

Essay

The New Work Reality

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What Excites You about the New Work Reality and Why?

More people ages 55 and older are working than ever before for two reasons. Over 40 percent of the population growth since the mid-eighties has been among people in this age group—there were 28 million more 55-year-olds and older in 2013 than there were in 1985. And of those new tens of millions, the labor force participation rate for men and women aged 55-plus is higher than ever before, mainly due to women's increasing participation. Between 1985 and 2013, the labor force participation rate for women ages 55 and older increased from 22 percent to just over 35 percent. Men's participation rate rose from 41 percent to nearly 47 percent. Why? Expert and popular opinion emphasize two overlapping reasons more people are working at older ages: the love of work and money. First, there is love of work, of being productive in the marketplace, of developing new skills and meeting new challenges. The second reason is money.

Great news about the new work reality: older workers are a lot more educated, which accounts for almost half of the increase in older worker labor force participation. In 1985, less than 20 percent of workers between the ages of 60 and 64 had college degrees. In 2013, 35 years later, over 36 percent did. (In a remarkable testament to aggressive public

policy to improve K–12 education—including desegregation and keeping girls in high school—the share of older workers without high school degrees fell from over 26 percent in 1985 to about 7 percent in 2013.)

Workers with college degrees are healthier than those with less education and are more likely to say their work is satisfying and to have some autonomy on the job. Some people derive identity from their jobs, discover a welcome structure to the day, and find their best friends at work. The United States is among the few rich countries—those that make up the group of 36 countries in the Organization for Economic Cooperation and Development (OECD)—that ban mandatory retirement as a form of age discrimination. Americans' sophisticated legal infrastructure supports workers suing for age discrimination. With few exceptions, Americans cannot be banned from work or paid, promoted, or trained less because of their age.

For more information about the Future of Work@50+ project, please visit www.aarp.org/futureofwork.



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My favorite part of the new work reality is the enfranchising of older women into mainstream economic life. In 1980, the headlines screamed (well, they screamed to me, as a young female student) that over half of mothers with young children were working and more likely to work than women without young children. It's hard to balance work and family, but 40 years later these working mothers are still working. Labor income gives women some independence and more equal footing with men, and that's good news for men and women.

Another new work reality: more older people will work because they have no other reasonable way to make ends meet. That new work reality keeps me up at night, and that new work reality is an intensification of an old one. There is little distinction between those who work for love or money. In fact, loving your work and retirement financial assets are linked. People with money can work for love. Safe pensions and adequate retirement assets allow people to explore new kinds of jobs, experiment with self-employment, and quit a job they don't like. But, those explorations will diminish as Social Security replaces less retirement income—the average replacement rate will fall—as the full benefit age increases to 67 and real benefits are reduced for beneficiaries between ages 62 and 67. Most older workers have no traditional pension and only little over half have a 401(k) or Individual Retirement Account (IRA). Almost half of older workers have nothing besides Social Security, and the half who do have a median amount of \$111,000 (2013), which would yield about \$400 per month. A part-time, minimum-wage job will get you almost twice that.

What about the New Work Reality Keeps You up at Night and Why?

So here is the disturbing new work reality: nonexistent and too-small 401(k) account balances give less bargaining power to older workers to quit a job or find a job they love. The average Social Security benefit is about \$15,000 per year; the median income from IRAs and 401(k) plans will yield \$2,400 per year, which barely meets the federal poverty standard for living in a chronic state of want and deprivation. More older people will

have to take low-wage jobs with poorer working conditions than they want, and what would be worse than having a poor-quality, low-wage job? Sadly, not having one at all when you don't have an adequate income.

Another reality that keeps me up at night is that the quality of jobs older people hold has stopped improving. The share of older workers who say they have very physically demanding jobs is increasing and the share of jobs reported as easy is falling. The incidence of requirements for stooping, bending, and using keen eyesight and intense concentration is increasing.

In addition, some workers are coming into retirement with poor health because of their lifetime jobs; continuing to work may degrade their health. Lauren Schmitz's National Science Foundation-funded research found that older workers who have less control on their jobs suffer worse health outcomes and continuing work may foreshorten their lives. A simple characteristic of a good job—less stressful and more healthful—is one that allows workers to control the pace and content of their time and work. For many people the only way to get the control they need and to get away from stress is to retire with a decent pension so they can control how they spend their time.

The new work reality sits on top of the one that older people faced throughout their working lives. Consider this: Americans already work more and longer years and weeks than most people in many other advanced industrialized countries. The OECD reports that the United States ranks in the bottom third in achieving a balance between work and life. Americans work longer hours per year, 1,790 per year. The OECD average is almost a week less, and the United States ranks 8th out of 33 nations in the percentage of adults working long hours, 11.8 percent versus the average of under 8 percent. For example, less than 1 percent of Dutch workers work more than 50 hours a week. The United States leads rich countries in low-wage jobs—paying two-thirds of the median wage; over 22 percent of jobs in the United States pay less than \$23,000 per year. Older people face this labor market reality as many find work in the service and retail sectors.

So it bothers me that older workers facing declining 401(k) balances and eroding retiree health care turn to work after a lifetime of working hard for somebody else. Work is good, and many Americans like it. Anyone who loves to work should be able to. But having a secure pension, an adequate nest-egg, a small or zero mortgage, and a strong Social Security and Medicare system are some of the best ways to ensure the jobs older people get are the ones they love.

The views expressed by the author are meant to encourage debate and discussion; they do not necessarily represent official policies of AARP.

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