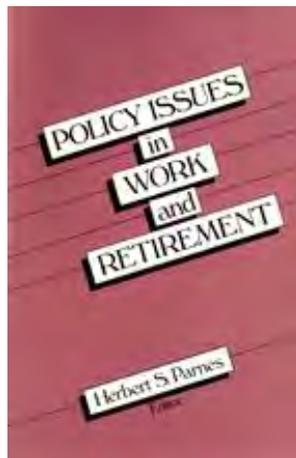


Upjohn Institute Press

Introduction and Overview

Herbert S. Parnes
Rutgers University



Chapter 1 (pp. 1-28) in:

Policy Issues in Work and Retirement

Herbert S. Parnes, ed.

Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 1983

DOI: 10.17848/9780880995900.ch1

Chapter 1

Introduction and Overview

Herbert S. Parnes*

Individuals inevitably age, and populations may do so also. The aging of a population refers to a change in its age composition such that the proportion of older individuals becomes larger or the median age of the population rises. The aging of a population may be brought about by an increase in the life expectancy of its members, although this is not the most usual way in which the phenomenon occurs; reductions in fertility are a far more important cause under contemporary conditions. The crucial importance of fertility in affecting age composition has been demonstrated by the calculation that even if humans lived forever, only one-tenth of a population with a gross reproduction rate¹ of 3.0 would be over 60 years of age, as compared with about 41 percent if the reproduction rate were 1.5 and something approaching 100 percent if the rate were 1.0.²

Whatever the causes, the aging of populations creates problems and requires adjustments on the part of society as a whole, just as the aging of each individual creates personal problems and requires personal adjustments. As a matter of fact, the personal and social implications of aging are not completely separable; population aging, by definition, means that larger absolute and relative numbers of individuals are experiencing the personal problems associated with aging, and this in itself may be part of the problem with which society is compelled to deal.

*I am indebted to Frank Mott and Michael Taussig for the improvements that resulted from their review of an earlier draft of this chapter.

The papers in this volume are all concerned with what might be called the human resource implications of individual and population aging. They view aging, in other words, from the perspective of the productive roles of human beings, and explore some of the policy issues that confront society in this regard—issues relating to health and retirement, to age discrimination in employment, to methods of increasing work opportunities for the elderly, and to methods of financing retirement, including the very thorny contemporary issue of how to resolve the financial problems that currently confront the Social Security system.

The purpose of this introductory chapter is to provide a backdrop for the remaining papers. It begins with an examination of the demographic trends that establish the framework for much of the subsequent discussion, and assesses the degree of confidence we can have in the projections that have been made. After a brief discussion of the roles of analysis and value judgment in policy prescription, it then offers a series of generalizations about the labor market and retirement experience of older male workers derived from a longitudinal study of a national sample of middle-aged men (45-59) over a 15-year period during which many of them moved into retirement. The concluding section contains a summary of the remaining papers in this volume.

Demographic and Retirement Trends

The population of the United States and of most other industrialized societies has been aging, and the prospect is for a substantial intensification of this trend over the next half century. The proportion of the U.S. population 65 and over rose from about 4 percent in 1900 to 8 percent in 1950 and 11 percent in 1980. Depending upon what assumptions are made about fertility and immigration, this proportion is projected to range between 17.2 percent and 20.2 percent by 2025³ as a result of the maturing of the “baby boom”

generation born between the end of World War II and the mid-1960s.

**Projected Age Structure Ratios
Assuming Replacement-Level Fertility**

Age ratio	1976 (actual)	2025	2050
0-17/18-64	.51	.42	.42
65 and over/18-64	.18	.30	.30
18-24/18-64	.22	.16	.16
18-24/55-64	1.40	.78	.81
55-64/18-64	.16	.20	.20
20-39/40-64	1.16	.88	.88
75 and over/65 and over	.38	.39	.44

SOURCE: Based on Robert L. Clark and Joseph Spengler, "Economic Responses to Population Aging," in Robert L. Clark (ed.), *Retirement Policy in an Aging Society*. Durham, NC: Duke University Press, 1980, Table 2, p. 13.

Assuming replacement level fertility (which yields the lower of the two estimates for 2025 mentioned above), Clark and Spengler have calculated a number of ratios that capture the most significant demographic changes from the standpoint of the labor market, some of which are reproduced in the table above. The increase in the ratio of persons 65 and over to those 18 to 64 between 1976 and 2025 signifies the prospective rise in the *old-age* dependency ratio, but this is to a considerable extent offset by a drop in the *child* dependency ratio (0-17/18-64), so that the *total* dependency ratio is only 3 percentage points higher in 2025 than it is now. Among the bright elements in the picture are the decline in the number of young people (18-24) relative to the total working-age population and the even greater decrease in the ratio between the young and those approaching retirement age (55-64). These trends promise an easing of the youth unemployment problem as well as the possibility of an improvement in the tradeoff between inflation and unemployment. Finally, the reduction in the ratio of "prime age"

workers (20-39) to older workers (40-64), along with the drop in the proportion of young workers, should operate to increase job opportunities for older workers.

