohen
106th Congress	Theodore Totman	Ken Cohen, Michelle Easton
107th Congress	Michelle Easton	Lupe Wissel
108th Congress	Lupe Wissel	Michelle Easton
109th Congress	Catherine Finley	Julie Cohen
110th Congress	Julie Cohen, Debra Whitman	Catherine Finley
111th Congress	Debra Whitman	Michael Bassett
112th Congress	Debra Whitman	Michael Bassett

eliminate the Senate Special Committee on Aging altogether. As happens periodically in both legislative and executive branches, a reorganization plan was introduced whereby, in the name of administrative efficiency, the Aging Committee and programs for older veterans—administered by the Committee on Veterans Affairs—would be placed in the new Committee on Human Resources, which would expand the scope of the existing Committee on Labor and Public Welfare. Advocates for the aging and a host of Senators bridled at this attempt, arguing that the needs of elders, being both broad and encompassing, required a venue where their multiple and interrelated concerns could be addressed. In formal response, Sen. Church offered an amendment whereby the Committee's membership would be reduced from 16 to nine but, as well, the Committee would be given permanent status. The Church amendment passed by a vote of 90 in favor, four opposing, and four abstentions (Oriol, 1985).

Although its existence was secured, an economic contraction beginning in the mid-1970s and a new administration taking office in 1981 determined to consolidate and trim social programs created new challenges for the Committee. These developments did not eliminate Committee initiatives; they just lowered the odds of legislative success. Thus, in the late 1980s, Sen. John Heinz succeeded momentarily in adding a prescription drug benefit to the ill-fated Medicare Catastrophic Coverage Act, and Sen. John Breaux gave visibility to the idea of public long-term care insurance and to expanded adult protective services legislation. As was the case with other Committee initiatives, these proposals incubated over several years, with prescription drug legislation being added to Medicare through the Part D program in 2003, the CLASS Act at least briefly seeing the light of day in 2009 (though its implementation is currently suspended), and the Elder Justice Act becoming law in 2010. During his chairmanship in 1987–1988, Chairman John Melcher introduced language to the Older Americans Act to develop an experimental cost-of-living index to track inflation among the population ages 62 and older. This adjustment would have increased benefit levels for that population, in contrast to a proposal then (as now) under consideration that would have made a downward adjustment.

The present Committee under the chairmanship of Sen. Herb Kohl has pressed for new initiatives across a range of domains, notably patient protection provisions included in the Affordable Care Act (ACA): nursing home transparency, physician gift disclosure, Medicare quality incentives, and patient safety and abuse prevention for residents in long-term care settings. The Committee has also renewed a historical concern with promoting community-based care for elders, pressing for inclusion in the ACA innovative provisions promoting consumer choice. Due to the efforts of the Committee, again working in conjunction with the Finance Committee, the ACA features new home and community-based care authorities, most notably, the State Balancing Incentive Payments Program. The recent suspension of CLASS Act implementation focuses on another Committee initiative in long-term care, the Confidence in Long-Term Care Insurance Act, introduced by Sen. Kohl in 2009, designed to expand and monitor the insurance market, in which more than 7 million policies are now in force. Other legislative initiatives center on providing employer incentives and training to hire and retain older workers and refinancing provisions for existing Section 202 housing developments.

Oversight Activities

Much as the field of policy studies came to realize in the late 1960s that policy implementation (i.e., what happens after a bill becomes a law) was critically important, so did the Special Committee on Aging. It began turning attention to monitoring and how the Executive Branch was administering various programs affecting older Americans, many of which the Committee had helped give life to.

One of the stellar chapters in the Committee's history is represented by the hearings, briefings, and media events undertaken beginning in the mid-1960s that centered on the quality of care and abuse in U.S. nursing homes and the larger question of the place of long-term care in the country's overall approach to health care. Hearings held during Chairman Smathers' years, "Conditions and Problems in the Nation's Nursing Homes," continued the Committee's ongoing concern with Medicaid (and its predecessor programs) but also expanded into long-term care and health care concerns more broadly. These efforts were renewed under Chairman Frank Church in the 1970s, through a series of hearings and events that invited and attracted widespread media attention.

The Aging Committee's Subcommittee on Long-Term Care, under the chairmanship of Sen. Frank Moss, conducted 30 hearings on nursing home problems between 1969 and 1976. The hearings were the basis of a twelve-volume report titled *Nursing Home Care in the United States: Failure in Public Policy*. The titles of the first

nine papers of the series capture the range of the Subcommittee's concerns (U.S. Senate Special Committee on Aging, 1977, pp. 44–47):

- The Litany of Nursing Home Abuses
- Drugs in Nursing Homes: Misuse, High Costs, and Kickbacks
- Doctors in Nursing Homes: The Shunned Responsibility
- Nurses in Nursing Homes: The Heavy Burden (The Reliance on Untrained and Unlicensed Personnel)
- The Continuing Chronicle of Nursing Home Fires
- What Can Be Done in Nursing Homes: Positive Aspects in Long-Term Care
- The Role of Nursing Homes in Caring for Discharged Mental Patients
- Access to Nursing Homes by U.S. Minorities
- Profits and the Nursing Home: Incentives in Favor of Poor Care

In their later account of the workings of the Committee under Chairman Heinz in the 1980s, former staff directors Larry Atkins, Steve McConnell, and John Rother (2005) referred to the glory days of the Committee under Frank Church in exposing nursing home abuses.

The Committee also took great interest in the early workings of the Older Americans Act and of the AoA, which was charged with its implementation. Staffing and program development was so modest in the early years that the Committee commissioned a report by Harold Sheppard with the blunt title, *The Administration on Aging—Or a Successor?* (1971). Commenting on the Report, Chairman Church made equally blunt comments: "However, as long as AoA's mission continues to remain ill-fated and ill-defined, there is a danger of two perilous 'isms' in gerontology: 'standpatism' and 'do-nothingism' And make no mistake about it, more adequate funding levels—welcome as they may be—will not overcome these twin ills." (quoted in Hudson, 1973, p. 19).

This oversight role is one that the Committee has continued to play in the ensuing years. Chairman Lawton Chiles undertook investigations of the nascent assisted living industry, concerned that facilities were being developed as what he called nursing homes light, so as to bypass state nursing home regulations. Sen. Heinz assumed the chairmanship in 1981, and continued these investigations into quality of care in the long-term care sector (B. Lipscomb, personal communication, 2011, November 11). The collaboration between Sen. Heinz and Sen. Chiles went beyond particular issues. As Atkins, Rother, and McConnell (2005) recounted, in assuming the chairmanship, Heinz

> "offered a fair split in the budget and staffing to the Democrats and gained an ally in former Chairman and now ranking member Lawton Chiles from Florida. At a time when Senate committees were being asked to cut at least 10% from the previous Democratic budgets, Heinz and Chiles went to the Rules Committee with a request for a 50% increased, and got it." (p. 2)

As John Rother (personal communication, 2011, November 9) later indicated, an effective Chairman needs to be entrepreneurial in the issues he chooses to address and the staff he recruits to lead investigations into those issues; Sen. Heinz succeeded in both. With Republicans in the majority for the first time in the Committee's history, Heinz succeeded in reaching across the aisle, both in working with Democrats and in maintaining seasoned Democratic appointees on the professional staff.

During the early and mid-1980s, the Committee was actively involved in resisting efforts by President Reagan and Office of Management and Budget Director David Stockman to curtail Social Security benefits and eliminate the program's minimum benefit. The Senate's 1981 rejection of these proposals represented a major Committee success but was only one episode during a period where social program expansion was being supplanted by program cuts and consolidation (J. Rother, personal communication, 2011, November 11). This new reality was seen during the following two years, when near-term and long-term financing issues faced the Social Security system and urgent action was required to address both the current and pending shortfalls. As a Republican Senator in the presence of a Republican president and as chair of the Special Committee, Heinz found himself in a pressured position. As such, he worked with members of the so-called Greenspan Commission to forge a compromise involving a mix of benefit cuts and tax increases, which comprised the major 1983 Social Security Amendments.

During this period, the Committee under Sen. Heinz was also actively involved in health care and disability issues. The Aging Committee worked closely with the Finance Committee in finalizing the methodology associated with the new DRG (diagnostic related groups) reimbursement protocol inserted into the Medicare Part A program in 1983. (Sen. Heinz is credited with coining the term *quicker and sicker* in reference to concerns that the new system might lead to inappropriate early hospital discharges of Medicare beneficiaries.) In yet

another major initiative, the Committee addressed stringent new regulations the Social Security Administration was introducing into both the DI and the SSI programs. Recertification of individuals with disabilities was being denied on what often appeared to be specious grounds. To bring attention to the issue, the Committee teamed up with PBS's *Frontline* to publicize the new rules, with one Social Security Administration employee overheard to mumble "this is a setup" as the cameras rolled (Atkins, Rother, & McConnell, 2005, p. 9).

The Committee continued to emphasize oversight activities in the post-Heinz years. A compilation of hearings held by the Committee finds a broad array of both elders and experts speaking to questionable practices across a range of arenas. Brian Lindberg (2011), a former staffer and current contributor to GSA's *Gerontology News,* presents a long but nonetheless partial list of topics covered: Medicare, Medicaid, Older Americans Act, Social Security, medical research, geriatrics, pensions, budgetary issues, long-term care, nutrition, elder abuse, fraud and financial exploitation, and older-worker issues.

