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# **Healthy Life Expectancy by Education: Estimates and Implications for Retirement Age Policy**

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# Background

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- Life expectancy is growing
  - LE at age 62 grew 4.4 years for men, 5.1 for women between 1940 and 2007
  
- Increasing concerns about Budget Deficit
  - In the coming decades, CBO projects flat revenues with rising entitlement spending
    - Most entitlements due to health and pension spending

Source: Centers for Disease Control and Prevention

# Possible Policy Response

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- Steny Hoyer (D – MD), 6/22/2010 “On the spending side, we could and should consider a higher retirement age, or one pegged to lifespan;”
- John Boehner (R-OH), 6/29/2010 “Raise Retirement Age to 70”
- We examine how the employment capacity of Americans aged 62-69 could respond to such a change
  - Would LFPR increase or disability?
  - How would this vary by group?



# This Paper

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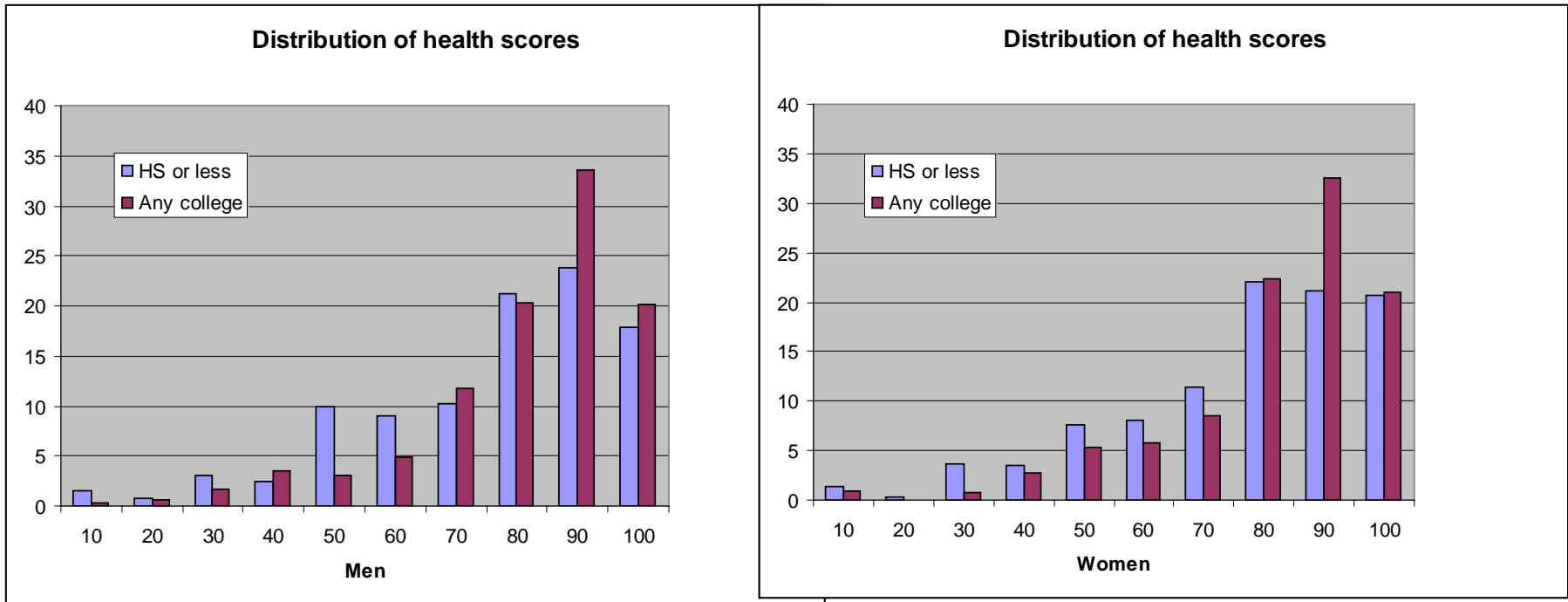
- Examine life expectancy, healthy life expectancy, and the *capacity for work* for those in young retirement ages based on work experience of those pre-retirement
- Simulate changes in labor force participation & self-reported disability in response to an increase in early & normal retirement ages
- Examine trends by sex, race, and education group

