

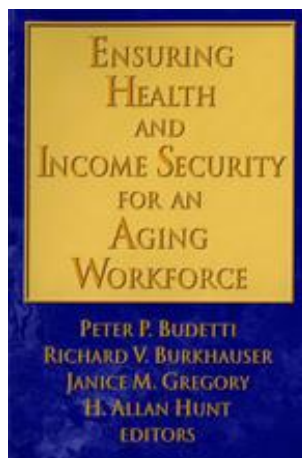
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## Commentary [on Charting the Landscape]

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# Commentary

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Good morning. As I was walking in this morning I was reminded that—the time must have been 1978 or 1979, and I was due at a meeting here. I was teaching at the University of Massachusetts at that point, got on a plane in a blizzard in Boston, and the plane landed at National just like it was supposed to. I got on the subway and got to my meeting. Seven or eight people were supposed to be there, all of whom lived in the District, none of whom made it. You're to be congratulated for your perseverance this morning.

Let me begin by echoing something that Wally said. The Academy is to be not only congratulated, but encouraged to do more. All four papers deal with pressing issues. They deal with them intelligently. They pose a compelling agenda and raise questions in an enormously thoughtful way. Bob's summary and discussion of cross-cutting issues highlighted that. He also made my job of trying to respond either more difficult or easier, depending on which way you think about it.

Let me make five points; none of them will come as a surprise because of the extraordinary good work that went into the preparation for this panel. First, Bob noted, and I think we need to underscore, the enormous asymmetry in both circumstance and access to benefits among older workers, whether it's the asymmetry in health status, the asymmetry that results from different employment relationships which in turn create an asymmetry with access to the public side of the program, and most importantly (as I'll come back to and as Wally mentioned), asymmetry in access to employer-provided benefits, particularly for workers who've left their permanent attachment to the workforce.

The difference between a unionized DaimlerChrysler employee and her access to an employer-provided benefit system in the early years of her retirement or the late years of her working life and the access that most workers (sadly, a growing proportion of workers) have to those supports is enormous. There is a clear racial dimension to this asymmetry, and increasingly, I think we'll find that there's a gender

dimension to it as well; and, of course, it is attenuated by differences in health status. We have to pay an enormous amount of attention to that, and Bob framed—and I think purposefully—Bob framed a question in an either/or fashion. He framed it as, should we be encouraging work, or should we be improving the adequacy of the public safety net and social insurance systems or should we be doing both?

I think the asymmetry argument (among others, but powerfully) leads you (or me, at least) to the answer that I suspect Bob wanted us all to come to: obviously, both. There are good reasons; first, but not only, labor market reasons. The fulfillment of older workers' hopes for the shape of their own lives and the increase in longevity argue that we ought to be trying to encourage work and we ought to remove perversities from both the public and private benefit systems that discourage work or inappropriately tax it. But we don't all come to that moment in our lives similarly situated. Many of us come to that moment more dependent on the safety net and the social insurance system. We find it badly structured and in many cases quantitatively insufficient, and we need to be strengthening it as well. So there is not a simple answer to the work-or-safety-net question, and we won't do ourselves a service by trying to answer Bob's question in any way except "both."

Let me make a third point, which builds on something that Wally said and try to put a sharper point on it. The employer-based, collectively bargained system, as you all know, is eroding. And Wally made a point which I think sort of helps us understand this in a deeper way. It's eroding even more dramatically than aggregate data show, and more than we often think because the workers covered by it are older. They are older than the average worker. Just as Chrysler faces a shift down the demographic ladder, as a huge cohort of older workers retire, we took a look at union retirements—anticipated retirements of all organized workers in the first decade of this century—and it's a 45 degree line going up the graph. We are going to find an enormous increase in the retirement of represented workers in the next decade, and that means we are also going to see an enormous decrease in the number of workers who are represented in places where employer-provided benefits are the norm. While some firms, like Chrysler, will be replacing those workers, the covered share, all else being equal, will continue to decrease, and decrease very dramatically through about

2018, when we'll begin to see the same phenomenon among our members of a substantial increase in younger workers.

That ought to make us enormously careful, for exactly the reasons that Wally mentioned about tinkering with the existing apparatus in ways that make it more difficult to access. The number and share of rehires who are going to need it will increase; the number of people who are going to come into their early retirement years or their late work years without the protections that have allowed some to suggest increasing the retirement age will also increase; and we, therefore, must be enormously cautious, particularly about Medicare eligibility.

Let me make a fourth point that I've talked about a little bit, and Bob mentioned it particularly in terms of older workers. Do we need to modify the public side of the safety net to take account of changing employment relationships? The answer is obviously yes, but I caution against thinking that that's a problem which we can isolate to older workers. The number of people entering the labor force in some sort of nonstandard arrangement—contract work, temporary work, serial employment—is increasing (sharply in some sectors of the economy). And, the number of part-time workers is already large; it isn't increasing, but is already a big chunk of the labor force. None of our systems of social insurance adequately reflect the changing nature of our employment relationships. It may be a particularly acute problem in the short run for older workers, but it is a problem that isn't limited to that part of the population. I underscore that for reasons that you all know well—both employer preference and to a large extent the consequences of the maturation of the entry of women into the labor force—these nonstandard arrangements are unlikely to go away. Even with the relatively strong—enormously strong, in fact—employment growth over the last three years, the rate of increase in nonstandard attachment has continued to accelerate. We should expect that to continue.

Let me just make one last comment provoked by something that Wally said, which is the issue of training. We do a terrible job. Chrysler, AT&T, a handful of other corporations do a decent job, but as a society we do an enormously inadequate job of providing training for people during their working lives. We don't spend enough money. We spend about 1 percent of payroll. We skew it up the income ladder. We devote 7 or 8 times as many training dollars (private training dollars) to managers as we do to front-line workers, and we provide almost no

training at the bottom of the labor market where folks are most mobile. This is a problem that will haunt us for the productivity reasons that Wally mentioned, but also for the demographic reasons that we have both talked about. We are going to be replacing a significant share of the American workforce over the next decade, and we will have systematically underinvested in those replacements.

Thank you very much.