Under Chairman David Pryor, drug pricing and Medicare issues were prominently investigated. From 1989 through 1994, a series of hearings were held: "Prescription Drugs: Are We Getting Our Money's Worth?"; "Our Nation's Elderly: Hidden Victims of the Drug War?"; "The Effects of Escalating Drug Costs on the Elderly"; and "Pharmaceutical Marketplace Reform: Is Competition the Right Prescription?" These hearings resonated to the point that the Committee was forced to add additional telephone lines to accommodate the volume of complaints that poured in about prescription drug pricing. In particular, the Committee pressed for Medicaid drug rebates from pharmaceutical companies. Medicare topics investigated during the period included Medigap premiums, quality assurance in Medicare HMOs, and fraud and abuse practices in the Medicare program.

Under a series of chairmen beginning in the mid-1990s, a renewed emphasis on fraud and abuse, especially in the world of long-term care, assumed center stage once again. Sen. William Cohen sought to bring long-term care concerns of older Americans to center stage, seeing it as having lived too long in the shadows of health policy. When he assumed the chairmanship in 1997, Sen. Charles Grassley made oversight of aging-related federal programs a major Committee concern. The Committee pressed the Health Care Financing Administration to more stringently investigate reported incidents of substandard nursing home care, and initiated requests to the Government Accountability Office to investigate quality of care in nursing homes, among home health care agencies, and within the newly emerging assisted living communities.

Sen. Grassley also cast a wide net around the widespread incidence of elder abuse, including predatory lending practices and the potential dangers inherent in living trusts. As was true with Sen. Heinz, Sen. Grassley's position on the Finance Committee afforded him an ability to move forward legislative items that were Aging Committee priorities (J. Rother, personal communication, 2011, November 11). Sen. John Breaux, who worked closely with Sen. Grassley (both had the same chief investigator during their chairmanships,) actively took on the long-term care issue. The Committee generated a major report on long-term care and held 13 hearings on the subject, many addressing the ongoing imbalance between institutionally based and community-based services. During his chairmanship, Sen. Larry Craig devoted considerable attention to guardianship issues and safeguards. Medicare and Medicaid issues were a major concern of Chairman Gordon Smith during his years as Committee chairman.

The oversight energies of the current Committee under Sen. Herb Kohl have been heavily directed toward the prescription drug industry, focusing on drug safety, effectiveness, and costs. Of a number of initiatives, much current attention is focused on the Prescription Drug Cost-Savings Act, enacted as part of the Affordable Care Act. The Act would promote faster introduction of generic drug equivalents, allow the Medicare program to negotiate directly with drug manufacturers, and require drug manufacturers to pay rebates to Medicare Part B drugs in a manner analogous to the longstanding drug rebate program under Medicaid, among other provisions.

Conclusion

The Senate Special Committee on Aging has lived through the tumultuous times that have marked a half-century of aging policy. From working initially to get aging issues on the political agenda, through helping usher in a decade's worth of major legislation, to riding herd on the programs, players, and dollars put into play—and to working to protect those hard-earned policy gains in today's contentious economic and political environment—the Committee has earned its keep. Today's older Americans and their parents owe a debt of gratitude to the Committee for what it has both accomplished and forestalled. Finally, and from a broader perspective, the Committee's successes belie the frequent criticisms made of supposed special interest or advocacy-based committees and agencies. In many ways, the

Special Committee has served as something of a shadow committee to the legislative committees that would lend official status to the Special Committee's work. The Committee, especially under its most active chairmen, could pick its battles, devote its resources, and mobilize its allies in timely and needed legislative directions . . . sort of a SWAT team for elders.

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Successful Societal Adaptation to the Aging of America

John W. Rowe for the MacArthur Foundation Research Network on an Aging Society

In the last 150 years, a varied portfolio of initiatives, ranging from agricultural developments that enhanced availability of a sustainable food supply to a panoply of public-health and medical advances, have led to one of the greatest achievements in history—the gift of life extension. In many parts of the world today, people live 30 years longer than their ancestors of just four generations ago. The amelioration of premature death was a great benefit, but one cost of this triumph was the rise of chronic degenerative diseases in older populations. This increase in disease has spawned widespread concern that these accomplishments of increased life span have created a demographic time bomb with consequences that doomsayers maintain may destroy economies and cultures.

Policymakers and pundits are increasingly preoccupied with the negative economic impacts of population aging and longer lives on health and pension entitlements. Neglected are other critically important issues, such as intergenerational relations, socioeconomic disparities and inequalities, racial tensions, family members' evolving roles, the impact of technology, and the critical importance of adaptation of core societal institutions—including education, work and retirement, housing, transportation, and even city design. More important, almost no acknowledgment of the substantial positive aspects and potential of an aging society is occurring. This hyper-focus on entitlements to the neglect of the positive aspects of an aging landscape, combined with a related paralysis in policy developments, seems especially acute in the United States compared with other nations.

How Did We Get Here?

Given advance warning decades ago that an age wave was coming, why was public policy that would enable U.S. society to adapt in advance not formulated years ago? At least part of the failure to act stems from a set of archaic beliefs, myths, and attitudes regarding the true nature of aging. Stakeholders also failed to realistically assess the challenges, could not envision the opportunities, and squandered the time available to formulate appropriate public policy (MacArthur Research Network on an Aging Society, 2009a). Examples of inappropriate views of aging and ways they have contributed to where the United States stands today include the following five myths.

Myth 1: It is all about the baby boom. Some believe that once the baby boomers pass through the age structure, population aging will be over. To the contrary, the demographic changes experienced in the last century are permanent. From this moment forward, the age structure of all populations either have been transformed or are about to permanently shift from a pyramid to a rectangle—a change driven not by the presence of an unusually large post–World War II birth cohort, but by the combined effect of unprecedented increases in life expectancy and lower birth rates. For example, twice as many babies born in the year 2000 will live past age 65 (83%) relative to babies born in 1900 (University of California, Berkeley, & Max Planck Institute for Demographic Research, 2011).

Myth 2: An aging society is all about elders. This myth tends to pit one generation against another and overlooks the critically important fact that the proper unit of analysis for policymakers cannot be one specific age cohort but must be society as a whole. One obvious reason for focusing attention on the entire life course is that most younger people today will eventually become part of tomorrow's aging world. As such, policymakers must consider all the intergenerational impacts of policies and design solutions that benefit all of society rather than any one interest group (Uhlenberg, 2009).

Embedded in this elder-centric myth is the inaccurate view of older people as individuals who do nothing but take resources from younger generations, both within their own families and from society in general. Many older Americans, even those geographically far away from their families, continue to be very closely connected to them and provide generous support to children and grandchildren in the form of direct economic aid. Even into their 80s, older individuals are net givers to younger family members (Albertini, Kohli, & Vogel, 2009; Kohli, 2008). Such downward flow of assistance is true in all

societies and is characteristic of both the advanced welfare states and the nations with much less developed welfare systems. Thus, pitting one generation's economic well-being against another is inaccurate and misleading.

In addition to abandoning this myth, policymakers need a multigenerational perspective informed by the clear evidence that opportunities for successful interventions exist all across the life course rather than just in youth (Diabetes Prevention Program Research Group, 2006) and that the benefits of continuous or regular interventions accrue over time.

Myth 3: It is all about Social Security and Medicare. This commonly held view, driven by the enormous unfunded future obligations of these entitlement programs, especially Medicare, tends to drown out all other considerations. As a result, the discussion about an aging society predictably becomes a discussion about entitlements and their economic and social implications, thus excluding other germane contexts. Although no one can or should minimize the need for modifications to these programs to make them fiscally sound, the truth is that if stakeholders fix entitlement programs but do not move to adapt their critical institutional infrastructures, the United States will fail as a society and this failure will fundamentally affect all age groups.

What will failure look like? Rather than a cohesive, equitable, and productive society, what will be left is one rife with intergenerational tensions, characterized by enormous gaps between the haves and the have nots (an increasingly less educated cohort) in quality of life and opportunity, and unable to provide needed goods and services for any of its members—especially a progressively older and more dependent population.

Although this prediction portrays a gloomy outlook on our future aging society, such an outcome is avoidable. The United States is based on fundamental principles of cohesion and equity. Although these principles may be challenged, U.S. citizens can still benefit from a more cohesive society and likely have adequate time to put effective policies in place. The accumulated body of evidence consistently shows strong public multigenerational supports for older individuals and old-age entitlements (Schulz & Binstock, 2008). Many of the policy options that would help strengthen the future workforce and enhance productive engagement of older individuals may, at the same time, lessen the burden on Social Security.

International Comparisons

The United States is in an interesting situation with respect to the timing of its demographic transformation. Whereas countries in Western Europe aged ahead of this country, reflecting their post–World War II baby bust and sustained reductions in total fertility below the replacement rate, the U.S. baby boom and higher fertility rate have combined to delay the emergence of an aging society (defined here as one with more individuals over age 65 years than under 15 years) by a couple of decades. For instance, Germany currently has a population age distribution that the United States will not experience until 2030, and neither Germany's society nor its economy have faced ruin.

One would think that the experiences of the Western European countries, which are like the United States in so many ways, would provide a clear road map for the sort of policies this nation needs to put in place to successfully adapt to the transition and emerge as a productive and equitable aging society. But although the United States certainly has much to learn from looking at the experiences of older societies in Europe and even Japan, differences across a wide variety of societal and cultural elements and policy strategies may limit the utility of these comparisons, requiring the development of a uniquely American resolution to the issues of aging society in the United States. One area of particular importance to the work of the MacArthur Foundation Research Network on an Aging Society—one in which the European experience may be especially informative—relates to societal cohesion, the degree to which intergenerational relations are positive or negative.

Toward a Theory of Adaptation in an Aging Society (Demography Is Not Destiny)

In its deliberations, the MacArthur Network has developed a set of five closely related components that form the core of a theory of adaptation in an aging society. The Network's intent is to apply adaptation theory and its related components to guide research and inform the development of policy options. Although Network members recognize the substantial overlap between these components, we believe that identifying each separately has benefit.

