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**"Choosing to Work During Retirement and the Impact on Social Security"
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Chairman Baucus, Ranking Member Grassley, distinguished members of the Finance Committee: Thank you for the chance to share with you some thoughts about a promising opportunity for American renewal.

Hardheaded realists like to say there are only four ways to finance the aging of the baby boom generation: raise taxes, increase borrowing, cut Social Security and Medicare benefits or slash other programs.

We say there is a fifth approach, equally realistic but far more appealing. Encore careers that not only enable, but encourage people to work longer hold the potential to simultaneously increase personal financial security, help reduce the federal deficit and deliver a windfall of talent to tackle urgent challenges.

The Encore Opportunity

Economic and social trends are aligned to support a broad mobilization of people now in their 50s and 60s to work five, 10 or 15 years longer than they might have planned. In encore careers those people can help children succeed, keep people healthy, strengthen communities, heal the environment and meet other pressing social needs. Such continued work can have a dramatic impact on individual lifetime financial security – and the financial security of the nation. Continued participation in the labor force contributes to economic growth and productivity, enhances government revenues and reduces deficits, independent of any changes in tax rates or benefit levels.

Already, people are working longer, both because they need to and they want to. The country needs them to work, to sustain economic productivity and growth and to fill vital roles that demand their skills and experience. Many of those roles are in areas of well-identified need and future growth, such as health care, education and the emerging green economy. Such work is well suited to both the talents and aspirations of many aging baby boomers, who consistently demonstrate their desire for work with purpose.

Take Terry Ramey, an autoworker in Ann Arbor, Mich., who took a buyout from Ford that enabled him to go back to school to become a nurse. Or Lupe Salas, who had a long career as a real estate agent before becoming a counselor at a social services agency in Tucson, Ariz. Or Rose Sullivan, a former teacher who “flunked retirement” and now works as the library director for the National Center for Appropriate Technology in Butte, Mont. – at 89.

High-caliber, cost-effective talent is a good investment for private, nonprofit and government employers. Congress can help catalyze such investment by helping shape pathways that can help millions of Americans make the transition from their earlier working lives to their encores.

This Congress made a start on creating such new pathways with the Edward M. Kennedy Serve America Act of 2009, which authorized national service “encore fellowships” to help people make the transition to public service in the nonprofit sector or government. Congress can follow through by appropriating funds to launch these fellowships, an important step in replicating this promising model across the country. Several major corporations have added similar encore transition opportunities to their talent management and human resources options. Community colleges and other education providers are likewise gearing up to offer quick, flexible and affordable training and certification for experienced workers launching encore careers.

The return on such investments in encore talent can be enormous. After 32 years in the food industry, Gary Maxworthy wanted a change after the death of his wife. In his late 50s, through a stint in AmeriCorps VISTA, he joined the San Francisco Food Bank. Dismayed that poor families received only processed food, not fresh fruits and vegetables, Maxworthy connected 40 food banks around the state with hundreds of growers who would otherwise send tons of fresh produce – blemished or too small but still edible and healthy – to landfills. Last year Maxworthy’s program, Farm to Family, distributed 78 million pounds of fresh produce to needy families across California. For his accomplishments in his encore career Maxworthy has won a Jefferson Award for Public Service and Civic Ventures’ Purpose Prize for social innovators over 60.

A New Narrative

The stories of people in their encore careers offer a counterpoint to pessimistic laments about demographics as destiny, zero-sum games, intergenerational conflicts and vicious cycles. Encore careers are part of America’s more robust, optimistic narrative, in which the country shapes new institutions and new expectations to adapt to, and prosper, in a new era.

Institutional innovation is once again underway in major areas of our national life – in health care, in education, in energy, for starters. Indeed, work itself is undergoing a historic transformation, with new lifetime patterns; new modes of employment and compensation; new structures of training and education; and new workplace arrangements and networks of communication.

Just as much as financial capital, human capital is needed to create these new institutions. The accumulated skills and life experiences of people who have finished their midlife careers represent an underutilized reservoir of such human capital. Experienced workers can supply crucial capacity in management, marketing, finance, operations, systems integration and reporting, as well as on the front lines.

People in their encore careers should be recognized as important parts of the work force plans that are part of major legislation that comes before this Congress, including the health care work force provisions in the recently enacted Patient Protection and Affordable Care Act; teacher recruitment and retention in the upcoming reauthorization of the Elementary and Secondary Education Act; and the clean energy career development sections of the American Power Act and other energy legislation. An emphasis on encore talent should likewise be central to the reauthorizations of the Workforce Investment Act and the Older Americans Act.

Integrating encore career opportunities into the work force development provisions in such legislation can increase the return on the nation's investments and represents a cost-effective way to meet broader goals.

