

**CHOOSING TO WORK DURING RETIREMENT AND
THE IMPACT ON SOCIAL SECURITY**

HEARING

BEFORE THE

**COMMITTEE ON FINANCE
UNITED STATES SENATE**

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

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JULY 15, 2010
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CHOOSING TO WORK DURING RETIREMENT AND THE IMPACT ON SOCIAL SECURITY

THURSDAY, JULY 15, 2010

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 10:11 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Max Baucus (chairman of the committee) presiding.

Present: Senators Grassley and Bunning.

Also present: Democratic Staff: Bill Dauster, Deputy Staff Director and General Counsel; Alan Cohen, Senior Budget Analyst; Tom Klouda, Professional Staff Member, Social Security; Blaise Cote, Research Assistant; Jenn Rigger, Detailee; Chris Goble, Detailee; and Claire Green, Detailee. Republican Staff: Steve Robinson, Chief Social Security Advisor.

OPENING STATEMENT OF HON. MAX BAUCUS, A U.S. SENATOR FROM MONTANA, CHAIRMAN, COMMITTEE ON FINANCE

The CHAIRMAN. The hearing will come to order.

George Burns, who worked until he was 100, said of retirement: "Retirement at 65 is ridiculous. When I was 65, I still had pimples." [Laughter.]

Today we will talk about people who want to work beyond retirement age, and we will talk about those folks' decisions and how those decisions affect Social Security.

When it comes to Social Security, people often say there are only two ways to improve solvency: cutting benefits or raising taxes. Neither is easy, and each has drawbacks. Fortunately, there are other ways. These ways do not involve cutting benefits or raising taxes. For example, there is the tax gap. What is the tax gap? The tax gap is the difference between what taxpayers owe and what they actually pay.

For the last year for which we have data, I think it is 2001, the total tax gap, which includes payroll tax gap as well as income, was about \$345 billion every year. That is, every year about \$345 billion of taxes legally owed by Americans are not paid. My view is, as we try to whittle down these Federal budget deficits, a good place to begin is that \$345 billion, which now, in 2010, 9 years later, is probably a lot higher than \$345 billion.

But the point is, within that \$345 billion there is also the payroll tax gap. That is, about \$58 billion each year that is owed under the payroll tax, that is for Social Security and Medicare, is not paid—about \$58 billion every year that is not collected under our payroll

taxes. Clearly, if that were collected—again, dollars legally owed—that would help reduce the strain on the Social Security trust fund.

We have to do a lot more to collect those revenues. It is a tough thing to do. I have put a lot of pressure on Treasury Secretaries, this administration, the past administration. In my judgment, they still have not done the job. They have not sufficiently addressed the tax gap, and I do not know why.

Today we are going to look at another idea for improving Social Security and Medicare solvency without raising taxes or cutting benefits. We are going to look at facilitating work by people who want to resume work after they retire from their full-time jobs or who want to phase down their work before retiring.

Folks are making these employment arrangements already. Today we will examine whether we can make it easier for these arrangements to happen. If we could increase the number of people over age 62—that is the earliest year in which one can retire and still get Social Security—who are working by just 10 percent, we could reduce Social Security’s long-run actuarial imbalance by about 5 percent. We could also reduce the Medicare trust fund’s long-run imbalance by about 2 percent. And an increase in the number of these workers would increase Federal and State income tax revenues as well.

There are many ways that these workers can continue to work voluntarily, and I underline that word “voluntarily.” All these methods are loosely called “phased retirement.” Workers can reduce their hours of work at their principal job or work only seasonally. The current firm can rehire them after they have retired for a period of time. Workers can go to work in another career or occupation, or they can do the current kind of work at a different firm.

One example is called “encore careers.” These are jobs for workers who want to start a new career doing something for the benefit of society. That job might be as a nurse or a hospital worker, or as a teacher, as a social worker, or as one of countless other positions. From the employer’s perspective, there can also be advantages to hiring someone who has already retired, or allowing for a phase-down of work before retirement. These workers bring a wealth of experience and good work habits, and they are well-suited to help training or mentoring of new employees. Some organizations have very seasonal work patterns or temporary workloads and are looking for workers who want to work only part-time or seasonally.

Let me be very clear: we are not talking about requiring people to work more hours or pressuring people to work. I want to make that very clear. Rather, we are talking about additional work that is voluntary. Nothing is required here; it is all voluntary. Unfortunately, some workers today are finding that they need to work longer than they want just to make ends meet. In a sense, these folks are not working longer voluntarily.

But phased retirement can help them as well. Phased retirement can give them more job options. So increasing phased retirement possibilities can be a winning proposition. Employees can have more choices, employers can more easily meet their workforce needs, and the lives of the Social Security and Medicare trust funds can be extended.

So let us look at folks who want to work after normal retirement years. Let us examine whether we can help workers and businesses to have more choices. And let us see whether we can help out Social Security and Medicare in the bargain.

[The prepared statement of Chairman Baucus appears in the appendix.]

The CHAIRMAN. Senator Grassley?

**OPENING STATEMENT OF HON. CHUCK GRASSLEY,
A U.S. SENATOR FROM IOWA**

Senator GRASSLEY. Thank you, Mr. Chairman.

Over the next 2 decades, the aging of 78 million baby boomers will bring about a dramatic demographic shift. Our Nation will see the ratio of workers to Social Security beneficiaries decline from roughly 3:1 to roughly 2:1; that means one-third fewer workers relative to each beneficiary. All other things being equal, this demographic shift implies a payroll tax increase of 34 percent or benefit reductions of 25 percent being necessary to balance Social Security cash flow in 2030.

The purpose of today's hearing is to consider ways to encourage the employment of older Americans and thereby improve Social Security's long-term financial outlook. It should not be necessary, but I think the chairman is right in emphasizing that we are talking about voluntary aspects of this whole question.

When Social Security was enacted in 1935, it was agreed that, if a person worked, he or she was not retired and thus not entitled to Social Security retirement benefits. Over the years, the so-called "retirement earnings test" has been modified to allow many people to work and collect retirement benefits at the same time. The exact amount depends on each worker's age and income.

We did this for the simple reason that we should not have disincentives to productivity included in our Social Security system, and we should not let any sort of aspect of discrimination against older people be a part of the program.

Now, these modifications that I just mentioned represent a trade-off between two competing objectives: limiting retirement benefits to those who are retired and allowing those who are retired to supplement their income. Much of today's testimony focuses on encouraging those who are old enough to collect Social Security to pursue a second career on a voluntary basis, but the historical data show a significant decline in labor force participation, particularly among men of every age.

As Mr. Goss's testimony will show, between 1950 and 2010, the labor force participation rate among younger men 16 to 44 fell by 9 percent; among older men 45 to 64, the rate fell by 14 percent; and among those aged 65 and older, the rate fell by 44 percent.

The historic decline among men has been offset, however, by an increase among women. There has also been a slight increase among men in recent years that we do not know the full impact of or the trend, but under the Social Security Administration's intermediate assumption, future increases will not make up for our aging population. There will be a net decline in the overall labor force participation. Higher labor force participation rates would improve Social Security's long-term annual cash flow. I will not get

into the specifics that the chairman just did, but I would associate myself with those statistics.

Additional employment would bring in more payroll taxes, but it would also result in higher benefits. In the long run, benefits would increase by 50 to 80 cents for every dollar of additional payroll taxes. Ultimately, achieving a sustainable Social Security system will require beyond what we are talking about here, obviously: fundamental reform. But as today's testimony will show, encouraging more employment among Americans of every age will make the task easier than it might otherwise be.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

[The prepared statement of Senator Grassley appears in the appendix.]

The CHAIRMAN. I would like to introduce our witnesses. First is Stephen Goss, the Chief Actuary for the Social Security Administration. Thank you, Mr. Goss, for coming today. Next, Marc Freedman. Mr. Freedman is the CEO and founder of Civic Ventures in San Francisco, CA, and has some interesting things to pass on to us. Next is Marcia Brown, whom I have known for many years. She is very active, very helpful, a real dedicated servant. She provides public service to the people in the State of Montana. She is currently the chief operating officer of the National Center for Appropriate Technology in Butte, MT. Sometimes we say Butte, America. Next is Nicole Maestas, economist and group manager at the RAND Corporation. Thank you, Dr. Maestas, for being here. Our final witness is Bonnie Shelor. Is that pronounced correctly?

Ms. SHELOR. That is.

The CHAIRMAN. Thank you. Senior vice president for Human Resources at Bon Secours Health Systems in Richmond.

Thank you all for today. As is our regular custom, I ask each of you to summarize your statements in about 5 minutes, roughly. Your prepared statements will be automatically included in the record.

Mr. Goss, thanks for coming.

**STATEMENT OF STEPHEN GOSS, CHIEF ACTUARY,
SOCIAL SECURITY ADMINISTRATION, BALTIMORE, MD**

Mr. GOSS. Thank you, Mr. Chairman, Mr. Ranking Member, Senator Bunning. It is a great pleasure to be here to get to talk to you today. I just also want to say, it is an immense pleasure, for many years now, to work with the fantastic staffers that you all have in developing material for these hearings, and legislation, and everything else.

The CHAIRMAN. Thank you.

Mr. GOSS. Senator Grassley characterized very well what is perhaps the best way to identify what we are confronting in Social Security, and not just Social Security, but also what Medicare and all of the private pension and health systems are facing in the future, that we simply have a very substantial demographic shift, the aging that we are talking about today.

The statistics Senator Grassley mentioned indicate that we are shifting the ratio of workers to beneficiaries in Social Security, even reflecting the impact of increasing the normal retirement age,

which was enacted largely because of work in this room back some years ago, back in 1983. We are still going to be shifting from a position of having about 3.3 workers per beneficiary down to about 2 workers between now and 2035, that is, over just the next 25 years. This is a dramatic shift.

The reason for this, by the way, is not really because we are living longer, it is because of the drop in birth rates that occurred after the post-World War II baby boom. We shifted from roughly three children per woman down to two children per woman on average, and the trustees, CBO, OMB, are all using projections that presume that this lower birth rate will continue into the future.

Even with the help of immigration, that is substantial, and we still have a much, much slower rate of growth in the number of people entering our population. This is what is causing the aging shift that we will be experiencing over the next 25 years. I mention this by way of this perspective: aging over the next 25 years is not about the fact that we will be living longer.

As far as labor force participation rates are concerned, there is no question that there have been major shifts since 1950. I have provided statistics in the written testimony. It is useful to look at labor force participation on an age-neutral basis. The aging occurring in the population, given that people at higher ages tend to be less likely to work than people at middle ages, will make our overall rate of labor force participation lower, even if at each age the probability of work stays the same. So, we get a far better indication of change in likelihood of working if we look at age-adjusted or age-neutral rates.

On this basis, we have some good news. Between 1950 and today, 2010, the overall age-adjusted labor force participation rate for men and women combined in our society has increased from 57 to 65 percent. We have actually had increasing labor force participation, all told.

However, the main reason for this is that women have been working in paid employment much more. Female labor force participation rates, all ages combined, rose from 31 to 58 percent since 1950, while men declined from 84 down to 73 percent. Overall, we have gone up, but it has been because women have increased by so much more than men have declined.

At age 65 and over, which is principally where our benefits apply, the changes have been just as dramatic. On an age-adjusted basis, we have had about a halving of the male labor force participation rate since 1950, from about 40 percent down to 22 percent. Women, on the other hand, have gone from 8 to 14 percent, so they have come up, not quite to the level of men. Clearly there is room for change for the population over age 65.

For the future, under the intermediate assumptions of our trustees' reports, we are projecting some fairly modest increases in labor force participation rates, even at the highest ages. This is principally because of a methodology that we introduced some years ago presuming that, as people live longer and presumably healthier, there will be some tendency, even without specific policy actions, for people to work somewhat longer. But these are relatively modest gains.

We estimate the gains will be on the order of a 10-percent increase in overall labor force participation rates at age 65 and older, but about a 3-percent decline in the labor force participation rates at ages 45 to 64, largely because of anticipated continued increases in disability prevalence in our society.

So where are we with Social Security? We are projecting under the intermediate assumptions of the trustees' report, even with all these future changes in work level, that the Social Security trust funds, on a combined basis, will be exhausted in 2037, at which point we estimate we will still have about 75 cents' worth of taxes coming in for each dollar of benefits scheduled in the law.

Under the statutory limitations, that is all we would be able to pay, as you all well know. So the question is: can increased work help fill that gap? There is no question that it can. I am glad to see that we have many people on the panel today who can show us ways we can try to encourage that. Let me share what the implications will be, assuming we can actually further increase labor force participation. We have developed three hypothetical possibilities for increased labor force participation in the future, over and above the increases the trustees are already assuming.

One that Senator Baucus referred to is, what if we had an additional 10-percent increase in work and earnings for people 62 and over? As you indicated, Mr. Chairman, that would result in a reduction of our 2-percent of payroll long-range actuarial deficit by about .09 percent, or about a 5-percent reduction in the long-range deficit. If we manage to do even better, say a 20-percent increase in the amount of work activity for people age 62 and older, we would have about double that effect. There is certainly a real possibility of doing that.

As you indicated, there would also be a Medicare effect. In terms of the long-term deficit as a percent of payroll, the effect for the HI program would be similar. But because Medicare has, under the 2009 trustees' report, a considerably higher long-range deficit, it would have a smaller percentage effect on reducing the HI deficit.

We have looked at two additional possible scenarios for increasing labor force participation rates. These would presume a much stronger increase and a much larger potential effect. These scenarios answer the hypothetical question: what if we went back to 1950 labor force participation rates, but in a very special way? What if both men and women went back to the male 1950 labor force participation rates? Given the amount of closure we have had in employment since 1950 between men and women, this is not out of the question, but it would be a strong change.

If we assume this change on a non-age-adjusted basis, we estimate that we would have an increase in payroll taxes to Social Security on the order of 16.5 percent in the long run. That would reduce our long-range deficit by about half. So, this would be a very striking and large change.

The third possibility we looked at is a variant of the second scenario. First we note that in 1950 we did not have the Social Security Disability Insurance program. That program was enacted in 1956, and benefits started in 1957. Even if people desired to work as much as they did back in 1950, we would not expect the same

levels of labor force participation because the disability benefits are now available.

Reflecting also the change in age distribution since 1950, we estimate that we would have a 13.5-percent increase in labor force if we return to the 1950 work tendency of males for both genders. That would reduce our long-range deficit for the 75 years by about 40 percent. The challenge in all three scenarios is: how do we make this happen?

Clearly, we do believe and understand that people will be living longer and will be living healthier and will have a greater capacity to work. Finding ways to encourage people to actually do more work will benefit the finances of Social Security, Medicare, and all of the retirement and health systems within this country.

Thank you very much. I will be happy to answer any questions.

The CHAIRMAN. Thank you, Mr. Goss. That was very interesting. We appreciate it very, very much. You have obviously spent some time thinking about all this.

[The prepared statement of Mr. Goss appears in the appendix.]

The CHAIRMAN. Mr. Freedman?

**STATEMENT OF MARC FREEDMAN, CEO AND FOUNDER,
CIVIC VENTURES, SAN FRANCISCO, CA**

Mr. FREEDMAN. Thank you, Chairman Baucus, Ranking Member Grassley, Senator Bunning, and the entire committee, for this opportunity to testify today.

I will pick up on Stephen Goss's question of, how do we make this happen? How do we make a virtue out of a necessity in a voluntary way, as you charged us to think about today?

To do that, I just wanted to step back quickly in history to that year 1950 that Mr. Goss just talked about. In that year, Walter Reuther, the labor leader, described retirement as "too old to work, too young to die." It was a very awkward time for people. Other people talked about it as a "roleless role." In a period of about 15 years, we turned this awkward state into a version of the American dream: we created a new deal around shorter working lives that people could actually look forward to. In fact, people started retiring earlier and earlier so they could get to this goal.

Now, in the context of the two trends that you talked about, the demographic revolution of nearly 80 million baby boomers moving into their 60s and a near doubling of life expectancy over the last century, there is a question about whether that old deal is still sustainable. At an individual level, how many of us can afford a 30- or 40-year retirement? As a society, having a quarter of the population in that state is really hard to support.

So I think we are at a point now where we have to come up with a new deal around longer working lives that is as appealing as the old deal, a deal that people could actually look forward to and could be part of a new American dream that is fitted for the 21st century in the way the last deal was for the circumstances of the last century.

I think the way to do that is, first, to make sure that it is done in a way that protects people who cannot continue to work, but also focuses on those who choose to work voluntarily, who want to or need to continue to have another chapter of contribution in their

lives. It is a trend, as we have heard, that has already been happening in a broad sense.

I want to focus on a more particular trend, which is a movement towards encore careers. Already, millions of boomers have launched second careers after the age of 50 in areas like health care, education, the green collar economy, in government, and we know from research a couple of years ago that fully 50 percent more want to follow that same path. I think an important measure that we can take in the policy realm is to meet them half way, to help them go from aspiration to action, these people who want to work, who want to launch a whole second career in areas where we know talent shortages are going to be increasing over the coming decade.

In our testimony, we talk about a number of ways to do that. One is to increase the investment in community colleges, which, in a low-cost and expedited way, can help people move into second careers as nurses, teachers, and other high-need areas. Two is to fund the “encore fellowship” provision of the Serve America Act, which helps build the capacity of nonprofits through bringing in people who have retired from their private sector career and want to apply their skills in these critical areas of need. Three is to meet the target goal of 10 percent of Americorps members in service roles that help them transition to a new encore career.

We are also interested in creating new financing vehicles like the Individual Purpose Account, which could be a corollary to the Individual Retirement Account, to help people support themselves during the inevitable period of transition. You cannot just walk out and become a nurse or a teacher; you need to go back to school, do training, and that can be a financial hardship for individuals.

In addition, we need to make adjustments to Social Security, which not only remove impediments in the way to people working longer, but provide additional flexibility, particularly for that inevitable transition period that I talked about before. And we need to invest in initiatives like the Troops to Teachers program, which I think is an extraordinary model for helping people who have completed a phase of their career, a phase of service, move into other roles where they are equally needed.

I know this committee has played an extraordinarily important role in the history of the GI bill. I think of these adding up to something like a third age bill, a bill that would help people move—in the case of the GI bill, from military service to civilian service, from abroad to home—here from one phase of their working lives to a new one, and one that would not just be another year or 16 months or 18 months of work, but could be a whole 10-year career or longer. So, that could really dramatically increase the length of their working lives.

I think in doing this we, at an individual level, stand to have a multiple path. The encore career idea is built around the idea of continued income, new meaning—as Studs Terkel said, Americans get up and go to work each day as much for daily meaning as for daily bread—and a chance to use people’s experience.

At a societal level, we can have improvements to Social Security financing and to the fiscal solvency of the Nation, a windfall of talent for areas that are high national priorities, and also send a sig-

nal that longer working lives are not a punishment, but can actually be something to invest in and look forward to.

I think if we pull that off we would be doing it at a time, already, when 10,000 boomers a day are hitting their 60th birthday. But even more new research from the fall shows that more than half the children born in this country and in the developed world since 2000 can expect to live to 100. I think this is the beginning of a deal that can help better balance the joys, the responsibilities, the security of contribution and work across a lifespan that is likely to be decades longer than it was in the last century.

Thank you.

The CHAIRMAN. Thank you, Mr. Freedman, very much.

[The prepared statement of Mr. Freedman appears in the appendix.]

The CHAIRMAN. Ms. Brown?

**STATEMENT OF MARCIA BROWN, CHIEF OPERATING OFFICER,
NATIONAL CENTER FOR APPROPRIATE TECHNOLOGY,
BUTTE, MT**

Ms. BROWN. Chairman Baucus, Ranking Member Grassley, and Senator Bunning, I am honored to be here today representing the National Center for Appropriate Technology and to talk to you about our organization's efforts and success in recruiting and retaining encore employees, those working beyond retirement. I am particularly pleased to be here with my own Senator, Chairman Max Baucus.

NCAT is a small, nonprofit organization headquartered in Butte, MT, with offices in Iowa, Arkansas, California, Pennsylvania, and Louisiana. Our mission is to promote sustainable, small-scale, local solutions in the fields of agriculture and energy, with a particular interest in helping people who are economically disadvantaged.

NCAT has a very highly educated staff committed to promoting our mission. We have a large diversity of staff and projects, but are perhaps best known here in Congress for ATTRA, the national sustainable agriculture information service.

Our staff is made up of a mix of agriculture and energy specialists, including agronomists, horticulturists, livestock and organic specialists, energy engineers, and architects. Maintaining such a highly educated and experienced workforce, along with operating an organization that is entrepreneurial in developing new projects, has required that we adopt new practices to recruit and retain our workers. NCAT was the proud recipient of a 2009 Civic Ventures Encore Opportunities award for our efforts in employing older workers. Thank you, Marc.

There are three areas where NCAT has been successful in recruiting and retaining older workers: first, employing what we call adjunct staff; second, accessing senior training programs; and third, recruiting from diverse populations, including workers who have retired.

One successful method we have used is allowing employees who retire to be classified as adjunct employees. This allows former staff the opportunity to come back to work on specific projects for a specific time period. Our adjunct employee policy allows us to retain a pool of educated and experienced staff that can be called on

as needed for projects with time limits that would not allow for a full outside recruitment process.

It saves us money as an organization in recruiting, hiring, and training. For example, one of our long-term employees left NCAT to concentrate on raising flowers and vegetables for her farmer's market. She came back as an adjunct employee and has been working during the winter months as one of our horticulturists. NCAT has an investment in the education and training of our staff, so being able to bring them back easily allows us to retain their expertise after they retire and saves us from having to hire and train temporary staff.

Rose Sullivan, our librarian, was a retired school teacher when she started work at NCAT in 1978. She retired as our librarian in 1992, but returned to work in 1997. She continues as our head librarian, with a very limited work schedule. Rose says that she "flunked retirement" and she continues to work, even though she will reach age 90 this month.

NCAT also takes advantage of older worker training programs such as Experience Works, which trains low-income seniors for jobs that serve their communities. NCAT has participated in Experience Works for 8 years, training older workers to assist on our national hotline, helping low-income energy consumers. Several of our trainees have become excellent regular NCAT employees. I cannot stress enough how positive the Experience Works program is for an organization such as ours.

NCAT normally recruits nationally for our positions; however, when we had the opportunity a few years ago to conduct energy efficiency audits in Montana, we needed to staff up more quickly than our normal hiring process would allow. We targeted our recruitment to a group of experienced energy engineers, all over 50, who had either retired or been laid off from our local utility. We now have a team of 12 staff, with the older engineers mentoring the younger staff.

NCAT has a multi-generational, diverse workforce of 82 regular staff, 36 of whom are over 50 years of age. We value their experience and expertise and make every effort to remove any barriers to the employment of older workers, including allowing flexible work schedules. Many of our staff are working in encore, or second, careers.

I myself started at NCAT just before my 50th birthday. This is my encore career. My past professional life was as a staff member for Senator Lee Metcalf and Congressman Pat Williams of Montana. NCAT did for me what we do for all of our employees: we make certain that training and professional development opportunities are available to all staff, no matter their age.

One of those opportunities includes my testimony today, nearly 40 years after my first employment here in the U.S. Senate. Thank you so much for the opportunity to testify and to put on the record the great benefits our organization has reaped from using employees who have "retired."

The CHAIRMAN. Thank you, Marcia. I just want you to know just how much I—and I think most people in Montana, and others around the country who know NCAT—appreciate your work. I mean, it is really quite something. I remember when NCAT started

years ago, and it has grown into a very impressive organization, serving a lot of people. It is a great outfit. Thank you very much for what you do.