Analyze society and its institutions. The unit of analysis should be the society and the adaptation of its core institutions (e.g., family, work and retirement, education, media, religion, civic affairs, etc.), and should encompass a multigenerational and intergenerational perspective rather than focusing solely on individuals of any one age group (i.e., either elders or youth).

Adopt a life-course perspective. U.S. society needs to adopt a life-course perspective that urges redistribution of life's activities (e.g., education, work, retirement, childrearing, leisure, etc.) across the individual life span. The approach must consider the impact of a change in

one activity at a given stage of life on the activities in other fields and at other life stages, as well as identify opportunities for creating new roles and responsibilities for older adults in an aging society that lead to win-wins for all generations (Duflo, 2003). Stakeholders need to detail the impact of socioeconomic, racial or ethnic, and gender differences on life-course trajectories and specify how they influence the effectiveness of various lifestyle-related interventions. This country needs a societal view that encompasses roles and organizations while emphasizing a life plan for the life span.

Consider benefits and risks. Any comprehensive analysis should include consideration of the possible benefits, as well as the risks, of an aging society and the development of a unifying strategy that optimizes the balance between them. As societies attempt to deal with the numerous challenges derivative of the forthcoming demographic transition, too little attention is paid to the potential upside (the longevity dividend). This upside includes the availability of previously unimagined older individuals, many fully capable of participating productively in society either through the workforce or via civic engagement. The facts are that older people have much to offer, including their accrued knowledge, stability, unique creative capacities for synthetic problem solving, and increased ability to both manage conflicts and take the perspectives of other age groups into account. As a society, the United States should harness the life-stage-appropriate capabilities and goals of people of all ages, including older adults, thus enhancing societal benefits and reducing social stratification.

Focus on human capital. Regarding human capital, the focus should be on strategies that use all the talent in the population, employ social norms based on ability rather than chronological age, and transition from an emphasis on investment early in life to a recognition that investments can pay off across the full life span. These payoffs will be individual, intergenerational, and societal (both crossover and spillover effects) and must be monitored, because they can be positive or negative (Berkman & Glymour, 2006).

Adjust core institutions. The primary focus should be on adjusting and adapting an array of core institutions, including education, work and retirement, health care, the design and function of housing and cities, transportation, and so forth. A good guide here is Riley's concept of structural lag, the recognition that most of structural aspects of society lag behind the actual experienced change of its members (Riley & Riley, 1994). Policymakers need to adopt a long-term perspective for the evolution of U.S. society through 2050.

Strategies for Policy Analysis

In order to facilitate the development of useful policy options, Network members have identified a number of strategies that we believe will be beneficial. These strategies are as follows.

Develop economic and social indicators. As U.S. society ages, it will be essential to develop a tool box of more sensitive and predictive economic and social indicators, including lifestyle dimensions, that permit accurate assessment of the current conditions and likely future trajectory of the population and the society along the principal policy dimensions of interest. What is needed is an alternative to the archaic old-age dependency ratio, which equates old age with dependency. Metrics that express the full array of benefits-to-costs relationships of a long-lived society, as well as alternatives for life-course trajectories, are needed. This tool can be used to model the effects of investing in factors that modify the impact of an aging population. These factors should include compression of morbidity (through prevention, education, improved active life expectancy), increased life stage opportunities, and social capital. It may be valuable to create scenarios of optimal transitions and trajectories, as well as the policies that could drive these, in order to foster a vision of positive alternatives to pursue.

Identify multiple options. In order to encourage the likelihood of identifying effective solutions, the approach should be to generally present and analyze options rather than formulate single proposals, as well as to have multiple targets (e.g., financial, social, life-course evolution, behavioral, and physical factors). These targets would include both private and public involvement and take both federal and local approaches.

Assess policy impacts. The Network suggests adopting a strategy similar to that used when assessing the environmental impact of a planned development. Within a life-course perspective, such assessments will focus on understanding intergenerational effects and maximizing societal well-being. Specifically, Network members propose that all policies be evaluated for the impacts they have within each generation (taking a multigenerational perspective), as well as on the interactions between generations (assessing intergenerational effects), in order to be most effective (MacArthur Research Network on an Aging Society, 2009b).

High-Priority Domains for Policy Analysis

Several distinct but closely interrelated domains and issues deserve consideration.

Societal cohesion and community. We Network members prefer the term *cohesion* as a descriptor of the issues related to intergenerational relations (or tensions) because it focuses on age integration rather than age segregation and addresses intergenerational transfers, attitudes, multigenerational strategies, and changes in family structure. For example, the growing proportion of older individuals who will be childless and the increasing number of older individuals who will be living alone have an impact on future intergenerational relations that must be taken into account. Alternatively, this concept can be viewed as the debate regarding the traditional *social compact* (a term we at the Network prefer to the more commonly used and more legalistic *social contract*) between the generations. Substantial empirical evidence shows strong support by middle-aged and younger Americans for older Americans and highlights its benefits but, as many observers have noted, the future may hold substantial stress on social cohesion as entitlement costs increase (Shulz & Binstock, 2008). On the other hand, the concept of social cohesion may be more relevant to very local, specific areas (e.g., homogeneous gated communities) than to communities at the state or national level. Is it possible that social compact leadership by older adults could help resolve these potential tensions through a reduction of social stratification across the life course?

Included in this domain is the list of issues related to socioeconomic class, as well as those stemming from race or ethnicity and gender. U.S. society shows a widening gap between the haves and the have nots—a gap often mediated by differences in educational attainment—and concern is growing that this gap will tear at the cohesive fabric of the United States. This socioeconomic status gradient has been aggravated by the recent and ongoing economic downturn and may be further intensified by the dramatic changes in racial and ethnic composition of many U.S. communities over the next 20–30 years. Based on recent surveys, in general, young and middle-aged adults support older adults in the United States (Schulz & Binstock, 2008) but, depending on future economic and educational gaps, will future young adult and middle-aged Hispanics, for example, reflect a similar level of support for old Whites? Furthermore, what about the impact of future immigration policies, perhaps designed to reflect a possible shortfall in the skills of the U.S. workforce, on these tensions?

Also included in this area is the concept of a caring community, which requires substantial intergenerational support and cohesion and also represents an optimal environment in which individuals can contribute to the community by leveraging their capabilities and creating new roles. Clearly, these issues are closely related to productivity and the diverse roles older individuals can play in an aging society.

Productivity (work and retirement, functional status and disability, technology, roles of older individuals in society). The future roles of older individuals in society will have a dramatic impact on the likelihood that the United States will be productive, cohesive, and equitable. This set of issues can be conveniently divided between the work and retirement matters and the civic engagement matters, although they are closely interrelated; The likelihood of a retiree volunteering is very much influenced by whether that person volunteered while still in the workforce (Butrica, Johnson, & Zedlewski, 2007). Approaches to encouraging people to volunteer while they are still in the workforce—via modifications in time and place of work, provision of opportunities for engaging in what individuals consider meaningful activities, and development of paid volunteerism strategies—may have a substantial positive effect on postretirement engagement. Such engagement can be beneficial not only for the community in general but also for retirees (Barron, Tan, Yu, Song, McGill, & Fried, 2009).

Technological changes bridge both the worksite and areas of civic engagement and, depending on the type of technology and its degree of fit with the abilities and needs of older individuals, can wind up as either facilitating or inhibiting their participation. Substantial opportunity exists for policy changes, as well as technological and other worksite modifications and educational interventions, that will not only make retention of older workers more attractive to employers but also will take advantage of the many strengths older workers offer.

It is important for policymakers to be aware of the lump of labor fallacy and the growing body of empirical evidence indicating that older individuals need not be moved out of the workforce to make room for younger workers (Boersch-Supan, 2002; Gruber & Wise, 2010). In addition, policy should be informed by the most recent findings regarding trends in disability in populations of elders and near-elders. Much of the most recent work suggests that the severe disability rates (as measured by activities of daily living and instrumental activities of daily living scales) are now stable in older individuals, having halted their decades-long decline (Freedman et al., 2011), and that functional mobility impairments may be rising, for unknown reasons, in 50- to 65-year-olds. It will be important for policymakers to understand the impact of these trends on the likely adequacy of the future

potential U.S. labor force, as well as on the probable future demand for personal care services.

Health and health care. Although it might seem that the continuing vociferous national debate regarding health care reform—including insurance reform and a variety of approaches to controlling costs and correcting the misalignment of provider and patient incentives—may have exhausted this topic, we at the Network believe that some important and often neglected areas of focus are directly related to the demographic transformation. These include the development of a more geriatrically sophisticated health care system in which most providers (physicians, nurses, dentists, social workers, psychologists, pharmacists, and others) are competent in diagnosing and treating medical diseases and syndromes that are common in old age, as well as a strong reliance on new interdisciplinary models of care that are more effective in managing the health care problems of frail older individuals with multiple impairments.

In addition, a reorientation to a life-course preventive health model is needed to strengthen education regarding healthy lifestyles and to implement interventions in at-risk groups so that future older individuals will enter the Medicare program healthier and higher functioning than their predecessors. Finally, this country needs sustainable policies that deal humanely with care at the end of life.

Human capital development (lifelong education, skills training). Although this area is very closely related to the aforementioned issues of productivity and engagement, it is important to highlight the issue of lifelong education and skills training. Some of the same societal forces that led to longer lives have also shortened the half-life of knowledge in science and technology. How can human capital be expanded at different points along the life course? Can the misalignment between education and work that is aggravated by increasing longevity be improved through a closer relationship between educational institutions and the workplace?