To these prospective demographic changes one additional factor must be added in order to provide the necessary backdrop for the issues to be addressed in this volume, and that is the trend in retirement. The institution of retirement as we know it today is a relatively recent one in the history of human societies.⁴ Even as late as 1947, the labor force participation rate of men 65 and over was almost 50 percent. From this level it dropped to slightly below 20 percent in 1981. Among men 55 to 64 there was also a notable decline, from 90 to 71 percent. Thus, to put both elements of the picture together, at the same time that the proportion of older persons in the population has increased, the fraction of that group that has continued to work has shrunk. This means that the actual old-age dependency ratio has increased by a greater degree than the demographic trends alone would suggest. And by the same token, if the trends that have prevailed in the past continue, the potential labor shortages of the future are also greater than the changes in age structure alone portend. It must be kept in mind, however, that these predictions assume the continuation of existing trends.

Will the Trends Continue?

Fertility trends. Forecasts of the age structure of the population of *working age* can be made for a period of, say, fifteen years into the future with a great deal of confidence, simply because all of the potential members of that group have already been born, and because dramatic changes in mortality rates over a 15-year period are unlikely. When the forecast period goes beyond 15 years, however, or when the mission is to forecast the age structure of the *total* population even for shorter periods, the task becomes much more difficult because of uncertainty about what will happen to

the fertility rate—and, as has been seen, this is the crucial element in inducing changes in age structure.

As Alicia Munnell's paper in this volume makes clear, the projected costs of the Social Security program depend very substantially on the assumption that is made about the fertility rate—ranging from 11.4 percent to 26.9 percent of covered payrolls in the year 2050. The upper bound assumes a fertility rate that remains in the neighborhood of the lowest level to which it sank in the 1970s (1.7); the lower bound assumes an increase in the fertility rate to 2.4, somewhat above the replacement level (2.1) at which the total population would ultimately remain constant, but well below the rates achieved during the baby boom (3.5-3.7).

However, there is by no means any assurance that the fertility rate will actually fall between these two limits. It is well known that demographers failed to predict either the "baby boom" of the post-World War II period or the "baby bust" of the late 1960s and the 1970s. Perhaps the most dramatic illustration of the potential for error is the following quotation from the 1975 Report of the Panel on Social Security Financing, a group of experts appointed by the Senate Committee on Finance to make an independent actuarial assessment of the Social Security program:

In 1946 it was authoritatively estimated that the 1975 United States population would perhaps be as low as 147 million, or perhaps be as high as 191 million; in 1958 the corresponding low and high forecasts of the 1975 population were 216 million and 244 million; the event—a population of 213 million has confounded both those prophecies.⁵

It is not only that the actual fertility rate *may* fall outside the range of the official estimates; what is more intriguing is the fact that at least one theoretical explanation of the determinants of fertility predicts that it *will*. Richard Easterlin has

argued that the size of a birth cohort—i.e., the individuals born in a particular period of years—has an important effect on a number of aspects of the lives of the members of the group, including their marriage and fertility rates. The argument can be summarized very briefly in the following propositions expressed in Easterlin's own words:

1. Marriage, childbearing, and many other aspects of family formation and growth depend crucially on how the "typical" young couple assesses its "relative income," that is, the prospects for achieving the economic life-style to which they aspire. The more favorable this assessment, the freer a couple feels to marry and raise a family. . .
2. A young couple's relative income depends in large part on the supply of younger workers relative to older when the partners are in the early working ages. . .
3. The supply of younger workers relative to older depends chiefly on their generation size, the national birth rate about 20 years earlier. . .⁶

It follows that a "baby boom" generation will as adults have a relatively low fertility rate and produce a "baby bust" generation which, in turn, will have a relatively high fertility rate and produce another baby boom. Easterlin points out that his theory explains both the baby boom of the post-war years and the baby bust of the 1970s, and he foresees the possibility of a succession of "self generating fertility swings," and a population that will "continue to grow in roughly stepwise fashion."⁷

Easterlin is cautious, however. He acknowledges that the amplitude of future swings may well be lower than those of the cycle that has just been experienced. Moreover, Easterlin's theory of fertility by no means represents a consensus among demographers. Nonetheless, in reviewing

Easterlin's book, another leading demographer has advised that

It is unwise to take Easterlin lightly. His 1962 explanation of the baby boom is the only one supported even weakly by the data. When there was a sign of fertility decline in the early 1960s most observers thought it was a temporary, short-term adjustment, and that baby-boom-level fertility would persist. Easterlin was virtually alone in predicting the baby bust. . . . Easterlin should be taken seriously, but perhaps not too seriously.⁸

In any case, the purpose here is not to decide upon the merits of the Easterlin thesis, but rather to stress the need for a healthy skepticism about some of the major premises underlying the debate on important policy issues. One can understand Michael Taussig's amusement at "intelligent and well-informed people who take . . . official Social Security projections so seriously. . . ."