Ms. BROWN. Thank you. Thank you, Senator.

[The prepared statement of Ms. Brown appears in the appendix.]

The CHAIRMAN. Dr. Maestas?

**STATEMENT OF DR. NICOLE MAESTAS, ECONOMIST AND
GROUP MANAGER, RAND CORPORATION, SANTA MONICA, CA**

Dr. MAESTAS. Thank you, Chairman Baucus, Ranking Member Grassley, and Senator Bunning, for the opportunity to testify. I will address my comments to the question of encouraging work at older ages, drawing on recently published RAND research funded by NIH and Social Security.

As the baby boomers age and retire, the number of non-workers relative to the number of workers in the population is rising, straining Social Security and Medicare and slowing economic growth. The impact of population aging on our standard of living in the future depends a good deal on how long people choose to work before they retire.

Fortunately, here there is reason for optimism. The end of the 20th century witnessed a profound change in retirement behavior. For over a century, the labor force participation rate of men over age 65 declined. At the end of the 20th century, however, it began to rise. Work by older women rose as well. This historical turnaround was mostly driven by rising education levels and technological change. Jobs have become less physically demanding.

Work at older ages is likely to continue rising in the future, but it would be propelled by different forces. Chief among these is the scheduled increase in the Social Security full retirement age, which will not be fully implemented until 2022. Second is the restructuring of employer pension plans, from defined benefit pensions with strong early retirement incentives, to 401(k)-style pensions that have no such incentives. In addition, legal barriers to phased retirement have only recently been partially relaxed.

Third, as the labor force participation rate of younger women has risen over time, more women qualify for Social Security benefits on the basis of their own work history rather than their husband's. This creates new incentives for continued work by women and, importantly, when women work longer, so do their husbands.

The ways in which men and women work at older ages has been changing too. Only 40 percent of those who stopped working in their 50s and 60s stay out of the labor force, 40 percent return to work or "unretire," and 20 percent pass through partial retirement. Self-employment is also common.

Despite this good news, there are some potential challenges ahead. One is health. While in many respects age 60 does seem to be the new 50, the rise in obesity among younger people signals the possibility of a reversal in the upward trend in healthy life expectancy.

Other challenges relate to employer demand for older workers. Many older Americans would apparently like to work, but cannot find jobs. Even before the current recession, only about one-half of older job searchers found jobs within 2 years. One-third of them

wanted part-time jobs, but these jobs were the hardest to find. One potential barrier on the employer side is the perception that older workers are less productive. While some aspects of cognitive ability do indeed decline with age, other aspects are stable. Productivity need not decline if compensatory behavior is possible, or if a job draws on stable skills.

Another challenge is health care costs. The extent to which health care costs depress employer demand for older workers is unknown, but may be substantial. Even though part-time workers need not be given health pension benefits, high turnover rates among workers nearing retirement make it difficult for employers to recoup hiring costs. In addition, employers may find it difficult to adapt production processes to accommodate the flexible part-time work schedules desired by older workers.

A key question for policymakers is how to support the forces already in motion and ease some of the challenges. Should we encourage people to delay retirement in the first place, or encourage them to retire but later reenter the workforce in a different capacity? Perhaps both, but it is likely easier to incentivize an older worker to defer retirement than to reenter the labor force after having already left.

In large part, this is because leaving a long-term job for a new job often results in a wage loss, especially if the job is part-time. Most reentry jobs are part-time. If too many people who would have worked full-time now work part-time, we could even see a net reduction in work hours.

Policy options to encourage work at older ages include eliminating the Social Security retirement earnings test, raising the early retirement age, and formalizing phased retirement rules to encourage partial retirement instead of full retirement. Policymakers could also look for ways to help workers understand that when they claim early Social Security benefits they lose nearly 30 percent of their annuity value.

There may also be ways to encourage employers to hire and retain older workers, but some caution is warranted here. We do not yet understand whether the biggest barriers faced by employers are with respect to perceptions about productivity, health care costs, high turnover rates, or an inability to accommodate part-time work schedules. It is also worth considering whether policies could be designed to attract middle-aged women into the labor force. Attracting a middle-aged woman into the labor force may pay a double dividend later on if it means her husband is more likely to delay retirement.

Thank you. I would be happy to take your questions.

The CHAIRMAN. Thank you, Dr. Maestas.

[The prepared statement of Dr. Maestas appears in the appendix.]

The CHAIRMAN. Ms. Shelor?

**STATEMENT OF BONNIE SHELOR, SENIOR VICE PRESIDENT
FOR HUMAN RESOURCES, BON SECOURS RICHMOND
HEALTH SYSTEMS, RICHMOND, VA**

Ms. SHELOR. Thank you. Good morning, Chairman Baucus, Ranking Member Grassley, and Senator Bunning. On behalf of the

11,500 Bon Secours Virginia Health System employees, I thank you for this opportunity to share insights on how we attract and retain older workers as part of our 186-year-old health care ministry. Our organization actually began in 1824 in Paris, France, and was founded by 12 Catholic nuns, hence the genesis of our name, Bon Secours, meaning good help.

Today I will share with you how and why our workforce is changing, why we value older workers, how they contribute to our success and culture, and how we attract and retain them to create a culture of aging. Bon Secours Virginia includes 11,500 employees, 7 hospitals, and multiple ambulatory care sites, and we at Bon Secours Virginia take our mission of providing good help to those who need it to heart. We annually provide health care for over 50 percent of our metropolitan population. We also have an active caravan ministry that provides outreach services to mostly under-served or uninsured citizens, and last year we provided 12,000 of those visits.

Our legacy for a culture of aging is the Bon Secours sisters. In fact, many of these sisters, ages 50-plus, continue to work with us today, and they serve as leaders well into their 70s, 80s, and 90s, providing strategic direction and guidance, including serving on our board of directors and leading the decision-making body. For us, workers of this age are common, and their vision, wisdom, and contributions are celebrated. In our system, nearly 40 percent of our employee population is age 50 and above. Of those, 18 percent are age 62 and above.

The key to our culture of aging is our philosophy that we believe the experience, wisdom, and institutional knowledge of our older workers is invaluable, and in fact helps us to make a more prosperous organization. Let me share with you a story of Hattie Davis. For someone turning 89 in August, Hattie does not look a day over 60. Hattie shines when she talks about her distinction as our oldest employee.

She recently reflected on her life and her career in Bon Secours as a nurse that continues today with her 2-day-a-week job. She is also a regular volunteer for us in our gift shop. When asked about her career with the health system, Hattie said, "I tried to retire, but soon after that Bon Secours called me in to work for them." At Bon Secours we are committed to that culture and were recently named, and were named over the last 10 years by AARP, as a top company for workers over 50.

At the same time, people are starting to live longer and healthier lives, and the majority of our workers are delaying retirement. By offering initiatives such as phased retirement, flexible work schedules, and intergenerational programming, we have been able to successfully retain older workers.

Research shows that nurses leave because of changing interests, being called on to care for aging family members, and work that is too physically demanding. We have been able to offer phased retirement. What does that mean? Option number one: an employee may cut back to part-time work and continue to receive a pension check; an employee may receive a pension check at age 70½ and continue to work; or an employee may retire and then be rehired at a later date, continuing to collect a pension check.

Our older workers are eligible for medical, dental, vision coverage, and other valuable benefits, including tuition reimbursement, so, for those workers age 62 and older, we are providing health insurance, and they are not taking advantage of Medicare at this point.

Our comprehensive and generous benefits are attractive, flexible, and creative. Grandchildren of our employees are eligible to attend our family-centered child care center. We offer opportunities for employees to take health risk assessments and to be monitored for health risk assessments. As a result, we have seen our older workers consistently see improvements in such areas as cancer, fitness, nutrition, stress, substance abuse, safety, and heart health.

We have tailored our programs to telecommuting and job sharing and offer multiple work schedules, such as 2 days a week, summers only, winters only, et cetera. Our mobility lift teams help our older workers with the regular turning of bed-bound patients. Since the lift teams have started, we have seen a steady drop in the number of injuries, a decrease in pain, and a reduction in muscle fatigue.

When it comes to employee retention, we have several other key initiatives. We are laying the foundation for a civic engagement program where we introduce workers age 50-plus to volunteering through paid volunteer hours as they advocate and participate in community initiatives representing our organization. We also have an intergenerational initiative called “GrandPartners” that pairs employees’ children in our daycare with elderly friends, employees, or spouses of children.

In our journey to attract and retain older workers, we have made significant progress by constantly improving programs and policies. We continue to learn from other organizations in the public and private sector.

In closing, consider the words of Hattie Davis: “I am the oldest employee of Bon Secours Richmond. I spent my entire career here, and I don’t have any plans of stopping soon. As long as I am able, I will keep on working.”

Thank you for your time, and I welcome any questions.

The CHAIRMAN. Thank you, Ms. Shelor.

[The prepared statement of Ms. Shelor appears in the appendix.]

The CHAIRMAN. The basic question I have is—I am going to ask each of you briefly to answer—what are the main impediments that tend to prevent someone today from voluntarily working longer, or going back in the workforce, part-time or something? What are the impediments that prevent a natural inclination for those who want to do more? I will just go straight down the line here. I will start with you, Mr. Goss, and have each of the five of you kind of give one or two basics.

Mr. GOSS. Thank you. This has been addressed to some extent by a number of the other panelists. I think the most fundamental question is the culture that we live in. Those of us who are baby boomers understand well that when the baby boomers entered the labor force there were huge numbers of young people available in the work force.

Employers began to offer early-out retirement plans, and this became a part of our culture, people expecting they could retire early. It seems we may need to change that. This will be a cultural

change more than anything else. If it can be done in a way where that does not seem to be punitive, that would be excellent.

One way that we might potentially do this is to get the American people to value work over retirement, that is, productive effort. Working with your compatriots at the office, getting good things done, as opposed to playing golf, has value, and people should enjoy that and value it.

Another small item is to emphasize, as I think was suggested by others on the panel, Social Security benefit reductions for early retirement. If you take your benefits at 62, you get a permanently reduced level of your monthly benefits for the rest of your life. If you can wait a while longer to start that Social Security benefit, you will get a higher monthly level. The lifetime amount of benefit is not any different on average, but your monthly amount, which is what people live on, will be a lot better.

There is another way we could possibly facilitate what we are talking about that goes beyond encore careers: people moving to different careers. This would be another cultural change. We all tend to work on the basis that we advance in our careers, and we get better and we go to higher positions, more responsibility, and it is a one-way street.

In our culture, we are not generally willing to accept that, as we get older, as we desire to have more free time, perhaps we should be willing to step back in our level of responsibility, take on less responsibility and less pay. If we could modify this attitude, that would be good.

The CHAIRMAN. All right. Thank you.

Mr. Freedman?

Mr. FREEDMAN. I agree that the cultural issue is really significant. There was an article in *Foreign Affairs* in January/February this year that described the working age population as 15 to 59. I was thinking, well, I guess both of my Senators are not in the working age population, so it persists in a way. But I think another very important impediment is that the transition for those people who want to have another phase of their career is a do-it-yourself process.

There was an article in the *Wall Street Journal* a few years ago about boomers who were tapping into their children's 529 accounts to pay for their own education. I just interviewed a guy who wanted to become a park ranger at Yellowstone, and he had to go through the Student Conservation Association internship program with a bunch of 19-year-olds. I think we can do a much better job creating a front door for people to make that transition instead of them having to sneak in the back way.

The CHAIRMAN. So what are the significant doors?

Mr. FREEDMAN. I think they are the same ones that we provide for young people. One is school, because a lot of transitions we have heard about, moving into nursing, you have to go back to school, or to become a teacher.

I think another is, essentially, the internship idea; that is what the Encore Fellowship is. It is essentially an internship for grown-ups where they can spend a year in an organization that is in a different sector so that they can adapt their private sector skills into the nonprofit world or the government. So I think we do not

even have to be that imaginative. We can just take some of the things that we take for granted, as young people make their shift, and adapt it for this population.

The CHAIRMAN. Thank you.

Ms. Brown, you talked about removing barriers. Could you give us a little more flavor of what they are and what NCAT has done to help remove them?

Ms. BROWN. I think that what we see as the biggest barrier is a little bit this culture thing that Steve and Marc were talking about, but also it requires that the employer be flexible, that you work with each individual employee and help them have fewer hours, less work, work in the summer, work in the winter. You have to, as an employer, in order to keep that expertise, be willing to change.

The CHAIRMAN. Are you finding employers are flexible or not?

Ms. BROWN. We have had to learn to be more flexible, and I suspect other organizations have to too. So we have folks who only work 2 days a week, or half a day a week, or work from home. I think being flexible, I would say, was one of the things employers could do the most.

The CHAIRMAN. All right. My time has expired. We are going to go very, very quickly here. Dr. Maestas?

Dr. MAESTAS. I would just add two things. My research shows that about 70 percent of older Americans say before retirement that they plan to work during retirement. This is before the current recession. But many fewer actually do work during retirement than say they wanted to, and two things are important here. One is health. Many people simply get sick before they can actually fulfill those plans. But another important piece is jobs. Older workers want part-time jobs, but these jobs are the hardest to get.

The CHAIRMAN. All right. Thank you very much.

Ms. Shelor?

Ms. SHELOR. Yes. I would say that organizations today must learn to think about work differently. It is not the way it used to be. So organizations must be innovative and creative and value older workers and what they can bring into the organization, so that would lead them to offer options around flexibility which are key to older workers; also key for older workers is health insurance. So those are the two things, in my opinion, that will bring older workers back into the workforce and keep them there.

The CHAIRMAN. Thank you very much. Thank you.

Senator Grassley?

Senator GRASSLEY. Thank you all very much for your testimony. I want to zero in on the 62 to 65 age range. Those who retire early and choose to work are also subject to then, as we know, the retirement earnings test, reducing benefits \$1 for every \$2 for that money earned over \$14,160 for this year. Many people view the retirement earnings test as a tax that discourages working after retirement.

However, benefits are recalculated once a person reaches a full retirement age. Thus, a worker who retired at 62 could receive reduced benefits until reaching the full retirement age, and then receive unreduced benefits for the remainder of life. Except that it is

hard to explain. The retirement earnings test would seem to encourage employment after retirement rather than discourage it.

So, Mr. Goss, and anybody else who wants to contribute to this question, would you care to explain why so few people take advantage of the ability to defer reduced benefits while they work between 62 and full retirement age, and then receive unreduced benefits for the rest of their life?

Mr. GOSS. Over half of people who are eligible to start receiving Social Security retirement benefits, who are not disabled, start taking them at 62. That is part of the issue that we are dealing with here today. To a great extent, that is because people believe, as a part of the culture, that you should take the benefits that are available, and take them now. People see that as a greater value.

They do not understand that if they either wait to get benefits, or if they are working and have the benefits reduced due to the earnings test, the lifetime value of benefits will not be reduced as a result. We at Social Security, and hopefully everybody else on this panel, need to do a better job of getting that message out so that people will better understand.

Another aspect, too, is the good work in this room and on the other side of the Capitol to get Social Security and Medicare back to sound financial footing so that people are not concerned that these programs will not be there in the future. We understand that many people want to take the benefits early, because they say, I had better take them now while they are available. All of these things could probably help.

Senator GRASSLEY. Any of the other four of you have anything to contribute to that question?

Ms. SHELOR. Senator Grassley, I would absolutely agree that, in my experience, our older workers do not have an understanding of that concept, and I think that I agree that we need to do a much better job as organizations in partnering with the government on communicating that concept.

Dr. MAESTAS. I would just second that, that it seems that the earnings test itself is not well understood at all. Really, most people just simply see it as a tax.

Senator GRASSLEY. All right.

Mr. Goss, your testimony presented some hypothetical calculations to illustrate the potential impact of increased employment on the SS system. These calculations show that, when people work more, Social Security collects more taxes, and then it also pays more benefits. Depending on the scenario, benefits would eventually rise 50 to 80 cents for every dollar of additional payroll taxes.

As I understand your calculations, you assume those who work more would earn typical wages, thereby leaving the overall average wage unchanged. There are a couple of ways of thinking about increased employment. Workers would remain in their current job and retire later, or they could retire and get another job.

The available data seems to suggest that those who stay in their current job earn higher wages than those who start a new job. If this were true, how would that affect your calculations? In other words, does continued employment have a different impact on Social Security than reemployment?

Mr. GOSS. I think your question is, how would the additional employment affect the average earnings level? If additional employment that we are able to encourage is for people who are not working at all now during a year, and it is at a very low earnings level, the taxes would be paid on these earnings and there would be relatively little effect on benefits. That would be a relatively more positive effect on the trust funds.

If, on the other hand, a relatively smaller number of people work additionally and have an additional year of work at a relatively high level that can be used for their benefit calculation, the trust funds will receive the taxes, and the workers will receive more benefit credit. That would be a lesser net effect on the financial position of Social Security.

As you well described, and I know Steve Robinson well understands, we developed these estimates fairly quickly, assuming that there would be no effect on the average wage level. That implies a combination of the extra work by some additional people working, perhaps largely part-time, and some other people who are already working during a given year working more. To the extent that we are able to encourage more labor force participation, we would have a combination of those two. But there is a lot of variance and a lot of differentiation possible around these estimates, no question.

Senator GRASSLEY. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Grassley.

Next is Senator Bunning, who, when he was in the House of Representatives, was chairman of the Subcommittee on Social Security.

Senator BUNNING. Social Security Subcommittee, yes. And it took us 8 years—I want you to know that, Mr. Goss—to do away with the earnings limit. It took two presidents, and it took the Congress 8 years to get the first—it used to be \$11,200 in earnings. If you were 62, they taxed you \$3 for every dollar you earned over \$11,200. Once you became fully eligible at age 65, they taxed you \$2 for every dollar you earned over \$11,200. Now, that has been moved up, as you see, as Senator Grassley questioned you earlier.

But if you wait until your full retirement, you can earn unlimited—unlimited—and that is where I think your organization does a disservice in the field by not fully explaining to retirees what they are doing when they start at age 62, or 63, or 64, and some now are 66, where their full retirement age starts.

Can you explain to me why that earnings test is not more fully explained, Mr. Goss, to your field representatives who are dealing on a daily basis with retirees?

Mr. GOSS. Senator Bunning, I wish I could. I am probably not the best person to try to address that issue, given the area that I work in. I do know that the Social Security Administration has been making some very serious efforts just in the last year or so to change the message that is given to people when they come into the field offices. For instance, there is a concept of break-even point that people used to be told about, and told that if they—

Senator BUNNING. They always say, well, if you start at 62, at 78 you will catch up.

Mr. GOSS. Right, and it was said often that you will be ahead for 14 years.

Senator BUNNING. Yes. That is right.

Mr. GOSS. A number of us felt that that was not being read the correct way when people heard it, because most people get and spend their benefits one month at a time. In fact, if you take your benefits at 62, as opposed to, say, 65, you are ahead in terms of benefits for 3 years, at 62, 63, and 64, but at 65 you will get a larger monthly benefit for the rest of your life if you have waited until that time, assuming you can.

Senator BUNNING. If you start at age 68—I waited until we finally got the bill passed, the earnings limit totally eliminated, and I started my Social Security benefits at age 68—there are some very, very positive effects to your Social Security benefits if you start them later than age 65.

Mr. GOSS. There is no question. Back as recently as 1983 we had a delayed retirement credit of only 3 percent for every year you deferred your benefit past the normal retirement age. Now it has been raised up to 8 percentage points for each year you delay. Now if somebody with a 66 normal retirement age waits until 68, they will get a 16-percent permanent increase in the monthly benefit—

Senator BUNNING. In the monthly benefit.

Mr. GOSS [continuing]. For the rest of their lives, by waiting those extra 2 years.

Senator BUNNING. See, that is never—the chairman and I know that most of the calls to your office are about Social Security, at least in my office they are. We get more calls on Social Security than any other issue by far.

Let me ask one other very serious question to the person from the RAND Corporation. You mentioned in your testimony that likely increases in health care costs for older employees could be a substantial deterrent in hiring older workers. Please explain this.

Dr. MAESTAS. Well, as people age, their health declines, and health care costs rise. So you have to think about people who are before Medicare eligibility and after Medicare eligibility.

Senator BUNNING. Well, at age 65 you become immediately eligible for Medicare.

Dr. MAESTAS. Right. So take a part-time worker who is 65. The employer is not required to provide health insurance coverage for that person.

Senator BUNNING. Correct.

Dr. MAESTAS. Medicare provides health insurance.

Senator BUNNING. Under the new regime, it will be even worse.

Dr. MAESTAS. Right. We do not know. Right. Before 65, however, it is the employer that provides the coverage, so you have an increasing number of workers in these older ages, still pre-Medicare, raising average health care costs.

Senator BUNNING. Yes. For the group.

Dr. MAESTAS. For the group, yes.

Senator BUNNING. That is the reason.

Dr. MAESTAS. That is the mechanism. But at 65, everything shifts, because then Medicare enters the picture.

Senator BUNNING. Well, all I can tell you—and I have studied it as well as I guess anybody up at this table; I mean, all the vacant chairs do have people who sit here—the best and most practical way to increase the Social Security benefits is something that the

Greenspan Commission could have done, only they put a patch on it for 30 years instead of permanently fixing it, and that would be to have increased from 65 to 70 the retirement age at full benefits at the same rate they increased it from 65 to 67.

Now, somebody said that in 2037 we are going to have to go to 75 percent of the benefits. I believe it was you, Mr. Goss. Well, we would not have to do that if that money were deferred for those 3 years. We would be good until 2075 at full benefits with just that little change. That does not cost the average American who is going to receive Social Security anything but waiting, or, if they want to take it at 65, 66, 67, they can with a lesser benefit.

But I am telling you, most people are trying to stay in the workforce at least past 70 that I know of. Now, I do not know what percentages all of you have of those who are at age 65 to 70 who are continuing in the workforce if they are able to do it. Do any of you have information on that?

Ms. SHELOR. In my organization, 18 percent of our employees are 62 and older.

Senator BUNNING. And older?

Ms. SHELOR. Yes.

Senator BUNNING. Out of?

Ms. SHELOR. Out of 11,500.

Senator BUNNING. Anybody else have information? Only 18 percent?

Ms. SHELOR. Forty percent are over the age of 50.

Senator BUNNING. All right. Well, I think it is very important for us to look at the solution, not only to keeping those people in the workforce, because obviously the more money going into the trust funds, the more money is going to be available for those who collect it, but there is an upgrade you get if you lop off one of your 40 quarters when you make more than you did when you were 25, and you get an upgrade in your benefit every year, not counting the possibility of inflation adjustment.

You get an upgrade in your benefit at the end of November in a lump sum check if you have made over the earnings limit as far as what is paid in taxes in Social Security. So there are a lot of things that the field people need to explain to those people. I ask you, Mr. Goss, since you have the closest relationship with Social Security, to please get your field people up to speed on that. Thank you.

The CHAIRMAN. Thank you very much, Senator.

We have about 4 minutes left on this vote, so I think we probably should wrap up here. Thank you all very much. It is a big, big subject, one where you are in the vanguard, frankly, the leading edges on probably major directions in which this country has to go to address the basic issues. Thank you for your work. I encourage you to keep at it, because we are going to need a lot of help in the next couple, 3 years as we try to solve this.

So, thank you very, very much. The hearing is adjourned.

[Whereupon, at 11:18 a.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

Hearing Statement of Senator Max Baucus (D-Mont.) Regarding the Economic Impact of More Americans Choosing to Work During Retirement

George Burns, who worked until he was 100, said of retirement: "Retirement at 65 is ridiculous. When I was 65, I still had pimples."