Stakeholders need to understand the most effective approaches to keeping young individuals in school and to provide a coherent approach to lifelong learning that gives individuals the skills and attitudes they need to continue to productively evolve with the overall societal and work environments. Although returning to school, now common among younger adults, is still relatively rare among individuals over 40, opening up educational institutions and making space for education among the near-old and the old is no less critical than keeping younger people in school.

Education thus needs to be redefined as a lifelong experience. Special attention should be paid to the roles of universities, schools, and colleges—especially community colleges—as valuable resources in an aging society.

Family (evolution, supports, changing roles). Families are on the front line in adapting to an aging society because they directly experience changes in their structure and function resulting from increased longevity. Moreover, these changes are amplified by the growing diversity that results from increased stratification (social class differences) and diversity (ethnic differences due to immigration). The strength and salience of intergenerational ties become more prominent features in an aging society, and the life course is being altered in part because of longevity.

The transition to adulthood has become five or more years later than it used to be (Berlin, Furstenberg, & Waters, 2010), placing parents of young adults in the challenging circumstance of helping their parents and even grandparents while they are launching their own children into independence. Families with resources can manage this balancing act relatively well, but a growing number of families will be overly burdened trying to contend with these competing demands without proven ways of managing the demands of more complex, intergenerational family systems. Issues such as intra-familial supports, housing, financial transfers, caregiving, and new roles are also important and provide a plethora of critical policy decisions that will have an important impact on changing U.S. families going forward.

Toward an effective communications strategy. We at the MacArthur Network are well aware that many other individuals have substantial expertise in crafting an effective strategy to communicate to policymakers. Nevertheless, we have identified several areas that we feel should be key components of any coherent communications strategy in order to inform and stimulate the development of appropriate policies.

First, we are convinced that the facts and the evidence regarding the demographic transformation must be effectively communicated to policymakers in order to reduce the substantial adverse impact of the myths mentioned and reviewed in detail earlier in this article (MacArthur Research Network on an Aging Society, 2009a, 2009b).

Second, we believe that it will be useful to paint alternative scenarios of success and failure in societal adaptation. As mentioned previously, failure to adapt to the coming challenge will indeed result in a dysfunctional, unequal, and unproductive society—

regardless of whether the so-called entitlements problem is solved. We feel that a clear, evidence-based presentation of what successful and unsuccessful adaptations will look like, including a description of the benefits and risks for each element of the major issues, may be very effective in increasing attention for these issues in a timely manner.

Last, messages must be created to effectively convey to different audiences the potential for synergisms, as well as conflicts between economic sustainability and growth on the one hand and harvesting the benefits of an aging society on the other. Ample time remains, but action must be taken immediately to help people understand why societal adjustments and adaptations in U.S. policies and institutions will be helpful to them, their children, and their grandchildren.

Although the changes the United States will experience as a result of the demographic revolution are challenging, we at the Network believe that U.S. society faces these challenges better equipped now than for any of the challenges it has successfully faced in the past. By planning ahead, emphasizing the fundamental democratic principles of this country, and building on notions of social cohesion and fairness, we believe in a successful aging society that is fair and equitable for all ages as a real possibility.

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Is Intergenerational Cohesion Falling Apart in Old Europe?

Axel Boersch-Supan • Gabriel Heller • Anette Reil-Held

Introduction

As the United States undergoes a dramatic demographic transformation, the question frequently arises as to whether the United States can learn important lessons from Europe, which has aged ahead of America. Such lessons might be helpful in predicting social changes, as well as indicating which policies might be more or less effective for an aging society.

One particular area of interest relates to the concern regarding future tension between generations. Population aging changes the fabric of the entire society; it puts strain on pay-as-you-go-financed social security systems and is likely to lead to higher contributions and lower implicit rates of return for younger generations. At the same time, population aging moves the political power toward elders as the median voter's age rises. Will such strains tear the social fabric apart? Is the horrible vision of generational warfare coined by the media a realistic one?

Former U.S. Secretary of Commerce and Wall Street banker Peter Peterson (1999) asked, "Will global aging enthrone organized elders as an invincible political titan?" and pictures "retiring boomers, with inflated economic expectations and inadequate nest eggs, voting down school budgets, cannibalizing the nation's infrastructure, and demanding ever-steeper hikes in payroll taxes" (p. 209). Prominent MIT economist Lester Thurow (1996) has depicted aging boomers as a dominant bloc of voters whose self-interested pursuit of old-age government benefits (entitlements) will pose a fundamental threat to democracy:

> "No one knows how the growth of entitlements can be held in check in democratic societies. . . . Will democratic governments be able to cut benefits when the elderly are approaching a voting majority? Universal suffrage . . . is going to meet the ultimate test in the elderly. If democratic governments cannot cut benefits that go to a majority of their voters, then they have no long-term future. . . . In the years ahead, class warfare is apt to be redefined as the young against the old, rather than the poor against the rich." (p. 47)

As Robert Binstock (2010) has pointed out, Thurow's statement that elders will be approaching a voting majority was a considerable distortion of the facts. Even when all boomers are age 65 and older in 2030, that age group will still comprise only about 23 percent of voting-age Americans.

This percentage is about the share of elder individuals prevalent in Europe these days. And because Europe is continuing to age, even at a faster pace than the United States, the social landscape there will look more like Thurow's horrified vision of a gerontocracy. The Italian median voter is 49 years old, eight years younger than the average age of retirement in Italy. In Germany, less extreme, the retirement age is four years later than in Italy and the median voter is two years younger, but most likely more concerned with pensions than child support. Sinn and Übelmesser (2002) in Germany, among others, warned of missing the last chance for pension reform because the median voter's age is changing rapidly. Less alarmistically, Kohli (2005) conjectured that future distributive conflicts over public resources will be played out less along lines of class, skill, or ideology but more between generations.

In order to test whether the horrible vision of generational warfare or a breakdown of intergenerational cohesion has at least some truth to it, we should be able to see it in Old Europe. Our approach was to investigate several dimensions of intergenerational cohesion—for example, family relations, non-family ties, values, and political preferences. We measured these dimensions through variables collected in the European Social Survey and the Survey of Health, Ageing and Retirement in Europe. We analyzed the relation between intergenerational cohesion and aging on the regional level in order to exploit as much variety as possible.

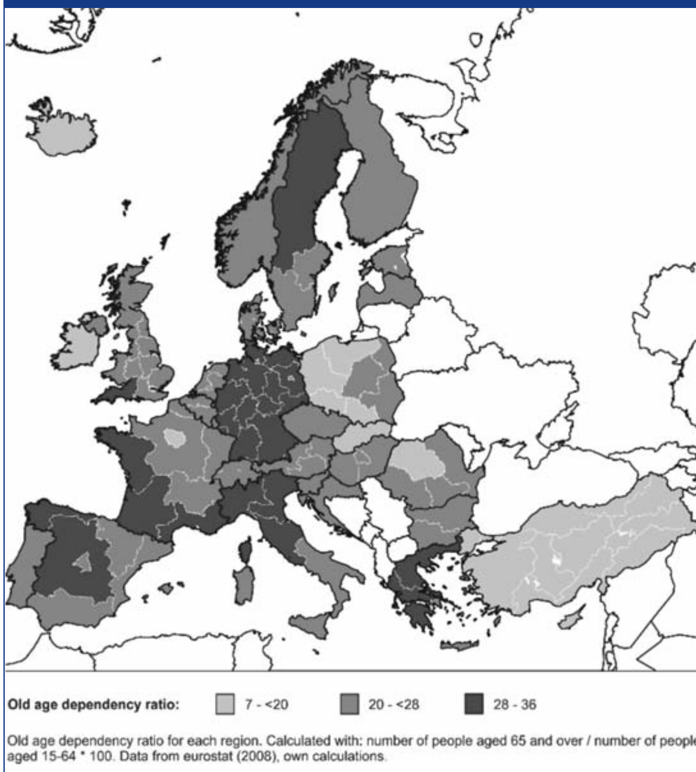


Figure 1. Old-age dependency ratio in European regions.

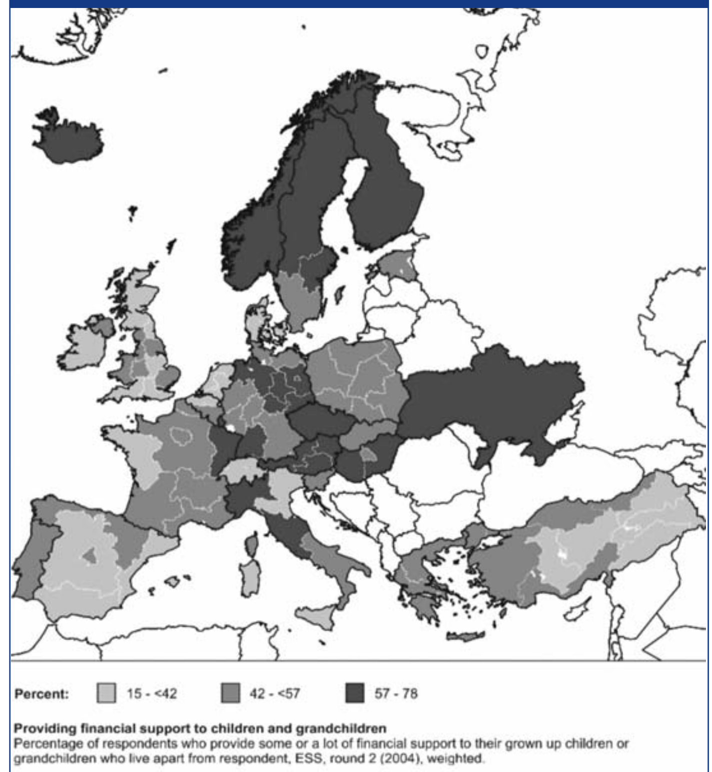


Figure 2. Financial support to children and grandchildren in European regions.