Retirement trends. Whether the trend toward earlier retirement will continue is also uncertain. There is clear evidence of a pronounced downward trend in retirement age during the past decade not only in the official BLS data on labor force participation, but also on the basis of the intentions expressed by a representative national sample of men approaching retirement age. Of men 55 to 59 in 1976, 60 percent either were already retired or expressed the intention of retiring prior to age 65; the corresponding proportion of the *identical group of men* had been 27 percent in 1966 (when they were 45 to 49 years old) and 38 percent in 1971 (when they were 50-54).⁹ This trend, moreover, continued between 1976 and 1978.¹⁰ Many observers have speculated that the persistence of high rates of inflation would lead to a reversal of the trend toward early retirement. While a development of this kind would not be surprising, there is no evidence that it

had occurred by the end of 1982, although there has been some evidence of a retardation in the trend.¹¹

In any case, unlike the trend in fertility, the trend in retirement is subject to change by the manipulation of policy variables. While there is still some disagreement about the relative importance of the several factors that affect retirement decisions, no one can doubt that the high rates of early retirement that have characterized the recent past would drop if the ages of normal and early retirement under the Social Security Act were to be increased by three years as some have proposed. Indeed, as the paper by Schulz in this volume makes clear, there are a variety of less drastic policy options that would likely have similar effects. One of the important issues that society has to resolve, therefore, is what kind of policy it wishes to implement with respect to retirement age. This observation provides an appropriate link to an examination of the character of policy formation.

The Roles of Analysis and Value Judgment in Policy Formulation

As one considers policy issues relating to work and retirement—or indeed in any domain, public or private—it is well to keep in mind that all policy prescription involves both analytical processes and value judgments. The latter are crucial in selecting among competing goals, while the former relate to the means of achieving them. Because both of these intellectual processes are necessary ingredients of policy formulation, research findings alone, no matter how clear, can never point unambiguously to appropriate policy measures. Not until they are blended with values do they tell us what course of action to follow. What makes matters worse, the analytical aspects of policy formulation frequently do not point to unambiguous answers even to nonvalue-laden questions. It is for both these reasons that intelligent women and

men of good will can disagree so substantially on policy issues.

These are hardly profound observations; yet they are sufficiently important to warrant an illustration or two from the field with which this volume is concerned. Analytically, it is clear that postponing the normal retirement age under Social Security will reduce the long run costs of retirement. Whether it is a good idea to move in that direction depends on how *effective* that approach is relative to alternatives (an analytical question) as well as how *equitable* it is relative to other cost-reducing measures and to measures designed to increase income into the trust funds (value questions). Moreover, whatever one's value hierarchy, whether postponement of the retirement age is equitable depends upon the reasons for early retirement (an analytical question). For instance, to the extent that the individuals who retire prior to age 65 withdraw from work in good health simply because they wish to enjoy leisure, one might be willing to make the value judgment that, compared with alternatives, the long term financial problem of Social Security is best met by removing the financial support for early retirement. On the other hand, if large numbers of early retirees are really forced into retirement by poor health—or inability to find work—the same set of values might well lead to the opposite conclusion. While this is an analytical issue on which one might suppose the evidence would be crystal clear, unfortunately it is not—or at least not clear enough to preclude difference of interpretation between two competent scholars. For instance, Robert J. Myers, former Chief Actuary of the Social Security Administration, in challenging the research of Eric R. Kingson, argues that the “widespread belief . . . that a considerable number of people who leave gainful employment before age 65 do so because of poor health . . . (is) based on erroneous or inadequate analysis and (is) not necessarily valid.”¹² My

purpose here is not to take sides in this debate, but merely to illustrate the important role that analytical differences can play in debates on policy.

To illustrate the importance of value judgments where there is agreement on analytical questions, let us consider briefly the policy issue of mandatory retirement. One of the *a priori* arguments in favor of eliminating mandatory retirement or raising the age at which it may legally be imposed is that this would have the effect of significantly increasing the labor force participation of older workers (an analytical proposition). The evidence is fairly conclusive, however, that such an effect is quite small; although almost half of the labor force is covered by mandatory plans, the vast majority of covered workers retire either prior to the mandatory age or at the mandatory age with no desire to work longer.¹³ But this (analytical) conclusion obviously does not require one to abandon opposition to mandatory retirement. For one thing, propensities to retire may change in the future. Moreover, even if it were possible to be certain that only a handful of individuals would be involuntarily retired by mandatory rules, a concern for freedom of individual choice (a value) might constitute adequate justification for opposing mandatory retirement.