Today, we'll talk about people who want to work beyond retirement age. And we'll talk about how those folks' decisions affect Social Security.

When it comes to Social Security, folks often say that there are only two ways to improve solvency: cutting benefits or raising taxes.

Neither is easy. And each has drawbacks.

Fortunately, there are other ways. And these ways don't involve cutting benefits or raising taxes.

For example, there's the tax gap. The tax gap is the difference between what taxpayers owe and what they actually pay. Currently, there's a gap of about \$58 billion each year between Social Security and Medicare payroll taxes that are owed and the taxes that are paid. We have to do more to collect the tax gap.

And today, we are going to look at another idea for improving Social Security and Medicare solvency, without raising taxes or cutting benefits.

We are going to look at facilitating work by people who want to resume work after they retire from their full-time jobs, or who want to phase down their work before retiring.

Folks are making these employment arrangements already. Today, we'll examine whether we can make it easier for these arrangements to happen.

If we could increase the number of people over 62 who are working by just 10 percent, we could reduce Social Security's long-run actuarial imbalance by about five percent. We would also reduce the Medicare Trust Fund's long-run imbalance by about two percent. And an increase in the number of these workers would increase federal and state income tax revenues as well.

There are many ways that these workers can continue to work voluntarily. All of these methods are loosely called "phased retirement."

Workers can reduce their hours of work at their principal job, or work only seasonally. Their current firm can rehire them after they have retired for a period of time. Workers can go to work in another career or occupation. Or they can do their current kind of work at a different firm.

One example is called "encore careers." These are jobs for workers who want to start a new career doing something for the benefit of society. That job might be as a nurse, or as a hospital worker, or as a teacher, or as a social worker, or as one of countless other positions.

From the employer's perspective, there can also be advantages to hiring someone who has already retired, or allowing for a phase-down of work before retirement.

These workers bring a wealth of experience and good work habits. They can be well suited to help training or mentoring of new employees. And some organizations have very seasonal work patterns or temporary workloads, and are looking for workers who want to work only part-time or seasonally.

Let me be clear. We are not talking about requiring people to work more hours, or pressuring people to work. We are talking about additional work that is voluntary.

Unfortunately, some workers today are finding that they need to work longer than they want, just to make ends meet. In a sense, these folks are not working longer voluntarily.

But phased retirement can help them as well. Phased retirement can give them more job options.

So increasing phased retirement possibilities can be a winning proposition. Employees can have more choices. Employers can more easily meet their workforce needs. And the lives of the Social Security and Medicare trust funds can be extended.

So let us look at folks who want to work, after normal retirement years. Let us examine whether we can help workers and businesses to have more choices. And let us see whether we can help out Social Security and Medicare in the bargain.

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**Testimony to the Senate Finance Committee
Marcia Brown, National Center for Appropriate Technology
July 15, 2010**

Chairman Baucus, Senator Grassley and Members of the Committee, I am Marcia Brown, Chief Operating Officer of the National Center for Appropriate Technology and am honored to speak to you today about my organization's efforts and success in retaining and recruiting "encore" employees, those who are working beyond retirement. I am particularly honored to be here with my own Senator, Chairman Max Baucus.

First, let me tell you a little about the National Center for Appropriate Technology. NCAT is a national non-profit organization headquartered in Butte, Montana. We maintain regional field offices in Des Moines, Iowa; Fayetteville, Arkansas; Davis, California; Shavertown, Pennsylvania; and Hammond, Louisiana and are in the process of locating a new office in San Antonio, Texas. Our mission is to promote sustainable, small scale, local solutions in the fields of agriculture and energy with a particular interest in helping people who are economically disadvantaged.

NCAT has a highly educated and passionate staff committed to promoting our mission. We have a large diversity of both staff and projects but are perhaps best known here in Congress for our ATTRA project, the national sustainable agriculture information service that provides technical services to farmers, ranchers, market gardeners, educators and extension agents. That project, which is funded by USDA's Rural Business Services provides toll-free hot lines, a dynamic website, publications and in-person training to help family farmers, limited-resource farmers and others in agriculture learn how to produce crops, raise livestock and market their products in the most sustainable manner. Our agriculture staff is made up of a mix of agronomists, horticulturists, marketing specialists, livestock specialists and organic specialists.

Our energy staff members are equally committed to helping people by reducing their energy consumption using alternative energy, energy efficiency measures and conservation. They too, are highly educated, and include a large number of energy engineers, analysts, marketing specialists and architects.

Maintaining such a highly educated and experienced workforce along with operating a nonprofit organization that is entrepreneurial in developing new projects and work has required that NCAT adopt practices that allow for various ways to recruit and retain workers. Those methods have helped us meet and sustain our own mission. NCAT was proud to be the recipient of a Civic Ventures 2009 Encore Opportunities award for engaging people over 50 in creative ways to help our organization meet our mission.

I was asked to address the three areas specifically where NCAT has been successful in retaining and recruiting older workers: employing “adjunct staff;” accessing senior training programs; and recruiting from diverse populations, including older workers who have retired or been laid off.

Employing adjunct employees

One highly successful method we have used is allowing employees who retire or take new jobs elsewhere to be classified as “adjunct employees.” This allows senior employees who are no longer regularly employed at NCAT the opportunity to come back to work on specific projects for a specific time period. Our adjunct employee policy allows NCAT to retain a pool of educated and experienced staff that can be called in as needed for projects with time limits that would not allow for a full outside recruitment process. It is cost neutral - in fact it saves us money in recruiting and hiring costs - and is a great benefit for the organization and for our former staff. Many of our former employees work occasionally for us as adjunct employees. For example, one of our long-term older employees left NCAT several years ago to concentrate on raising flowers and vegetables for her local Farmers Market. She continues to do so but works during the winter months as a horticulturist for NCAT’s ATTRA sustainable agriculture project. NCAT has an investment in the education and training of our staff. Being able to bring them back easily allows us to retain their expertise after they retire, saves us from having to hire and train temporary staff and assures that we maintain the high quality of work for which we are known.

Rose Sullivan, NCAT’s librarian, was a retired school teacher when she started working at NCAT in 1978. She retired as our librarian in 1992 and returned to work as an adjunct employee in 1997. She has been converted to regular status and serves as our head librarian on a very limited work schedule of 12 hours per week. Rose says that she “flunked retirement”. She orders, catalogues and tracks NCAT’s vast library resources. She is trained on all the newest software and provides support to all of our staff

whether they are located in our Montana headquarters office or in any of our regional offices. NCAT provides technical information on sustainable agriculture and sustainable energy to thousands of people every year and it is imperative that we have current and accurate library resources for our technical specialists to access. Rose ensures that we can do so and continues as our librarian even as she reaches age 90 this month. She loves her work at NCAT and we love her! She is an inspiration to all of our staff, young and old.

Using senior worker training programs

NCAT also takes advantage of older worker training programs such as Experience Works (formerly known as the Green Thumb Program). Experience Works trains low-income seniors for jobs that serve their communities. NCAT has participated in Experience Works for more than eight years training older workers to assist on our National Energy Assistance Referral Hotline helping low income consumers find assistance paying their energy bills. Several of our Experience Works trainees have become regular NCAT employees and many others have gone on to work in our community. NCAT takes pride in the training these enrollees receive and we have benefited greatly from the opportunity to make those trainees NCAT employees. It does require that we put time and resources toward the training of these Experience Works Members. However, in the long run we have trained people who gained the experience needed for the very job we need to fill. Our staff members who were previously Experience Work trainees are excellent employees. They appreciate our living wage and our benefits. They are always on task and very dedicated to helping our clients on the NEAR hotline. I cannot stress how positive the Experience Works program is for organizations such as mine. I will note that one of our employees who came from the training program is limited to the amount of time she can work due to restrictions on her Social Security benefits. She would be eligible for more work should that limitation be changed.

Targeted recruiting

NCAT recruits nationally for many of our positions. We use the traditional recruiting resources at colleges with schools of agriculture and engineering, newspapers, alumni bulletins and websites, advertising in trade journals and with professional societies. However, when we had the opportunity a few years ago to conduct energy efficiency audits of commercial, industrial and governmental buildings in Montana, we needed to staff up more quickly than our normal recruiting process would allow. There are a limited number

of experienced energy engineers in the Montana employment market. NCAT targeted our recruitment to a group of experienced energy engineers, all over 50, who previously worked for our local utility and were either retired or laid off. The core staff of five experienced energy specialists hired during that process has now grown to more than a dozen members of the team with our experienced staff serving as mentors to the younger engineers and architects. Targeting older workers in our recruitment process really paid off for NCAT.

Barriers to Older Workers

For NCAT, most of our retired workers supplement their Social Security with NCAT pay. There are some older employees who must limit their work because of the Social Security limitation for taking early retirement.

The biggest barrier for older workers from our perspective is staying current on new technologies, either computer or cutting edge technologies in their professional field. NCAT works to alleviate this by providing training and professional development opportunities for all employees regardless of age.

NCAT has an excellent reputation and it is due to our excellent staff. We have a multigenerational diverse workforce of eighty-two regular staff. Thirty-six of them are over fifty years of age. Many have been at NCAT for more than 20 years; others have been with us for less than a year. At NCAT we value experience and expertise and make every effort to remove any perceived barriers to the employment of “older” workers. We work to keep staff by giving them options for work such as reducing their hours as they make changes in their personal lives. Many of our staff are working in “encore” or second careers. I myself started at NCAT just a few months before my 50th birthday. This is my encore career. My past professional life was as a staff member for the late Senator Lee Metcalf, and former Congressman Pat Williams. NCAT did for me what we do for all of our employees – make certain that training and professional development opportunities are available. One of those opportunities includes my testimony today, nearly 40 years after my first employment here in the US Senate. Thank you so much for the opportunity to testify and to put on the record the great benefits our organization has reaped from using employees who have “retired.”

United States Senate Committee on Finance Hearing

**Choosing to Work During Retirement
and the Impact on Social Security
July 15, 2010**

**Response to Questions Submitted for the Record
Marcia Brown**

Questions from Senator Baucus

- 1) Stephen Goss testified that increasing the number of people who are 62 and older and are working by 10% would reduce Social Security's long-run solvency problem by 5%. From your perspective, is it possible to use phased retirement and encore careers to achieve that increase? Would increasing that number by more than 10% be feasible?

RESPONSE: Senator Baucus, I can only answer this question from my perspective as someone that has reached 62 and does not plan to retire for many years and as an employer who has many staff who have reached the age of Social Security retirement. Of the ten staff we have who are older than 62, only four to my knowledge are receiving SS benefits. All four of those employees work a flexible part time schedule. None of them would continue work if they were required to work full time. My personal belief is that a phased retirement would allow more employees to continue to contribute to our organization past retirement age. It could very easily increase the percentage of our employees who would work past age 62. I do not know if that would hold true across the nation or would reduce the Social Security long-run solvency problem by more than 5%.

- 2) In your testimony you state that the biggest barrier for older workers, from your organization's perspective, "is staying current on new technologies." You also state that you alleviate this problem "by providing training and professional development opportunities for all employees regardless of age." Can you provide us with some additional information on the type of training and professional development the National Center for Appropriate Technology is providing to its older workers?

RESPONSE: The National Center for Appropriate Technology provides technical services in the areas of agriculture and energy. It is important that our staff are knowledgeable, not just current but even cutting edge in their specialties. Continuing education and training is a constant at NCAT for all employees regardless of age or position. Staff members receive training and or professional development in three different manners. First, all staff receive internal technical training in our Information Technology resources on a continuing basis as we upgrade and add new resources. Second, our Professional staff receive continued education in their specialties through graduate courses, professional meetings, seminars and conferences. Professional staff are also encouraged to utilize professional development opportunities including participation on local, state, and national boards, committees or organizations. This would include participation

on such activities as the Montana Society of Engineers; the National Sustainable Agriculture Coalition; the Community Alliance with Family Farmers; the Sustainable Agriculture Working Groups, the Institute of Electronics and Electrical Engineers; the Iowa Renewable Energy Association; and the Women, Food and Agriculture Network to name a few. Third, our support and administrative staff are also encouraged to obtain training to enhance their skills and abilities. Finally, NCAT provides training to members of Experience Works.

Internal training: NCAT is constantly updating its information technology resources and our staff must remain up to date on new technologies so that NCAT can continue to provide excellent websites and databases for our users. All of our NCAT staff receive regular training on our computer resources as we continue to upgrade and improve our resources. Our energy staff regularly receive training in energy efficiency measures. They meet once a week to learn about a topic related to our sustainable energy work.

Professional development and training for professional staff: NCAT provides continuing education and professional development opportunities for members of our professional staff to attend meetings, trainings, seminars and conferences related to their particular areas of expertise. For example, each of our sustainable agriculture staff attend national and regional conferences several times every year. By doing so, our staff stay in touch with their colleagues, develop new relationships with people from other organizations and government agencies, learn about new methods of production and marketing as well as new regulations and research. Often our staff are presenters or trainers at such events as well as participants. The staff bring what they learn back to their colleagues at NCAT. Money is set aside for these training and professional development opportunities and great care is taken to ensure that all of our staff continue to grow and learn about new topics of interest for our clients. Many of our staff receive professional certification including Organic Inspector Certification for crops or livestock. This year one of our staff was certified by the American Society of Agronomy as a Certified Crop Advisor. Our Professional Engineers are required to obtain continued education and all of our energy engineers attend national and state conferences such as the National Conference for Energy Efficiency Engineers. NCAT staff are certified RESNET Home Energy Raters helping builders and developers to achieve Energy STAR and green building certification. All professional staff, regardless of age, are encouraged to continue their participation in professional organizations and trainings. The professional training our staff receive each year is critical to the success of our organization.

NCAT promotes training year around through our two resource centers that are unique specialty libraries with extensive collections of books, journals, and other publications related to the topics of sustainable energy and sustainable agriculture. Staff regularly monitor magazines, journals and on-line publications on a variety of topics that they share with each other or with our clients.

Training for our support staff: Our administrative and support staff also regularly receive training and development as well as our professional specialists. For example, our computers services staff attend local, regional and national training on software, hardware, web development, database administration and programming languages. Our administrative staff attend training on customer service, administrative support, business and profession

communications, proofreading, editing and grammar. Our accountants, librarian and human resource specialists receive continued education in their fields as well.

Training for Low Income Seniors: As I mentioned in my testimony before the Committee, NCAT participates in the senior training program, Experience Works, an organization that helps unemployed seniors receive training for jobs that serve their communities. In our experience, these Experience Works trainees come to us with little or no computer or office skills. NCAT staff train these workers to use Microsoft Office products, databases and the internet. They learn how to answer a toll free hot line and provide information to the people who call. They work directly with NCAT staff and learn time management and how to work in a professional environment. Several of these trainees have become regular NCAT staff. Others have used the skills they learned at NCAT to obtain other employment.

NCAT's reputation as an organization that provides excellent agriculture and energy information depends upon the skills and abilities of our staff. It is to our advantage to ensure that they all receive technical training in their fields and in our information technology. This is a core value at NCAT and one that has helped us successfully meet our mission for nearly 35 years.

**Testimony of Marc Freedman
CEO and Founder, Civic Ventures**

**“Choosing to Work During Retirement and the Impact on Social Security”
U.S. Senate Committee on Finance
July 15, 2010**

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.

United States Senate Committee on Finance Hearing
Choosing to Work During Retirement and the Impact on Social Security
July 15, 2010

Responses to Questions Submitted for the Record
Marc Freedman, Founder and CEO, Civic Ventures

Questions from Senator Baucus:

1. *Stephen Goss testified that increasing the number of people who are 62 and older and are working by 10% would reduce Social Security's long-run solvency problem by 5%. From your perspective, is it possible to use phased retirement and encore careers to achieve that increase? Would increasing that number by more than 10% be feasible?*

Civic Ventures believes that the trend toward longer working lives that began in the mid-1990s is continuing and even accelerating and that the widespread adoption of encore careers could help boost labor participation rates among those ages 62 and older by far more than 10 percent above current levels.

Because encore careers represent a whole new stage of work that could extend for seven, 10 or 15 years or longer, they hold potential to extend working lives more dramatically than incentives and reforms intended to encourage an incremental year or two of work.

More broadly, encore careers include elements of personal significance and service to others that have been shown to be of particular importance to older workers; they help to redefine working longer as an aspiration rather than a punishment. This reframing is crucial for the national mood, as more people are driven to work longer by economic necessity.

As Stephen Goss testified, current Social Security models project that the labor force participation rate of those 65 and older will increase by 10 percent and suggested "there's a real possibility" to double that increase to 20 percent. Indeed, the Bureau of Labor Statistics projections forecast an increase in labor force participation of those between the ages of 65 and 74 to 30.5 percent in 2018 from 25.1 in 2008 (an increase of 21.5 percent). Those aged 75-plus are projected to increase their labor force participation to 10.3 percent in 2018 from 7.3 percent in 2008, an increase of 41.1 percent.

The provocative question posed by Mr. Goss is whether labor force participation among men and women over 65 could be increased to the 1950 level (statistic available for men only), "a very, very striking and immense change" that would reduce the trust fund's 75-year deficit by close to half. To reach the 1950 level of just under 40 percent of men over 65, labor force participation by those over 65 would have to nearly double from the 2010 level for men (22 percent) and nearly triple for women (14.1 percent). Put another way, the median retirement age in 1950 was 67. That age fell to 62 in 2000 and has rebounded to about 62.3.

A 2009 survey by McKinsey & Co. found that 85 percent of boomers think it is somewhat, very or extremely likely that they will return to work after “retiring.”

Nonetheless, the Bureau of Labor Statistics predicts the trend toward longer working lives will begin to flatten this year for men aged 65 to 74 and by 2020 for women. But a number of economists, including Nicole Maestas and Julie Zissimopoulos of RAND Corp., have weighed in on the strength of factors that might contribute to continued increases in labor force participation, including:

- The higher educational attainment of boomers (which correlates to longer working lives)
- Inadequate retirement assets that demand continued income
- Broader changes in the workplace and technology (that reduce impediments to working longer)
- Already enacted changes in Social Security and pension rules and broad reductions in retiree health benefits
- The increased presence in the work force of women, who have longer life expectancies, stronger economic incentives to remain in the work force, high interest in social-purpose encore careers and (among married women) whose continued work often encourages their husbands to keep working

We would highlight two additional, complementary factors particular to social purpose encore careers – one a push, the other a pull. The push represents the strong motivations of individuals who are interested in such careers. The pull comes from increasing social needs and an anticipated shortage of workers for the jobs that meet those needs.

Among individuals, the 2008 MetLife Foundation/Civic Ventures Encore Career Survey found that of those ages 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. Two-thirds of those interested in encore careers say they are motivated by a desire to use their skills and experience to help others. Their top dream jobs include working to advocate for an issue in which they believe, working with children and youth and working to preserve the environment. Among those already eligible for Social Security, our survey suggests that if appealing encore careers were available, labor force participation by adults 63 to 70 could rise as high as 33 percent.

For those approaching retirement age in the next 10 years, labor force participation could increase to 45 percent if encore career-type jobs are available. These data were collected prior to the recession; the decline in retirement portfolios and home equity values has likely increased the number of people attracted to encore careers as an alternative to traditional retirement.

And despite current high levels of unemployment, some economists project an approaching labor *shortage* that may force employers to more actively adapt jobs to the needs of older workers. In a 2010 report for Civic Ventures economist Barry Bluestone projected that by 2018, at current labor participation rates, there could be 5 million job vacancies in the United States, nearly half of them (2.4 million) in education, health care, government and nonprofit organizations. To fill those needed jobs, Bluestone concluded, we’ll need workers over 55 to

significantly increase their labor force participation beyond current Bureau of Labor Statistics projections.

The shifts in labor force participation in the last 60 years – both the dramatic shortening of working lives from 1950 through the 1990s and the surprising turnaround since then – show that these social patterns are not immutable. They are a function of social expectations and social policy. We created a social compact around ever-earlier retirement that was fitted for the needs of the 20th century. For the 21st century, we need a new deal that’s just as appealing – for those who choose to add an additional chapter of contribution to their working lives.

2. You suggest that Congress “encourage the federal government to be a model employer of encore talent.” Can you expand on how this might be accomplished?

As the largest employer in the United States, the federal government is uniquely positioned to serve as an example for actively recruiting older workers, especially those interested in encore careers in public service.

Civic Ventures has worked extensively with the Partnership for Public Service, which has a wealth of experience and insight in helping realize the potential for encore careers in federal government. We were pleased to have published a paper by Max Stier, president and CEO of the partnership, “Are You Experienced: How Boomers Can Help Our Government Meet Its Talent Needs,” that outlined ways to make the government a model employer of encore talent.

The need for such talent is becoming especially critical as the federal work force ages; already 25 percent of the federal work force is 50 or older. Federal agencies have well-developed pipelines for hiring entry-level talent but often have difficulty finding mid- and senior-level professionals for mission-critical jobs. Actively promoting encore career opportunities could help government agencies fill crucial experience gaps in the federal work force.

And there is a tremendous opportunity to increase federal efforts to tap experienced talent from the boomer generation. In the first quarter of 2010, workers age 50 or older comprised only 11 percent of new hires. We concur with the Partnership for Public Service’s many good suggestions for attracting the high-caliber, experienced talent the federal government needs, including:

- Requiring or highly encouraging federal agencies to develop recruiting plans that include strategies for attracting experienced talent from the private or nonprofit sectors.
- Letting people who may want encore careers know that the government is interested in people with experience. The National Institutes of Health, which is working with the Partnership for Public Service’s FedExperience Transitions to Government pilot program, was named one of the 50 Best Employers for Workers over 50 by AARP, the highest-listed federal agency. This designation serves as a helpful marketing tool in attracting experienced workers.
- Creating transition pathways into public service, including encore fellowship opportunities at federal agencies, to allow experienced workers from other fields to “try before they buy.” Such a fellowship program, perhaps modeled after the White House

fellows program, would not only allow older Americans each year to get exciting opportunities working at high levels of government, but would be a valuable public information tool to let retirees and those nearing traditional retirement age know that there are opportunities for them in government.

- Using existing programs to promote federal job opportunities to experienced workers through private sector organizations, as well as alumni and professional associations. The FedExperience program enables federal agencies to promote themselves and their hiring needs to highly qualified, experienced talent from corporate partners such as IBM and provides valuable resources to help experienced workers translate their skills to the public sector.
- Utilizing flexible, government hiring authorities, such as the Department of Defense's Highly Qualified Expert hiring authority, to bring experienced workers with specialized skills into the federal government.
- Making greater use of flexible workplace programs (such as telework, part-time employment, etc.) that provide supportive environments conducive to recruiting and retaining older workers.

In addition to hiring experienced talent to serve in encore careers, the federal government could encourage its own retiring work force to pursue encore careers by establishing employee transition programs. One model for such programs is the Pentagon's successful Troops to Teachers program, which helps fill critical needs for teachers in math, science, special education and other fields. The resources provided as part of a transition program would help prepare federal employees for encore careers in state or local government or in the nonprofit or for-profit sectors. Given the sheer number of federal employees, such a program would be another unique way to promote working longer but also enable federal retirees to continue to apply their knowledge and skills.

3. *In your testimony you mention that "an emphasis on encore talent should be central to the reauthorizations of the Workforce Investment Act and the Older Americans Act." Can you provide us with suggestions on how this might be accomplished?*

Older workers, like all workers, have been hit hard by the current recession. While the unemployment rate for older workers remains lower than for younger workers, more than 2 million Americans over 55 remain out of work, and numerous reports confirm that older workers remain unemployed longer. Difficulty in finding work has contributed to a spike in early claiming of Social Security benefits: Almost 72 percent of men who filed for Social Security last year claimed early, settling for a lifetime of reduced benefits, up from 58 percent in 2008.