- In health, encore navigators and wellness coaches can help patients manage chronic conditions and stay on their treatment plans, improving their well being and reducing hospital readmission rates.
- In education, encore science and math teachers can use their engineering and technology experience to ignite student innovation and reduce dropout rates.
- In the emerging green economy, encore trainers and mentors can prepare at-risk youths and other entry-level workers for success in a growing industry, saving energy and cutting greenhouse gases.

While jobs are scarce everywhere, hiring in areas such as health care and education has held up more strongly through the downturn than in most areas, according to the U.S. Bureau of Labor Statistics. In all these fields, as well as in many other businesses, nonprofit organizations and government agencies, encore workers can supply needed talent. *The New York Times* reported this month that skill shortages are already developing in many areas, even as the overall job market remains weak. McKinsey & Co. estimates that 85 percent of the new jobs created in the United States in the past decade involved analyzing information, problem solving, rendering judgment and thinking creatively – all skills that are known to improve with age.

New Social Compact

For many Americans, including the more than 2 million out-of-work Americans over age 55, encore careers represent another chance for upward mobility and financial security. While lower-income and less-educated workers may need the continued income more, numerous studies have shown that they are less able to continue working, both because of increased health problems and reduced demand for their skills. With retraining and reshaped job opportunities, encore careers serve to democratize the “privilege” of working longer in satisfying, purposeful jobs that is already enjoyed by more affluent and educated elites.

For Sandra Sessoms-Penny, who grew up helping her parents pick fruit in South Florida, the innovative Troops to Teachers program provided an opportunity to follow her 22-year Air Force career with an encore career in teaching. With the program's help, Sessoms-

Penny earned a master's degree and became a social studies teacher, then administrator at a nearby middle school and then assistant principal of Windsor High School in Isle of Wight County, Va.

To help make encore careers the new social norm and personal expectation, Congress could:

- Recognize the talent and experience of older workers in the work force provisions of major legislation
- Identify effective encore transition pathways by funding demonstration projects of encore fellowships, community college encore career programs and AmeriCorps encore service projects
- Enable the creation of new financing vehicles – “Individual Purpose Accounts” – that help people save and invest to finance their encore transitions
- Modify student loan restrictions to more fully meet the needs of adult learners and those committed to public service
- Encourage the federal government to be a model employer of encore talent with new approaches to recruitment and flexible work arrangements
- Use Social Security to send the signal that we want people to re-up rather than retire, by clarifying and modernizing its income management features to help people use their benefits to support career transitions

Such signals could point to something much larger. The new era is about not only longer working lives but a new social compact. Encore careers stand for the proposition that the opportunity to give back is as important as the opportunity to receive benefits, that the safety net is something we all weave together and that work itself, refashioned and respected, is a noble activity through which we can make a better world for the next generation.

A New Stage of Work

Encore careers are as much a description as a prescription. The trend toward longer working lives is already well underway, offering one of the best opportunities to boost long-term economic growth rates.

The long, 20th century decline in the percentage of older Americans in the work force reversed itself in the mid-1990s. Since 1988, the labor participation rate of U.S. civilians between 55 and 64 has increased from 54.6 percent to 64.5 percent and is projected to reach 68.1 percent by 2018, according to the Bureau of Labor Statistics. Of Americans 65 to 74 years old, 25.1 percent are now in the labor force; that percentage is expected to rise to 30.5 percent in 2018, compared with 16.1 percent 20 years ago.

The Bureau of Labor Statistics predicts the trend will begin to flatten this year for men aged 65 to 74 and by 2020 for women. But more aging boomers are telling pollsters they plan to work longer than they expected. RAND Corp. economists Nicole Maestas and Julie Zissimopoulos forecast the trend toward delayed retirement will continue through at

least 2030, driven by financial need, longer life expectancies and reduced disability rates (and increased accommodation of disabilities) – factors that are causing more Americans to delay retirement. Another major driver of longer working lives, RAND found, is that many people *can* work longer. As many American workers gain more education, their jobs tend to be more fulfilling; they face fewer physical demands; and they are paid more for their contributions.

Financial Security

Many Americans have realized their retirement assets are wholly inadequate and are focusing their attention on working longer. For all but those with the most assets, continued income dramatically increases lifetime financial security. Financial planners are increasingly advising their clients: The best way to rescue personal finances is to work a few years longer.

Working longer has a compound impact on income security in later life – it delays the drawdown of retirement assets and reduces the number of years those assets have to cover. Deferring the drawdown of retirement assets by four years increases a person’s eventual monthly income – for life – by 33 percent; an eight-year delay can produce a 75 percent monthly bonus, says Steven Sass, co-author of *Working Longer: The Solution to the Retirement Income Challenge* and associate director of the Boston College Center for Retirement Research.