Our findings suggest that intergenerational cohesion is not systematically and significantly related to the age structure of European regions. Both positive and negative interrelations between the old-age dependency ratio and our measures of intergenerational cohesion can be found. Some aspects of intergenerational cohesion, such as trust to older and younger family members and fewer people experiencing age discrimination, fare better in older societies. On the other hand, fewer people have young friends or meet socially in older regions.

We have concluded that although a general risk of intergenerational conflict exists, the fear about aging populations becoming gerontocracies in which the old exploit the young is highly inappropriate. The risk of conflict is not increased in older societies.

The Regional Structure of Intergenerational Cohesion and Old-Age Dependency in Europe

Aging in Europe is not at all uniform, not even within countries. Figure 1 depicts the old-age dependency ratio, measured as the number of people ages 65 and older per number of people ages 15-to-64, multiplied by 100, based on the Eurostat database (European Commission, 2011).

Southeast Turkey has the lowest old-age dependency ratio, about eight older people per 100 younger ones. In contrast, the German region Sachsen in eastern Germany has the highest old-age dependency ratio: 36 older people per 100 younger ones. Most regions with low old-age dependency ratios can be found in eastern Europe, whereas the Mediterranean regions in Greece, Spain, and Italy have high old-age dependency ratios.

The large variation of the old-age dependency ratios allows an analysis of whether a systematic relation exists between old-age dependency on the one hand and the extent of intergenerational cohesion on the other hand. From an analytical point of view, this approach is very important because cross-country analyses are often lacking due to the limited number of countries included (Busemeyer, Goerres, & Weschle, 2009; Goerres, 2008). If such a relation exists, maps that depict the extent of intergenerational cohesion should show a regional pattern in line with the age pattern visible in Figure 1.

Figures 2, 3, and 4 follow this approach and focus on family linkages: financial transfers between generations and conflicts between generations. Figure 2 shows financial transfers from parents to children, based on data from the European Social Survey (2004).

Respondents were asked, “[P]lease tell me how much financial support you currently provide to your child(ren) or grandchildren who live apart from you?” Answer

Figure 3. Financial support from children and grandchildren in European regions.

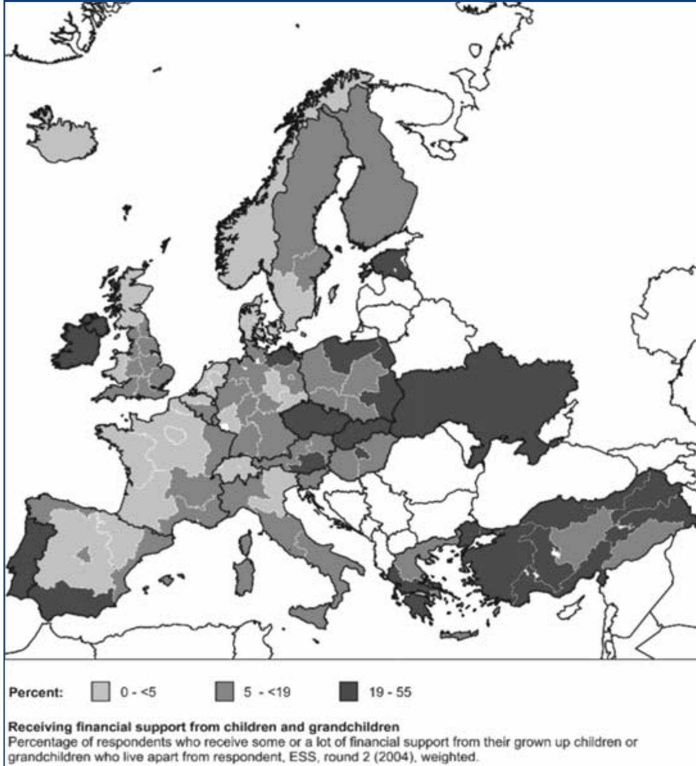
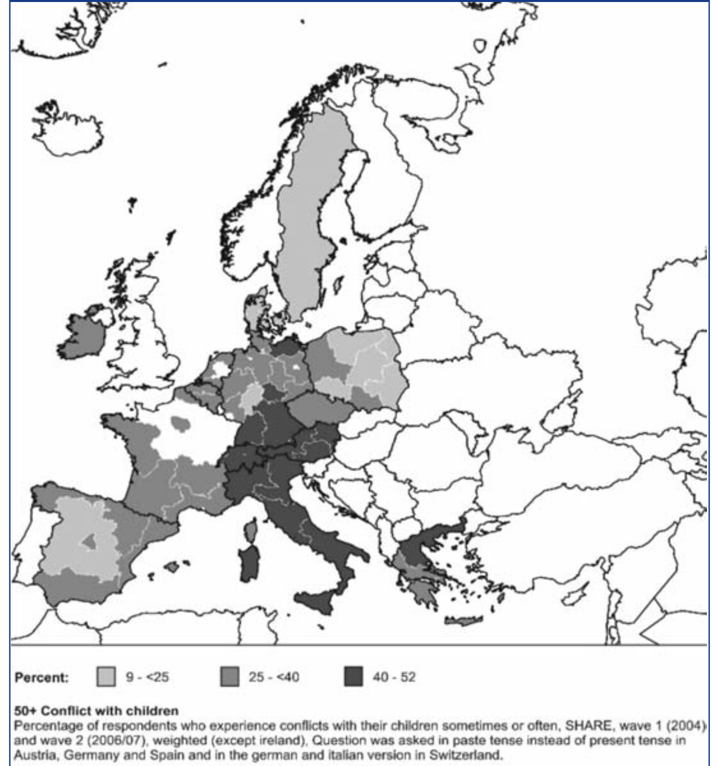


Figure 4. Conflicts with children in European regions.



categories were "a lot of support," "some support," and "no support." Only respondents who currently have children not living in their household were included in this survey. Figure 2 illustrates the percentage of respondents who provide some or a lot of financial support to their children or grandchildren outside the household. The range of the percentages is quite high, going from only 15.8 percent in Sicilia and Sardinia up to 77.6 percent in eastern Hungary. Regions with a high percentage of financial transfers are in Scandinavia and in a cluster around Germany, including Czech Republic, Austria, Hungary, and regions in France and Italy up to the Ukraine. Regions with a low percentage are mainly in Turkey, Spain, and the United Kingdom.

No pattern is visible that relates to old-age dependency. Scandinavia, central Europe, and western Europe have a relatively high fraction of parents who support their children. Remarkable are the big differences within countries that are sometimes bigger than between countries—they are positively related to old-age dependency in Italy, but negatively in France and Spain.

A similar lack of correlation holds for the reverse direction: financial transfers from children and grandchildren to their parents and grandparents (see Figure 3).

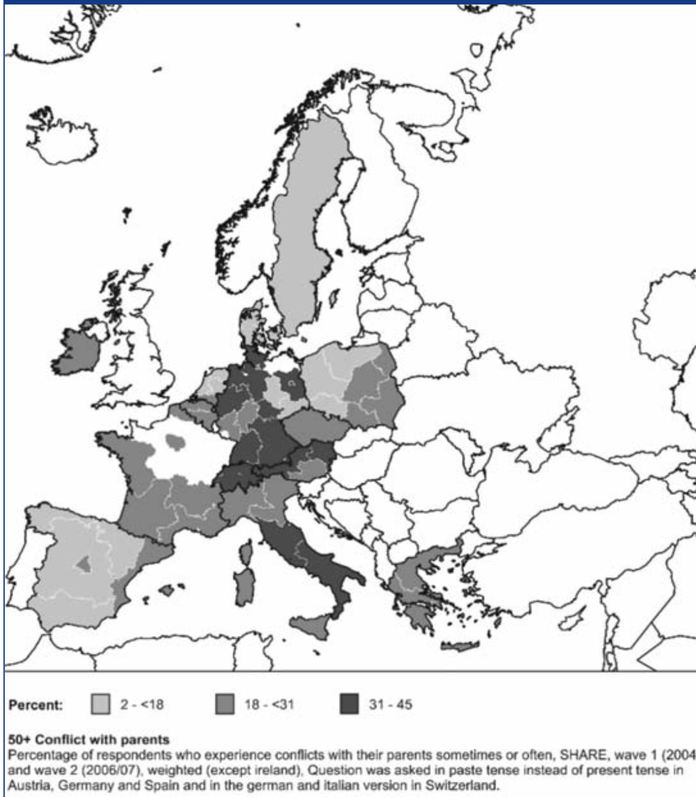
The patterns of transfers given and received differ considerably. Some regions, such as central Spain, have few transfers in both directions, whereas in other areas transfers are high in both directions (e.g., Czech Republic). Some regions, such as southern Spain, have large unidirectional transfers, with few elders providing but many receiving financial support. The opposite pattern is visible, for example, in Norway and Sweden. None of these patterns, however, can be linked to old-age dependency in an unambiguous matter.

Figure 4 and Figure 5 show a more subjective dimension of intergenerational cohesion: the absence or presence of conflict, again seen from the older and from the younger generation, now based on two waves of the Survey of Health, Ageing and Retirement in Europe panel (cf. Boersch-Supan & Juerges, 2005).

Regions with a high percentage of intergenerational conflicts lie in Italy, Austria, Switzerland, and Germany. In turn, one region in eastern Germany, Sweden and Denmark, Poland, and Spain, have a very low percentage of conflicts. Sweden is relatively young, Spain relatively old. Again, there is no pattern related to population aging.