Modest changes in the Workforce Investment Act, currently being considered for reauthorization, and the Older Americans Act, set to be reauthorized in 2011, could help expand encore career opportunities, enabling older Americans to earn income while completing valuable work for their communities.

For example, some performance measurements in the Workforce Investment Act inadvertently create disincentives for one-stop career centers to serve mature workers and help them launch encore careers. Successful placements of mature workers who want to move to part-time or

seasonal work, or who are able and willing to accept jobs at lower wages (perhaps in return for increased flexibility or social purpose), generally can't be counted as a positive outcome under current performance measurements.

The Council for Adult and Experiential Learning and the Council on Competitiveness have a number of useful recommendations for improving the Workforce Investment Act and the effectiveness of one-stop career centers, including:

- Establish performance measures that recognize mature workers' skills and needs. These new measures would eliminate disincentives for placement in seasonal and part-time work and would recognize the variety of scenarios – including personal preference – that might result in reduced levels of compensation.
- Create a new category for mature workers (55 and older). The Workforce Investment Act already includes a category for youths who face barriers to employment. This new category would recognize the skills and experiences that mature workers bring to the table and the struggles they may face in today's economy.

In addition, Civic Ventures recommends simple changes to CareerOneStop.org to signal the value of encore careers:

- Create a portal for mature workers. Currently, there are prominent links on the home page for students and career professionals. A mature worker portal could emphasize how the skills and experience developed over a lifetime can be redeployed in the next phase of work.
- Provide links to social-purpose encore careers. A portal that describes pathways to nonprofit work and public service, including job search links, would help workers of all ages and further buttress the encore career concept. Currently, there are prominent links on the "Job Search" page to state job banks and recruiting and staffing services, but not, for example, to USAJobs.gov – the government's official website for federal jobs and information.

The Older Americans Act includes an array of services to be delivered on behalf of older adults, including protection from elder abuse, the right to ombudsmen in nursing homes and a range of home- and community-based services delivered through the aging services network. Important for other government programs, but particularly in this historically important legislation that was created to support the health and socialization needs of older Americans, inserting new language to encourage public and private agencies funded by the Older Americans Act to hire people seeking encore careers seems especially appropriate.

For example, the 2006 amendments to the Older Americans Act recognized the value of civic engagement in older adulthood. Civic engagement activities often serve as pathways into encore careers, allowing older adults to gain valuable experience in community agencies and nonprofit organizations. To expand this pathway, Congress could increase investment in provisions such as Title I, Section 202(c), which directs the Administration on Aging to work with the Corporation for National and Community Service to encourage and permit volunteer and national service groups to work on local needs in areas of national concern. These programs are valuable in their

own right. For example, Experience Corps, which places older adults in schools to tutor children, has been documented to increase student reading comprehension as well as the health status of its older members.

To specifically assist low-income older adults, Congress could strengthen Title V of the Older Americans Act, the Community Service Senior Opportunities Act, which creates the Older American Community Service Employment Program (generally referred to as SCSEP for its former name and current usage, Senior Community Service Employment Program).

SCSEP has helped hundreds of thousands of older adults in poverty to gain a foothold on economic security, all while providing talent to meet the needs of communities throughout the nation. It is the only federal work force development program for people 55 and older, and it provides essential job training and skills development to ensure career success for those most in need in the second half of life. With the goal to reduce dependence on federal wage subsidies, SCSEP works with host agencies to hire these individuals outright, providing a real path to encore careers and financial stability.

To ensure SCSEP's success in the modern economy, we recommend the legislation include provisions to:

- Promote programs that engage the talents of older Americans to target local issues in areas of national importance. Examples include training older adults to work in long-term care institutions (providing caring peers to work with seniors and people with disabilities) and training older adults as paraprofessionals to work in schools, providing high-needs children with compassionate older adults while improving academic achievement.
- Reconfigure performance measures. Currently, only secured full-time employment is considered a success. This kind of employment goes against the desires of many older Americans, who wish to work part time and still have time to enjoy family, friends, volunteering and leisure. Additionally, SCSEP participants who transition into national service programs under the Corporation for National and Community Service should be counted as a positive outcome. This transition also complements the encore service provision of the Edward M. Kennedy Serve America Act.
- Encourage partnerships between community colleges and SCSEP grantees. To promote successful and efficient job skills training and unsubsidized job placement, SCSEP program administrators should be encouraged to work with outside education institutions, particularly community colleges, to implement programs that respond to the needs of older, low-income workers.

The reauthorizations of the Workforce Investment Act and the Older Americans Act provide an opportunity to add a new chapter to the legislative history of recognition for the talents and contributions that older Americans bring to the workplace and their communities.

4. *There is a common belief that if older workers stay in the workforce longer or return to the workforce, they will be in direct competition with younger workers for a limited number of jobs. In your testimony you state you believe this is a misconception. Can you tell us a little more about why you believe this is not correct?*

The recession has battered the job market for all ages. The labor force participation rate (which includes both workers and those looking for work) of older adults, as discussed elsewhere, has indeed continued to increase through the downturn, as many older workers elect to remain longer in their jobs in order to restore lost retirement assets and for other reasons. And many younger people have left the job market, either to get more education or out of frustration with futile job searches.

A series of media reports on the high rates of unemployment among young workers have made note of the provocative fact that while labor force participation rates have fallen for those aged 16 to 24, they have risen for those 55 and older. Many of these stories have been illustrated with cases of younger applicants being turned away from jobs, often in fast food, in favor of older workers who are taking lower-paid jobs because they themselves can't find better jobs.

Last year, *The New York Times* reported on the "generational battle for jobs, as older workers increasingly compete against applicants in their 20s for positions at supermarkets, McDonald's and dozens of other places. And older workers seem to be winning."

Yet few of the reports tackle the complex causality between these statistics. Economists would explain that the claim that older workers displace younger ones falls prey to what they call the lump-of-labor fallacy, the notion that there's a fixed amount of work to be done. Most economists reject that perception in favor of the view that an expanding labor force, combined with increasing productivity, drives economic activity that creates more jobs and more growth.

Jack Rowe, the former chairman and CEO of Aetna Inc., who in his encore career is a professor at Columbia University's Mailman School of Public Health, says "The important variable is the strength of the economy, not getting rid of older workers to make way for younger workers." Rowe cites "data from every Euro zone and the United States that when older employment is high, younger employment is high. Those countries with lower older age employment have lower younger age employment." In their paper last year, "Do Elderly Workers Substitute for Younger Workers in the U.S.?" economists Jonathan Gruber of the Massachusetts Institute of Technology and Kevin Milligan of the University of British Columbia concluded, "We find no consistent evidence of an impact of the employment of the elderly on the young or prime-aged in our sample."

Older adults who want to give back and continue working should have choices beyond fast food, where there does appear to be generational competition for entry-level jobs. The Department of Labor reports that between 2000 and 2009, employment in food preparation and serving among workers age 16 to 19 fell by 242,000 jobs, while the number of workers 55 and older increased by 128,000, according to Bloomberg.

Encore careers that leverage the experience of older adults by definition avoid competition with entry-level workers who lack such experience. Encore careers that help students succeed in school, go to college and get started in the job market increase opportunities for younger workers. And encore careers that offer an attractive option for senior managers and executives

serve to help move incumbents out of their current positions, opening the way for younger colleagues to move up.

If employers – particularly those in the nonprofit and public service sectors – get creative about tapping encore workers, experienced applicants will be less likely to compete against entry-level workers. A new corps of older-adult mentors, advisers, trainers and entrepreneurs could serve to increase the capacity of many organizations and businesses, creating additional job opportunities for young people. In our testimony, we highlighted Mitchell Smith, who was laid off three times from jobs in education technology. Smith retrained as a solar installer and has teamed up with an electrical contractor to bid on solar jobs. He’s now hiring graduates of the pioneering Richmond, Calif., green jobs training center he attended – and where he now serves as training manager and job placement coordinator. “I’m now in position to help my fellow graduates,” he says. “I’m giving back, and I feel just great.”

New roles in health care include emerging occupations such as 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 and all of which fit the skills and interests of those seeking encore careers.

In education, 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, we need more qualified and caring adults to embark on encore careers as adjunct instructors, classroom aides, counselors, tutors and after-school instructors.

A recent report for Civic Ventures, “An Encore for Nonprofit Leaders,” describes the appeal of encore careers for people already in the social sector. Such roles not only enable them to continue to deploy their talents against social challenges, but also let them gracefully vacate their old roles to make room for younger talent to ascend.

Especially as the economy recovers and today’s job shortage turns into tomorrow’s talent shortage, workplaces increasingly include both older and younger workers. There are ways to turn such “generational diversity” into a strength rather than a source of conflict. Older workers may have experience that younger professionals don’t, while younger workers can teach older workers how to better utilize technology to increase productivity.

5. In your testimony you highlight the Edward M. Kennedy Serve America Act of 2009 which this Senator proudly supported. You state that this legislation, with adequate funding, would be an important step towards creating new pathways for workers seeking encore careers. Can you talk a little more about why this legislation is so important to the concept of encore careers?

The Edward M. Kennedy Serve America Act expands national service opportunities for all and includes, for the first time in decades, policy innovations and new service opportunities for people 55 and over. The act includes experienced Americans as an integral part of the cadre of

AmeriCorps participants who are tackling the nation's biggest challenges and recognizes that they offer unique value based on their professional and life skills and experience.

National service can become a powerful encore career pathway. AmeriCorps has already proven successful in helping younger people explore, prepare for and pursue careers in nonprofit and public service fields, a finding that Corporation for National and Community Service research supports. Full implementation of AmeriCorps' encore service provisions can build on this promise. Collaboration with other streams of service (like Senior Corps and AmeriCorps VISTA) can provide even more opportunities for a diverse group of people 55-plus to serve their communities, build new skills and new networks and pursue sustainable social-sector work.

The Serve America Act's encore provisions provide significant new incentives for people 55 and older to serve their communities and to use that experience to transfer into encore careers. These incentives include the goal of dedicating 10 percent of AmeriCorps competitive grant positions and/or funds to encore service programs, as well as new rules that will allow AmeriCorps members to serve more than two part-time terms, add up their cumulative hours of service and eventually earn the equivalent of two full-time education awards. Also, although members may now transfer their postservice education benefit (the Segal Education Award) to a child, foster child or grandchild, AmeriCorps members seeking encore careers can use the education awards themselves to brush up on specific skills, gain knowledge about a particular field or start a certificate program.

Currently, only about 3 percent of AmeriCorps members are 55 and over. If AmeriCorps grows to its authorized 250,000 participants by 2017, and as boomers continue to enter the second stage of life, this 10 percent target has the potential to increase service opportunities dramatically for older Americans, while encouraging multigenerational service teams.

One possible effect of 55-plus AmeriCorps participation – as yet untested: It could result in members delaying taking Social Security benefits during the one to two years of AmeriCorps participation and, more significantly, for a longer term if encore service provides a transition to sustainable encore careers. As Stephen Goss described in his submitted testimony, continued work at these ages would be beneficial to the Social Security program.

There are still some important steps that Congress can take to maximize the potential of this pathway to encore careers. The first and foremost step is to support full funding for AmeriCorps and encourage continued attention to the 10 percent encore service provision as one aspect of service for all ages. Just imagine what kinds of encore careers could be launched from the experience and ingenuity of boomers who served their communities.

The second step the Senate can take is to fund Serve America's new encore fellows provision. These encore fellowships are intended to provide people 55 and older with a way to contribute their skills to government and nonprofit service while making their own transitions to encore careers in which they can continue to earn salaries, find meaning in their work and use their experience to improve communities. The fellowships are public/private partnerships that can leverage funding from corporations and nonprofits – a sustainable model piloted by Civic Ventures and praised by an independent evaluation.

The small scale encore fellows pilot shows that a well-designed and well-implemented model is an effective pathway to encore careers, allowing older adults to transition from midlife careers in the private sector to encore careers in the nonprofit sector. These careers are likely to be substantial in duration. Meanwhile the worker continues to earn income and pay taxes and doesn't draw on Social Security from an early age. Funding federal encore fellowships would build momentum (and funding) for the practice in the private, nonprofit and public sectors. There is potential for a big return for a relatively small federal investment.

Lastly, policymakers can leverage the encore provisions in the legislation by exploring tax incentives to support companies that work in partnership with AmeriCorps programs to help professionals transition to social-purpose encore careers.

Encore service – properly marketed, well-supported, thoughtfully deployed and with appropriate support for post-service transition to encore careers – can make AmeriCorps a powerful new pathway for people who want to make a long-term commitment of their skills and experience to the common good. The result will be a more engaged citizenry and a more strongly equipped sector for solving our communities' toughest challenges.

Questions from Senator Bingaman:

1. How can health care employers deploy older adults to help improve health outcomes and lower costs?

The promise of meaningful health reform requires a work force capable of delivering quality care in ways that can reduce costs. This need is made even more urgent by the growing demand for health services, fueled by the aging of America as well as increases in the insured population.

The deployment of encore talent in professional and paraprofessional roles can help meet these human capital needs. As we pointed out in our testimony, increasing the numbers of people 55 and older in the work force is necessary to avoid growing labor shortages in the health sector. Moreover, tapping the experience of older adults in health-related jobs (or any jobs) opens new possibilities for keeping people healthier, a win for society as well as for individuals.

There is broad consensus that retaining experienced nurses and other health care workers in encore careers is preferable to losing them to retirement. In addition to the impact of lost knowledge and experience on service delivery, turnover and replacement increase the costs of our health care system. The Robert Wood Johnson Foundation found that temporarily filling registered nurse vacancies (expenses associated with training, orientation, advertising, recruiting and termination) cost an average of \$36,567 per full-time employee. Bon Secours Health System, which testified before this committee about its experience in retaining incumbents in a new stage of work, applied the foundation's findings and reported that retaining just 100 nurses (as it did in a recent three-year period) saved at least \$6 million and as much as \$15 million.

Like Bon Secours, the Central Florida Health Alliance, formerly known as Leesburg Regional Medical Center and the Villages Regional Hospital, has been a leader in tapping the experience of older adults. The alliance was recognized by MetLife Foundation and Civic Ventures with a BreakThrough Award in 2007 for its success in retaining experienced hospital staff and recruiting encore job seekers. It was successful in those endeavors by redesigning work schedules to maximize flexibility, helping veteran nurses transition to other roles in the hospital and providing support programs, such as child care for grandchildren. Leesburg reports reduced staff turnover, vacancy rates, medical errors and overall costs.

In addition to filling traditional health care jobs, encore seekers are a good match for new and emerging roles. The Institute of Medicine of the National Academies has pointed out that the health care work force has a history of creating new jobs in response to need. Given the need to compensate for provider shortages and the opportunity to implement new technologies and models of care, the institute recommends that health care jobs be redesigned, guided by the standard that everyone should be working at the top of his or her scope of practice. This strategy would reshape existing jobs by, among other things, making front-line health care work force roles more attractive to people seeking encore careers. In addition to relieving current and projected shortages of the highest credentialed professionals, new roles and the redesign of existing positions could produce cost efficiencies.

Private payers are increasingly recognizing the need for such “adjunct providers” to supplement and complement the care that doctors, nurses and other highly skilled professionals provide to the growing number of people who are at risk of, or who suffer from, chronic diseases. Patient navigators, for example, can be one part of a comprehensive solution to lowering health care costs by focusing on prevention and follow-up to reduce the likelihood of hospital readmissions.

Serving as intermediaries between patients and the many layers of the health care system, navigators can help patients get prescriptions, file insurance claims and arrange transportation to medical appointments. In addition, they can assist patients in developing, interpreting and following health care plans. Besides chronic disease treatment and prevention, navigators have also been successfully engaged to help guide patients with cancer through the complex treatment process.

Trained lifestyle coaches can also play a role in improving health and reducing costs. UnitedHealth Group and YMCA of the USA recently began making an evidence-based diabetes prevention program available at local Ys. The Ys receive reimbursement for achieving successful health outcomes for participants. This partnership marks the first time a health services company is reimbursing a community-based organization for delivering a prevention program. A trained lifestyle coach gives participants tools to transform their lifestyles and modify their behavior, all with the goal of helping them reduce their chances of developing Type 2 diabetes.

Over the course of 16 sessions, individuals attend group classes that cover such topics as healthy eating, physical activity, overcoming stress, staying motivated and more. After those initial sessions, participants meet monthly for added support to help them maintain their progress. The

program – originally funded by the National Institutes of Health and the Centers for Disease Control and Prevention – has been shown to reduce the incidence rate of diabetes by 58 percent.

Such roles are well suited to experienced workers interested in encore careers. Given their own life experiences, their likely ability to empathize with program participants and their ability to be trained to deliver the program, encore lifestyle coaches could be a valuable work force as the program expands over the next few years. YMCA of the USA estimates that hundreds, if not thousands, of such lifestyle coaches are going to be needed nationwide.

The cost savings could be considerable. In a new study, *How We Can Pay for Health Care Reform*, the Urban Institute conservatively estimates a cost savings of \$191 billion over 10 years for structured lifestyle intervention programs like the YMCA's. These programs target those most at risk of developing diabetes, with the bulk of the savings being realized by Medicare and Medicaid.

In addition to the cost savings of chronic disease prevention and treatment, other encore roles discussed in the testimony promise to save even more money. As this committee knows, hospital readmissions account for as much as 17 percent of total Medicare expenditures (\$17.4 billion out of \$102.6 billion in 2004) and thus make a good target for cost reductions. The deployment of patient navigators, sometimes called transition coaches, appear to be an effective way to reduce readmissions. Evaluation of a care transitions model created by Dr. Eric Coleman and his colleagues suggests that when patients are given the tools and motivation, along with the talent of a knowledgeable navigator or transition coach, they are less likely to be readmitted to the hospital.

Besides their suitability for such health care roles, boomers and older adults in encore careers also have the potential to help younger generations enter the growing health field. 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 befitting health care veterans seeking encore careers.

And experienced nurses are transitioning, with help, to encore careers as nurse educators. For example, Owensboro, Ky., needed 600 more nurses for a new hospital. 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 the Owensboro Medical Health System, the college is training experienced nurses – retired or still working – to serve as instructors in the college's nursing department as part of the Adjunct Boot Camp. The ongoing program is helping nurses over 50 to move into encore careers as nurse educators. Similarly, Senator Durbin's Troops to Nurse Teachers Act of 2008 would have encouraged military nurses to become nurse faculty members, enabling nursing schools to expand their enrollments and relieve the chronic shortage of nurses.

There are several actions Congress could take to promote and enable more encore careers in health, to both meet the interest of older adults in such work and serve the health needs of our nation:

- This committee could take a leadership role by convening a hearing at which health care providers, payers, experts and people in health encore careers would testify about their experience in deploying encore talent to drive quality improvements and cost reductions. Giving visibility to this potential could inspire health care providers to develop the encore work force and individuals to seek such work.
- Funding implementation of Title III and Title V of the Patient Protection Act would provide needed resources to develop demonstration projects in new ways to deliver health care and build the health care work force.
- Active monitoring of the implementation of Title III and Title V, including a focus on the deployment of encore talent, could focus the executive branch on testing and evaluating the impact of encore talent on health care quality and costs.

2. *How can people with experience in the building trades and business skills such as project management, finance, marketing and information technology help advance energy efficiency and clean energy goals?*

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 any energy or climate 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.

A study for MetLife Foundation and Civic Ventures found that the skills of boomers looking for “encore careers” mesh with the need for experienced workers in the green economy. The report, *How Boomers Can Help the Nation Go Green*, identified eight roles well suited to boomer talents, including weatherization crew leaders, energy auditors and solar contractors and trainers.

A green encore talent initiative could help ensure the effective expenditure of public funding for energy efficiency projects. 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. For those without “hard” skills, there’s a role for mentors and job coaches to help green-collar trainees with the “soft skills” – basic social and workplace behavior – that are often the biggest barrier to job success for many at-risk populations.

Still, 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. Encore managers, marketers and finance and information technology specialists can help build such a pipeline by building sorely needed capacity in the many efforts to implement regionwide energy efficiency and clean energy programs. Retrofit and solar installation projects can be complicated, so the experience of contractors, trades workers and professionals who have done this kind of project management throughout their careers (either in construction, real estate, the corporate world or as small business owners) can be invaluable. Nonprofit housing developers, community development corporations and others are launching energy efficiency retrofits, housing rehabs and other initiatives and are in need of project managers. Financial and legal experts are needed to put together and analyze deals and terms.

The Department of Energy has recognized the need for technical assistance for retrofit and clean energy initiatives; in addition to advice, such projects need experienced personnel, perhaps on an interim basis such as an encore fellowship, to help establish systems and jump-start projects. Such interventions can have significant multiplier effects. 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.

Scott Wynn, 53, is applying what he learned in the Air Force and as a building contractor in his encore career as the green jobs training specialist at the nonprofit Center for Employment Training in San Jose, Calif. "It's bottlenecked from the top to the bottom," Wynn says of the pipeline from training to employment to customers. "But once we get it streamlined, then the demand is going to increase exponentially."

3. You discuss using "carrots and not sticks" to encourage people to work longer. What are the most important incentives?

Encore careers are a choice, not a punishment. The aspiration and intention of so many boomers now in their 50s and 60s to keep working sets the stage for a voluntary shift toward longer working lives. The best and most effective champions for expanding encore career opportunities and overcoming obstacles are the passionate pioneers entering their own new stage of work.

The least we can do is meet them halfway. For starters, civic leaders can help create new social norms and social expectations by recognizing and validating those who are using their experience to tackle social challenges in their encore careers and by calling others to action. President Obama did just that last year when he recognized social innovators at the White House, including older entrepreneurs "who finish out careers in business or health care or education, and instead of transitioning into retirement, they're just too busy, they're too restless, so they come back for an encore, plowing a lifetime of experience into helping people in need."

Legislators can help cement this new norm by recognizing the talent and experience of older workers in the work force provisions of major legislation. The removal of obstacles for employers to recruit and retain older adults would also signal that the tide has changed. One simple measure would make Medicare the first payer for employees who are eligible (as was the

case before 1983), relieving employers of the high costs of fully insuring workers 65 and older. Pension rules could be modernized to encourage flexible work options, including part-time work.

Another part of reinforcing the new reality of working longer is the establishment of social institutions around the transition to an encore career. Just as the transition from school to work is mediated by a whole set of enabling mechanisms, so should be the transition from one's primary career to an encore. The elements needed to make such transitions successful, over the period of a year or so, include: 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.

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. These investments should include encore fellowships, community college encore career programs and AmeriCorps encore service projects. To finance such transitions, Congress should enable the creation of new financing vehicles – “individual purpose accounts” – that help people save and invest to finance their encore transitions, and modify student loan restrictions to more fully meet the needs of adult learners and those committed to public service.

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, and by exploring ways to encourage more employers to follow the lead of corporations such as the Hewlett Packard Company in supporting such fellowships.

Community colleges and other education providers that are gearing up to offer quick, flexible and affordable training and certification for experienced workers launching encore careers should likewise receive support. Programs such as the Community College Challenge Grant program that was part of the Student Aid and Fiscal Responsibility Act of 2009 should encourage colleges to recognize that 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.

For now, the do-it-yourself version of an individual purpose account is 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. The Lifelong Learning Accounts Act (LiLA), for example, would help workers save for future education to jump-start encore careers by establishing tax-exempt LiLAs to cover tuition, fees, books, supplies and computers; providing individuals with a tax credit for cash contributions to their LiLAs; and allowing employers a tax credit for contributions they make to the LiLAs of

their employees. Tax laws that currently allow deductions for education and training to stay current or advance in one's present career could be broadened to deductions for the costs to make the switch into an encore career, particularly for those working in high-need areas.