And what’s good for individuals is good for the country. One of the biggest long-term threats to the nation’s economic growth is the projected slowdown in labor force growth relative to the total population. Conversely, an increase in the labor participation rate of older Americans figures to boost economic productivity and growth, driving increased revenues with no need for higher tax rates. A 2006 study by the Urban Institute found that the revenues generated if Americans worked five years longer would more than wipe out the projected Social Security shortfall in 2045, primarily through continued payroll and income tax payments.

Wanted: Encore Talent

From a different perspective, we need older workers simply to meet looming labor shortages. As surprising as it sounds at a time of continuing high unemployment, by 2018 – with no change in projected labor force participation rates or immigration rates and an expected return to healthy economic growth – we will have more jobs than people to fill them.

In a study for Civic Ventures and MetLife Foundation, economist Barry Bluestone, dean of the School of Public Policy and Urban Affairs at Northeastern University, compared job growth projections from the Bureau of Labor Statistics with current labor participation rates. He found there could be 14.6 million new nonfarm payroll jobs created between 2008 and 2018, but only about 9.1 million additional workers to fill all positions, meaning more than 5 million jobs could go vacant. Even the increases in the

labor participation rates through 2018 that are already anticipated will only partially mitigate these shortages.

Bluestone found that the talent shortage could be especially severe in what could be called the social sector, defined as health care and social assistance, educational services, nonprofit community and religious organizations, the performing arts, museums, libraries and government. Just taking Bureau of Labor Statistics projections of job growth, the labor shortage could leave vacant more than 2.4 million new social sector jobs by 2018. That means there will be too few workers to meet critical needs in education, government, health care and social services.

Not only will there be jobs for these experienced workers to fill, but the nation will need older workers to step up and take them – to assure continued economic growth and to provide the critical social and government services on which we all depend. Increased labor force participation by Americans over 55 – well beyond what is currently projected – is one of the largest potential sources for such labor force growth.

These findings should dispel popular misconceptions about competition between older and younger workers for a finite number of jobs. Numerous economists have demonstrated that such a static model of the labor force is outdated, if it was ever true. In general, a growing labor force, providing needed goods and services, increases the total demand for labor. Except at the margins, there is little competition between older, experienced employees and younger, entry-level workers. Indeed, encore career opportunities that take advantage of experience reduce any generational competition for entry-level jobs, and many experienced entrepreneurs, managers and trainers directly aid the employment of younger workers.

Purpose-Driven Work

Reconfigured, rewarding and exciting work that gives back and helps others can turn working longer into an aspiration, not a punishment. Employers who can offer social purpose have an edge in recruiting encore talent.

According to the 2008 MetLife Foundation/Civic Ventures Encore Career Survey, more than half of those already in encore careers (55 percent) and two-thirds of people interested in encore careers (64 percent) say they are motivated by a desire to use their skills and experience to help others. Of those age 44 to 70 not already in encore careers, half say they are interested in moving into jobs in such fields as education, health care, government and the nonprofit sector.

The financial services industry itself has documented the encore career impulse. Doing more meaningful or satisfying work is very important to 43 percent of the already retired “empowered reinventors” identified by Ameriprise Financial. Merrill Lynch found that “people want to stay active in retirement, which for most means continuing to work, but with a different work/leisure balance.

Broad changes in the world of work align with emerging encore career patterns. Remote work and telecommuting are increasingly common. Outsourcing and contract work means shorter term commitments, more flexibility in scheduling and perhaps more self-direction and empowerment, albeit with few benefits and little job security. Meanwhile, Americans between 55 and 64 compose the group most likely to start their own businesses.

Mobilizing Encore Talent in High-Need Areas

There is an ample supply of ready, willing and able encore talent. With innovative approaches and encouragement from Congress, demand can come from major initiatives that already are searching for talent to meet high-priority needs. Congress should include language recognizing the value of encore talent in legislation involving health care, education, the environment and other areas.

Congress also can bring needed attention to examples of how boomers and older adults in encore careers can be key in meeting our nation's needs by convening additional hearings such as this one, focused on particular sectors. Such hearings would highlight the value of experienced workers, identify promising examples and approaches and encourage private and public employers at the federal, state and local levels to include encore talent as part of their work force strategies.

Encore Careers in Health: Improved Outcomes, Reduced Costs

In the recently enacted Patient Protection and Affordable Care Act, Congress and the president recognized the need to upgrade and update the nation's health care work force (Title V) and to develop and scale best practices to improve the quality and efficiency of health care delivery services (Title III). Full funding of these provisions is essential to realize the promise of health reform.