As if it were not enough that policy disagreements can be engendered either by differences in the interpretation of evidence or by differences in values (or both), they can result also from the way in which individuals choose (or have been taught) to view certain institutions. It is instructive to compare the way in which most Americans view (a) public education and (b) the Old-Age, Survivors, and Disability Insurance program (OASDI), both of which are part of the Social Security system in the United States viewed in its broadest perspective.¹⁴ Public education is widely perceived as an institution that serves a crucially important social purpose and thus justifies social support irrespective of the

degree to which a specific individual or family uses it. Property owners without children pay the same school taxes as those with children. When the baby boom generation flooded the elementary schools in the 1950s and 1960s, adults, while perhaps lamenting the required increase in taxes, did not bemoan the fact that they were having to “put in” more than they had (previously) “gotten out” of the educational system.¹⁵

In contrast, what is now the OASDI program was originally sold to the American public in the 1930s as an insurance system in which one pays in premiums while working in order to withdraw payments in retirement. However, there is nothing inherent in the program that *requires* it to be viewed in this way. Even if eligibility for and size of retirement (or disability) benefits are related to lifetime work experience, there is no reason why the collection of revenues for the support of the program—whatever their source—could not be viewed as an independent process. The support of retired workers, in other words, would be seen as a worthy social objective (like public education), requiring broad social support. And while “baby bust” generations might lament the increase in taxes required to support “baby boom” generations, the issue would not necessarily be perceived and discussed in terms of intergenerational inequities. Moreover, as Alicia Munnell points out in her contribution to this volume, whether one views OASDI as an individual-saving-for-retirement scheme or as a tax-and-transfer scheme has a substantial influence on what one regards to be an appropriate means of financing the program. With all due respect to William Shakespeare, names *do* make a difference!

The Labor Market and Retirement Experience of Older Males

Although policy cannot be formulated on the basis of fact alone, sound policy obviously must be grounded in knowledge of relevant facts and in understanding relevant relationships. Many of the following chapters explore such matters relating to various aspects of work and retirement, but none of them focuses specifically on the work and retirement experience of older persons. In this section, I should like to distill from the research on this subject that my colleagues and I have done over the past fifteen years a series of findings that seem to me to be most important.

The research has involved a unique data base derived from repeated interviews between 1966 and 1981 with a representative national sample of about 5,000 men who were 45 to 59 years of age when the study began.¹⁶ The longitudinal design of the study has allowed us to follow this sample over a 15-year period during which a large majority moved from full-time, full-year work into complete retirement. By 1981, death had claimed 26 percent of the original sample; the 2,832 respondents who were interviewed in that year were reasonably representative of the men who were then between 60 and 74 years of age.

The fact that repeated interviews were conducted with the same men over a number of years allows much more definitive conclusions on certain types of issues than can be derived from cross-sectional studies. For instance, in a cross-sectional study that obtains information on health and labor force status at the same point in time, an observed relationship between these two variables among men in their fifties may simply reflect the fact that poor health is the only legitimate "excuse" that a man of this age can give for not working. One cannot be certain, in other words, that self-reported poor health really *explains* withdrawal from the

labor force, or simply *reflects* a prior decision to withdraw for other reasons. If, on the other hand, a report of poor health in one year is seen to *predict* a labor force withdrawal in a subsequent year, much of this ambiguity is removed. As another example, if a man covered by mandatory retirement tells us *prior to achieving the mandatory retirement age* that he would not choose to work longer even if he could, his subsequent retirement at that age can hardly be construed to be involuntary.

Since five volumes of reports and well over 100 articles have been written on the basis of these data,¹⁷ it is clearly impossible to attempt even an incomplete summary. The following propositions merely cull out some of the more interesting findings that appear to have important policy implications.¹⁸

(1) A substantial majority of men in their forties and fifties encounter no special labor market problems. They serve in better jobs than the average of all men; a majority have moved up the occupational ladder since having started their careers; unemployment rates are low, although men who do become unemployed tend to remain jobless longer than younger men.

(2) Nonetheless, a sizeable minority of middle-aged men suffer severe labor market disadvantages, holding degrading jobs with low earnings and suffering substantial unemployment. During the 1966-1976 decade, 4 percent of the cohort suffered at least 66 weeks of unemployment, accounting for over 47 percent of all of the unemployment experienced by the total cohort.¹⁹ Even at the beginning of the decade about 8 percent were at the bottom of the occupational hierarchy either because they had started and remained there or because they had slipped down during their working lives.

(3) There are dramatic differences between white and black middle-aged men in all dimensions of labor market

success; and these differences in rewards are greater than what can be accounted for by racial differentials in education and other forms of human capital. Nevertheless, on a more optimistic note, racial differentials in labor market opportunities narrowed over the decade.

(4) Health has an important effect on the labor market position of middle-aged men, being related not only to labor force participation, but to earnings and unemployment experience as well.