The primary incentive for working longer, of course, is increased financial security, so Congress should make it easier for individuals to realize this goal. Social Security's Delayed Retirement Credit, for example, 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.

By clarifying and modernizing such income-management features, Social Security could send the signal that we want people to re-up rather than retire. To encourage people to choose work, new rules also could increase bonuses for people who not only postpone their benefits but continue to work. A modernized approach also could include additional incentives for work in high-need areas, much like the Education for Public Service Act provides loan forgiveness for such service.

4. How does the continued participation of older adults in the work force affect job prospects for younger workers?

Please see the response to Senator Baucus' question No. 4, above.

**Choosing to Work During Retirement and the Impact on Social Security
Testimony to United States Senate Committee on Finance
July 15, 2010
By Stephen C. Goss, Chief Actuary
Social Security Administration**

Mr. Chairman, Ranking Member, and members of the committee, thank you for the opportunity to discuss this important topic today. The aging of our population in the future will challenge the financing of Social Security, Medicare, and all private retirement and health systems. Finding ways to encourage Americans to work longer and to be more productive can potentially contribute to meeting the financial challenges that lie ahead.

The Nature of the Aging Challenge

Death rates have declined gradually over the last century and we are living longer. However, there will be an enormous change in the age distribution of our population over the next 25 years. For the Social Security program, we have had about 3.3 contributing workers for each beneficiary from 1975 to 2008. By 2035, we project that we will have only about 2 contributing workers for each beneficiary. This dramatic change will occur principally because the large baby boom generation will pass from working age to retirement age over this time, and will be replaced by relatively smaller generations due to the permanent decline in birth rates after 1965. It is this shift in birth rate that will cause, inevitably, a large and permanent change in the age distribution of our population that will challenge all aspects of our economy.

Implications for Employment and Economic Output

As we have been living longer, we have also in general been living healthier with a greater capacity to work. However, over about the last 40 years, as the baby boom generation moved into working ages and more recently the prime working ages, with steadily rising employment for women, we have had an ample supply of workers to provide for our needs and to facilitate an increasing standard of living. In fact, employers have offered older generations opportunities to retire early as the boomers and more women moved into the labor force.

Since 1950, employment has been rising at least as fast as total population. This has meant that per capita GDP, a good measure of our standard of living, has risen at least as fast as per worker output (i.e., labor productivity). However, between now and 2035, slower growth in employment than in total population will reduce our general standard of living (as measured by per capita GDP) in relation to the average worker's output. As a result, providing benefits for the faster growing aged population will place a larger burden on the average worker.

Annual Change in GDP Per Capita and Per Hour of Work

	<u>GDP</u> <u>PerCapita</u>	<u>GDP per</u> <u>Hour of Work</u>
1950-67	3.2	2.7
1967-2008	1.7	1.7
2008-35	1.5	1.7
2035-80	1.7	1.7

Between now and 2035, per capita GDP is projected to grow by about 5 percent less than average worker output. This shift to a relatively lower general standard of living by 2035 is projected to be “locked in”, with growth in per capita GDP and average output per worker after 2035 being the same.

Finding ways for US workers to be more productive and to work longer, particularly between now and 2035, can help soften the economic effects of population aging. The 2009 Trustees Reports project that the productivity of our workforce will continue at the historic rate of the past 40 years on the assumption that improvements in technology will offset the expected slowdown in the rate of increase in educational attainment. The reports also assume that workers will tend to work longer as life expectancy and health improve. Offsetting this assumption is the expectation that disability prevalence will continue to climb somewhat in the future. Overall, the Trustees project that labor force participation will not change substantially from recent levels under current policy.

Potential for Increased Work

In a highly competitive world labor market, where barriers of time and distance have eroded and outsourcing or work across borders has increased, the mere availability of a supply of labor in the US is not enough. Having the skills and abilities to compete will be critical. Future policies to enhance the skills of US workers can contribute to the demand for their services in employment.

Since 1950, labor force participation has changed dramatically in the United States. The chart below illustrates on both unadjusted and age-gender-adjusted bases the changes that have occurred and are expected to occur based on the intermediate assumptions of the 2009 Trustees Reports. Because the population has tended to get older within all age groups starting at age 45, and participation rates tend to be lower at higher ages, the unadjusted participation rates do not illustrate the true extent to which participation has increased over time on an age-specific basis for the population as a whole (total of male and female). On an age-gender-adjusted basis, the labor force participation rate for all ages 16 and over has risen from 56.6 percent in 1950, to 65 percent for 2010, with a further small increase projected to 66.2 percent by 2080. On the gross, unadjusted basis, the total rate was at 59.2 percent for 1950, rising to 65 percent for 2010, and then dropping to 59.6 percent by 2080 as the aging of the population puts increasing weight on the very high ages where few remain in the labor force.

United States Labor Force Participation Rates, Historical and Projected
NOT AGE-GENDER ADJUSTED

	1950	1970	1990	2010	2035	2080
Male						
16-44	0.907	0.862	0.876	0.823	0.839	0.837
45-64	0.918	0.894	0.806	0.787	0.759	0.753
65 +	0.458	0.268	0.163	0.221	0.226	0.210
16+	0.863	0.797	0.764	0.723	0.687	0.651
Female						
16-44	0.387	0.493	0.714	0.683	0.723	0.730
45-64	0.332	0.493	0.593	0.661	0.616	0.632
65 +	0.097	0.097	0.086	0.143	0.166	0.154
16+	0.339	0.433	0.575	0.580	0.562	0.544
Total						
16-44	0.636	0.669	0.794	0.753	0.781	0.783
45-64	0.621	0.684	0.695	0.722	0.686	0.692
65 +	0.267	0.170	0.118	0.177	0.193	0.180
16+	0.592	0.604	0.665	0.650	0.623	0.596

United States Labor Force Participation Rates, Historical and Projected
 Age-Gender Adjusted to the 2009 Non-Institutionalized Population

	1950	1970	1990	2010	2035	2080
Male						
16-44	0.901	0.885	0.867	0.823	0.835	0.833
45-64	0.919	0.894	0.812	0.788	0.778	0.767
65 +	0.395	0.244	0.153	0.220	0.219	0.242
16+	0.835	0.796	0.746	0.725	0.728	0.726
Female						
16-44	0.387	0.491	0.709	0.683	0.720	0.727
45-64	0.331	0.494	0.600	0.663	0.637	0.646
65 +	0.081	0.084	0.081	0.141	0.153	0.169
16+	0.314	0.420	0.562	0.581	0.593	0.601
Total (age-gender adjusted)						
16-44	0.644	0.687	0.788	0.753	0.778	0.780
45-64	0.617	0.688	0.703	0.724	0.705	0.705
65 +	0.217	0.154	0.112	0.175	0.182	0.200
16+	0.566	0.602	0.651	0.650	0.658	0.662

For the purpose of illustration, we have developed three hypothetical scenarios for increased labor force participation in the future beyond what the Trustees project under current law and policy. It should be noted that in each of these scenarios it is assumed that the additional supply of labor being assumed would be met with increased demand, so that total employment would increase to the same extent as for the labor force.

Scenario 1: Increase Work at Age 62 and Older by 10 Percent

As indicated in the table above, labor force participation has declined generally for men and has risen for women since 1950 and 1970. Under the Trustees intermediate assumptions, participation rates are projected to rise in the future at age 65 and older, on an age adjusted basis, to levels closer to those experienced back in 1970 for males and to double the rates from 1970 for females.

Under this scenario, we consider the effect of an additional 10-percent rise in labor force participation at ages 62 and older becoming effective by 2011. We estimate that an increase at this level would add about 1.3 percent to the taxable earnings for the Social Security program. The additional revenue would be partially offset by additional benefits earned by some workers gaining insured status, and others having increased average career earnings levels. An increase on this order would improve the long-range OASDI actuarial deficit, reducing it from the 2.00 percent of taxable payroll estimated under current law by about 0.09 percent, to a deficit of 1.91 percent of payroll. The trust fund exhaustion date would be extended by one year, from 2037 to 2038. The annual deficit in the 75th projection year would also be reduced by 0.09 percent of taxable payroll.

Scenario 2: Increase Labor Force Participation to the 1950 Male Rates, Unadjusted

Under this hypothetical scenario, labor force participation at ages 45 and older would rise by 2011 for both men and women to the rates experienced in 1950 by men alone. This would clearly be a dramatic increase in overall employment above current and projected levels. The assumed increases in labor force participation do not reflect the availability of disability benefits under the Social Security program, which started in 1957, or the increasing average age of the group age 65 and older.

Overall, this scenario would imply an increase in Social Security taxable earnings of about 16.5 percent over projected levels. The additional revenue would be partially offset by additional benefits earned by some workers gaining insured status, and others having increased average career-earnings levels. An increase on this order would improve the long-range OASDI actuarial deficit, reducing it from the 2.00 percent of taxable payroll estimated under current law by about 0.98 percent, to a deficit of 1.02 percent of payroll. The trust fund exhaustion date would be extended by 18 years, from 2037 to 2055. The annual deficit in the 75th projection year would be reduced by 0.54 percent of taxable payroll.

Scenario 3: Increase Labor Force Participation to the 1950 Male Rates, Adjusted

Under this hypothetical scenario, labor force participation at ages 45 and older would rise by 2011 for both men and women to the rates experienced in 1950 by men alone. However, the assumed increases in labor force participation here reflect the availability of disability benefits under the Social Security program, which started in 1957, and the increasing average age of the group age 65 and older. For individuals projected to be receiving disabled worker benefits in the future at ages 45 to 66, the assumed increase in

labor force participation is assumed to be half as large as the general increase implied by a return to 1950 male rates. In addition, labor force participation over age 65 is here assumed to be at 1950 rates on an age-specific basis so that rates for the entire age group 65 and older would tend to decline somewhat as the average age for the group increases.

Overall, this scenario would imply an increase in Social Security taxable earnings of about 13.5 percent over projected levels. The additional revenue would be partially offset by additional benefits earned by some workers gaining insured status, and others having increased average career-earnings levels. An increase on this order would improve the long-range OASDI actuarial deficit, reducing it from the 2.00 percent of taxable payroll estimated under current law by about 0.79 percent, to a deficit of 1.21 percent of payroll. The trust fund exhaustion date would be extended by 14 years, from 2037 to 2051. The annual deficit in the 75th projection year would be reduced by 0.33 percent of taxable payroll.

Long-Range OASDI Financial Effects for Hypothetical Future Work Scenarios

	Projected Change in OASDI ---			Year of trust fund exhaustion
	Employment at all ages	Actuarial balance <i>(percent of taxable payroll)</i>	75th year annual balance	
Scenario 1: 10 percent increase in projected level of work at ages 62 and over starting 2011	1.3%	0.09	0.09	2038
Scenario 2: Work for men and women at ages 45 and over at same rates as for men in 1950, Unadjusted	16.5	0.98	0.54	2055
Scenario 3: Work for men and women at ages 45 and over at same rates as for men in 1950, Adjusted for available disability benefits, and aging over 65	13.5	0.78	0.33	2051
Under current law and policy	na	-2.00	-4.34	2037

All projections under the intermediate assumptions of the 2009 Trustees Report, except where specified.



SOCIAL SECURITY
Office of the Chief Actuary

August 24, 2010

The Honorable Max Baucus
Chairman, Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

It was a pleasure testifying to the Committee on the topic of extending working years for older Americans. The question you pose in your letter after the hearing is as follows:

“One suggestion for encouraging older workers to voluntarily stay in the workforce longer is to allow older workers to earn delayed retirement credits for Social Security benefits until age 72 instead of age 70, as under current law. Is it correct that this incentive would be actuarially neutral? If yes, would it also be neutral from an actuarial standpoint if the age were extended beyond 72?”

Specifically, we estimate that extending the age to which the delayed retirement credit (DRC) is applicable beyond 70, to 72 or higher, would be actuarially neutral in the long run. The 1983 Social Security Amendments established the DRC at an ultimate level of 8 percentage points for each year benefits are deferred between the normal retirement age (NRA) and age 70. If the maximum age for earning DRCs were extended to age 72 at the same rate, the cost effect would be negligible. Extending the DRC beyond age 72 might require a small modification in the size of the credit applicable for higher ages. If the level of the DRC applicable to any age over 72 were selected appropriately, there would again be a negligible long-range cost effect on the OASDI program.

Please let me know if you have any other questions or if there is any other way in which we can assist.

Sincerely,

A handwritten signature in cursive script that reads "Stephen C. Goss".

Stephen C. Goss
Chief Actuary

Statement of Senator Charles E. Grassley
Hearing Before the Senate Committee on Finance
Choosing to Work During Retirement and the
Impact on Social Security
July 15, 2010

Over the next two decades, the aging of the 78 million baby boomers will bring about a dramatic demographic shift.

Our nation will see the ratio of workers to Social Security beneficiaries decline from 3-to-1 to 2-to-1. That means one-third fewer workers relative to each beneficiary.

All other things being equal, this demographic shift implies a payroll tax increase of 34% or a benefit reduction of 25% would be necessary to balance Social Security's annual cash-flow in 2030.

The purpose of today's hearing is to consider ways to encourage the employment of older Americans and thereby improve Social Security's long-term financial outlook.

When Social Security was enacted in 1935, it was agreed that if a person worked, he or she was not retired, and thus not entitled to Social Security retirement benefits.

Over the years, the so-called Retirement Earnings Test has been modified to allow many people to work and collect retirement benefits at the same time. The exact amount depends on each worker's age and income.

These modifications represent a trade-off between two competing objectives – limiting retirement benefits to those who are retired, and allowing those who are retired to supplement their income.

Much of today's testimony focuses on encouraging those who are old enough to collect Social Security to pursue a second career.

But the historical data show a significant decline in labor force participation among men of every age.

As Mr. Goss's testimony shows, between 1950 and 2010, the labor force participation rate among younger men (16-44) fell by 9%; among older men (45-64) the rate fell by 14%; and among those ages 65 and over the rate fell by 44%.

The historical decline among men has been offset by the increase among women. There has also been a slight increase among men in recent years.

But under the Social Security Administration's intermediate assumptions, future increases will not make up for our aging population. There will be a net decline in overall labor force participation.

Higher labor force participation rates would improve Social Security's long-term annual cash-flow.

Additional employment would bring in more payroll taxes. But it would also result in higher benefits.

In the long-run, benefits would increase by 50 to 80 cents for every dollar of additional payroll taxes.

Ultimately, achieving a sustainable Social Security system will require fundamental reform.

But as today's testimony will show, encouraging more employment among Americans of every age will make the task easier than it might otherwise be.

Nicole Maestas¹
The RAND Corporation

*Encouraging Work at Older Ages*²

Before the Committee on Finance
United States Senate

July 15, 2010

I would like to thank the Committee for the opportunity to testify. I will address my comments to the issue of encouraging work at older ages, drawing on recently published RAND research. The economic challenges posed by an aging society are significant. As the Baby Boomers age and retire, the ratio of nonworkers to workers in the population is rising, causing society's consumption needs to outpace growth in our productive capacity, and ultimately, straining Social Security and Medicare and slowing economic growth.

The impact of population aging on our standard of living in the future depends in part on how long people choose to work before they retire from the labor force. Fortunately, here there is reason for optimism: the end of the 20th century witnessed a profound change in retirement behavior. For over a century, the labor force participation rate of men over age 65 declined. At the end of the 20th century however, the labor force participation rate of older men began to rise. The labor force participation rate of older women rose as well, following a remarkable increase in labor force participation among younger women over many decades.

Changes in the *level* of labor force participation over time can result from changes in either labor force *entry* or labor force *exit* behavior. For example, an increase in labor force entry at younger ages could lead to a higher fraction of the population employed at older ages, as could a decrease in the rate of retirement at older ages. Recent evidence favors the latter explanation. Labor force participation rates for younger men have actually fallen over time, and retirement rates are indeed lower among recent cohorts.

The most important forces behind the historical turnaround in labor force participation were rising education levels and technological change leading to less physically demanding jobs. Work at older ages is likely to continue rising in the future, but it will be propelled by different forces. Chief

¹ The opinions and conclusions expressed in this testimony are the author's alone and should not be interpreted as representing those of RAND or any of the sponsors of its research. This product is part of the RAND Corporation testimony series. RAND testimonies record testimony presented by RAND associates to federal, state, or local legislative committees; government-appointed commissions and panels; and private review and oversight bodies. The RAND Corporation is a nonprofit research organization providing objective analysis and effective solutions that address the challenges facing the public and private sectors around the world. RAND's publications do not necessarily reflect the opinions of its research clients and sponsors.

² This testimony is available for free download at <http://www.rand.org/pubs/testimonies/CT350/>.

among these is the scheduled increase in the Social Security Full Retirement Age (FRA). The increase from age 65 to age 67 will not be fully implemented until 2022, when the 1960 birth cohort turns 62. Second is the restructuring of employer pension plans from traditional defined benefit pension plans with early retirement incentives to 401(k)-style pension plans that have no such retirement incentives. In addition, legal barriers to phased retirement have only recently been partially relaxed. The Pension Protection Act of 2006, while stopping short of explicit guidelines, effectively permits pension payments to employees beginning at age 62 *even if* they have not reached their plan's normal retirement age. The extent to which employers and thus employees will choose to make use of this option and its effect on total hours of work remains to be seen. On one side, greater use of phased retirement may keep older workers partially in the workforce when they otherwise would have fully retired; on the other side, a phased retirement option may lead some workers who would have kept working full-time to choose partial retirement instead.

Third, as the labor force participation rate of younger women has risen over time, more and more women qualify for Social Security benefits on the basis of their own work history, rather than their husband's. In particular, for an older woman with early-career gaps in earnings due to child rearing, the increase in earnings and pension wealth coming from another year of work could be larger than that of a same-aged man with a continuous earnings history. And importantly, when women work longer, so do their husbands. Fourth is a continued gain in life expectancy. The linear increase in life expectancy over the past 165 years shows no signs of deceleration. People will increasingly need to work longer in order to support consumption over a longer life span.

A Changing View of Retirement

As labor force participation at older ages has risen, the ways in which men and women work at older ages has been changing, too. The traditional view of retirement as a permanent and complete exit from the labor force and from a full-time job held since middle age does not describe most workers today. For many workers, an exit from the labor force after age 50 is temporary. Only 40 percent of those who stop working in their 50s and 60s stay out of the labor force; 40 percent return to work, and 20 percent pass through a period of partial retirement (part-time work following retirement). Sixty-one percent of re-entering workers change occupations, with a notable shift from managerial and professional specialty occupations to sales, administrative support and services positions. A parallel shift in industry is evident, as many individuals move from the manufacturing sector to the services sector. The prevalence of self-employment at older ages has also risen, with one in four 65-year olds working in self-employment.

Potential Challenges Ahead

Despite this good news, there are some potential challenges. On the employee side, continued progress toward better health during our longer lives will depend in part on the adoption of healthier behaviors such as less smoking, more exercise, and better diets. While on many dimensions of health, age 60 does seem to be the new 50, the well documented rise in obesity among younger cohorts portends the possibility of a reversal in the rising trend in "healthy" life-expectancy. Another potential employee-side constraint on labor supply in the future is that with increasing life expectancy, older Americans will feel the pull of family care giving responsibilities from many directions—their elderly parents, their spouse, and even their grandchildren. In deciding whether to work, older workers face tradeoffs that interestingly mimic those often faced by younger married women; the value of their alternative use of time (care-giving) is relatively high and the market may not provide a close substitute.

Even so, many older Americans would apparently like to work but cannot find jobs. Even *before* the current recession, only about one-half of older job-searchers found jobs within two years; one-third of them wanted part-time jobs, but these jobs were the hardest to find. One potential barrier on the employer side is the perception that older workers are less productive. Research in cognitive neuroscience finds that many aspects of cognition, including processing speed, long-term memory, and reasoning abilities do indeed decline from about age 20, and by some estimates, decline faster after age 60. But, other valuable skills such as emotional processing, semantic knowledge, autobiographical memory and short-term memory remain relatively stable as one ages—and the extent to which individuals can use accumulated knowledge and experience to compensate for any limitations is not well understood. Productivity need not decline steeply with age if compensatory behavior is possible or if skills that do not decline with age are primarily used on the job. Still, evidence continues to mount that statistical discrimination, judgment based on a group's characteristics rather than the individual's, is an important factor in the hiring and retention of older workers. An experimental labor market study found that a younger woman is 40 percent more likely to be offered an interview for an entry-level job than an older woman.

Another constraint on employer demand for older workers is health care costs. As the workforce ages, its average health declines and health care costs rise. The extent to which expected health care costs depress employer demand for older workers is unknown but may be substantial. Although age discrimination laws prevent employers from varying health insurance coverage by employee age, employers are permitted to vary coverage by employment class. For example, it is

legal to exclude part-time employees from coverage offered to full-time employees. Even when the employee is Medicare eligible, as long as the employer offers coverage to others in the same employment class (e.g., other full-time workers), the employer is the primary payer and Medicare is the secondary payer, paying only what the employer plan does not cover (up to coverage limits). An alternative would be to make Medicare the primary payer under all circumstances, decreasing the cost of employing an older worker relative to a younger worker but increasing Medicare's expenditures.

Even though part-time workers need not be provided health and pension benefits, employer demand for older workers may be low in part because high turnover rates among workers nearing retirement make it difficult to recoup fixed costs associated with hiring and training over a short horizon. Still, this concern applies to both part-time and full-time workers and increasingly applies to younger workers too, as the gap in expected job tenure between older and younger workers is falling. Yet another issue for employers may be the challenge of adapting production processes to accommodate the flexible, part-time work schedules desired by older workers.

Incentivizing Work at Older Ages

A key question for policy makers is how to support the forces already in motion and ease some of the challenges? As noted earlier, two types of behavior could be targeted: workforce entry (or re-entry) behavior and workforce exit behavior. Should we encourage people to delay retirement in the first place, or encourage them to retire but later re-enter the workforce in a different capacity? As an individual decides whether to enter, exit, or re-enter the workforce, he or she weighs the benefit—net compensation—against the cost—the value of foregone leisure. For an older worker, the value of foregone leisure can be high especially if retirement is expected to be a fun time in life or if family members need care. Moreover, the availability of guaranteed retirement benefits as a replacement for earnings means that the marginal value associated with a dollar of earnings is lower than it was before benefits became available.

It is likely easier to incentivize an older worker to defer retirement than to re-enter the labor force after already having left. In large part, this is because of the return to job tenure. Although the return to tenure appears to be declining, tenure is an important determinant of total compensation. Leaving a job held for a long time for a new job typically results in a wage loss (especially if the job is a part-time job), reducing the financial return associated with re-entry. Making work attractive to an older individual with guaranteed retirement benefits and whose outside option is highly valued may require firms to compete on the non-pecuniary dimensions that are valued by

older workers, such as part-time hours, flexible schedules, and reduced responsibilities and work stress.

Policy options to encourage work at older ages include eliminating the remaining major work disincentive in the Social Security system, the retirement earnings test between ages 62 and the Full Retirement Age, raising the early retirement age, and formalizing phased retirement rules to encourage partial retirement instead of full retirement (while being careful not to encourage too many to choose partial retirement instead of full-time work). In addition, a growing body of evidence suggests that people do not fully understand the rules governing their Social Security benefits; policy could seek to help people understand that by taking early Social Security benefits, they lose nearly 30 percent in annuity value.