By expanding insurance coverage, the act itself is generating the need for new ways to recruit, prepare, organize and retain health care workers. More generally, the aging of the population is increasing demands on the health care system. At the same time, the demographics of the current health care work force point to a significant labor shortage unless people aged 55 and older remain in that work force for longer than expected. Encore talent must be an important component of the national strategy necessary to meet increasing demands for health care, including improving quality and containing costs.

The mix of labor gaps, cost cutting and institutional innovation is spurring the growth of new job categories in health care and the reorganization of traditional ones. In *How Boomers Can Help Improve Health Care*, a report sponsored by Civic Ventures and MetLife Foundation, Partners in Care Foundation identified six emerging occupations (community health worker; chronic illness coach; medications coach; patient navigator/advocate; home- and community-based service navigator/advocate; and home modification specialist), each of which holds potential to both improve health outcomes

and reduce spiraling health care costs. All of the jobs fit the skills and interests of those seeking encore careers.

The Patient Protection and Affordable Care Act recognized the potential of patient navigators, authorizing a new set of demonstration projects to complement those funded in the Patient Navigator Outreach and Chronic Disease Prevention Act of 2005. More than 700 hospitals and other facilities already deploy patient navigators (also known as health navigators), who can be trained laypeople, nurses or social workers who provide various services to smooth treatment and follow-up. Some programs have reported promising results in improving outcomes and reducing cost for patients with diabetes, hypertension, cancer and other chronic diseases.

Encore health navigators could play a major role in reducing costs by, for example, helping to lessen hospital readmission rates among Medicare patients; the current rates cost the nation approximately \$18 billion a year. The Albert Einstein Medical Center in Philadelphia credits its new heart failure navigation program with reducing the percentage of heart patients readmitted within 30 days from 15.8 percent in 2008 to 8.9 percent in 2009, according to *The Philadelphia Inquirer*.

In New York, a pilot by ReServe Elder Services that deployed health navigators in their encore careers through local hospitals suggested that such services could reduce hospital readmission rates and was so successful that Beth Israel Medical Center adopted the program as its own. Another ReServe navigator program, for diabetes patients, has shown promising results in lowering blood sugar levels and reducing emergency room use.

In addition to bringing experienced adults into the health field after careers in other sectors, encore roles create new opportunities for people already working in health care. The Central Florida Health Alliance (formerly known as the Leesburg Regional Medical Center and The Villages Regional Hospital) has been successful at recruiting and retaining experienced hospital staff by redesigning work schedules to maximize flexibility; helping established nurses transition to other roles in the hospital; and providing support programs, including child care for grandchildren. The health center reports reduced staff turnover, vacancy rates, medical errors and overall costs.

Boomers and older adults in encore careers also have an important role to play in helping younger generations enter the growing health field. Owensboro, Ky., for example, needed 600 more nurses for a new hospital under construction. At the same time, there was a 500-person waiting list for the small nursing program at Owensboro Community and Technical College. The school didn't have enough instructors to expand. Through a partnership with Owensboro Medical Health System, the college is training experienced nurses – retired or still working – to serve as adjunct instructors in the college's nursing department and move into encore careers as nurse educators.

Similarly, the Troops to Nurse Teachers Act of 2008, proposed by Sen. Durbin, would have encouraged military nurses to become nurse faculty members to enable nursing schools to expand their enrollments and relieve the chronic shortage of nurses. Passage of

this initiative would extend the success of the Troops to Teachers program, open career opportunities for veterans and help build the health work force of the future. An initiative to improve health care career education at Harvard University's Graduate School of Education has identified the importance of better career counseling in high school and even middle school – a role well suited to experienced health care workers. seeking encore careers.

Encore Careers in Education: Innovation and Student Success

Experienced engineers, scientists and technologists have a particular encore role to play in the transformation of science, math and technology education for our new era.

Congress has recognized the central importance of math and science education in reversing the slide in math and science achievement among U.S. schoolchildren, ensuring America's economic growth and global competitiveness and promoting innovation.

Legislation such as the America Competes Act and the Elementary and Secondary Education Act could:

- Include language to recognize experienced STEM (science, technology, engineering and math) professionals as a key source of talent
- Encourage continuing and new public-private partnerships
- Support replication of promising demonstration projects
- Define guidelines for appropriate, effective preparation for STEM professionals seeking encore careers in STEM education

President Obama issued a call for encore STEM educators last fall when he launched the Educate to Innovate campaign, which included incentives for innovative programs to train new teachers, “whether a young person embarking on his or her first career, or a scientist or engineer starting his or her second.”

John Kostibas had already answered the call to teach. As a telecommunications engineer, Kostibas had seen first hand the shortage of up-and-coming math and science talent. At 54, he left business and entered the fast track certification program at Collin College in Allen, Texas. After one semester of study and one as a student teacher, Kostibas was qualified to teach algebra and geometry at Marcus High School in Louisville, Texas. “Every algebra student thinks, ‘Why in the world do I need this?’” Kostibas told us. “But I can show them that without it you wouldn't have your tiny cell phone, or the strange angles in buildings, or fiber-optic systems that can transmit movies.”