(5) There is clear evidence of a relation between education and training and the labor market fortunes of men in this age category, which suggests that whatever labor market disadvantage older workers currently experience will be reduced in the future as the educational attainment of this age group rises.

(6) Despite the inverse relation between age and all forms of labor mobility, the amount of job changing among middle-aged men is far from negligible. Over one-eighth of the 45-to-59-year-old cohort made at least one voluntary change of employer between 1966 and 1971, and an additional one-twelfth had moved involuntarily. About one-third changed occupations during the period. Most of the voluntary job changes appear to be advantageous, leading both to economic gains and to increased levels of job satisfaction.

(7) General economic conditions exert a profound effect on the labor market experience of middle-aged and older men; promoting high levels of economic activity is therefore an effective means of helping the members of this group who suffer labor market disadvantage.

(8) Job loss is particularly serious for those middle-aged and older workers who have accumulated substantial equities in their jobs (i.e., at least five years of service). While unemployment is the most immediate and obvious

penalty, there are also long run consequences in the form of a deterioration in earnings and occupational status.

(9) The secular decline in the labor force participation of middle-aged and older men has been due primarily to increasingly attractive income alternatives to work; the greater decline for blacks than for whites stems from their less favorable labor market opportunities as compared with whites. The evidence suggests that if wage rates for equally qualified whites and blacks were to be equalized, the difference in their labor force participation rates would disappear.

(10) Of the more than six million men 59 to 73 years of age in 1980 who had retired between 1967 and 1978, fewer than 5 percent had been unwillingly removed from jobs by virtue of mandatory retirement, in contrast to more than one-third whose retirement appears to have been induced by poor health.

(11) Irrespective of reason for retirement, only a minority of the retirees in this age group manifest an interest in labor market activity. Sixteen percent were either working or looking for work in 1980; of the remainder only 1 percent explained their absence from the labor market by a perception that no jobs were available, and only 15 percent said that they would (3 percent) or might (12 percent) take a job if one were offered them. Thus, at best about one-third of recent retirees appear to be available for work in any meaningful sense.

(12) A large majority of retirees profess to be able to “get by” on their income, although there is a pronounced difference between nonmarried and married men in favor of the latter—and an even larger one between blacks and whites. Nonetheless, for married men of both races 59 percent report that they do better than just “get by,” while 9 percent assert that they “cannot make ends meet.” By way of comparison,

the corresponding proportions for nonretired men in the same age range are 72 percent and 4 percent. (In interpreting these data, it must be remembered that no members of the sample are older than 73 years of age.)

(13) While a very large majority of retirees report that their experience in retirement has equalled or surpassed their expectations, about one in five of the whites and one in four of the blacks admit that they have been disappointed. The proportions vary considerably according to reason for retirement; about one-third of the men who retired for health reasons found retirement worse than their expectations.

(14) The proportion of retirees who retrospectively endorse the age at which they originally retired is also very large, but in this case there is clear evidence of a decreasing trend in responses between 1976 and 1980—from three-fourths to two-thirds.

(15) Life satisfaction among retirees varies systematically according to a variety of characteristics—especially in the case of white men. In particular, satisfaction varies directly with health, financial status (income and assets), preretirement occupational level, extent of leisure time activities, and being married. The circumstances under which retirement took place and the respondent's general attitudes toward work and retirement are also significantly correlated with degree of life satisfaction. Other things being equal (including current state of health), men who retired for health reasons are considerably less satisfied than voluntary retirees. The more favorable the retiree's attitude toward retirement in the abstract (as measured two years earlier) the more highly satisfied with life he was likely to be in 1980.

(16) These attitudinal differences are also important in assessing the impact of retirement on life satisfaction. Retirees who had displayed favorable attitudes toward retire-

ment (about one-third of the total) had significantly higher levels of life satisfaction than comparable nonretired men.

Remainder of the Volume: A Summary

The remaining papers in this volume were prepared for and presented at a Conference held in New Brunswick, New Jersey in mid-October 1982. Both the program participants and the approximately 200 persons who attended were broadly representative of management and labor in the private sector, government and social agencies concerned with problems of aging, and academic researchers. In developing the several sessions for the program, an attempt was made to assure representation of each of these constituencies.

In the first paper, Eli Ginzberg raises a fundamental question of values: "Life Without Work: Does It Make Sense?" On the basis of his own remarkably productive career one might expect an unqualified negative response. Actually, Ginzberg's answer is more tempered: it depends. He illustrates the possibility of individuals hanging on to positions longer than what can be justified by the welfare of the organization or, indeed, the individual's own self interest. But the importance of work as a determinant of income, status, personal achievement, interpersonal relations, and the allocation of time argues against denying work opportunities to those who want them, irrespective of age. To Ginzberg the crucial objective of social policy in this respect is the broadening of options, although in the light of demographic trends he sees merit in a gradual rise in the retirement age to 68, provided there is adequate protection to those who are unable to continue work to that age.