There may also be ways for policymakers to encourage employers to hire and retain older workers. But some caution is warranted here—we do not yet understand whether the biggest barriers faced by employers are with respect to the productivity of older workers, healthcare costs, high turnover rates that make it difficult to recoup hiring and training costs, or production processes that are difficult to adapt to flexible, part-time work schedules. It is also worth asking how we could attract more middle-aged women into the labor force. Despite tremendous gains in labor force participation, women continue to work at lower rates than men at all ages, they retire at younger ages than men, and they work fewer hours. Attracting a middle-aged woman into the labor force may pay a double dividend later on if it means her husband is more likely to delay retirement.

Encouraging work at older ages serves a variety of social goals, including counteracting the slowdown in labor force growth and shoring up the finances of Social Security and Medicare. As men and women extend their working lives, they enhance their own retirement income security and may ease the strain of an aging population on economic growth.

This testimony is based on RAND research reported in Maestas, N. and J. Zissimopoulos, "How Longer Work Lives Ease the Crunch of Population Aging," *Journal of Economic Perspectives*, Vol. 24, No. 1, pp. 139–160, Winter 2010; Maestas, N., "Back to Work: Expectations and Realizations of Work after Retirement," *Journal of Human Resources*, Vol. 45, No. 3, pp. 718–748, Summer 2010; and Zissimopoulos, J. and Karoly, L., "Labor-Force Dynamics at Older Ages: Movements into Self-Employment for Workers and Nonworkers," *Research on Aging*; 31: 89, 2009.



LABOR AND POPULATION

**United States Senate Committee on Finance Hearing
Choosing to Work During Retirement
and the Impact on Social Security
July 15, 2010**

Questions Submitted for the Record

**Questions from Senator Baucus Followed by Response from Dr. Nicole Maestas,
Economist, RAND Corporation**

- 1) Stephen Goss testified that increasing the number of people who are 62 and older and are working by 10% would reduce Social Security's long-run solvency problem by 5%. From your perspective, is it possible to use phased retirement and encore careers to achieve that increase? Would increasing that number by more than 10% be feasible?

As I noted in my testimony, the percent of men and women ages 65 and older who are working has increased steadily since the mid-1990s. My research <http://www.aeaweb.org/articles.php?doi=10.1257/jep.24.1.139> suggests that the current upward trend is likely to continue on account of many forces only now gaining momentum (e.g., changes in the structure of private pensions, and the scheduled increase in the Social Security Full Retirement Age). If the current trend were to continue such that labor force participation between 2010 and 2020 rises at the same rate as between 2000 and 2010, then this would amount to a 10% increase in the percent of men ages 55+ who are working and a 22% percent increase for women ages 55+. For men ages 65+, the increase in the percent working would be 35% and for women ages 65+, it would be 46%. From my perspective, much of this expected increase is likely to occur naturally as forces already in motion play out. Phased retirement and encore careers would tend to support and enhance these increases, but I do not know by how much. Recent research by David Cutler (Harvard) and Ellen Meara (Dartmouth) presented last week at the National Bureau of Economic Research finds that among 62-64 year olds there is capacity (in terms of health) for as much as a 27% increase in the percent working (a working paper is not yet available).

- 2) In your testimony, you talk about age discrimination and the challenges older job-seekers are facing in finding jobs because of this problem. You highlight an experimental labor market study that found "a younger woman is 40 percent more likely to be offered an interview for an entry-level job than an older woman." Can you tell us a little more about the problem of age discrimination? Do you have any suggestions for public policy changes that would help eliminate or minimize age discrimination?



Generally, there are two kinds of discrimination: statistical and taste-based. Statistical discrimination is discrimination on the basis of stereotypes, some of which may not be true. Taste-based discrimination is discrimination on the basis of distaste for older workers. The evidence with regard to older workers points to statistical discrimination. Employers commonly believe older workers have poorer computer skills, stay on the job for shorter periods of time, have more absences, and are less productive. Some stereotypes are correct, while others are not; and either way, any given individual may or may not exemplify the stereotype. For example, absence rates are actually lower for older workers (though if they have an absence they tend to be absent longer). They do stay on the job for shorter periods, but increasingly so do younger workers. Some aspects of productivity and cognition decline with age *on average*, but other aspects do not; some jobs may tap into stable aspects, such as emotional processing, and a given individual may be above average. Instead of assuming a given applicant has poor computer skills based on the stereotype, employers could test computer skills at an interview. A good resource on age discrimination is a research report prepared by Professor David Neumark at UC Irvine for the AARP Public Policy Institute http://assets.aarp.org/rgcenter/econ/2008_09_adea.pdf. He notes that most enforcement of the Age Discrimination in Employment Act (ADEA) to date has been for cases of wrongful termination, with many fewer cases for discrimination in hiring. One possible reason for this is that age discrimination in hiring is much more difficult to prove. Now, however, as more and more workers move from full-time careers to encore careers, the possibility of age discrimination in hiring takes on added significance, and as the experimental labor market study noted above finds, it may be substantial. Research suggests that in addition to its positive effect on the employment of older workers by reducing age-related terminations, the ADEA may have also had the perverse effect of *detering* employers from hiring older workers for fear that they would be unable to terminate them once hired. Professor Neumark suggests it would be useful to consider whether the effectiveness of the current regulatory and judicial systems could be increased to better address discrimination in hiring. He also notes that there is scope under current civil rights laws for affirmative action to encourage hiring of groups that have experienced discrimination. Importantly, he urges caution in the design of policies to address discrimination in hiring—if policymakers try to reduce the negative effects of the ADEA on hiring, they should be careful to preserve its positive effects on overall employment of older workers.

- 3) In your testimony you mention the “prevalence of self-employment at older ages” has risen with “one in four 65-year olds working in self-employment.” Are there challenges or barriers that you are aware of for older workers who want to start their own businesses?

Empirical evidence suggests that workers may have limited access to the financial resources they need to start a new business. Recent RAND research by Julie Zissimopoulos, Qian Gu, and Lynn Karoly entitled “Liquidity Constraints, Household Wealth, and Self-Employment” http://www.rand.org/pubs/working_papers/WR725/



shows convincing evidence of credit constraints. They find that older workers with access to a lump-sum option on their pension plan are 26 percentage points more likely to enter self-employment. An important implication of this evidence is that credit constrained older workers are tapping into *retirement resources* to start businesses, which puts retirement assets at risk.

- 4) In your testimony you mention “a growing body of evidence suggests that people do not fully understand the rules governing their Social Security benefits.” Can you expand a little on this? Any suggestions on where and when we should be providing more information to the American public about their Social Security benefits?

Erzo F.P. Luttmer testified before the U.S. Senate Special Committee on Aging on June 17, 2009 (<http://aging.senate.gov/ss/harvard.pdf>) about his research showing that people understand the simple Social Security benefit rules (e.g., the early and full retirement ages, the typical benefit amount), but not the more complicated rules (e.g., the retirement earnings test, how additional work affects their benefit amount, and the spousal benefit rules), and they tend to understand better the rules explained in the annual Social Security statement, which research has shown to have effectively improved knowledge about Social Security. Luttmer conducted his research in 2008. Since then, the Social Security Administration has added a special insert to the Social Security statement <http://www.ssa.gov/mystatement/statsamples.htm>, and has changed the information presented in a fact sheet entitled, “When to Start Receiving Retirement Benefits” <http://www.ssa.gov/pubs/10147.html>. The special insert for people 55 and older now explains a key misperception about the earnings test—that the withheld earnings are not lost but later returned in the form of higher benefits, and explains some of the spousal benefit provisions. The special insert for people 25-35 addresses misperceptions about the likelihood Social Security “will still be around when I retire” as well as the need to save for retirement. I am not aware of research that has evaluated the effectiveness of these latest changes in information about Social Security, but it would seem a necessary step in order to know to what extent these changes have been effective.

Testimony by **Bonnie P. Shelor**
Senior Vice President of Bon Secours Virginia Health System
<http://richmond.bonsecours.com/>
<http://bonsecourshamptonroads.com/>

Senate Finance Committee
Room 215, Dirksen Senate Office Building
Hearing: “The Next Chapter: Choosing to Work beyond Retirement”
Thursday, July 15, 2010

Good afternoon. Chairman Baucus, Ranking Member Grassley, and distinguished members of the Committee. On behalf of the 11,500 Bon Secours Virginia Health System employees, I thank you for this opportunity to share insights on how we attract and retain older workers as part of our 186-year-old health care ministry.

My name is Bonnie Shelor, and I lead the Human Resources organization for Bon Secours Virginia Health System as its Senior Vice President. Today, I will share:

- How and why our workforce is changing
- Why we value older workers
- How they contribute to our success and culture
- How we attract and retain them to create a culture of aging

Let me start by telling you about our organization. Bon Secours Virginia includes about 7,500 employees in Richmond and 4,000 employees in Hampton Roads. As a Catholic-based, nonprofit health care system, we are part of Maryland-based Bon Secours Health System Inc., which operates in seven states.

With four hospitals in Richmond, three in Hampton Roads, dozens of ambulatory care sites and multiple support service locations, we at Bon Secours Virginia take our mission of “providing good help to those in need” to heart. We annually provide health care services for nearly half of the Richmond’s citizens, and Hampton Roads continues to grow. We also have an active Care-A-Van community outreach mission to provide health care to some of our fellow Virginia residents in the greatest need.

The Sisters of Bon Secours, who started our health care ministry in Paris in 1824, remain a guiding force for our shared values, mission and vision. In fact, many of the Sisters are 50+ and continue to work with us until they are no longer physically able. They serve as leaders for our health care ministry well into their 80s and 90s providing strategic direction and guidance, including serving on our board of directors and leading the decision-making body. For us, workers of this age are common, and their vision, wisdom and contributions are celebrated.

In our Richmond health system, nearly 40 percent of employees are 50 or older; women account for 85 percent of our work and one-third are nurses. We often say that our organization is world-class because our employees are world-class. We value each employee, and recognize the significant contribution each makes. We believe the experience, wisdom and institutional knowledge of our older workers is invaluable and, in fact, helps to make us a more prosperous organization.

Let me share about one such employee – **Hattie Davis**.

Hattie has a sparkle and style that light up a room. For someone turning 89 in August, she doesn’t look a day over 60. Hattie shines when she talks about her distinction as Bon

Secours Richmond's oldest employee. She recently reflected on her life and her Bon Secours career as a private-duty nurse that continues today with her two-day-a-week job in Employee Wellness. She's also a regular volunteer in our of our hospital gift shops.

When asked about her career with the health system, Hattie said, *"I tried to retire in 1991. Soon after I retired, Employee Wellness called me to fill in for one day, and I've been here ever since."* She continued, *"I am proud to be a representative of older workers at Bon Secours Richmond. I am an example of how you can have a long career doing something you love in a place that loves you back."*

Across Bon Secours Virginia, we have many dedicated employees like Hattie – who keep me and my Human Resources team focused on creating a work environment that attracts, values and retains our 50+ workers. At Bon Secours Virginia, we are committed to a culture of aging – one that celebrates the value of seasoned workers. In fact, AARP has ranked us a "Best Employer for Workers over 50" since 2003, and we regularly share our insights both domestically and abroad at conferences and workshops.

We also offer a workplace of choice for our employees throughout their careers. Bon Secours Richmond has been on *Working Mother* magazine's top 100 places for working mothers for a decade and in the top 10 twice, and this year Gallup name Bon Secours Richmond to its prestigious international listing of Great Places to Work.

These accolades benefit Bon Secours Virginia as we're able to attract and retain a highly engaged and productive workforce – of all ages and stages of life – that benefits our patients. These patients grade us higher on patient satisfaction surveys and are more likely to recommend us to friends and family ensuring that we are successful in our mission and financially strong.

Our health care workforce is changing, and we want to address those changes. Our nation is currently facing a nursing shortage that will reach severe levels by 2015. The incoming generation of workers in America is six percent smaller than the generation that is retiring.

At the same time, people are living longer, healthier lives. And the majority of U.S. workers are interested in delaying retirement. With these factors in play, there is no better time to reach out to older workers. By offering initiatives such as phased retirement, flexible work schedules and intergenerational programming, Bon Secours Virginia has been successful in retaining its valuable older workers.

Because we are providers of health care, we have been aware of the consequences of aging nurses for quite some time. The nation's largest class of nurses graduated in 1959. Assuming they were about 20 at the time, they are now approaching 70.

Employers committed to a culture of aging must proactively address why older workers leave. We've found that flexibility addresses near all of them. Preventing attrition through flexibility involves creative thinking and a willingness to try new ways of doing things.

Research shows that nurses leave the profession before a typical retirement age for three main reasons:

1. **Changing interests.**
2. **Being called on to care for aging family members or grandchildren.**
3. **The work is too physically demanding in patient care.**

At Bon Secours Virginia, we've proactively addressed these issues, because we value older workers for bringing rich experiences and strong skill sets to the table. For us, not only are we going to hit a **nursing shortage**, but we will have a **knowledge shortage**.

We have multiple programs to encourage our older workers to keep working into their retirement and beyond. We offer several phased retirement options, which are a direct result of soliciting employee feedback.

Option No. 1 allows employees to cut back to part-time (working less than 24 hours per week) and continue to receive a pension check.

Option 2 allows employees older than 70½ to begin receiving their retirement check the following April, regardless of their employment status.

Option No. 3 allows an employee to retire and then be rehired at a later date while still collecting their retirement check.

An employee younger than age 65 who has retired must leave employment for three months before returning. Upon returning, the employee would continue to receive the same level of retirement and also would be eligible for **medical, dental and vision coverage and other valuable perks, like tuition reimbursement**, if he or she works a minimum of 16 hours per week.

Our comprehensive and generous benefits are attractive, flexible and creative. Grandchildren of our employees are eligible to attend our on-site Family Care Centers. Those caring for elderly family members can receive discounts on in-home nurses, respite care, hospice and home-medical equipment. We also allow employee caregivers to use paid time off to care for elderly parents or relatives. Abundant resources to help caregivers care for themselves are available through onsite Employee Wellness Services, which gives employees the resources, tools and knowledge to maintain a healthy lifestyle.

We offer the opportunity for employees to take a **health risk assessment** through Employee Wellness. As a result, among our older workers we consistently see improvements in areas such as Cancer, Fitness, Nutrition, Stress, Substance Abuse, Safety and Heart Health. This translates into innumerable cost savings – direct and avoidance costs. But more important, Employee Wellness becomes a retention tool, because we’re giving employees an opportunity to help themselves.

We have tailored options such as **telecommuting and job sharing** for personal flexibility.

Our mobility-lift teams help our older workers with the regular turning of bed-bound patients. Since the lift teams started, we’ve seen a steady drop in the number of injuries, a decrease in pain and a reduction in muscle fatigue among nurses.

Education and training play a major role in attracting and keeping older workers, as I shared earlier. To encourage engagement, to facilitate job growth or to retrain for lateral moves, we offer a variety of classes onsite and online: clinical, remedial, leadership and new-skills development, such as computer basics or Spanish. We also offer tuition reimbursement, and we make concessions for people pursuing studies to have on-the-job flexibility. We take life-long learning seriously.

Bon Secours Virginia invests in hiring of entry-level employees and then empowers them to seek supplemental education and develop new skills. By adopting benefits that bridge gaps among diverse employees (including a “minimum” wage 26 percent higher than what the Commonwealth of Virginia requires), the **Just-Wage initiative** is leading the health system’s efforts to “level the playing field,” for all of our workers.

We also have a number of employees launching “**Encore Careers.**” A former high school administrator and professional firefighter recently graduated from our Bon Secours Memorial College of Nursing. Both of these men are 50+, and are enjoying a second career in our health system. Another recent graduate was 62 years old.

When it comes to employee retention we have several other key initiatives. We are laying the foundation for a **civic engagement program**, where we introduce workers age 50+ to volunteering through paid volunteer hours as they advocate for and participate in community initiatives representing our organization.

We have an intergenerational initiative called “**GrandPartners**” that pairs employees’ children in our day care with elderly friends, employees or spouses of employees.

The CEO of Bon Secours Virginia Peter J. Bernard is a passionate supporter of our focus on older works. He routinely hosts luncheons for employees age 50+. Typically, these events are more like 70+ and create a casual environment to discuss new developments, answer questions and hear concerns.

In our journey to attract and retain older workers, we have made significant progress by constantly improving programs and policies through creative and innovative approaches. Employee feedback will drive future changes and enhancements.

We continue to learn from other organizations in the public and private sectors. I ask you to remember employees at Bon Secours Virginia – like our 88-year-old employee Hattie Davis – and many more who keep working well beyond the typical retirement years and help us pursue our mission of providing good help to those in need.

In closing, consider the words of Hattie, *“I am the oldest employee at Bon Secours Richmond. I’ve spent my entire career here and I don’t have any plans of stopping soon. As long as I am able, I will keep on working.”*

Thank you for your time. I welcome any questions.

TESTIMONY ADDENDUM FOR BONNIE P. SHELOR

Below are three examples of older employees at Bon Secours Virginia who continue to work and contribute to the mission of our health care ministry.

John Simpson, the former CEO for the Bon Secours Richmond Health System, still leads projects after retiring from his full-time leadership role in 2001. Today at age 74, he balances vacation trips with his grandchildren with trips to our new 16-acre ambulatory site slated to be built in Midlothian, Va. John serves as Divisional Consultant and Project Director working with architects, county officials and contractors. He relies on the same leadership skills he used in overseeing the development of two other Bon Secours hospitals.

Then, there is **Dr. Jay Buston**, who at 74 this year, is a staff physician on our Care-A-Van community outreach program, which provides health care services to those in greatest need. In 2008, the Prime Time Awards honored Dr. Buston as “Virginia’s Outstanding Older Worker.” At the same time, Bon Secours Richmond received the national Experience Works Prime Time Award and was one of its five “Outstanding Employers of Older Workers” in America. Given that each year the Care-A-Van sees more and more patients – with more than 12,000 patient visits in 2009 alone – Dr. Buston isn’t slowing down any time soon.

Recently, two of our Richmond hospitals transitioned to a state-of-the-art electronic medical record system. Upon hearing about the new EMR system, **Gloria Randolph**, one of our older nurses told a co-worker, *“I was thinking about retiring, but I’m going to stick around and see how this new system works out for us.”*

This nurse had little computer experience, but we provided her the skills, training, equipment and support that she needed to do her job. In fact, she became a Credentialed Trainer with the new system that soon will be in all of our Virginia facilities. Now she teaches others – often much younger – how to use it.

good people

good career good values good culture good choice good life

Creating a Culture of Aging Best Practices for Attracting and Retaining Older Workers

By Bon Secours Richmond Health System

Bon Secours Richmond is an award-winning health care system in Central Virginia with more than 7,000 employees. For our dedicated efforts at creating a culture of value and respect for mature workers, Bon Secours Richmond was named in 2008 as one of five "Outstanding Employers of Older Workers in America." In addition, a 72-year-old staff physician at Bon Secours Richmond was named by Experience Works as Virginia's Outstanding Older Worker.

A recent graduate of our School of Nursing program was 62 years old.

Nearly a third of our employees are age 50 or older, the oldest two being 87. Innovative programs – like inviting retirement author Jeri Sedlar, *Don't Retire, Rewire*, to our campus or holding welcome back fairs to re-introduce our health system to retired and former employees – set us apart from others.

With our comprehensive approach targeted to older workers, we've seen savings of up to \$15 million, retention rates of 88 percent and engagement scores of 4.23 out of 5.

National Trends – Setting the Stage

The Bureau of Labor Statistics reported in 2008 that 56 percent of Americans age 65 or older held full-time jobs last year, a 10 percent rise from 1999. The number of full-time mature workers nearly doubled from 1995 to 2007, due mostly to more women in the workforce.

According to an Employee Benefit Research Institute survey in July 2008, 61 percent of retirees said they would be open to delaying retirement but only 26 percent were approached by employers to do so.

Domestic Workforce

Civilian Labor Force Annual Growth Rates

- 1990s: 1.1 % per year
- 2010-2020: .36% per year
- Ages 25-39: decrease by 5.9%
- Shortfall of 7.4 million baccalaureate degree holders by 2012
- Incoming generation of workers is 6% smaller

In July 2008, Hewitt Associates found that 61 percent of U.S. companies have or will develop programs that allow workers to retire in stages. Out of these companies, only 5 percent



BON SECOURS RICHMOND HEALTH SYSTEM

Good Help. Good Health.

reported to have formal programs. The study included 140 mid-size and large-size companies.

Why focus on strengthening businesses through older workers?

- 1) Older workers continue to be a majority group. The generation of workers following the Baby Boomers is simply smaller.
- 2) People age 50 or older are available and want to work, and with life expectancies on the increase, they've been given a "longevity bonus." They could retire traditionally at age 65 and have another healthy 20 years ahead. A 2006 Merrill Lynch study shows that older Americans want to continue working, confirming the national trends mentioned above.
- 3) According to the 2008 Hewitt Associates survey, seniors may not have saved enough money for retirement during their traditional working years due to longer life spans and a higher cost of living. This can factor into their desire and need to continue working past retirement age – making them willing to negotiate with employers.
- 4) Save money – A Robert Wood Johnson Foundation report estimated that employee turnover costs one to two times the average salary, because of hiring and retraining expenses.

In the Hewitt Associates study of 140 mid-size and large-size companies, 72 percent acknowledged the following benefits of retaining older workers:

- retention of worker experience and skills
- easing the difficulty of replacing talent
- helping transfer key skills to younger employees

Healthcare Trends – Staffing the Case for Bon Secours Richmond

As a provider of health care services heavily reliant on nurses, Bon Secours Richmond began noticing the signs of a talent shortage in the late 1990s. The nation's largest class of nurses graduated in 1959. Assuming they were about 20 years old at that time, the nurses are now in their late 60s. Recognizing the dire consequences of a nursing shortage, Bon Secours Richmond began in earnest addressing this situation.

Bon Secours Richmond Workforce

- Nearly 1/3 of workforce is nurses
- 40% of U.S. nurses age 50 by 2010
- Severe nursing shortage by 2015

Why Workers Retire?

The Robert Wood Johnson Foundation report, *"Wisdom at Work: The Importance of the Older and Experienced Nurse,"* revealed three factors pulling employees away from their careers in health care:

- 1) changing interests

- 2) work too physically demanding
- 3) providing care for aging family members or grandchildren

Best Practices – Addressing Each Retirement Factor One-by-One

Changing Interests

At Bon Secours Richmond, we've found that flexible work options — and flexibility in general — play a significant role in retaining and attracting older workers. By providing a variety of flexible work options and phased retirement, our older workers are given every reason to stay employed, while still having the opportunity to pursue personal interests.

Phased Retirement

Participation in our Phased Retirement Program continues to see steady growth, following a 300 percent jump from 2004-2006. About 1 percent of employees take advantage of one of three options:

- Employees retire from the organization altogether and are rehired later without jeopardizing retirement checks.
- Employees “retire” at age 65 but continue working part-time (not more than 24 hours per week), while collecting a pension.
- Employees who work past age 70½ begin receiving a pension check in April of the following year, regardless of status.

In 2008, we launched a formal program that reflects a long-held belief in our health system: Who better to train and mentor today's young nurses than those who've been there? Recognized for their lifetime of exceptional service, we hired 10 retired nurses who worked alongside new nursing grads in our Guiding Light program. These seasoned nurses shared their experience and knowledge as mentors and offered invaluable contributions to our School of Nursing.

Flexibility

According to WorldatWork, “loyalty and working your way up” don't resonate with employees as much as “give and take—flexibility” between manager/employer and employees. Therefore, Human Resources at Bon Secours Richmond encourages managers to work with employees interested in flexible schedules, job sharing, telecommuting, compressed

Employees who work at least 16 hours/week receive all benefits, effective upon their start date.

