THE NEW SCHOOL RETIREMENT EQUITY LAB

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Policy Memo

A POLICY AGENDA FOR THE BIDEN ADMINISTRATION

Protecting Older Workers and Strengthening Retirement Security

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Introduction

COVID-19 and the resulting recession has made older workers — especially older people of color and low-income seniors — even more vulnerable to the systemic flaws of our failed retirement system. The COVID-19 recession **accelerated unemployment** and **involuntary retirement** among older workers, increasing the risks of **downward mobility** in retirement.

Several policy needs stem from research conducted by SCEPA's Retirement Equity Lab (ReLab) at The New School. These policies address older workers' short-term needs and provide comprehensive reform to prevent the upcoming **retirement crisis.** While these policies help all older workers, we find they will serve **older women and older black workers** even more, since these communities experience deeper, systemic economic and health inequalities.

A Federal Commitment To Older Workers

An Older Workers' Bureau (OWB) within the U.S. Department of Labor could advance this full policy agenda. By collecting evidence to inform standards and policies, the OWB would promote the welfare of older workers and ensure retirement security.

Policy Recommendation

Create a Federal Older Workers' Bureau

Similar to the Women's Bureau, created in 1920, an Older Workers' Bureau within the U.S. Department of Labor would focus on older workers, an increasingly large and often vulnerable population that current research, data, and policies don't address. The Bureau's first goal would be to identify, investigate, and interpret older workers' concerns. The OWB's second goal would be to create policies to advance quality employment opportunities for this increasingly vulnerable population that is growing by the tens of millions. Last, the OWB would be responsible for outreach and education by promoting OWB policies and raising awareness of the economic and societal benefits of quality work for older workers.

An Urgent Response to the Pandemic

High and persistent unemployment, compounded by the health risks of COVID-19, threatens the retirement security of older workers. Those out of work cannot contribute to their retirement accounts and longer unemployment durations among older workers increase the risk of early and **involuntary retirement**.[1]

Policy Recommendations

Lower the Medicare Eligibility Age to 50 and Make Medicare First-Payer

Lowering the Medicare **age to 50** would ensure laid-off older workers get the care they need.[2] Medicare should also be made first-payer, covering medical expenses before private insurance, to lower firms' costs of providing older workers with health insurance. Easing the burden of hiring older workers would help prevent involuntary retirements while increasing older workers' health coverage.

Extend and Increase Unemployment Benefits

Laid-off older workers experience longer spells of unemployment, which contributes to many giving up looking for work and retiring earlier than planned. Increased unemployment benefits—even more than the $600 a week which expired July 31—can help older workers not drop out, preserve retirement assets, and put off claiming Social Security early, protecting their monthly benefits from the early retirement penalty. Congress should also suspend the job search requirement for older workers and those who provide care to older family members so they are eligible for unemployment benefits. Older workers should not be forced to look for work at a time when work puts them at risk of severe illness or death.

Require Paid Sick Leave/Time Off for Older Workers

Older workers have less access to paid sick days than younger workers. In 2018, 40% of workers aged 50 years and older **lacked paid sick days** compared to 38% of workers under age 50.[3] The lack of paid sick leave for older workers on the front lines will hurt public health. It is bad for the worker, who may try to work through an illness, and it is bad for other individuals who contract the illness because a sick person is showing up for work, further spreading disease.

Ideally, the COVID-19 response legislation would have permanently required employers to allow every worker to earn paid sick leave of a minimum of 14 days for any reason, not just due to a particular virus. But the current legislation did not go this far. It expires at the end of 2020 and is limited in scope, providing paid sick leave only to those who are quarantined or seeking a medical diagnosis for COVID-19 symptoms. Moreover, it exempts large employers like Walmart and Amazon, which is a major shortcoming when large employers employ more than half of the workforce, and these large employers are particularly active during the pandemic.

Discourage Early Withdrawals

Congress should immediately reinstate the 10% penalty fee for early withdrawals from tax-advantaged retirement accounts, which was removed by the CARES Act in March and is scheduled to return in January. A May survey showed **3 in 10 workers** withdrew savings from their retirement accounts to make ends meet during the pandemic.[4] Removing the fee encourages individuals to sacrifice future needs for short-term spending. Rather, Congress should enact measures to ensure the income and health insurance needs of those who lost jobs in the COVID-19 recession.

Fixing the Retirement System's Structural Flaws

Older workers face increased risk of experiencing downward mobility — an impactful drop in living standards — when they reach retirement age. ReLab's research on retirement income insecurity highlights three deleterious trends. First, an increasing share of older workers are forced to remain in the labor market due to **inadequate retirement savings**. Second, the increase in the share of older workers in the labor force has reduced their wages and **bargaining power**. And third, **age discrimination** hinders older workers' ability to compete for jobs.