Aging, Health, and Work Performance

In his paper on this general topic, Leon Koyl comments on human life span and life expectancy, and then discusses some

of the physiological and psychological aspects of aging. He emphasizes the fact that from both these perspectives the vast majority of individuals are capable of work beyond the conventional retirement age. In this context he calls attention to the potential contribution of ergonomics in altering the work environment to make it more congenial to the older workers.

The paper by Carl Eisdorfer and Donna Cohen examines the interrelationship between health and retirement. Whether one asks about the effect of health on the retirement decision or the effect of retirement on the health of the retiree, the evidence does not permit simplistic answers. The influence of health on retirement depends upon the demands of the present job and the nature and severity of the health problem, as well as on the individual's previous work experience and prospective retirement income. As to the effect of retirement on health, an unambiguous answer is even more difficult. For some individuals retirement may constitute a crisis; for others it may lead to improved well-being.

In her discussion of the issues raised by these two papers, Anne Foner suggests several principles that relate to interpretations of data on aging, health, and work performance: (1) to understand the elderly, they must be viewed in the context of the entire age structure, not only for purposes of comparison but because the elderly necessarily interact with other age groups; (2) the way in which people age depends on the way in which they grew up and matured, including the broad cultural context in which the process occurred; and (3) since no two cohorts age in exactly the same way, the very definition of aging as well as the problems that are associated with it are largely social. She concludes with the warning that if current social problems result in a "new orthodoxy" that older workers should remain in the labor force well past age 65, this may have unforeseen and unfortunate consequences for both younger and older persons.

Elliot Liebow expresses the view that traditional assessments of the work potential of the elderly—including Leon Koyl's—give too much attention to the characteristics of workers and too little to the characteristics of jobs and the work environment. To a considerable extent, he argues, the former are a function of the latter, for “our factories and offices produce not only particular goods and services but particular kinds of people as well.” In reacting to the Eisdorfer-Cohen paper, Liebow emphasizes the importance of both financial considerations and workplace safety and health to the effects of retirement on individual well-being. Because he is pessimistic about the effects of recent and prospective policy decisions on the wholesomeness of the work environment and on post-retirement incomes, he fears that future cohorts of “older and retired workers are headed for poorer health, not better.”

Theodore Bernstein draws upon his rich experience with the International Ladies' Garment Workers Union to illustrate his conviction that the “employability and adaptability of the healthy older worker has been clearly and firmly established.” For him, the most crucial public policy issue lies in assuring full employment. In this context he argues against raising the Social Security retirement age on the ground that it would penalize those older workers in poor health. A full employment economy, on the other hand, would induce more older workers who enjoy good health to remain in or return to the labor force and thus improve the financial position of the OASDI program.

Improving the Utilization of Older Workers

Daniel Knowles' paper on “Keeping Older Workers on the Job: Methods and Inducements” is of especial interest because one does not expect the Vice President of Personnel and Administration of a major U.S. corporation to acknowledge that both industry and government have

treated the middle-aged and older worker with “benign neglect”; that age discrimination is pervasive and “the most insidious type of labor market discrimination taking place today”; and that industry “will have no one to blame but itself if Congress enacts further legislation requiring an annual formal affirmative action plan similar to that required for the other protected groups.” Except to remedy past discrimination, Knowles finds no need for programs to induce older workers to remain on the job. Indeed, his objective is to create complete freedom of individual choice, rather than to “manipulate older workers in order to achieve other objectives.”

Anna Marie Buchmann’s paper relates to “Maximizing Post-Retirement Labor Market Opportunities.” In it she stresses the potential contribution of pre-retirement counseling programs and discusses the components of a good one. She then turns to (1) a description of a wide variety of “alternative work programs” to accommodate retirees who desire less than full-time employment, (2) a discussion of the possibilities of developing full-time “second careers,” and (3) a treatment of volunteerism as an activity that may be attractive to retirees. Although Buchmann is rather optimistic about the employment opportunities for older workers and retirees in the long run, she acknowledges that the current state of the economy makes short term prospects rather bleak.

Harold Sheppard, in reacting to the Knowles and Buchmann papers, cites three basic reasons for the increasing interest of employers in the subject of older workers: (1) the Age Discrimination in Employment Act, (2) demographic change that threatens labor shortages, and (3) the dissemination of research findings that tend to dispel the negative stereotype of the older worker. He predicts a continuation and intensification of this trend, and reports on the basis of his recent research that older workers are recep-

tive to opportunities for continued employment and the acquisition of new skills.