- Medical, dental, vision
- Defined compensation
- Dependent care
- Employee Wellness/EAP
- Education & Development
- Tuition reimbursement

work weeks and other reasonable options they suggest.

- For employees caring for dependents (children, grandchildren, parents or relatives), we offer the flexibility to move from full- to part-time to on-call status and back in most job categories without penalty.
- Employees can opt out of benefits for higher pay.
- Employees who work at least 16 hours/week receive all benefits.
- Employees who work as needed and fewer than 16 hours/week are entitled facilities benefits, such as cafeteria and parking, and negotiated discounts including: local gyms, cell phones and banking.

Education and Job Development

As interests shift for aging workers, education and job development are essential elements of our efforts. To encourage engagement, to facilitate job growth or to retrain for lateral moves, we offer a variety of classes onsite and online. We also offer tuition reimbursement and we concessions for people pursuing studies to have on-the-job flexibility.

To understand how important education is at Bon Secours Richmond, you need only to look at the yearly Education Catalog, 40+ pages, that we publish highlighting every class, seminar and opportunity available for development and enrichment, primarily for our 50+ population. Known as "Fifty Plus School at Work," from Spanish to computer courses, from management training to ethics, we offer a wide variety of free classes for employees. In 2008, we offered 92 employee classes, up from 78 in 2007. Employee participation grew as well, from 635 in 2007 to 813 in 2008.

In addition, we offered 45 leadership classes with 527 participants. As a companion to the catalog, we also have a 20+-page Career Development Resource Guide that managers use with employees one-on-one to step them through creating a career path in our health system. By identifying their strengths and interests and setting goals, our employees are equipped with a plan on how to set their career in motion and which educational opportunities to capitalize on to see themselves reach their potential. This method is particularly helpful to older workers who are considering retirement or experiencing a change in interests or work that is now too physically demanding, which are two of the top three reasons workers in health care retire. By redirecting their career, we can retain their knowledge and abilities while expanding their experiences and growing their capabilities.

How one employee benefited from our School at Work program is found in the following story. A male employee was promoted from Environmental Services to a Patient Care Associate but then enrolled in an RN program at the local community college. "Because of School at Work, I scored so high on my entrance exams that

they've eliminated some of my prerequisites. SAW has boosted my confidence. I really feel like I can do anything." Thanks to both School at Work and tuition assistance, the former floor technician is now on his way to becoming a nurse. "...School at Work continues to be a strength of our organization," said Bonnie Shelor, Senior Vice President of Human Resources. "We are delighted to be able to offer developmental resources that provide our employees the opportunity to grow within our organization."

Volunteering

One of ways our employees gain new experiences and skills or explore untapped interests is through volunteer work. Developed at the end 2008, our employees can earn points by volunteering in our health system's outreach programs. In much the same way we motivate and reward employees for participating in wellness activities, we are doing the same with volunteering. Accrued points can be redeemed for rewards like paid time off or cash. The employee gets to learn about, advocate for and participate in community initiatives that rely on volunteers. At the same time, they are ambassadors of our organization. By rewarding longer tenured staff, we demonstrate how much we value their contributions and expertise, and we expose them to exciting new areas that stimulate them outside of work and when they return to work.

Other programs

- We invited special guest, Jeri Sedlar, author of *Don't Retire, Rewire*, to get managers to think creatively about alternate work arrangements for our employees. The event inspired us to think about new opportunities for career development and how to assist retirement-age employees in channeling their energy and experience into work situations that are both financially and personally rewarding.
- At our annual retiree/volunteer fairs, recruiters are on hand to promote on-call and part-time positions and to promote the benefits of working at Bon Secours Richmond. Representatives from Employee Wellness Services, Employee Assistance Program, the on-site Family Centers, and outside organizations discuss programs and benefits. The event is a way for employees to mingle with old friends while helping them stay familiar with benefits, programs and retail discounts available to them in the community.

Work too Physically Demanding

As workers age, employment – regardless of type – begins to take a toll on their physical wellbeing. This is especially true in the health care industry.

How much do nurses lift?

Average patients per day: 6 Average # lifts per person per day: 6 Average weight of patient: 185 lbs Equals: 6,600 pounds/day

Improvements to Workplace – Patient Mobility Teams

In 2008, Bon Secours Richmond implemented a new policy that creates a minimal lift environment for nursing and clinical units by investing \$800,000 system-wide in mobility teams to aid in the regular turning of bed-bound patients. Since the program's inception, there has been a steady drop in the number of injuries, a decrease in pain and a reduction in muscle fatigue within the nursing staff.

In a survey of our nurses, respondents shared the following feedback about the physical demands of their jobs: *Have you considered leaving your position due to the physical demands of the job? 40% of respondents said "yes." *If yes, has the implementation of Patient Mobility Teams affected your decision to stay? 66% of respondents said "yes."

Since the mobility teams' inception, the results have been impressive:

- Patient handling injuries are down 62 percent
- Costs associated with patient handling injuries are down 85 percent
- Nursing satisfaction with the patient mobility teams is greater than 90 percent.

As one nurse summed it up, "Great program, very much appreciated. Thank you for starting it." Others are taking notice, too, of our commitment to safety. Bon Secours Richmond's Patient Mobility Teams were featured on the cover of the August 2008 issue of the *Hospital Employee Health* newsletter.

Wellness

In our business, we know that good health is a true measure of quality of life and job performance. We also know that health care is among the most stressful careers a person can do. We take wellness seriously for our patients and for our employees.

In December 2007, employees ranked the Top 10 reasons why they love working at Bon Secours Richmond - #4 was Employee Wellness Services, which earned a gold Well Workplace award from the Wellness Councils of America not once but twice. Wellness Services has made a significant impact on the lives of the health system employees, attracting and retaining them and offering them a better quality of life – all of which are organizational goals.

In a 2007 Wellness program, about 30 participants enjoyed the following healthy success stories:

- 96.4% achieved weight loss

- 100% experienced decreased stress
- 86% achieved a decrease in body fat percentage
- 89% decreased their blood pressures
- 96.5% achieved decreased body mass index (BMI)
- 43.4% improved self-esteem
- 26.8% decrease in visceral and systemic conditions
- 88% of the participants have shown overall improvement in strength

Projected annual savings based on 76% reduction of risk = \$61,175

Between 2007 and 2008, we held 30 smoking cessation classes with a total of 52 employees. After three months, 79% stopped smoking. Projected annual savings = \$138,703.

Data from 924 employees who completed at least three Health Risk Assessments during a five-year period and subsequent wellness programming showed the following:

- Health costs went down by 7% during a period when the employee age increased by 3%.
- Absenteeism declined by 12.5%.
- The total number of health risks decreased in higher multiple risk categories.
- Many employees moved into the categories of only 1, 2, or 3 health risks as they addressed their individual health risks presented to them through their personal wellness profiles results and participation in Well for Life programming.

When comparing productivity loss during a three-year period, we saw a savings of \$157,725. In excess health claims during the same period, there was a savings of \$194,891 calculated. Absenteeism costs produced a savings of \$8,592. The grand total of projected savings was \$342,211.

Our most proud achievement in the area of employee wellness, though, has come in the lives we've been able to save. At our fall 2008 annual employee benefits fairs, Wellness provided screenings and health risk assessments on more than 3,000 employees (about half our workforce). Wellness assessed seven individuals as having serious health concerns. Each individual immediately was taken to the emergency room for physician care. We were so honored to be able to care for our colleagues in this way and help them avoid potential health crises.

Some additional noteworthy wellness programs include:

- Well for Life incentive program helps employees build and maintain healthier lifestyles. Employees are rewarded for their successes with a maximum of \$500 annually or 20 hours leave time annually. Points toward this incentive are earned by participating in wellness activities or by

engaging in a healthy lifestyle.

- Seminars focusing on the needs of older employees, such as Nutrition across the Lifespan, and the importance of mammography and colon/rectal screenings. A Summer Blast challenge encouraged employees to get active with their grandchildren. Health fairs and other offerings to seniors include flu shots, osteoporosis screening and blood pressure checks.
- The Senior Health Program provides our older employees with health screenings, a quarterly health information newsletter, educational programs, discounted exercise programs and other health-related services, assistance in understanding health coverage and reimbursement, travel opportunities, and community resources information.
- Employee Wellness also is addressing the physical demands of aging by offering ergonomic assessments.

Job Accommodations

We will work with any employee, if possible, to make special accommodations for age and disability. Here is just one story. After 35 years as a nurse, one employee could no longer endure the physical demands of her job, but she didn't want to give up the career she loved. A new sedentary position was found for her – an RN who calls patients to follow up with their care and to answer any questions. She is thriving in her new role and we retained an essential employee.

Providing Care for Aging Family Members or Grandchildren

This is especially true in nursing, where family members tend to look to the female sibling and/or the one who's a nurse when something happens to mom or dad or another relative. However, every industry is feeling the effects as more workers are caught in the "sandwich generation," caring for children and parents.

In response to employee requests, Bon Secours Richmond recently allotted \$2.4 million to add 175 additional child-care spaces, for a total of 500. Available for our employees' children or grandchildren, our three on-site Family Centers are open days, evenings, weekends and after school. The centers also are available for kindergarten and summer camp.

A National LifeCare poll, showed that employees' greatest challenges at work were balancing demands on the job with demands at home, including financial issues.

Programs for Intergenerational Concerns

- Those caring for elderly family members can receive discounts on in-home

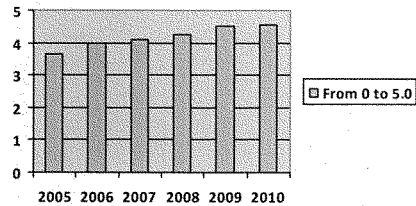
- nurses, respite care, hospice and home-medical equipment.
- Employees can use paid time off to care for elderly parents or relatives.
 - ArtRageous program fosters intergenerational and eldercare programming, learning and creativity. ArtRageous is open to all employees but is especially well-attended by those 50+. In partnership with a local cultural arts center, we arrange a variety of classes – some of which our own employees teach. A 50+ chief radiology technologist has been thrilled to lead a calligraphy class.
 - We award merit-based college scholarships of \$1,000 to up to 10 children and five grandchildren of full- and part-time employees.
 - In late 2007, we launched our intergenerational and eldercare GrandPartners program which pairs seniors with children. Employees, their parents or grandparents are invited to participate by playing with the children, rocking the babies or by sharing special talents and hobbies. In March 2008, we held a GrandPartners' Mixer for seniors that included: information about local discounts, glasses cleaned and free glaucoma testing, blood pressure checks, cooking demonstrations and health tips, exercise demonstrations, and a workshop on journaling and scrapbooking to tell their family story for future generations.
 - Four times per year we offer a six-week Lifestyle Planning course (at no cost) for all employees 40 years or older and their spouses. A local instructor who is a geriatric expert discusses financial planning, intergenerational issues, legal planning – estate planning, wills and power of attorney – health and wellness, and re-careering. We also offer a Medicare class featuring information from state and local representatives. Our Employee Assistance Program provides services for debt reconciliation, counseling and other resources.
 - To help caregivers care for themselves, we offer an abundance of resources available through onsite Employee Wellness Services, in the form of counselors, classes, lending libraries and more.

We host an online resource that promotes benefits for employees caring for elderly parents or relatives, including resource and referral programs, independent and assisted living discounts, in-home nursing care, care-giving workshops, and financial assistance through flexible savings accounts.

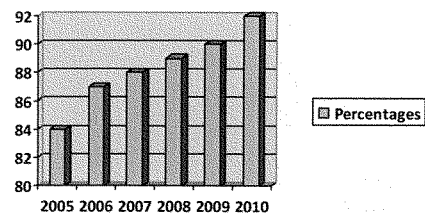
Results – Our Best Practices in Action

In the July 2008 Hewitt Associates study of 140 mid-size and large-size companies, 2/3 of the companies reported that offering part-time work year round and giving workers access to retirement benefits while still employed are the most effective strategies to keeping workers.

Bon Secours Employee Engagement



Bon Secours Employee Retention



Using the Johnson Foundation report that estimated employee turnover costs one to two times the average salary, Bon Secours Richmond tabulated its savings. An average nursing salary ranges from \$60,000 to \$75,000. By retaining just 100 employees who are age 50 or older — as we have done over the last three years — Bon Secours Richmond has anticipated a minimum savings of \$6 million or saving as much as \$15 million.

Our results are also evident in the way we go about celebrating accomplishments.

- Our *Good News* monthly employee magazine features testimonials, profiles, benefits and achievements of our older workers.
- We balance the promotion of our culture of aging without alienating other generations.
- We model effective manager/employee roles.
- Our annual employee awards banquet acknowledges the service of employees starting with their 10-year milestone and then increasing in increments of five years all the way to 45 years. Employees with 25 years of service or more are invited on stage for special recognition.
- Advertising, annual reports, calendars, Web sites and other published pieces include represent the full diversity of Bon Secours Richmond, including age.

That our seasoned workers feel valued and respected is another direct result of our culture of aging. Lunch Bunch is a monthly gathering of random employees within the health system who meet for a meal and conversation with Bon Secours Richmond's CEO Peter J. Bernard. He shares the health system's developments and answers questions. In 2007, a Lunch Bunch was dedicated to employees 50 years and older. A representative from our local AARP also was invited to participate. In 2008, older workers were invited to a question and answer Lunch Bunch where our CEO entertained any and all questions from the audience on a wide range of topics

of interest to our older population of workers.

About Bon Secours Richmond

- four award-winning hospitals
- 30 regional centers
- care for 1 in 2 area residents
- more than 7,000 employees
- 85 percent are women
- nearly 1/3 are nurses
- 30 percent are age 50 or older

About Richmond, Virginia

- Capital city, 1.2 million
- Virginia 7.6 million (2.6% of the U.S.)
- \$51K median income in Richmond (\$44K U.S.)

In the summer of 2008, Bon Secours Richmond and Bon Secours Hampton Roads combined to form Bon Secours Virginia – making it one of the largest health systems in Virginia. Bon Secours is the only faith-based integrated health delivery network in the Commonwealth of Virginia and serves as a model for Catholic health systems nationally.

Our Legacy

Founded in Paris in 1824, the Sisters of Bon Secours devoted themselves to caring for the sick and dying. In 1881, the Sisters arrived in the United States where they continued their work of visiting the poor, the sick and the dying in their homes. Over time they built a multi-state network of hospitals, long-term care facilities and healthcare services that includes Bon Secours Richmond to this day. Bon Secours means “good help” in French and it is the legacy and guiding principle of Bon Secours Richmond.

Awards & Recognition

In 2008, the national Experience Works Prime Time Awards Program selected Bon Secours Richmond as one of its five “Outstanding Employers of Older Workers” in America. In addition, Prime Time Awards honored Bon Secours Richmond physician, Dr. Jay Buston, as “Virginia’s Outstanding Older Worker.” Award organizers cannot recall a time when one organization received both awards in the same year. Since 1998, the Prime Time Awards has recognized the contributions and accomplishments of senior workers and employers through its national, yearlong program.

Since 2003, Bon Secours Richmond has been named one of AARP’s “Best Companies for Employees Over Age 50.” For three straight years, Bon Secours Richmond was listed in the top three. The annual recognition program acknowledges companies and organizations whose best practices and policies for addressing aging workforce issues are roadmaps for the workplaces of tomorrow.

Our Chief Executive Officer Peter J. Bernard is so committed to our 50+ workers and

deeply understands their value and contributions – as well as the business case – that he routinely presents on the topic. In 2007 he traveled to Switzerland to serve on a panel at the World Aging Conference and in 2008 he was invited by AARP to be the keynote speaker for the AARP Business Roundtable in San Francisco. He shared with employers at the highest level how and why Bon Secours Richmond is dedicated to mature workers and the special programs we have in place for recruitment and engagement.



Other achievements include:

- 2009 Modern Healthcare Best Places to Work. Bon Secours Richmond made its debut on this second annual listing of the nation's Top 100 companies and was the only health system in Virginia recognized.
- 2010 Gallup Great Workplace Award, Gallup. The Gallup Great Workplace Award recognizes companies for their extraordinary ability to create an engaged workplace culture. In 2010, only 25 organizations worldwide earned this award.
- 100 Best Companies for Working Mothers, *Working Mother* magazine, yearly since 1998. Named to Top Ten in 2006 and 2009.
- Richmond Society for Human Resource Management and Greater Richmond Chamber of Commerce, Employer All Star Awards, "Employer of Choice," May 2010.
- Richmond Society for Human Resource Management and Greater Richmond Chamber of Commerce, Employer All Star Awards, "Best Recruitment, Engagement, and Retention Practices," May 2009 and May 2010.
- Alfred P. Sloan Award for Business Excellence in Workplace Flexibility, 2006-2010
- Bernard E. Nash Award for Innovation for exemplary practices in recruitment, flexible work options and the rehiring of retirees – AARP, 2006
- Moving into the Future Award for "innovative and cutting-edge practices" in retaining and valuing employees age 50 and older – Conference Board and Families and Work Institute, 2007
- Best Practices for creating a "Culture of Aging" to retain and value employees age 50 and older – American Society for Healthcare Human Resources Associates, 2007
- Partnership with Dana Alliance, an initiative that explores how healthier aging stems from employees who better manage fitness and wellness, nutrition, and especially stress.
- Membership on The Conference Board, a New York City-based think tank and

research portal. Bon Secours Richmond conducted a Webinar on phased retirement and was featured in articles the board published on phased retirement and workplace aging.

- We have a relationship with the National Governors' Association to identify priority public policy issues and presented on aging at several of their events.
- Participation in a panel discussion by the Comptroller General of the U.S. Government Accountability Office, which later yielded a report brought before the U.S. Senate on engaging and retaining older workers.
- Featured in an *ABC World News Tonight* segment on the aging workforce.
- National Center on Workforce and Disability visited Bon Secours Richmond for an initiative which studied policies and practices that stimulate and support recruitment and/or retention of older workers, funded by the Disability Employment Policy of the U.S. Department of Labor.

Contact Information

Bonnie P. Shelor is the Senior Vice President of Human Resources for Bon Secours Virginia Health System. She is responsible for the development and implementation of strategic human resources' vision and goals for the organization. She has almost 20 years experience in health care human resources and has been employed with Bon Secours since 1994. Under her direction, Bon Secours has continually been recognized with prestigious national awards for its comprehensive benefits and work-life programs.

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**United States Senate Committee on Finance Hearing
Choosing to Work During Retirement
and the Impact on Social Security
July 15, 2010**

**Responses to Questions Submitted for the Record
Bonnie Shelor, Senior Vice President for Human Resources
Bon Secours Richmond Health Systems**

Questions from Senator Baucus

- 1) **Stephen Goss testified that increasing the number of people who are 62 and older and are working by 10% would reduce Social Security's long-run solvency problem by 5%. From your perspective, is it possible to use phased retirement and encore careers to achieve that increase? Would increasing that number by more than 10% be feasible?**

The incoming generation of workers in America is 6 percent smaller than the generation that is retiring meaning the candidate pool is smaller. At the same time, people are living longer, healthier lives. And the majority of U.S. workers are interested in delaying retirement.

With these factors in play, there is no better time to reach out to older workers. By offering initiatives such as phased retirement, flexible work schedules and intergenerational programming, employers can be successful in retaining their valuable older workers, thus prolonging their need for Social Security.

At the Bon Secours Richmond Health System in Virginia, participation in our phased retirement program remains steady, following a 300 percent jump from 2004 to 2006. At any given time, we have about 100 employees (or close to 1 percent of our workforce) taking advantage of our phased retirement options.

Another essential component to retention is understanding why employees retire. The Robert Wood Johnson Foundation report, *"Wisdom at Work: The Importance of the Older and Experienced Nurse,"* revealed three factors pulling employees away from their careers in health care: changing interests, being called on to care for aging family members or grandchildren, and the physically demanding work of patient care.

By adjusting our workplace to accommodate these factors, we've made Bon Secours a place where employees can work longer, while giving them the freedom to gently transition out of full-time employment through phased retirement when they are ready. The benefits to the organization are realized through lower recruitment and training costs and by the retention of workplace knowledge.

In our organization through phased retirement, we've seen strong ongoing retention trends among our older workers. A look at our recent Human Resources stats reinforces the important role that older workers play in our health care ministry in Virginia.

In Richmond:

- 29 percent of our part-time employees are over 50.
- 35 percent of our full-time employees are over 50.
- 33 percent of our overall employees (full- and part-time) are over 50.

In Hampton Roads:

- 36 percent of our part-time employees are over 50.
- 40 percent of our full-time employees are over 50.
- 39 percent of our overall employees (full- and part-time) are over 50.

A nationwide target of 10 percent or more should be achievable given the education of the business community and the benefits that await them for going down such a path.

2) From your perspective in the healthcare field, how serious is the impending nursing shortage in the United States? Do you have any suggestions for what Congress or employers might do to address this issue?

Our nation is currently facing a nursing shortage that will reach severe levels by 2015.

The nation's largest class of nurses graduated in 1959. Assuming they were about 20 at the time, they are now approaching 70 years of age. Because we are providers of health care, the Bon Secours Richmond Health System in Virginia has been aware of the consequences of aging nurses for quite some time.

And not only are we going to hit a nursing shortage, but we will have a knowledge shortage as well. We can, and do, make every effort to retain our nurses as long as possible, but in the end, the numbers will tilt. At Bon Secours, we are investing in programs to grow tomorrow's nurses with unique partnerships starting at the middle school level. Each of these programs is easily replicable across the country.

Every summer we offer a Nursing Explorers Camp for our employees' middle school children and the community at large. To attend the camp, the middle school students must complete an application, which includes an essay on why they are interested in a career in health care.

The entire week is devoted to learning the nursing trade in fun and engaging ways. The week-long camp is highly anticipated and fills up each summer. Due to this success, we launched a Nursing Explorers Camp at our sister Bon Secours health system in Hampton Roads, Va.

Another ongoing program is through our volunteer initiative. Many high school students today need to complete community service hours for graduation or for college entrance. Bon Secours is a place where area students can earn those required hours while gaining experience in a health

care environment. We have found that many of our young volunteers go on to careers in health care.

We have four Bon Secours hospitals in the Richmond area, and one has had a decades' long partnership with Henrico County Public Schools. Students enrolled in the health sciences division of the county's Career and Technical Education program receive on-site, clinical training at one of our hospitals. Students in this program take courses while in high school to be a licensed practical nurse or a nurse aide.

Bon Secours Richmond Vice President of Human Resources Jim Godwin says: "There is a long-standing, chronic shortage of health care workers in the nation and here in Virginia. The county school programs help to fill those gaps by graduating high-quality students who are able to step right in and work in our facilities. We expect a dramatic increase in patient population in the coming decades. The demand will be there for health care professionals, and we are relying on Henrico County Public Schools to help fill those gaps."

Along with a shortage of nurses, there is also a shortage of nursing education opportunities. Our Bon Secours Memorial College of Nursing, which is nearly 50 years old, received 500 applications and accepted 56 to start this fall. Nursing schools across the country are experiencing similar space shortages. Promoting and funding existing schools and colleges of nursing would help to alleviate the bottleneck for those seeking a health care career.

In closing, employers with the support of our elected officials need to consider creative and inspiring ways to engage future workers during their formative years. This holds true whether you are an employer looking to fill future roles for an engineer, an accountant or a health care provider.

Congress can assist employers in these efforts by supporting programs and legislation that help public- and private-sector employers fund educational, awareness and recruiting programs for prospective employees. These dollars could be used for prospective nurses who still are in school or for Americans who are looking to transition to a career in nursing.