To be more formal and comprehensive, and in order to analyze a broader array of dimensions of intergenerational cohesion, we applied multivariate regression techniques. We regressed each dimension of intergenerational cohesion to the old-age

Figure 5. Conflicts with parents in European regions.



dependency ratio and other variables that could explain social cohesion, such as the wealth of a region measured as purchasing power adjusted to per capita income, the welfare state regime (Esping-Andersen, 2003), and the public pension replacement rate. Including such other variables is important in order to adjust for interactions between private and public solidarity. Table 1 summarizes our findings and tests the hypothesis whether the old-age dependency ratio worsens intergenerational cohesion. If the regression result is in line with the hypothesis, the result is marked by a "yes." If the hypothesis is rejected, we denoted the result by "reverse." Of the 22 dimensions analyzed, only five were in line with the hypothesis. In eight dimensions, the opposite was the case: The older a region, the more intense were the respective dimensions of intergenerational cohesion. In nine dimensions, no statistically significant relation appeared at all ("none").

Conclusions

We find no evidence that the burden of population aging, measured by the old-age dependency ratio, is systematically related to a broad array of indicators for intergenerational conflict. Although Europe provides an excellent laboratory for what might happen in an aging United States—due to Europe's diversity of demographic states, some of them well advanced and comparable to the United States in 2030—we cannot find even in the oldest regions of Europe the picture that some writers have painted for the United States: exploitation of the younger generation by the older, due to their economic and voting power. If Old Europe holds a lesson for the United States, it is that is no signs of gerontocracy exist even in regions as old today as the United States will be in 2030.

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Table 1. Relation between intergenerational conflict and old-age dependency

Family relations:	Financial transfer provided to children	reverse
	Financial transfer received from children	yes
	Conflict with children and grandchildren	none
	Conflict with parents	none
	Trust to children and grandchildren	reverse
	Trust to family members over 70	reverse
Non-family relations:	Having at least one friend who is younger than 30 (all respondents)	yes
	Having at least one friend who is younger than 30 (respondents older than 64)	yes
	Having at least one friend who is older than 70 (all respondents)	reverse
	Having at least one friend who is older than 70 (respondents younger than 30)	none
	Meeting socially at least once a week (all respondents)	yes
	Meeting socially at least once a week (respondents younger than 30)	none
	Meeting socially at least once a week (respondents older than 64)	yes
	Felt age discrimination (all respondents)	reverse
	Felt age discrimination (respondents younger than 30)	none
	Felt age discrimination (respondents older than 64)	none
Values and political preferences:	Higher taxes and spending more on social services? (all respondents)	reverse
	Higher taxes and spending more on social services? (respondents younger than 30)	reverse
	Higher taxes and spending more on social services? (respondents older than 64)	reverse
	Family or state responsible for financial support for older people	none
	Family or state responsible for help with household chores for older people	none
	Family or state responsible for personal care for older people	none

Note: "Reverse" means that the dimension of intergenerational cohesion is negatively related to the old-age dependency ratio. For instance, the higher the old-age dependency ratio, the more people provide financial transfers to their children. "Yes" means that the higher the old age-dependency, the less people receive financial transfers from their children. Results denoted by "none" showed no significant correlation between the old-age dependency and the frequency of conflict in the European regions. These results hold after controlling for wealth, welfare state regime, and public pension generosity.

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Strategies for Housing Policy Action in an Aging America

Shirley Franklin • Jane Hickie

"The old are disproportionately women, living alone, often physically or mentally frail, unable to work, and in possession of only meager savings and modest pension benefits" (Hudson, 2010, pp. 14–15). The fear of inappropriate nursing home placement is strongly linked to many older Americans' determination to age in place. The study on aging in place commissioned by Clarity and the EAR Foundation (2007) found that old people fear dependence and placement in a nursing home more than they fear death itself.

Successful aging in place encompasses housing, finances, health and care services, and community improvements. These reforms are normally considered separately, but for transformative progress to occur, they must be integrated. An urgent need exists for increased awareness and sustained debate about solutions for an aging America, not only by program and academic experts but also among the larger public and its elected officials.

Three interrelated strategies would improve aging in place, each of which requires disciplined advocacy efforts: (a) decreasing the cost of living for old people while improving the quality of community life; (b) increasing access to housing, health-related, and supportive services; and (c) increasing the purchasing capacity of elders with disabilities.

Goal 1: Decreasing the Cost of Living While Improving the Quality of Community Life

As Drew Altman stated, "Warren Buffett is not the typical Medicare beneficiary. Instead the prototype is an older woman with multiple chronic illnesses living on an income of less than $25,000 who spends more than 15 percent on health care" (Friedman, 2010, ¶ 11).

Individual costs for housing and health care need to be made more manageable, and additional community-wide actions could make a difference in affordability for older people. A variety of strategies are being developed locally to improve community life, including convenient public transportation, walkable neighborhoods, appropriate housing, nutritious food, safe streets, improved connectivity, and the shared use of public facilities. An important test of these initiatives might be to ask the question, Which of these important improvements will not only improve quality of life but also reduce the cost of living?

Will the public transportation system work well enough to allow an older woman to live without her own car, allowing her to save on maintenance, repairs, and insurance? Are neighborhoods planned in such a way that she can safely walk and have access to fresh produce markets, two factors that may help her stay healthier longer? Can weatherization programs be expanded to include home remodeling when she needs it, to create a safe environment that will also save on energy costs? Do zoning laws allow her to use her home for cohousing, so she can share the costs of repair and maintenance and receive help to pay for home accessibility improvements? Are libraries and other public facilities welcoming to her, as well as useful to young people, so that capital and operating costs are lower? Are police, fire, and other community services being delivered in ways that maximize efficiencies, so that the local tax burden is appropriate?

Affordable living has many facets, and its meaning varies from community to community. The Elder Economic Security Standard Index measures the minimum income older adults need to remain secure given the prevailing costs where they live. This measure finds that an older American in good health living alone would need about $16,300 annually to make ends meet if he or she owned a home free and clear; a higher amount would be required if he or she were still paying off a mortgage or renting. Incomes well above the poverty threshold are needed to make ends meet and age in place. "At the same time, updated measures of poverty show that many American elders have incomes below subsistence levels" (Reno & Veghte, 2010, p. 8).

Local governments, with support from state and federal programs, have led community improvement efforts. A national campaign has not yet been developed to communicate effective local affordability initiatives. Efforts to promote local projects are scattered across foundations, professions, associations of public officials, and some environmental organizations. A cohesive national platform is needed to make affordability a goal of aging in place, so that excellent local models meeting that test are shared more systematically and efficiently.

Goal 2: Increasing Access to Housing Supportive Services

For those who are most vulnerable, means-tested programs that are adequately funded and well administered need to be combined with a level of Social Security that is sufficient for a decent quality of life.

Publicly funded affordable housing and supportive services are under pressure in all government budgets. Government officials are cutting administrative and capital expenses, lowering overhead costs, stretching meal service supplies, leaving positions vacant, cutting planning and monitoring activities, increasing layoffs, adding furlough days, and providing less service to all (Brown, 2010). A national advocacy campaign is needed just to maintain current funding for programs serving low-income old people, such as the Older Americans Act, the Section 202 Supportive Housing for the Elderly Program, and Medicaid home- and community-based services.

With little expectation of increasing local, state, or federal funding, new approaches must be tried for financing housing, health-related, and supportive services as America ages. Policy debates continue about how long-term care services should be financed so that low-income old people can remain in their homes and communities. Some proposals would create a federal Medicaid block grant, with states trading increased future federal funding for greater state control. Canada employs a block grant system, with federal support and provincial administration of programs (Doty, 1990). Unlike the Canadian system, other advanced industrial nations have changed their long-term care welfare systems to federal social insurance financing.

Goal 3: Increasing the Purchasing Capacity of Elders With Disabilities

Social Security is a social insurance system that has proven value in the United States: “Poverty among older adults declined dramatically from 35 percent in 1959 to around 10 percent today largely due to increases in Social Security benefits” (Hayutin, Dietz, & Mitchell, 2010, p. 14).

The importance of Social Security and Medicare “cannot be overstated. Nevertheless, the costs of housing, out of pocket health care, transportation and food require more than three-quarters of spending for this age group, leaving few financial resources remaining for other expenses” (Gonyea, 2010, p. 196).

“If you are lucky enough to live a long life, then you are likely to end up needing some form of long-term care,” although that is not inevitable (Rogers & Komisar, 2003). Because the need for long-term care is a risk, not a certainty, it is logical to treat it like other unpredictable and potentially catastrophic events—that is, to rely on insurance rather than on welfare.

Long-term care costs—whether in an institution or at home—are beyond the means of most Americans. In 2010, the cost of a private room in a skilled nursing facility was $75,190 annually, compared with $37,572 in an assisted living facility. Home care costs at $19 per hour for a home health aide averaged $43,472 annually (Dawson, 2010). Reverse mortgages and private long-term care insurance can supplement personal savings and Social Security benefits for those who have home equity and can afford private insurance. Unpaid caregiving from family and friends is a critical support. But personal resources can quickly be exhausted and, if so, recourse today is to the Medicaid program. A long-term care social insurance program could dramatically alter this picture.

With a cash benefit, old people with disabilities would more likely be able to live where they choose. With improved financial resources, they could purchase the services they want and need.

A Vision for Action

In the 1999 *Olmstead v. L. C. and E. W.* decision, the U.S. Supreme Court held that the unjustified institutional isolation of people with disabilities is a form of unlawful discrimination. The Court ruled that institutional placement “perpetuates unwarranted assumptions that persons so isolated are incapable or unworthy of participating in community life and institutional confinement severely limits individuals’ everyday life activities” (*Olmstead*, 1999, at 600). The *Olmstead* decision offers a platform for the development of an aging-in-place vision.