Such second-career teaching pathways and alternative certification programs report continued strong enrollments despite the overall weak job market. Indeed education, and teaching in particular, topped the list of desired encore careers in the MetLife Foundation/Civic Ventures Encore Career Survey of people age 44 to 70. Another survey, for the Woodrow Wilson National Fellowship Foundation in Princeton, N.J.,

found that 42 percent of college-educated adults age 24 to 60 would consider teaching as a career.

More support for innovative programs to expand the pipeline of second-career teachers can ensure that people like Kostibas will keep entering the profession. In California, the EnCorps Teachers Program is aiming to help fill the state's need for more than 30,000 new science and math teachers in the next decade. EnCorps has enlisted more than a dozen corporate partners, including Boeing, Intel and Northrop Grumman to cover the approximately \$15,000 cost of supporting experienced employees to make the switch to math and science teaching.

Troops to Teachers, an innovative partnership between the U.S. departments of education and defense, provides a similar pathway for veterans of military service who, as the program's motto states, are "Proud to Serve Again," often in the nation's highest-need schools. More than a quarter of the officers and enlisted personnel who take advantage of the Troops to Teachers subsidies and bonuses teach math and science. Another 19 percent teach special education, also a chronically understaffed teaching field.

A Troops to Teachers expansion act, passed in the House and sponsored in the Senate by Senators McCain and Bennett, would make the program even more accessible to veterans returning from Iraq and Afghanistan. It's a classic win-win, honoring veterans' continuing aspirations, while improving schools and securing our nation's economic future.

Teaching is not the only way experienced adults can contribute to student success. To support children's early literacy development and ensure more students finish high school and go on to college, Congress should encourage more qualified and caring adults to embark on encore careers as adjunct instructors, classroom aides, counselors, tutors and after-school instructors.

Redesigning jobs could enable more experienced professionals to help schools better serve their students. To relieve the staggering caseload of high school guidance counselors, for example, encore career professionals under appropriate supervision could share many of the responsibilities. A pilot program in New York City, launched by ReServe Elder Services and now partnering with AmeriCorps, places trained part-time coaches in high schools to help students fill out the federal financial aid form, an activity shown to increase college-going rates.

Green Encore Careers: Cutting Carbon, Creating Jobs

Experienced professionals and trades workers can help the country transition to clean energy and sustainable practices. The task force convened by Vice President Biden last year to develop the "Recovery Through Retrofit" strategy found that "there are currently not enough skilled workers and green entrepreneurs" for a national energy efficiency effort.

The work force provisions of the Kerry-Lieberman American Power Act and other proposed legislation should include provisions to mobilize experienced professionals and trades workers for those roles and others. Because most “green” jobs build on existing skills, many experienced workers need only intensive, short-term training to move into valuable encore roles in the green economy.

Such a green encore talent initiative could help ensure the effective expenditure of public funding for energy efficiency projects. Most funding under the American Recovery and Reinvestment Act of 2009 must be spent in the next two years, and spent well, under complex sets of rules.

Federal training dollars generally require programs to focus on low-income, low-skilled students. At the same time, emerging green job categories, such as energy efficiency technician, require strong conceptual and analytical thinking skills. Technicians, for example, must understand how complex energy and air systems work in homes and buildings and have knowledge about electricity, physics and buildings codes. Succeeding with hard-to-train, hard-to-place candidates requires trainers and mentors with a social mission as well as an economic mission, making it a challenge well suited to encore talent. Trades workers, contractors, building engineers and others can serve as trainers and coaches for entry-level workers, helping ensure job readiness.

Encore managers, marketers and finance and information technology specialists can build sorely needed capacity in the many efforts to implement regionwide energy efficiency and clean energy programs. By coordinating retrofit and solar projects, such encore professionals can help create transitional jobs for trainees from at-risk training programs that serve as bridges to the labor market. Without a robust pipeline of projects, students in green collar training programs are all trained up with nowhere to go. Frustrated graduates lose their skills and drift away, while training organizations that can’t tally up placements stand to lose their funding.

Mitchell Smith, for example, is creating jobs in solar energy, including his own. Laid off three times from jobs in educational technology, Smith retrained as a solar installer and has teamed up with an electrical contractor to bid on solar jobs. He’s able to hire other graduates of the pioneering Richmond, Calif., green jobs training center he attended – and where he now serves as training manager and job placement coordinator.