Congressional support could come in the form of federal grant funding, educational scholarships or tax incentives – both for the employee and the employer – to make a career in nursing even more viable.

COMMUNICATIONS



**AARP
STATEMENT FOR THE RECORD
TO THE
SENATE FINANCE COMMITTEE**

**REGARDING
CHOOSING TO WORK DURING RETIREMENT AND THE IMPACT ON SOCIAL SECURITY**

July 29, 2010

**For further information contact:
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As the largest nonprofit, nonpartisan organization representing the interests of Americans age 50 and older and their families, AARP appreciates the opportunity to present its views on barriers that impede workers who want to stay in the labor force beyond the normal retirement age from doing so, and its recommendations for policies this Congress can enact to remove those barriers and maximize employment opportunities for older workers.

Benefits of Working Longer

Our nation's workforce is aging fast. Today, workers 55 and older constitute about 18% of the workforce; by 2018, workers aged 55+ will make up about 24% of the workforce.¹ The good news is that the labor force participation of older workers (especially women) – both near-retirees 55-64 and those 65-69 – has dramatically increased since the mid-1980s, and enabling people to work as long as they want to offers multiple individual and societal benefits:

- ✓ **Employees** – Enabling workers to stay in the workforce longer means greater financial security for them in retirement. Each year of additional work means one more **year** of earnings, one more year of saving for retirement and compounding, and one less year of retirement to finance by drawing down on savings. For Social Security purposes, working longer avoids the actuarial reduction in monthly benefits from retiring early, and it may also mean increased benefits due to replacing lower earnings from earlier years at work with higher earnings in the Social Security benefit calculation and the award of delayed retirement credits.
- ✓ **Employers** – Lengthening work lives means employers can retain skilled and experienced workers or acquire the knowledge and expertise of older job changers. This will be key if the aging of the population and slowing growth of the overall labor force cause labor shortages, as many experts predict.
- ✓ **Economy** – The longer workers stay in the labor force, the longer they and their employers will be paying payroll taxes to support social insurance programs and the longer workers will be paying federal and state income taxes to support needed government services. These revenues contribute to fiscal health and economic growth.

In fact, today's workers say that they are planning on longer working lives. For example, the 2010 Retirement Confidence Survey found that 7 in 10 workers expect to work in retirement.² Nearly 80 percent of boomers have reported that "working" best describes what they think they will be doing when they retire.³ Some of these plans for extended work are the result of choice

¹ Mitra Toosi, *Labor force projections to 2018: older workers staying more active*, 11 MONTHLY LABOR REV. 32 (Table 1) (Nov. 2009), available at <http://www.bls.gov/opub/mlr/2009/11/art3full.pdf>.

² Mathew Greenwald, "2010 Retirement Confidence Survey," PowerPoint Presentation to the American Savings Education Council, Washington, DC, April 14, 2010.

³ AARP, *Baby Boomers Envision Retirement II: Survey of Baby Boomers' Expectations for Retirement 24* (2004), available at http://assets.aarp.org/occenter/econ/boomers_envision.pdf.

and personal fulfillment, but most are motivated by financial need.⁴ Indeed, of those 62-74 who were still in the workforce in 2007, 56% said that their need for money was the *only* reason they continued to work.⁵

One plausible explanation for this may be that fewer employers today offer the security of a traditional, defined benefit pension, and 401(k)-style savings accounts, while helpful to many, are an unreliable and inadequate replacement. Studies of retirement savings consistently show that retirement account balances are very low. The median 401(k) account balance at the end of 2007 was only \$18,942.⁶ Even among participants in their 60s with \$20,000 to \$40,000 in salary and who have consistently participated in their 401(k), the median account balance in 2007 was \$58,028,⁷ hardly enough to finance what may be decades of retirement. The picture for households wasn't much better: the median value of the sum of IRA and 401(k)-type plan holdings in 2007 among working families who *had* retirement savings – many don't – amounted to only about \$46,000.⁸ And all of the above-cited figures are for 2007, *before* the financial crisis and stock market meltdown.

Two things are clear: Social Security's modest benefits will most certainly continue to play an absolutely essential and substantial role in the lives of current and future retirees, and staying in the workforce beyond the normal retirement age or reentering the workforce after retirement will be a financial necessity for a substantial percentage of aging workers. Consequently, we need to make sure that barriers to longer worklives are removed.

Barriers to Working Longer, and What We Can Do About It

Some barriers, such as those related to ill health or a disability, may cause a worker to stop working earlier than desired or planned, even before the normal retirement age. A study conducted for AARP found that only about one-fourth of workers leaving a job between the ages of 55 and 61 retire voluntarily, compared to over one half of those leaving at or after age 62.⁹ Of those in the younger age group who leave their jobs, more than one in five cited poor health or disability as the reason for their early departure.¹⁰ Another AARP study found that one in five workers who take Social Security benefits at age 62 reported a work limiting condition upon first

⁴ AARP, *Staying Ahead of the Curve 2007: The AARP Work and Career Study 11* (Sept. 2008), available at http://assets.aarp.org/rgcenter/econ/work_career_08.pdf [hereinafter *Staying Ahead of the Curve*].

⁵ *Id.*, at 25 (Fig. 2).

⁶ Jack VanDerhei, Sarah Holden, et al., *401(k) Plan Asset Allocation, Account Balances, and Loan Activity in 2007*, at 12 (Fig. 6) (Dec. 2008), available at http://www.ebri.org/pdf/briefspdf/EBRI_IB_12a-2008.pdf.

⁷ *Id.*, at 18 (Fig. 13).

⁸ AARP, *Employer-Provided Pensions: Less to Count On 14* (2009), available at <http://assets.aarp.org/rgcenter/ppi/econ-secl/2009-17-pensions.pdf>.

⁹ Cori Uccello, *Factors Influencing Retirement: Their Implications for Raising Retirement Age* v (AARP, 1998), available at http://www.urban.org/UploadedPDF/1000207_retire_factors.pdf.

¹⁰ *Id.*, at 37 (Table 9a).

becoming eligible for benefits.¹¹ It is thus extremely important that public policy protect, not penalize, those who cannot work longer.

And for those who prefer or need to delay retirement or return to work after retirement, public policy should aim to make continued employment appealing and feasible for older workers by removing barriers and promoting access to more flexible work options. Keeping workers in the labor force by helping them maintain and acquire the skills needed to do so will be easier and likely more effective than trying to entice retirees back to work. One way to do this is to create and fund job training and placement programs that provide appropriate services to older workers so that they can keep their skills current and retrain for actual openings.

Age discrimination in the workplace is still viewed as a problem by older workers. Six in ten 45-74-year-old workers in a 2007 AARP survey reported that based on what they have seen or experienced, workers face age discrimination in the workplace today,¹² a figure that might well have increased since the recession. Congress should pass the Protecting Older Workers Against Discrimination Act (S. 1756), legislation that restores the full force and effect of the Age Discrimination in Employment Act and other civil rights laws following the Supreme Court's unexpected departure from established precedent in *Gross v. FBL Financial Services, Inc.* last year.

Another key barrier to enabling older workers to stay in the workforce is the still-inadequate availability of the kind of work options that allow them to balance caregiving and paid work responsibilities or simply scale back hours or transition to a different, possibly less demanding job. Options such as part-time work, job-sharing, bridge jobs, flexible schedules, telecommuting, and phased retirement should be encouraged and supported. By adopting policies that would expand Family and Medical Leave Act leave to more workers, provide prorated employer-provided benefits to part-time workers, and encourage employers to modify pension plan rules that discourage phased retirement, Congress could remove some of the remaining policy barriers to these work options.

Finally, particular attention should be paid to improving financial security for low-income workers while they are in the workforce. One reform Congress could adopt would be to raise the age-discriminatory cap (now age 64) on the Earned Income Tax Credit to increase the incomes of low-income older workers.¹³

Barrier #1: This Recession

The financial crisis and worst economic downturn since the Great Depression has caused great hardship for Americans of all ages, but it has been particularly difficult for older workers. Like most Americans, older workers and retirees lost a large portion of their retirement savings in the

¹¹ Xiaoyan Li, Michael Hurd, and David S. Loughran, *The Characteristics of Social Security Beneficiaries Who Claim Benefits at the Early Entitlement Age 22* (AARP, 2008), available at http://assets.aarp.org/rgcenter/econ/2008_19_beneficiaries.pdf.

¹² *Staying Ahead of the Curve*, *supra* n. 4, at 68.

¹³ See AARP, *The Earned Income Tax Credit and Older Workers* (Jan. 2009), available at http://assets.aarp.org/rgcenter/econ/i20_eitc.pdf.

market crash, but older Americans have less time to recoup their losses. Like younger workers, they also saw the value of their homes plummet, and they may have been counting on that home equity to help finance their retirement. In January of this year, AARP fielded a survey to determine the impact that the recession has had on midlife and older workers. Sixteen percent of age 50+ workers reported that, over the past year, they had delayed their retirement, and 13% reported that their spouse had done so. Among age 62+ workers, 11% had delayed their own retirement, and 7% said their spouse had delayed retirement. Moreover, among that 62+ age group, 7% had returned to work from retirement.¹⁴

Worse, unprecedented numbers of Americans have lost their jobs, and are having great difficulties finding work. Put aside the question of working *after* retirement age: many older workers are facing an inability to continue working even *before* retirement. While the unemployment rate for older persons tends to be lower than that for younger age groups, this is in part because dislocated older workers are more likely than their younger counterparts to simply drop out of the labor force.

Even when they remain in the labor force, they typically spend a much longer time looking for work and are more likely to be among the long-term unemployed. As of June 2010, the average duration of unemployment for those aged 55 and older was 40.6 weeks compared to 31.6 weeks for job seekers under the age of 55. More than half (nearly 54 percent) of older job seekers had been looking for work for 27 or more weeks, up from 23 percent in December 2007.¹⁵ We do not know precisely what percentage of the "99ers" – those who have exhausted their 99 weeks of unemployment benefits and are not covered by further extensions – are older workers. However, older workers, who are more likely than younger workers to be eligible for unemployment insurance,¹⁶ tend to experience longer spells of unemployment, so it would not be surprising if older workers were disproportionately represented in that group.

As a result, contrary to the stated objective of the hearing to explore ways to help workers work and pay into Social Security longer, the unemployment crisis has caused a spike in *early* claiming of Social Security benefits at age 62. According to Social Security's Chief Actuary, SSA expected claims for retired worker benefits to increase by 15 percent in 2009 as a result of the aging of the population – in fact, claims increased by 21 percent.¹⁷ For many older workers who lost their jobs, were unable to find work, and exhausted their unemployment benefits, claiming early retirement benefits was a necessity. While Social Security's importance

¹⁴ Calculations based on unpublished data from AARP January 2010 Recession Survey (general population findings based on aged 62+ sample) (report forthcoming).

¹⁵ AARP calculations based on U.S. Bureau of Labor Statistics, Table A-36, Unemployed Persons by Age, Sex, Race, Hispanic or Latino Ethnicity, Marital Status, and Duration of Unemployment, June 2010, accessed July 26, 2010 at <http://www.bls.gov/web/empsit/cpseea36.pdf>.

¹⁶ See Christopher J. O'Leary & Stephen A. Wandner, *Unemployment Compensation and Older Workers*, (NASI, 2000), available at <http://www.que-eran.org/projects/SEFAA/documents/SSRN-id291405%5B1%5D.pdf>.

¹⁷ Stephen C. Goss, "Applications for Social Security Retired Worker Benefits in Fiscal Year 2009" (Social Security Administration, Office of the Chief Actuary, Memorandum, October 14, 2009) (on file with AARP).

remains high regardless of the performance of the U.S. economy, its role as a safety net is particularly pronounced during times of economic distress.

What More Can Be Done

AARP is fully committed to helping our members weather this jobs crisis, and has stepped up to the plate deploying a number of strategies. We are hosting career fairs and workshops designed specifically for age 50+ jobseekers, and getting set to launch a new job board that will contain more than one million job postings. We are also providing information and resources as well as one-on-one counseling to our members on how to stay employable by keeping skills up-to-date and taking advantage of retraining opportunities. In addition, we are assisting employers with the resources and tools – such as quarterly webinars for employers and training modules for managers – on how to retain and recruit older workers.

But until the private sector can recover, much more needs to be done. AARP calls on Congress to strengthen and expand the safety net, and to be more proactive in adopting measures to create jobs. Key among our recommendations:

- **FMAP Aid to the States** – AARP calls on Congress to immediately provide an additional six-month extension of enhanced support (FMAP) to the states for Medicaid. This aid constitutes the most efficient way to avoid further layoffs and health care cuts, at a time when states can least afford them. States have already formulated their budgets for the coming year. Unless aid is provided immediately, states will have to cut home-based services that our members rely on, and lay off critical employees.
- **COBRA assistance** – Extending subsidies for COBRA premiums is another vital element of assistance for the unemployed that needs to be extended. AARP strongly supports this extension so that qualified individuals involuntarily terminated after February 28, 2010, and before January 1, 2011, can be eligible for assistance for up to twelve months.
- **Unemployment Insurance** – Congress should stop its pattern of allowing benefits to lapse and then, after leaving the long-term unemployed without any assistance for weeks, enacting retroactive, short-term extensions, only to repeat the process a few months later. No one expects the unemployment rate to substantially decline anytime soon. Before the next extension expires, Congress should explore other alternatives for responding to this problem, e.g., it could adopt an extension that covers all of 2011 or an extension that is tied to a predetermined, objective event such as a specified lower level of unemployment. Moreover, AARP urges Congress to address the dire situations of those who have exhausted all 99 weeks of unemployment benefits, for instance by creating a fifth tier of benefits under appropriate circumstances.
- **Other measures to create jobs** – There are several bills pending that would stem further job losses and create new jobs, including bills to spark lending for small business, save education jobs, invest in green jobs, and save or create scores of

public service jobs that have already been cut or are at risk. Although AARP has not endorsed any particular measure, we urge the Congress to give serious consideration to doing much more to spur job creation.

Before the end of this session, AARP also reiterates its calls on Congress to take two important steps that would enable older workers to keep working longer. The first is to enact legislation (such as the Protecting Older Workers Against Discrimination Act) to overturn the *Gross v. F.B.L.* decision and restore the ability of workers who have experienced age discrimination to get their cases heard. In addition, Congress should eliminate discrimination in the EITC by removing the age-64 cap that now prevents low-income older workers from benefitting from its provisions.

Conclusion

The Finance Committee is rightly concerned about ways to improve the health of our retirement systems and the retirement security of Americans in the future. Certainly, enabling workers who can and choose to continue working to do so should be a piece of that picture. However, it is also important that public policy protect, not penalize, those who cannot work longer, and it should enable those who have worked hard all their lives to have a decent and secure retirement. AARP stands ready to work with this Committee to achieve these multiple objectives.

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Statement for the Record
for the
United States Senate Committee on Finance
Hearing on the
July 15, 2010
“Choosing to Work During Retirement and the Impact on Social Security”

By

Dallas Salisbury

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The views expressed in this statement are solely those of Dallas L. Salisbury and should not be attributed to the Employee Benefit Research Institute (EBRI), the EBRI Education and Research Fund, any of its programs, officers, trustees, sponsors, other staff, or any other individual or organization. The Employee Benefit Research Institute is a nonprofit, nonpartisan, education and research organization established in Washington, DC in 1978. The testimony draws heavily from research publications of the Employee Benefit Research Institute, but any errors or misinterpretations are those of the witness.

My name is Dallas Salisbury and I am the President and Chief Executive Officer of the non-partisan and nonprofit Employee Benefit Research Institute (EBRI). Established in 1978, EBRI is committed exclusively to data dissemination, policy research, and education on financial security and employee benefits. EBRI does not lobby or advocate specific policy recommendations; the mission is to provide objective and reliable research and information. All of our research is available on the Internet at www.cbri.org and our savings and financial education material is at www.choosetosave.org

Results over time from the Retirement Confidence Survey[®] (RCS) suggest that Americans' expectations of their likely retirement age have also changed over time. As documented in the *EBRI Issue Brief* no. 340, March 2010 "The 2010 Retirement Confidence Survey: Confidence Stabilizing but Preparations Continue to Erode," the RCS found that almost one-quarter (24 percent) of workers reported they have postponed their expected age of retirement. Among reasons cited are: poor economy (29 percent); change in employment (22 percent); and inadequate finances (16 percent).¹ Moreover, while worker responses to a question asking the age at which they expect to retire have shown little change between 2009 and 2010, the age at which workers say they plan to retire has crept upward incrementally over time. In particular, the percentage of workers who expect to retire after age 65 has increased over time, from 11 percent in 1991 to 14 percent in 1995, 19 percent in 2000, 24 percent in 2005, and 33 percent in the 2010 RCS.² However, the retirement age reported by retirees has changed even more slowly. In 1991, 19 percent of retirees said they retired at age 65 or later. This percentage has fluctuated over time and now stands at 32 percent (Figure 30 on page 28 of *Issue Brief* no. 340).

The RCS also finds that differences exist between workers' expected age of retirement and retirees' actual age of retirement. Just 9 percent of workers say they plan to retire before age 60, compared with 31 percent of retirees who report they retired that early. Nineteen percent of workers plan to retire at age 60–64, although 30 percent of retirees retired at these ages. On the other hand, 24 percent of workers (compared with 8 percent of retirees) plan to wait at least until age 70 to retire, and 9 percent indicate they will never retire.³

One reason for the difference between workers' expectations and retirees' experience of retirement age is that many Americans find themselves retiring unexpectedly. The RCS has consistently found that a large percentage of retirees leave the work force earlier than planned (41 percent in 2010).⁴ Many retirees who retired earlier than planned cite negative reasons for leaving the work force before they expected, including health problems or disability (54 percent), changes at their company, such as downsizing or closure (26 percent), and having to care for a spouse or another family member (19 percent). Others say changes in the skills required for their job (16 percent) or other work-related reasons (11 percent) played a role. Some retirees mention positive reasons for retiring early, such as being able to afford an early retirement (24 percent) or wanting to do something else (14 percent), but just 5 percent offer only positive reasons.

¹ Page 27.

² Figure 29 on page 28.

³ Figure 31 on page 29.

⁴ Figure 32 on page 30.

The *EBRI Notes* article, “Social Security Reform: How Different Options Might Affect Future Funding,” September 2009, vol. 30, no. 9, lists a few of the proposals on how the normal retirement age could be raised, and shows the resulting improvement in the actuarial balance of OASDI by doing so. The improvements range from 0.10 percent for increasing the normal retirement age to 67 now, instead of waiting until 2017, to 0.62 percent for increasing the normal retirement age now to 67 and then by one month every two years until reaching age 70.⁵

Meanwhile, the results listed in *EBRI Issue Brief* no. 319, July 2008, “EBRI 2008 Recent Retirees Survey: Report of Findings,” found that respondents typically retired for one of four reasons: retirement becomes affordable, lack of job satisfaction, a desire for more personal or family time, and/or their own health status. One of the major findings from the survey is that employers have a narrow window of up to two years in which they may be able to intervene to change retiring workers’ decisions by offering them incentives to remain with the company. In fact, many retirees report they would have been open to an approach from their employer asking them to stay longer with the company. Sixty-one percent say they would have viewed the experience positively. Just 10 percent indicate they would have reacted negatively to an approach asking them to delay their retirement.

The survey also tested a total of 19 possible incentives that might encourage retiring workers to postpone retirement. Four of these appear especially likely to be successful:

1. Half of retirees (48 percent) indicate that feeling truly needed for an assignment would have been *extremely* or *very* effective in encouraging them to delay their retirement. Moreover, of those ranking this as one of the top two most effective incentives, 72 percent say it might have prompted them to stay at least two more years with the company.
2. Half of retirees with a defined benefit pension state receiving a full pension while working part time would have been effective in delaying their retirement (50 percent), and almost as many feel this way about receiving a partial pension while working part time (44 percent). Seven in 10 of those rating each among the top two most effective incentives report they would likely have stayed at least two more years if it had been offered to them (72 percent for full pension, 71 percent for partial pension). However, this would necessitate a change in federal law and several other compensation-related incentives may be almost as compelling.
3. Thirty-eight percent report that being able to work seasonally or on a contract basis would have been effective in encouraging them to delay retirement. Among those rating this as one of the top two incentives, more than three-quarters (77 percent) say it might have prompted them to stay two years or more with the company.

EBRI research has also looked at the degree to which added years of work would affect the probability of not running short of money. *EBRI Issue Brief* no. 297, September 2006, “Measuring Retirement Income Adequacy: Calculating Realistic Income Replacement Rates,” found that the retirement replacement rates necessary for a specific probability of success in having enough money in retirement to pay for basic expenses and uninsured health care costs jump considerably if one takes Social Security at the earliest age of eligibility of 62. For a 50–50 chance of having enough money to cover these expenses in retirement, the minimum required replacement rate would be 64 percent; for a 75 percent chance of success, the minimum required

⁵ Figure 4, page 17.

replacement rate is 97 percent; and for a 90 percent chance of success, the minimum required replacement rate is 149 percent. If, on the other hand retirement and initial receipt of Social Security benefits are delayed until age 68, he can decrease the figures to 43, 66, and 97 percent, respectively.⁶ Working longer reduces the amount of savings, or non-earning income sources, a worker needs to have accumulated in order to have adequate income last throughout their retirement.

I wish to emphasize that working longer has been a long-term trend, not a new one. Labor force participation for those over 65 hit a low point in 1993 but has risen since, (see *EBRI Notes* article, “Labor Force Participation Rates: The Population Age 55 and Older, 2008,” vol. 31, no. 2, February 2010) particularly for those 65 to 70, for whom it has risen from under 24% to over 34% over the past 17 years. As the number of workers who can expect retiree health benefits paid for by a former employer continues to decline (see *EBRI Notes* article, “Retiree Health Benefit Trends Among Medicare Eligible Population,” vol. 31, no. 1, January 2010) and the proportion of workers with defined contribution retirement plans as opposed to traditional annuity only DB plans continues to grow, (see *EBRI Notes* article, “Retirement Plan Participation and Asset Allocation,” vol. 30, no. 11, November 2009)⁷, staying in the work force longer if medically able is likely to continue to increase.

In conclusion, I would emphasize that ongoing efforts to increase public attention on the need to save (see www.choosetosave.org), and the “risk” of not having enough money to cover even basic expenses as longevity increases (see *EBRI Issue Brief* no. 344, July 2010, “The EBRI Retirement Readiness Rating:™ Retirement Income Preparation and Future Prospects”), are likely to slowly move all Americans to re-think notions of retirement that became common in the period 1950 to 1984, but began to shift as employers like the Federal government reduced the generosity of defined benefit pensions like CSRS and moved to base pensions like FERS along with defined contribution programs like TSP that rely upon individual action. The private sector followed, and now state and local governments are beginning to consider the same transition in greater numbers. *EBRI's Databook on Employee Benefits*, “Chapter 4: Participation in Employee Benefits” provides data on the trends in participation rates in defined benefit and defined contribution plans in the private sector as well as state and local governments. My mother and father retired in 1978 at the height of the “old” retirement value proposition. Both lived to just short of 94 and enjoyed the best of what I believe will come to be viewed by history as the “golden age” in US history for “retirement.” Working to older ages, if physically able, is here to stay and the numbers will do nothing but increase. And added increases in the age of Social Security eligibility for full benefits will serve to accelerate and reinforce that trend as the value of age 62 Social Security benefits continues to decline.

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⁶ See page 15 for a summary of the impact of various retirement ages on replacement rates needed.

⁷ See Figure 2 on page 15.