Donna Shalala (1999), as secretary of the U.S. Department of Health and Human Services, spoke about the *Olmstead* Supreme Court decision and articulated a

compelling message for the rights of people with disabilities to live in community:

> "We can agree that no American should have to live in a nursing home or state institution if that individual can live in a community with the right mix of affordable supports.
>
> "We can agree that we all have the right to interact with family and friends in our communities . . . to make a life." (Enforcing the *Olmstead* decision, ¶ 9)

A vision statement for aging in place would include the following:

- American homes will be accessible.
- American communities will connect residents to needed services and community life.
- Older families will have the financial resources needed to manage the challenges of normal aging.

Advocates for aging in place with supportive services must coalesce around a vision, policies, messages, and a plan in which aging in place is made a priority, not just another worthy program. As a concept, aging in place involves a number of changes in a variety of systems that traditionally are disconnected: "Advocacy must also improve care coordination, grow the needed direct care workforce, and expand home- and community-based services under Medicaid to create a new system that is truly greater than the sum of its parts" (Shugarman, 2010, p. 7). Unless homes and communities change so that they are healthy, more accessible, and more livable, they will add to the challenges and costs of aging in place. Livable communities should be affordable communities.

It is not enough to tinker with modest innovations on a local level or even to successfully increase funding for current state and federal programs. These programs are uncoordinated and fragmented with divided authority, eligibility, purpose, scope, and measurement of results. The baby boomers will begin to reach advanced ages in only 20 years. A systematic social advocacy effort requires a clear vision of what should be done, described in ways that the public can imagine. It requires picturing the cost of failure to act. It requires a strategic plan and an effective coalition of supporters who can sustain disciplined advocacy. Bipartisan and nonpartisan experts must agree on new policies. Congress must see the importance of constructive action. Most important, comprehensive national change must have leadership from the president. These actions would be promising signs of progress as demographic and economic realities become ever more apparent and a consensus comes into focus that much must be done very soon.

As Henry Cisneros, former mayor of San Antonio, Texas, and tenth Secretary of Housing and Urban Development, said in his 2011 address to the Congress of New Urbanism,

> "As our country recognizes the growth of its senior population, it is important that we plan and build our homes and communities to advance the goal of enhancing the quality of life for aging populations. The stakes for our society are large. We can extend the vitality of seniors well beyond their eighth decade, enhancing independence, supporting a mobile life, and sustaining dignity. By doing so we will reap the benefits of the wisdom and experience of seniors at a time when our society needs every citizen to be as productive as possible. Transforming individual lives from dependence and decline to a sense of purpose and involvement by being attentive to the way we build homes and communities is a concept that our country must advance in numerous ways.
>
> "This is not a matter of creating homes for our seniors as acts of obligation, although as a nation we certainly owe a debt of gratitude that would make a sense of obligation reason enough. Rather it is in the interest of a nation that can benefit from a longevity dividend, that hopes to secure the best quality of life for all its citizens, and that strives to live up to the ideal that every single person has something to contribute to the nation's well-being over the span of an entire lifetime." (Cisneros, 2011)

Shirley Franklin was the first African American woman to be elected mayor of a major southern city. She served two terms as mayor of Atlanta, Georgia, from January 2002 through January 2010. Jane Hickie is senior research scholar and director of the Politics, Scholars, and the Public Program at the Stanford Center on Longevity.

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The Growing Importance of Older Workers

Richard W. Johnson

The increase in paid employment by older Americans is one of the most dramatic labor force trends of the past two decades. Between 1993 and 2010, the share of adults ages 62 and older who were employed increased 33 percent for men and 62 percent for women (see Figure 1). This surge is particularly impressive because the end of the period covers the Great Recession and its aftermath, when overall employment rates fell. Over the same 17-year span, employment rates at ages 25-to-49 declined 7 percent for men and 2 percent for women. Moreover, until the mid-1990s, older men's labor supply had been falling for decades. Between 1948 and 1993, the share of men ages 65 and older who were employed fell by about two thirds.

Whether this recent trend continues, levels off, or reverses depends on the willingness and capacity of future generations of older Americans to work longer and the willingness of employers to hire and retain them. The future is necessarily uncertain, but the available evidence suggests that the workforce will grow older as older adults continue to work longer, partly because fewer seniors will be able to afford to retire early. Policy reforms may be necessary to help accommodate more older workers and provide better financial protection to older adults who are unable to extend their working lives.

Financial Incentives to Work Longer

Older adults will prefer to remain in the labor force as long as the returns to working exceed the returns to retiring. That calculus is partly a financial decision that depends on the generosity and structure of public and private income replacement programs for retirees. Recent changes to Social Security and employee benefit plans have increased the rewards of working longer and have raised concerns among older workers about whether they can afford to retire early, especially as health care costs rise.

Social Security reforms implemented over the past 10 years have boosted work incentives for older adults. The age at which retirees can first collect their full Social Security benefits—the full retirement age—recently increased from 65 to 66 and will reach age 67 for those born after 1959. Retirees may still begin collecting as early as age 62, but they now face a stiffer penalty when they retire early. Those born before 1938—who faced a full retirement age of 65—received 80 percent of their full monthly benefits if they retired at age 62. By contrast, those born after 1959—who face a full retirement age of 67—will receive only 70 percent of the full monthly benefit if they collect at age 62.

In addition to penalizing those who retire early, Social Security now better rewards those who retire later. The delayed retirement credit increases monthly payments for each month that the beneficiary waits beyond the full retirement age to begin collecting. This credit has increased sharply over time. When first implemented in 1972, it increased benefits by only 1 percent for each year that the beneficiary waited beyond the full retirement age to collect, up to age 72. The credit increased to 3 percent per year in 1981, and then gradually to 8 percent per year for those born in or after 1943. (However, benefits now stop increasing for those who wait beyond age 70 to collect.)

The retirement earnings test reduces Social Security benefits for those who receive benefits while working. The earnings test originally applied to all Social Security beneficiaries, regardless of age. For beneficiaries below the full retirement age, Social Security withheld $1 in benefits for every $2 of earnings in excess of a specified exempt amount. For beneficiaries at or above the full retirement age, Social Security withheld $1 in benefits for every $3 of earnings in excess of a different higher exempt amount. The Senior Citizens' Freedom to Work Act of 2000 eliminated the retirement earnings test above the full retirement age. The reduction in Social Security benefits for employed beneficiaries is partly offset by higher future benefits, but many beneficiaries do not seem to realize that their benefits will increase in later years, and several studies have found that the elimination of the retirement earnings test increased work at older ages (e.g., Haider & Loughran, 2008).

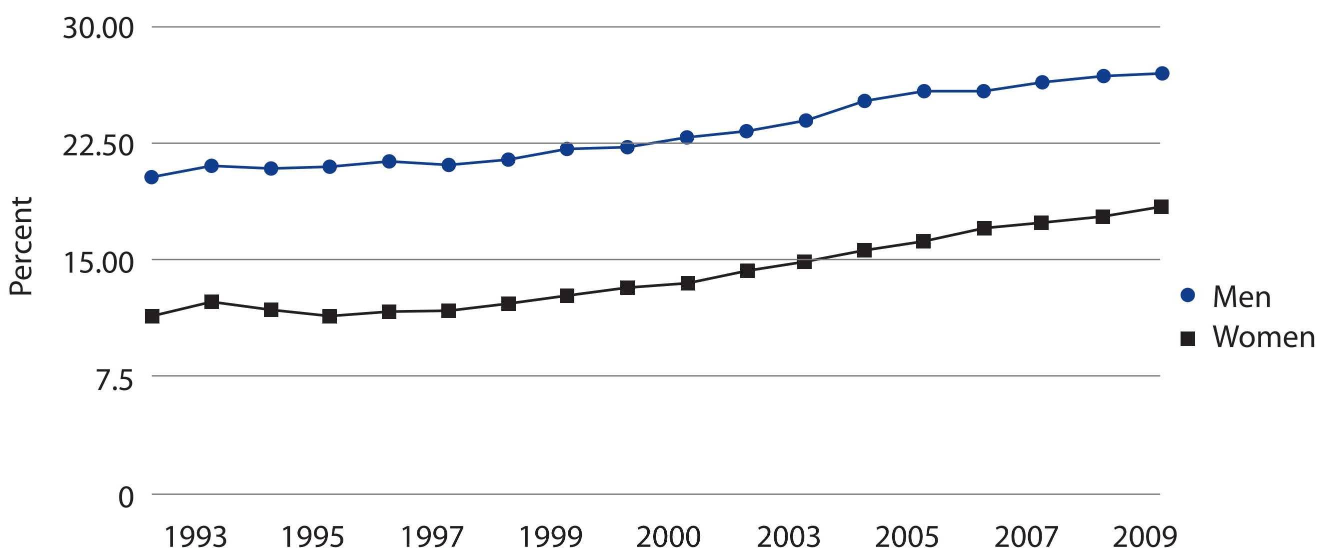
Changes in employer-provided pension and retiree health benefits also encourage boomers to remain at work. Traditional defined benefit (DB) pensions, which provide workers with lifetime retirement annuities usually based on years of service and earnings near the end of the career, discourage work at older ages. They often provide substantial subsidies for early retirement and penalize workers who remain on the job past the plan's normal retirement age, because workers who delay retirement by a month forfeit a month of benefits.