Encore Transitions

With few institutions that can help people transition from their earlier work to their encore careers, people who want to make such a change are largely on their own in overcoming the psychic and practical challenges in finding their encore careers. Because encore careers mean 10, 15 or even 20 years of continued work, Congress can realize a large return with modest investments in encore transition pathways.

We already know the elements needed to make such transitions successful: a period to assess skills and interests; opportunities for training and education; experiential

placements, such as internships or student teaching assignments; mutual support and networking from a community of peers; and assistance in placement and matching in longer-term jobs.

Encore Fellowships

Civic Ventures has pioneered a new model for encore career transitions known as Encore Fellowships. Paid, temporary, high-level assignments, Encore Fellowships provide immediate communications, research, business development, program development and human resources support to nonprofit organizations, while providing the fellows themselves with a bridge to a new stage of work. Encore Fellowships break down barriers and create new opportunities – for nonprofits striving to achieve their missions and sector-switchers eager to make an impact but not sure where to start.

Interest in the Encore Fellowships model has led to the creation of the Encore Fellowships Network, an alliance of quality Encore Fellows programs. A provision in the Edward M. Kennedy Serve America Act calls for 10 new, federally funded encore fellows in each state. Congress can support the spread of the encore fellowships model by appropriating funds for the Serve America encore fellowships.

“All of a sudden, you wake up and you say ... I can’t believe I’ve been here 20 or 25 years,” said Gina Cassinelli, who took early retirement after a long career in marketing at Hewlett Packard Co. “You get to a point in your life where you have to feel like what you’re doing matters. But how to do it? That’s hard.” With an Encore Fellowship, Cassinelli spent the past year working for Citizen Schools, an entrepreneurial nonprofit that provides apprenticeships for young people led by volunteer “citizen teachers.” By the end of her fellowship, she was serving as the group’s interim executive director.

The Silicon Valley Encore Fellows program is now in its second year. Program costs, including each fellow’s \$25,000 stipend, are covered by a combination of funding from The David and Lucile Packard Foundation, corporate sponsors Hewlett Packard, Agilent Technologies and Legacy Venture and participating nonprofits. A recent independent evaluation of the first year of the fellows program found that a majority of the nonprofit executives estimated the value of their Encore Fellows to be worth a full-time annual salary of \$100,000 or more.

Other public-private programs also are investing in encore career transitions, such as IBM’s Transition to Teaching, Transition to Government and Transition to Nonprofits programs and California’s EnCorps Teachers Program. In addition to funding the Serve America Act encore fellowships, Congress should explore ways to support and expand such initiatives.

Individual Purpose Accounts

Most encore transitions are self-financed. It may be a long-term investment, but in the short term, costs include not only education and training, fees for certifications and tests and perhaps the costs of starting a business, but living expenses as well.

Financial advisers are beginning to recommend that individuals set up special savings accounts – call them individual purpose accounts – to help them manage their encore career transitions. Segregating funds from individual retirement accounts can preserve traditional retirement security while accumulating resources to invest in a new stage of work.

For now, individual purpose accounts are an amalgam of education incentives, regular savings accounts and other mechanisms, such as 529 education accounts, Coverdell education savings accounts or Roth IRAs. But with tax credits and other mechanisms, Congress could support individual purpose accounts as distinct packages designed to make switching to encore careers easier, just as 401(k)s make saving for retirement easier. Financial institutions are well placed to offer individual purpose accounts that integrate, streamline and automate the processes for taking advantage of tax treatments, employer matches, investment options, loan programs and other incentives.

Proposals exist for many of the needed pieces for such accounts. For example, the Lifelong Learning Accounts Act of 2007, sponsored by Senator Cantwell and co-sponsored by Senators Collins, Smith and Snowe, would help workers save for future education to jump-start encore careers. Modeled on a program already in place at IBM, the bill would establish tax-exempt lifelong learning accounts (LiLAs) to pay certain educational expenses, including tuition, fees, books, supplies and information technology devices; provide individuals with a tax credit for cash contributions to their LiLAs; and allow employers a tax credit for contributions they make to the LiLAs of their employees.

Student financial aid policies also have to be revamped to support encore transitions. Existing financial aid disadvantages part-time students, including older adults who have family obligations or full-time jobs. Pell grants could be more useful to older learners if they were available to those who want to take perhaps one course per semester or earn an occupational certificate. The Higher Education Act could be modified to create “Micro-Pell Grants” to meet the needs of such working learners.

Similarly, the Education for Public Service Act of 2007, which provides student loan forgiveness for those who pursue public service work, can be modified to better meet the needs of older adults who have returned to school to help launch social-purpose encore careers. The act provides loan forgiveness for anyone who works in a 501(c)3 organization, the government, the military, law enforcement or other public service role and who makes 120 consecutive monthly loan payments. Providing prorated loan forgiveness for older adults would make the program more accessible to older adults committed to public service.