# Data

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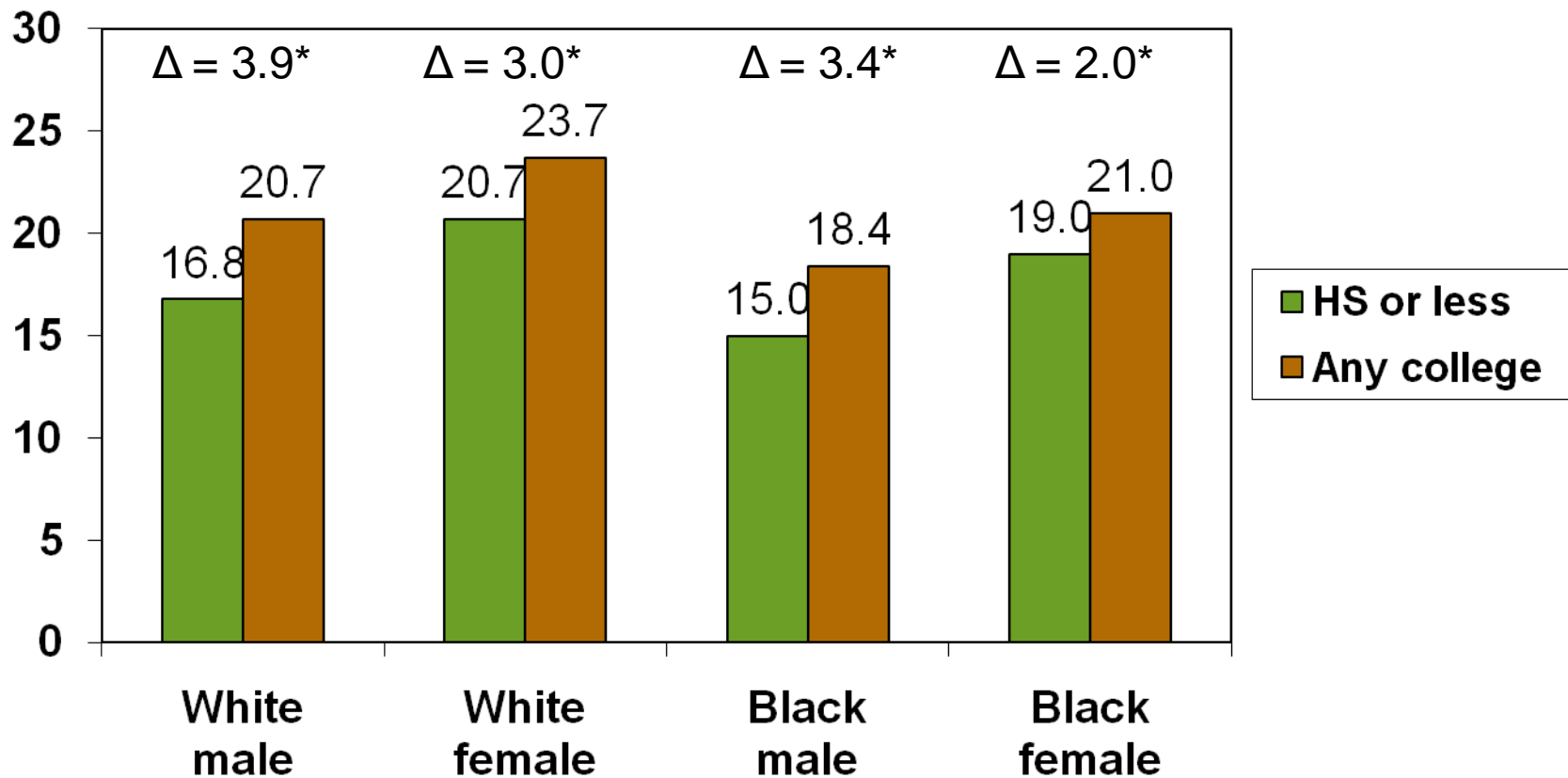
- Medical Expenditure Panel Survey (MEPS) data files for 2000-2003
  - Health conditions (diabetes, high BP, Heart condition, stroke, asthma)
  - Functional status (activities of daily living, instrumental activities of daily living, vision impairment, hearing impairment, physical limitation, cognitive limitation)
  - Labor force status, disability, and retirement
  - Blacks, whites, and Hispanics aged 57+
    - 12,410 individuals
  
- Healthy life expectancy will be computed from Multiple Cause of Death data (death certificates), and adjusted for self-reported health in each age, sex, race group

# Self-Reported Health Status



Respondents are shown a thermometer with a scale from 1 to 100, and prompted, "Indicate on this scale how good or bad you feel today."