Over the past 30 years, however, private-sector employers have been shifting from traditional DB pensions to defined contribution (DC) plans, which do not encourage early retirement. (DB plans continue to dominate in the public sector, however.) Employers typically make specified contributions into individual DC accounts that workers access at retirement, generally as lump-sum payments. Because contributions continue as long as plan participants remain employed and workers with a given account balance can receive the same lifetime benefit regardless of when they chose to begin collecting, DC plans do not generally penalize work at older ages. As a result, people in DC plans tend to work about two years longer than DB participants (Friedberg & Webb, 2005). The continued shift to DC plans, then, should increase the number of older Americans available to the labor force.

Most workers receive health benefits from their employers, and the loss of these benefits is often a significant cost of retiring before age 65. Early retirees not only forgo the insurance subsidies that most employers offering coverage provide but also lose access to the group insurance market. Nongroup health insurance premiums are typically quite expensive for older adults, particularly those with health problems. The cost of losing employer health benefits is lower for workers who wait to retire until age 65, when they can begin Medicare and avoid having to obtain primary coverage in the nongroup market.

Retiree health benefits generally allow workers to continue their employer health insurance coverage after they retire until they qualify for Medicare benefits at age 65. Some retiree health plans also supplement Medicare benefits after age 65. By lowering retirement costs, these benefits reduce work incentives and encourage early labor force withdrawals (e.g., Blau & Gilleskie, 2001). However, the share of employers offering retiree health benefits has declined dramatically over the past two decades as health care costs have increased. Among large private-sector employers (with 200 or more employees) that provided health benefits, only 28 percent offered retiree health benefits in 2010, down from 66 percent in 1988 (Kaiser Family Foundation & Health Research and Educational Trust, 2010). Additionally, the retiree health

Employment Rates for Men and Women Ages 62 and Older, 1993 to 2010 (%)



Note: The employment rate is the share of the civilian noninstitutionalized population that is employed.
Source: Urban Institute Program on Retirement Policy (2011a, 2011b).

benefits that employers provide have generally become less generous over time and now shift more costs to retirees. This erosion in retiree health benefits has boosted employment at older ages.

The 2010 Affordable Care Act may lower the impact of employer-provided health insurance on future retirement decisions. The health reform legislation creates health insurance exchanges in 2014 that are expected to reduce substantially the cost of nongroup health insurance, limiting the incentive for workers without access to retiree health benefits to remain with their employer until they qualify for Medicare. Nonetheless, retirees would still forgo any health insurance provided by their employer to active workers.

These Social Security reforms and trends in employee benefits have exacerbated concerns about income security at older ages. As DB pension plans fade away, workers must actively save for retirement in their DC plans or other vehicles. Yet few workers seem to be saving enough to maintain their pre-retirement incomes in old age, especially as out-of-pocket health care costs continue to increase (Munnell, Webb, & Golub-Sass, 2009; VanDerhei, 2011). The financial crisis and Great Recession have further eroded retirement savings for many Americans. Moreover, with Social Security facing a long-run solvency problem, further changes to the program seem inevitable. Any benefit cuts would worsen the shortfall in retirement incomes.

Insufficient savings may force a growing share of older workers to delay retirement, one of the surest ways of increasing retirement income for those who can find jobs. Working longer allows older adults to earn more and save more in DC plans and other savings vehicles, as well as accumulate more Social Security credits. Working longer also shortens the retirement period, so savings do not have to last as long. Many survey respondents approaching traditional retirement age say they plan to work longer than previous generations because they cannot afford to retire early.

Work Capacity at Older Ages

Even if many older adults wish to keep working in coming years, their employment will also depend on their capacity to perform their job duties. Their suitability hinges on both the physical demands of the job and their own health status.

There is little doubt that physically demanding jobs are becoming less prevalent in the U.S. workforce as the economy continues to shift from manufacturing to services. Between 1971 and 2006, for example, the share of jobs requiring workers to engage in moderate or strenuous physical activities fell from 56.5 to 46.0 percent, and the share requiring flexibility or dexterity fell from 36.1 to 26.1 percent (Johnson, Mermin, & Resseger, 2011). Over the same period, however, the share requiring moderate or substantial cognitive ability increased from 61.6 to 69.3 percent. It seems likely that these trends will continue, suggesting that fewer older workers will be forced out of their jobs because they cannot handle the physical demands. However, employment options for workers (including those who are older) with limited education may become more scarce

Older Americans are generally healthier today than they were three decades ago, but health status does not appear have improved over the past decade. Between about 1983 and 2008, the share of respondents in the National Health Interview Survey reporting fair or poor health fell from 25.1 to 18.6 percent at ages 55-to-64 and from 32.5 percent to 21.6 percent at ages 65-to-74. It is unclear, however, whether these trends will continue. All of the health gains at ages 55-to-64 occurred between about 1983 and 1999; since then, the percentage reporting fair or poor health has not changed much. Health status has improved more slowly over time for adults ages 45-to-54 and has worsened since 1999.

Recent trends in the prevalence of work limitations among adults nearing old age are even less encouraging. Data from the Health and Retirement Study show that the share of adults ages 58-to-63 reporting health problems that limit the amount or type of work they can perform decreased between 1992 and 2002 but increased over the past decade and was higher in 2010 (27.5%) than 1992 (26.8%). Adults with no more than a high school diploma were more than twice as likely to report work limitations in 2010 than those who had completed four or more years of college (36.1% vs. 14.9%). Work limitations were also more common among Blacks and Hispanics than among non-Hispanic Whites. Several studies confirm that health status is no longer improving in late midlife and may be worsening, especially at younger ages. Disability rates among Americans in their 40s and 50s appear to have inched up between 1984 and 1996 (Lakdawalla, Bhattacharya, & Goldman, 2004), for example, which may portend future health declines for older adults.

Employer Demand for Older Workers

The final factor influencing future employment rates at older ages is employers' willingness to hire and retain older adults. Coming demographic pressures will likely

increase the demand for older workers. Census data show that between 2011 and 2030, the number of Americans ages 25-to-54, who make up the nation's so-called prime-age workforce, will increase only 9 percent—less than half the rate of increase that prevailed over the previous 20 years. This trend suggests that many employers planning to rely on workers in this age group may have trouble meeting their future staffing needs. It seems likely that employers will increasingly turn to workers ages 62-to-79, whose numbers will increase 63 percent between 2011 and 2030.

Coming generations of older workers will have at least as much education as younger workers, making them generally more desirable to employers. Thirty years ago, firms may have preferred younger workers because they were generally better educated than older workers. In 1980, only 11.8 percent of men ages 62-to-64 had a four-year college degree, compared with 23.4 percent of men ages 35-to-49 and 26.8 percent of men ages 25-to-34. Today, however, older men are better educated than their younger counterparts, boosting their employment prospects. In 2008, 32.3 percent of men had completed four or more years of college, compared with only 28.7 percent of men ages 35-to-49 and 25.9 percent of men ages 25-to-34. Although older women's educational disadvantage relative to younger women has not disappeared, it has narrowed considerably. In 2008, 23.8 percent of women had completed four or more years of college, compared with 30.9 percent of women ages 35-to-49.

Nonetheless, workplace challenges will likely persist at older ages. Many older nonworking adults continue to have trouble finding employment. Older workers are less likely than younger workers to lose their jobs, but those who are laid off experience unusually long unemployment spells. In 2010, for example, unemployed workers ages 50 and older were 17 percent more likely to have been out of work for more than six months than those ages 25-to-49 (Johnson & Park, 2011b). Among workers laid off in 2008 and 2009, only 24.4 percent of those ages 50-to-61 and 18.1 percent of those ages 62 and older were reemployed within 12 months, compared with 36.4 percent of workers ages 25-to-34 (Johnson & Park, 2011a). Put another way, laid-off workers ages 50-to-61 were only about two thirds as likely as those ages 25-to-34 to find work within a year, and those ages 62 and older were only about half as likely.

A majority of older workers believe age discrimination persists in the workplace, although relatively few have experienced it firsthand. In a 2007 AARP survey, 60 percent of workers ages 45-to-70 said they believed that employers discriminate against older workers because of their age (AARP, 2008). However, only 13 percent said that they had personally been treated worse by an employer over the past five years because of their age. Rates of age discrimination are similar in the Health and Retirement Study: In 2008, 15.4 percent of workers ages 58-to-63 reported that they agreed or strongly agreed that their employers favor younger workers in promotion decisions, up slightly from 2002. By 2010, the share reporting that their employers favor younger workers had jumped to 17.9 percent, possibly reflecting the weak labor market. African Americans and Hispanics were much more likely than non-Hispanic Whites to report age discrimination, and college graduates were somewhat less likely to report discrimination than those with less education.

Conclusions

Taken together, the available evidence suggests that older Americans will continue to work longer. Financial need will likely be the primary motivator. As the Social Security retirement age increases, traditional DB pension plans disappear, and savings rates remain low, relatively few workers will be able to afford to retire early. Many adults will likely decide to work beyond their early 60s to try to maintain their pre-retirement living standards into old age. Any additional Social Security benefit cuts would raise the imperative to delay retirement. Recent Social Security reforms have increased the financial rewards of working longer, as has the shift away from DB pensions. Furthermore, the slowdown in the growth of the younger workforce will likely increase employer demand for older workers.

Policies will need to adjust to the aging of the workforce. Policymakers should consider eliminating existing legal barriers to phased retirement, by which older workers move gradually from full-time employment to full retirement by shifting into part-time, flexible work arrangements. Needed are better workplace accommodations for older people with disabilities, as well as stricter enforcement of age discrimination laws. Also needed are better financial protections for older adults with health problems that prevent them from working longer. Many workers with disabilities now fall through the holes in the existing disability safety net, which consists primarily of Social Security disability insurance and Supplemental Security Income. The trend toward longer work lives will leave adults with disabilities bereft of inadequate incomes at older ages unless the disability safety net is bolstered.

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