Karl Price's discussion emphasizes the importance of alternative forms of post-retirement activity, since there is no single pattern that is appropriate for all retirees. Barbara McIntosh makes the important point that all aspects of personnel policy need to be scrutinized for the ways in which they might be modified to promote increased utilization of older workers. Douglas Kuhns notes what he describes as paradoxical behavior on the part of many companies—resisting early retirement provisions in pensions on the ground that they result in the loss of highly productive workers, but being eager to be rid of the same workers when they reach age 65. In any case, Kuhns is not optimistic about job opportunities for older workers, given the national economic policies that are currently being implemented.

Stephen McConnell, in his paper on the Age Discrimination in Employment Act, asserts that age discrimination is pervasive despite the provisions of the law. After analyzing official data on the changes that are brought under the Act, he goes on to describe and illustrate the forms that age discrimination takes and examines recent efforts to strengthen the law. Noting that each of these efforts has been thwarted by special interest groups, he pleads for improving the legal protection afforded older workers not only in the interest of individual freedom "but as a means of contributing to the nation's economic welfare."

Social Security and Pension Policy

Alicia Munnell's paper on OASDHI financing presents a penetrating analysis of the sources of the short run and long term financial problems that confront the Social Security program and catalogues the possible remedies—all of which involve hard choices between increasing taxes of one kind or another and curtailing benefit rights. Munnell mentions

three categories of short run options: modifying the cost of living adjustment; increasing revenues by advancing the dates of scheduled increases in payroll taxes, extending coverage, or taxing some portion of Social Security benefits; or using general revenues to finance part of the program. The longer run problem associated with the changing age structure of the population may be met by (1) decreasing the ratio of benefits to earnings as the latter increase over time, rather than maintaining constant replacement rates as the current scheme of calculating benefits has the effect of doing; (2) adjusting the benefit formula to provide a lower replacement rate (but one that would remain constant over time); (3) extending the retirement age; and/or (4) increasing tax rates. While Munnell does not make explicit policy recommendations, it is not hard to infer that she would prefer either of the latter two alternatives to the first two. With respect to extending the retirement age, she emphasizes the importance of protecting those who, by virtue of disability or unemployment, will not have the option of working. In regard to increasing tax rates, she notes (1) that the projected increase in the old-age dependency rate is offset by a reduction in the child dependency ratio and (2) that the long run projected costs in terms of percent of payroll are below the level that already prevails in a number of European countries.

James Schulz opens his paper on "Private Pensions, Inflation, and Employment" by expressing some doubts as to the likelihood of substantial increases in the employment of the elderly. Acknowledging that demographic changes may tend to produce this result, he points to two factors operating in the opposite direction: workers' preferences for earlier retirement and the possibility of more significant health barriers to employment as longevity increases. In attempting to keep older workers in the labor force, Schulz has a strong preference for the "carrot" rather than the "stick." Specifically, he urges (1) demonstration projects designed to

help workers understand the feasibility and desirability of flexible work arrangements, (2) abolition of mandatory retirement (largely for symbolic reasons), and (3) liberalization of the Social Security retirement test.

Michael Taussig's discussion of these papers presents an unconventional view about the long term financial problem of Social Security: he argues against any present action in part because he doesn't trust the projections of the distant future. "Babies may come back into fashion," he suggests, or retirements may be fewer as the character of work opportunities for the elderly becomes more attractive. More fundamentally, Taussig sees OASDI largely as a tax and transfer mechanism, which means that every generation of workers must make its own decision about what level of support to provide its nonworking dependents. He observes that even if current pessimistic assumptions are realized, future tax rates will not be out of line with those that currently prevail in other industrialized democratic countries. Taussig calls attention to a difference between the Munnell and Schulz papers on an important issue that requires further attention: whether, with increasing longevity, the health of future cohorts of older workers will be better or worse than that of the current cohort.

The other two discussants of the social security and pension papers are in fundamental disagreement with each other. Bert Seidman's position on the long term Social Security problem is similar to that of Taussig: there are too many imponderables to warrant any kind of action at this point. In this context Seidman makes the interesting point that Social Security actuaries assume a continuation of the increasing trend in the ratio of fringe benefits to total compensation, which Seidman believes is highly unlikely, and which therefore has the effect of understating payments into the trust funds. James Swenson, on the other hand, is inclined to put considerable stock in the demographic projections,

and is not reassured by the fact that the total dependency ratio will be no higher than in the past, since the elderly cost much more to support than dependent children. Accordingly, he would raise the age of normal retirement to 68, but would continue to allow retirement as early as age 62 at actuarially reduced benefits. With respect to the short run problems, Seidman's preferred solution would be to advance the scheduled tax increases, while Swenson would replace the CPI cost of living adjustment with a wage index reduced by 2 or 2.5 percent. Swenson also takes issue with the idea expressed by both Munnell and Schulz that middle income workers will not save to any significant degree for their retirement. He urges stronger incentives to save in order to stimulate this basis for financing retirement.