# The starting point: Life expectancy at age 62 differs by race, gender, and education



Source: authors' calculations,  $\Delta$  = difference in years remaining between the high and low education group. \* = p-value <.001

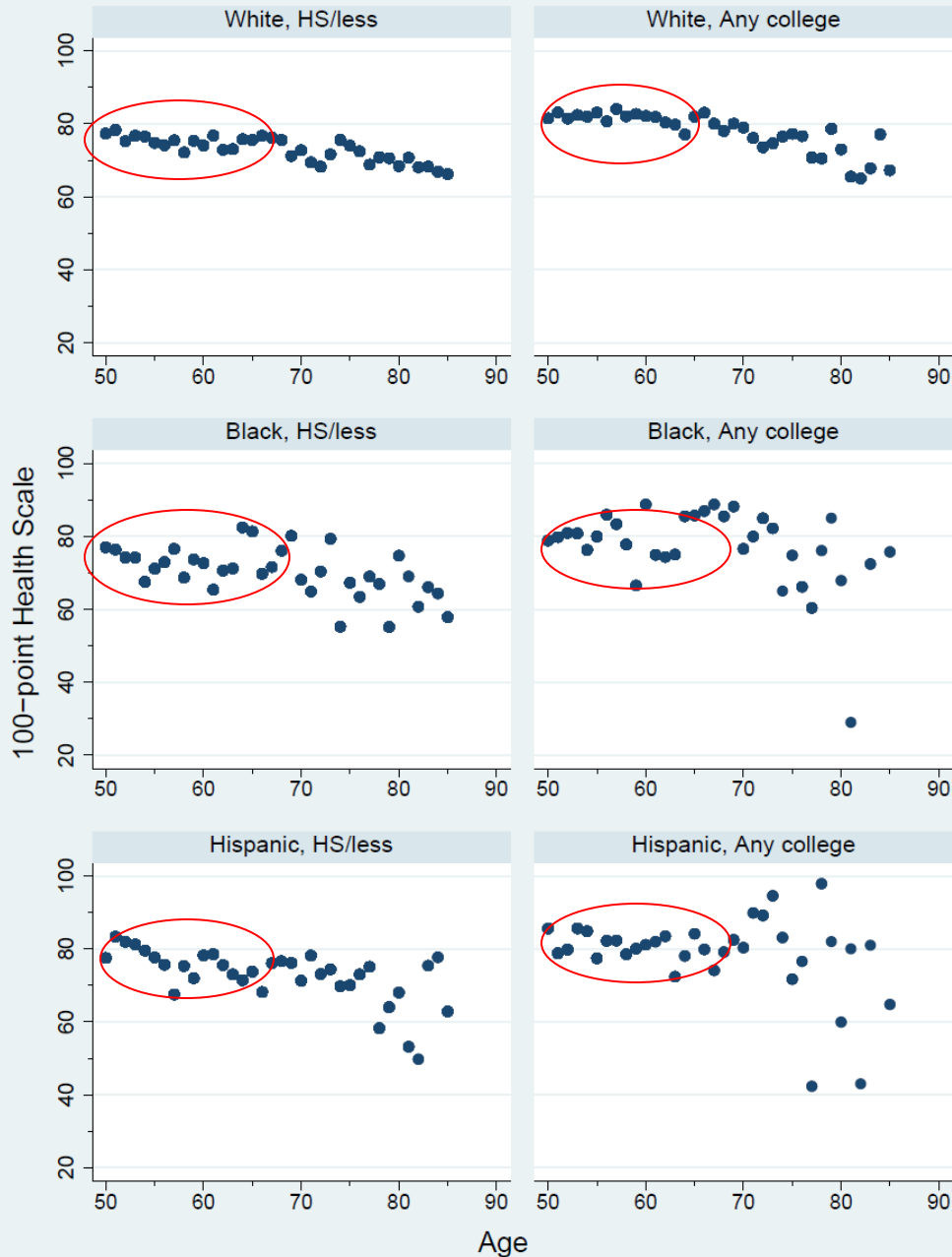
# Results

□ The education gap in healthy life expectancy is about 2.5 to 4.0 years.