Encore Colleges

Community colleges, which already are in the career pathway business, are well positioned to be in the encore career pathway business as well. They're accessible, affordable and well connected to local labor markets and local employers.

Congress could support community colleges in demonstrating new pathways to encore careers. The Health Care and Education Reconciliation Act includes \$2 billion over four years for community colleges and career training. Those investments are specifically targeted to workers eligible for trade adjustment assistance, many of whom are 50-plus and looking to switch into high-demand fields.

More demonstrations would have been supported under the broader Community College Challenge Grant program that was part of the Student Aid and Fiscal Responsibility Act of 2009 (HR 3221). Congress could revive that program and include recognition that the priorities of the program – partnerships with businesses, integration with the work force investment system, new credentials and certifications, personalized career plans and curriculum coordinated with internship and job placements – are as relevant to older career switchers as they are to younger students.

The value of such investments has been well demonstrated through Civic Ventures' Community College Encore Career program. Even with nominal, \$25,000 grants, two dozen colleges have tested (or are in the process of testing) innovative program designs and have shown strong early results that suggest how encore talent can meet local work force needs. Programs have ranged from weekend career exploration workshops and job fairs, to hybrid online and in-person courses, to fast-track credential programs that help boomers become teachers and caregivers.

For example, LaGuardia Community College in New York recruited older immigrants, who had been health and social services professionals in their home countries, and trained them as community health workers – enabling them to provide underserved communities with health information and services in their native languages. GateWay Community College in Phoenix gave boomers the basic training that can lead to numerous health care jobs – from nurses to respiratory therapists, radiation technicians to caregivers. Of the 44 boomers who completed the classes, 42 were placed in health care jobs.

Encore Service

In April 2009, President Obama signed the Serve America Act into law, reauthorizing and expanding national service programs such as AmeriCorps, Learn and Serve America and Senior Corps. The law emphasizes service by people of all ages, and it redefines the role of the Corporation for National and Community Service as a capacity builder for the nonprofit sector.

One of the key innovations in the law is the “encore service” provision, which sets a goal of dedicating 10 percent of AmeriCorps competitive grant funds and positions to

programs that focus on engaging people 55 and older. The act states that these programs should “take advantage of the skills and experience that such participants offer in the design and implementation of the program.”

Given AmeriCorps’ current size and projected growth, in the next two years alone the 10 percent goal could translate into at least 10,000 additional people with 20-plus years of work experience serving alongside younger AmeriCorps members in assignments focused on meeting compelling needs in communities.

AmeriCorps programs not only deliver cost-effective, high-impact service, they also build individuals’ skills, foster lifetime involvement in community problem solving and build lasting organizational capacity by attracting and developing committed talent to the nonprofit sector work force.

Well-designed AmeriCorps assignments can also serve as a bridge for people who want to move into social-purpose work. By thinking of these AmeriCorps assignments as transitions into encore careers, we can fully leverage the potential that participants 55 and older represent.

To support such outcomes, Congress could:

- Provide full funding for AmeriCorps and encourage continued attention to the 10 percent encore service target as part of an emphasis on “service for all ages”
- Explore tax incentives to support companies that work in partnership with AmeriCorps programs to help professionals transition to social-purpose encore careers
- Consider tax credits or other tax incentives for 55-plus AmeriCorps participants, because some common credits (such as those for dependents) may no longer be available to them

Encore Innovation and Social Security

Social Security, more than any other program, creates a template for much thinking about work and retirement. So it’s worth paying special attention to how innovation can strengthen this vital asset to increase retirement financial security and adapt it to the new era of longer working lives.

In its original form, Social Security was not just an old-age insurance program. It was part of a broader American Dream that included a golden age vision of shorter working lives and leisure-filled retirement. Adapted to new lifestyles and aspirations, Social Security can be part of a new American Dream that includes longer working lives that are meaningful and rewarding.

Social Security’s value can’t be overstated. It’s a secure defined benefit in an age of increasingly volatile defined contribution plans, backed by the U.S. Treasury and adjusted for inflation. It includes protection for your spouse and children when you die.

It's so valuable that even a monthly benefit check of \$1,045 is worth about \$225,000 – as measured by the cost for a privately purchased lifetime annuity with similarly attractive features.

Conceived of as such an annuity, this bedrock institution can be updated to serve the increasingly diverse set of life scenarios for Americans in their 60s, 70s and 80s. Private retirement income-planning products have increasingly flexible options that enable them to be adjusted according to an individual's situation – drawing down extra benefits during career transitions or for extraordinary expenses, topping them back up when earnings are higher.

Social Security, too, can be seen as seed capital to help individuals invest in the next stage of their lives, a core asset in a lifelong financial security portfolio.

