

BARRIERS TO LATER RETIREMENT: INCREASES IN THE FULL RETIREMENT AGE, AGE DISCRIMINATION, AND THE PHYSICAL CHALLENGES OF WORK

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Policy changes intended to delay retirements of older workers and extend their work lives may run up against two constraints — demand-side barriers in the form of age discrimination, and supply-side barriers in the form of the rising physical challenges of work as people age. If there is age discrimination, then stronger and more vigorously-enforced age discrimination laws could make these policy changes more effective, or enable policymakers to utilize more moderate supply-side policies to achieve their objectives. Rising physical challenges of work for some older individuals can imply either low responsiveness to supply-side incentives to work longer, or diminished welfare from doing so. Finally, the two can interact; for example, stronger age discrimination laws may encourage employers to accommodate physical challenges of older workers, enabling them to work longer.

We study three questions. First, how do age discrimination protections affect the labor market transitions of workers directly affected by increases in the FRA? Second, how do physical challenges at work influence the employment transitions of older workers for whom public policy is trying to delay retirement? And third, do age discrimination protections influence the ability of older workers facing physical challenges at work to remain employed?

With regard to age discrimination protections and labor market transitions, Neumark and Song (2011) found increases in employment among those “caught” by increases in the FRA. Here, we turn to the question of how the employment increases come about. Is it through continued employment at the same employer, hiring at new employers, or even re-entry into employment?

With regard to how physical challenges at work influence employment transitions of older workers, we ask: When older workers, for whom public policy is trying to delay retirement, face physical challenges at work, are they more likely to leave the workforce, or are they able to move to other employers (or to self-employment)? Are older workers who face physical challenges able to reduce the physical demands of work? And if their physical challenges at work are mitigated, does this occur at the same employer, or does this mitigation require changing employers?

The third set of questions considers the intersection of the first two. Do stronger age discrimination protections increase the likelihood that these workers remain employed? Do they make it more likely that workers will be able to remain employed but in less physically-demanding jobs, whether because of changes on the current job or transitions to jobs with more moderate physical demands?

The evidence points to a few conclusions. First, for 65 year-olds caught by increases in the FRA, stronger state age discrimination protections appear to enable labor market transitions that permit people to remain at work, through

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either moving to a new employer or re-entering employment. Given that individuals in states with weaker age discrimination protections instead stay at work by remaining at the same employer, these results for stronger age discrimination protections suggest that such protections may make extended work lives more viable by boosting transitions to bridge or partial retirement jobs. This may be particularly relevant to understanding how workers facing physical challenges on the job respond to efforts to get them to work longer.

Second, evidence on the labor market transitions of those with physically-demanding jobs suggests that physical challenges faced by older workers are a barrier to extending work lives. Among workers in the age ranges for which policy is trying to extend work lives, those who are in physically-demanding jobs are more likely to leave employment and less likely to remain at their employers. Moreover, there is no evidence that they are more likely to switch employers, perhaps as a way of reducing physical demands. On the other hand, there are some workers with physically-demanding jobs who are able to mitigate these demands, although this sometimes occurs through moving to new jobs, and sometimes while staying with the same employer.

Third, stronger age discrimination protections do not appear to help in the process of making labor market transitions to different employers for those with physically-demanding jobs. On the other hand, there is some evidence that a lower firm-size cutoff under state law does ease accommodation of physical demands, as older workers in states with this stronger protection are more likely to make a transition to a job with less physical demands, if they make an employment transition. Other evidence we find suggests that this kind of age discrimination protection boosts hiring of older workers. Our results suggest that this protection does not have this effect, on net, for those in physically-demanding jobs, but that for those who do change jobs it may help them move to jobs that are less demanding physically.

Overall, the results do not provide a clear indication that stronger state age discrimination protections can help reinforce efforts to extend work lives. We do find, however, that for older workers caught by increases in the FRA, stronger state age discrimination protections increase employment, and in fact increase the likelihood of new employment. That is positive from the point of view of policies intended to extend work lives, because many older individuals are likely to have to move to new jobs in order to significantly extend their work lives.

However, when we focus on workers for whom this issue is likely to be most severe, namely those in physically-demanding jobs, the picture is more muddled. On net, stronger age discrimination protections do not appear to make it easier for these workers to move to new jobs, or to move — in particular — to jobs that are less physically demanding. However, among those who change jobs, there is sometimes evidence suggesting that these laws make it more likely that the jobs have less strenuous physical demands. Nonetheless, the absence of net effects on transitions to new jobs — and especially to new jobs that are less physically demanding — makes it impossible to conclude that stronger age discrimination protections would help older workers facing physical challenges at work to adjust to staying in the workforce longer.

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