Conclusion

I am neither sufficiently imaginative nor sufficiently daring to attempt a grand synthesis of all of the above. The topics are disparate, and there are conflicting points of view. Nevertheless, certain themes reappear either explicitly or implicitly in a number of the papers, and there is some merit in simply listing these, for their general tenor is encouraging:

1. From the perspective simply of capability, there is currently a very substantial waste of human resources among the elderly.
2. If the economy regains a healthy pattern of growth, and if fertility remains low, prospective demographic trends threaten labor shortages unless there is fuller labor market utilization of older persons.
3. A primary objective of social policy in a democratic society should be to preserve and to broaden individual options. In the context of the present subject, this implies as a minimum (a) the achievement of full employment and (b) the elimination of age discrimination. In addition, con-

tinued experimentation with flexible work patterns for the elderly is desirable.

4. If greater labor force participation of the elderly is perceived to be socially necessary, incentives are to be preferred to penalties. In any case it will be important to remember that older persons are not a homogeneous group. Those who cannot work and those for whom there are no suitable work opportunities need to be provided for.

NOTES

1. The gross reproduction rate is based on the average number of female children who would be born to a cohort of 1000 women in their lifetime if they were to experience the age-specific birth rates that prevail in the given year and were to survive for the entire period. This number is expressed as a ratio to the original cohort of 1000.

2. Ansley J. Coale, "Increases in Expectation of Life and Population Growth." International Population Conference. Vienna, 1958. Vienna: Im Selbstverlag, 1959, pp. 36-41. Cited in Robert L. Clark and Joseph J. Spengler, *The Economics of Individual and Population Aging*. Cambridge: Cambridge University Press, 1980, p. 14.

3. Clark and Spengler, *op. cit.*, pp. 16, 25.

4. For an interpretation of the development of the institution, see Robert C. Atchley, "Retirement As a Social Institution," *Annual Review of Sociology*, 1982, pp. 263-287.

5. Report of the Panel on Social Security Financing to the Committee on Finance, United States Senate. Washington: Government Printing Office, 1975, p. 5. Cited in Alicia H. Munnell, *The Future of Social Security*. Washington: The Brookings Institution, 1977, p. 102.

6. Richard A. Easterlin, *Birth and Fortune: The Impact of Numbers on Personal Welfare*. New York: Basic Books, 1980, pp. 146-7.

7. *Ibid.*, pp. 148, 150.

8. James A. Sweet, review of *Birth and Fortune: The Impact of Numbers on Personal Welfare*. *Contemporary Sociology*, November 1982, Vol. 11, No. 6, pp. 766-7.
9. Herbert S. Parnes, Lawrence Less and Gilbert Nestel, *Work and Retirement Data: National Longitudinal Surveys of Middle-Aged and Older Men, 1966-1976*. Columbus: Ohio State University Center for Human Resource Research, 1980, p. 138.
10. Herbert S. Parnes, "Inflation and Early Retirement: Recent Longitudinal Findings," *Monthly Labor Review*, July 1981, pp. 27-30.
11. National Council on the Aging, "Is Inflation Slowing Retirement," Press Release (Washington: mimeo, August 17, 1981).
12. "Why Do People Retire from Work Early?" *Social Security Bulletin*, September 1982, p. 10. For a marshalling of the evidence that Myers questions, see Eric R. Kingson, "The Health of Very Early Retirees," *loc. cit.*, pp. 3-9.
13. James H. Schulz, *Economics of Aging*; Herbert S. Parnes and Gilbert Nestel, "The Retirement Experience," Chapter 6 in Parnes, et al., *Work and Retirement: A Longitudinal Study of Men* (Cambridge: MIT Press, 1981).
14. See Eveline M. Burns, *Social Security and Public Policy* (New York: McGraw-Hill Book Company, 1956), p. 4.
15. Michael Taussig has pointed out to me that the analogy is not perfect. In the case of public education, taxpayers can "vote with their feet" by moving out of high-tax areas. Moreover, liberal expenditures for education may rebound to the advantage of property owners by enhancing the attractiveness of their communities and hence the values of their property.
16. The data have been collected as part of the National Longitudinal Surveys of Labor Market Experience, which have been the responsibility of the Center for Human Resource Research at The Ohio State University under a contract with the Employment and Training Administration of the United States Department of Labor. For a detailed description of the surveys and a bibliography of research based on them, see *The National Longitudinal Surveys Handbook* (Columbus: Ohio State University Center for Human Resource Research, 1982).
17. For a list, see *ibid.*

18. The following paragraphs draw heavily on Parnes, *Work and Retirement*, which is based on data collected between 1966 and 1976. This material is supplemented by the findings of as yet unpublished research based on data through 1980. The 1981 data have not yet become available.

19. Herbert S. Parnes, *Unemployment Experience of Individuals Over a Decade: Variation by Sex, Race, and Age*. Kalamazoo: The W. E. Upjohn Institute for Employment Research, 1982, pp. 6, 9.