Federal action can boost retirement savings for lower-and middle-income individuals and families as well as older working Americans. First and foremost, federal officials need to strengthen Social Security and create individual, public option retirement accounts to supplement Social Security.

Policy Recommendations

Expand Social Security

Increasing Social Security and instituting a minimum benefit will soften the blow for workers forced to retire before they are ready and will prevent many from falling into poverty. Congress should expand Social Security benefits by **$200 per month** and increase the Special Minimum Benefit up to 125% of poverty.[5]

Because many workers don't have access to workplace retirement plans, insufficient retirement savings are widespread. As a result, middle-income near retirees will receive over **three quarters of their retirement income** from Social Security.[6] Increasing the Full Retirement Age — which cuts Social Security benefits for everyone — especially hurts those **unable to work longer** and those who supplement low wages by claiming Social Security benefits while working.[7] Expanding Social Security can make up for benefit cuts, ensuring no one faces poverty in retirement after a lifetime of work.

Retirement wealth inequality is more extreme than income inequality and reflects disappearing pensions, little retirement wealth, low wages, and insecure jobs.[8] Social Security benefits are progressive and **reduce the unequal distribution** of retirement wealth.[9] However, low earners are not the only ones who benefit from expanding Social Security. Social Security insures against the risk of outliving one's wealth, making it invaluable for all. Both **low and high earners would benefit** from Social Security expansion.[10]

Create Guaranteed Retirement Accounts

Congress should ensure all workers have retirement plans that are protected against recessions through the creation of a public option retirement plan known as Guaranteed Retirement Accounts (GRAs). **GRAs are universal, individual accounts** funded by employer and employee contributions throughout a worker's career along with a refundable tax credit.[11] The plan is portable as a worker changes jobs or if a worker loses their job. GRAs give workers access to a secure and accessible way to save for their retirement and supplement their Social Security benefits.

Eliminate EITC Eligibility Age

The Earned Income Tax Credit (EITC) provides a subsidy to boost the incomes of low-wage workers. However, childless workers above 65 years old are ineligible for the credit while working side-by-side with EITC recipients in low-wage jobs. ReLab **found** EITC dampens wage growth for these ineligible older workers while the employer enjoys much of the EITC subsidies indirectly.

For low-wage occupations mostly staffed by EITC-eligible individuals, the EITC lowers wages by increasing the supply of workers. As a result, employers receive the benefits from EITC subsidies by lowering workers' wages.Congress must increase the federal minimum wage to ensure subsidies reach low income workers.

Enforce Age Discrimination Laws

Stricter anti-discrimination laws are necessary to help older workers find employment during and after the pandemic. Research has proven the **effectiveness of anti-discrimination laws** at both federal and state levels in combating age discrimination and increasing employment of older workers.[12] However, a 2009 decision by the U.S. Supreme Court reduced the effectiveness of the Age Discrimination in Employment Act (ADEA), the federal act that protects against age discrimination. The ruling **increased the worker's burden of proof** by requiring the worker to show that age was not just one of the factors the employer considered, but the deciding factor leading to the employer's discriminatory decision.[13] Congress could fix the ADEA and make any discrimination motivated by age illegal.

Advance Workers' Bargaining Power

Older workers are **losing** bargaining power on the job, requiring federal efforts to protect institutions and policies that support workers' rights, including protection of the rights to labor representation and collective bargaining and to properly classify employees to reduce illegal gig and alternative work. However, given the low levels of union membership, minimum wage hikes are necessary to ensure living wages for older workers who are highly represented in low-paying jobs such as food service, retail, and care work.

Endnotes

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WHY FOCUS ON OLDER WORKERS?

Between 2000 and 2019, over 21 million jobs were added to the U.S. economy. Of these, more than 18 million were jobs filled by workers over the age of 55. Estimates from the U.S. Bureau of Labor Statistics show out of 6 million jobs expected to be added to the economy by 2029, 4.4 million will be filled by workers over 55 (data including the effects of COVID-19 will be available Fall 2021). Due to the scale of older people in the workforce, we must take action to ensure older workers have secure income in retirement. Without the ability to save adequately for retirement, older workers will lose bargaining power in the labor market and will in turn diminish bargaining power for every other worker.

*Employment projections are based on BLS employment projections of labor force participation. The BLS projections assume labor market equilibrium; that is, one in which labor supply meets labor demand with the exception of some level of frictional unemployment. Additionally we assume that the distribution of unemployment will not vary drastically between age groups.

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