Eugene Steuerle of the Urban Institute, for example, proposes to streamline Social Security's current concoction of penalties, bonuses and other provisions and create an open, understandable, fair and flexible financial services product that makes visible current incentives to work longer, such as the Delayed Retirement Credit. Such changes, he says, would incur no additional cost to the government or risk to the individual.

By tinkering with the way such choices are presented, Social Security could provide a “nudge” toward longer working lives of the kind described by behavioral economists Richard Thaler and Cass Sunstein. The minimum monthly check now available at age 62 could be compared not only with the much larger check that would be available by delaying claiming until 70, but with alternative scenarios to further enhance retirement security.

Those who are truly unable to work past 62 should have access to Social Security's disability benefits, which provide a better income stream than early retirement benefits. For those who are able to work, there are better strategies than claiming Social Security benefits early.

Consider a hypothetical American whose recent annual earnings of \$65,000 a year qualify him or her at 62 for a monthly Social Security benefit of \$1,236, or just less than \$15,000 a year. Instead of claiming benefits, say he or she takes a part-time role, perhaps as a job trainer and mentor for at-risk youths, that pays \$25,000 a year. That income would more than replace the immediate income from an early Social Security check – and provide benefits such as daily engagement, a social network and the satisfaction of making a difference.

After four years in such an encore career, he or she could claim Social Security benefits at 66 and get \$1,609 a month, or more than \$19,000 a year. By working longer and claiming at 70 he or she would qualify for a benefit of \$2,253 a month, or more than \$27,000 a year for life, nearly doubling his or her Social Security income.

Decoupling Social Security eligibility ages from “retirement age” in this way would make clear that one need not necessarily claim Social Security just because one has ended a certain stage of working life. Seen as an income planning tool, Social Security could use carrots, rather than sticks, to encourage savings, longer working lives, delayed claims and the mobilization of talent for social goals.

Additional nudges could come in the form of modest changes to the delayed retirement credit and the early retirement earnings test. The Delayed Retirement Credit already offers one of the best annuity deals around – an annual, inflation-adjusted, largely risk- and tax-free return of 8 percent a year. A study by the Federal Reserve found that the current bonus has been effective in spurring people to work longer. But the credit is capped at age 70, even as the “normal retirement age” increases from 65 to 67.

The Incentives for Older Workers Act, introduced last year by Senators Kohl, Smith and Conrad would extend the credit to age 72. But because the incentive is budget-neutral, actuarially speaking, Congress should consider extending it further, to 75 or 78, or even indefinitely. That change would enable people who want to and are able to work to continue working while they build – tax-free and risk-free – a retirement annuity that really might be substantial enough to pay their bills in old age.

The earnings test for early claimers who continue to earn income may be a similarly good deal, but Americans generally don’t see it that way. The earnings test is generally seen as a tax that reduces benefits by \$1 for every \$2 in earned income above about \$14,000 (and below about \$38,000). Less well understood is that the tax is redeposited into an individual’s annuity account, bolstering his or her monthly check after he or she reaches “normal retirement age.” As such, it becomes an additional annuity much like the Delayed Retirement Credit.

The big difference from the Delayed Retirement Credit, of course, is that the earnings test is involuntary. To the extent the earnings test is perceived as a tax, it serves to discourage recipients from working, when we instead should be encouraging them. For some, early Social Security benefits may be the added cushion they need to finance their transition to encore careers. The Kohl-Smith-Conrad bill proposes to remove this penalty, as does HR 322, the Social Security Earnings Test Repeal Act of 2009, and Congress should support such a change.

To encourage people to choose work, new rules also could increase bonuses for people who not only postpone their benefits but continue to work. To encourage savings, the Social Security Administration could allow simple and flexible options for making voluntary contributions to individual annuity accounts to purchase higher monthly benefits later. A modernized approach could include additional incentives for work in high-need areas, much like the Education for Public Service Act provides loan forgiveness for such service. These and other options for dipping into and topping up their Social Security annuities would enable individuals to better manage their encore career goals and income needs.

Mutual obligations

These refinements in Social Security, together with initiatives to mobilize encore talent and innovation and investment in encore transitions, would send an important signal that the nation needs and values older adults' time and talent. Enhanced in these ways, Social Security can forge a common bond that helps people both receive essential benefits and contribute to the greater good.

These measures honor the social in Social Security, the commitment that begins with our shared responsibility for each other. And they honor the impulse toward social purpose -- helping others, giving back, making a difference, leaving a legacy -- that is among the strongest motivations for working longer.

It's time to engage our shared interests in fiscal solvency and retirement security and make common cause with aging baby boomers who are passionate about working to create a better world for future generations.

Thank you for the opportunity to be with you this morning. I look forward to your questions.