- The gap between educated white women and uneducated black men is about 8 years.
- Healthy life expectancy is generally 10 years or longer
- Very similar to gaps in life expectancy

Difference by	Amount
Education	~3 years
Race	~2 years
Gender	~2 years
Maximum difference	~8 years





# Health by Age for Men

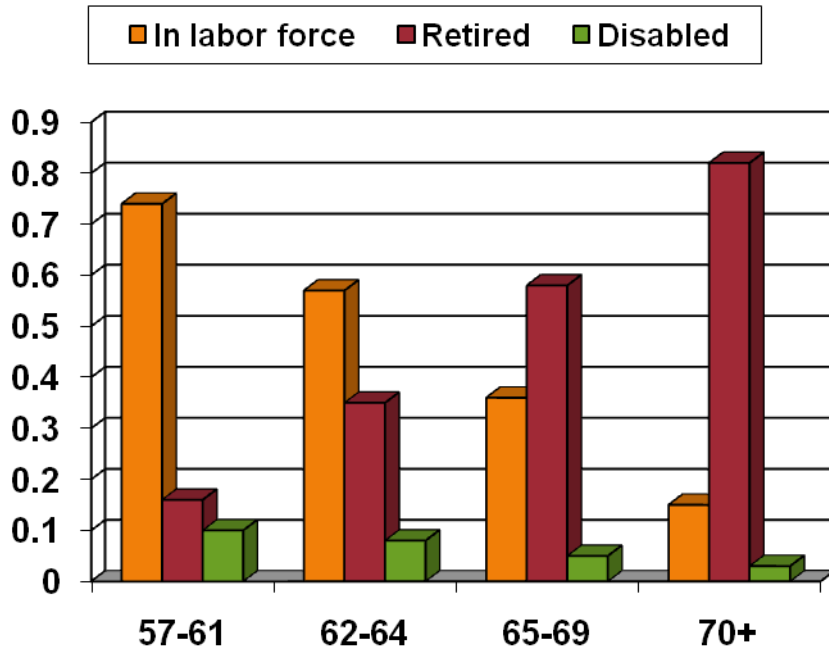
- 100 point health scale declines very slowly from 50-70
- Higher for college attendees at all ages through about 80
- Noisy for non-whites with any college

# Defining Work Status

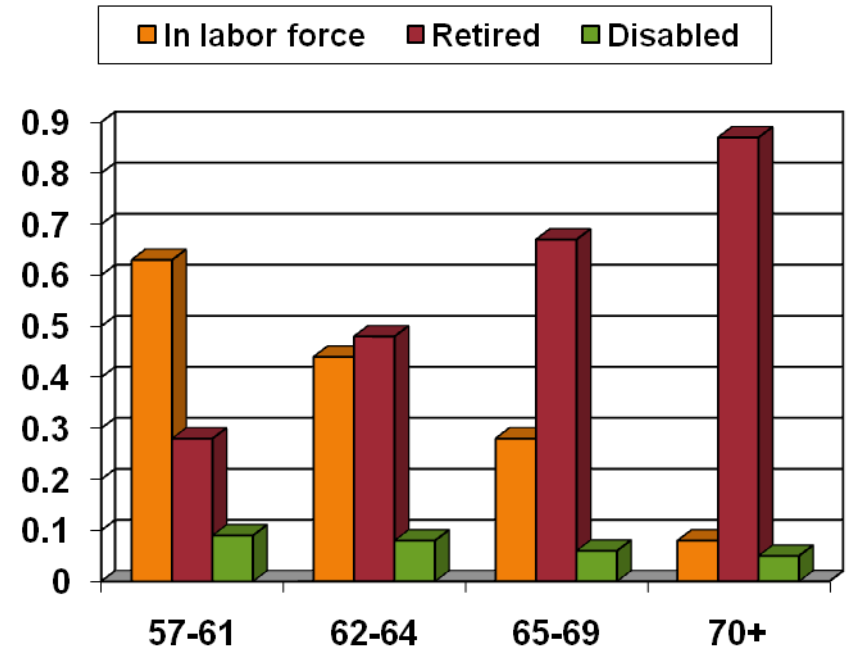
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- Does (person) have a job for pay or own a business?  
(if yes, “In Labor Force”=1)
  
- What is main reason (person) did not work since  
(date)?
  - If reason is “retired”, “taking care of home” or respondent never worked, then Retired =1
  - If reason is “unable to work because ill/disabled”, then Disabled = 1
  - If reason is “looking for work but can’t find it,” then “In Labor Force” = 1

# Labor force status by age



MALES



FEMALES

# Work Capacity

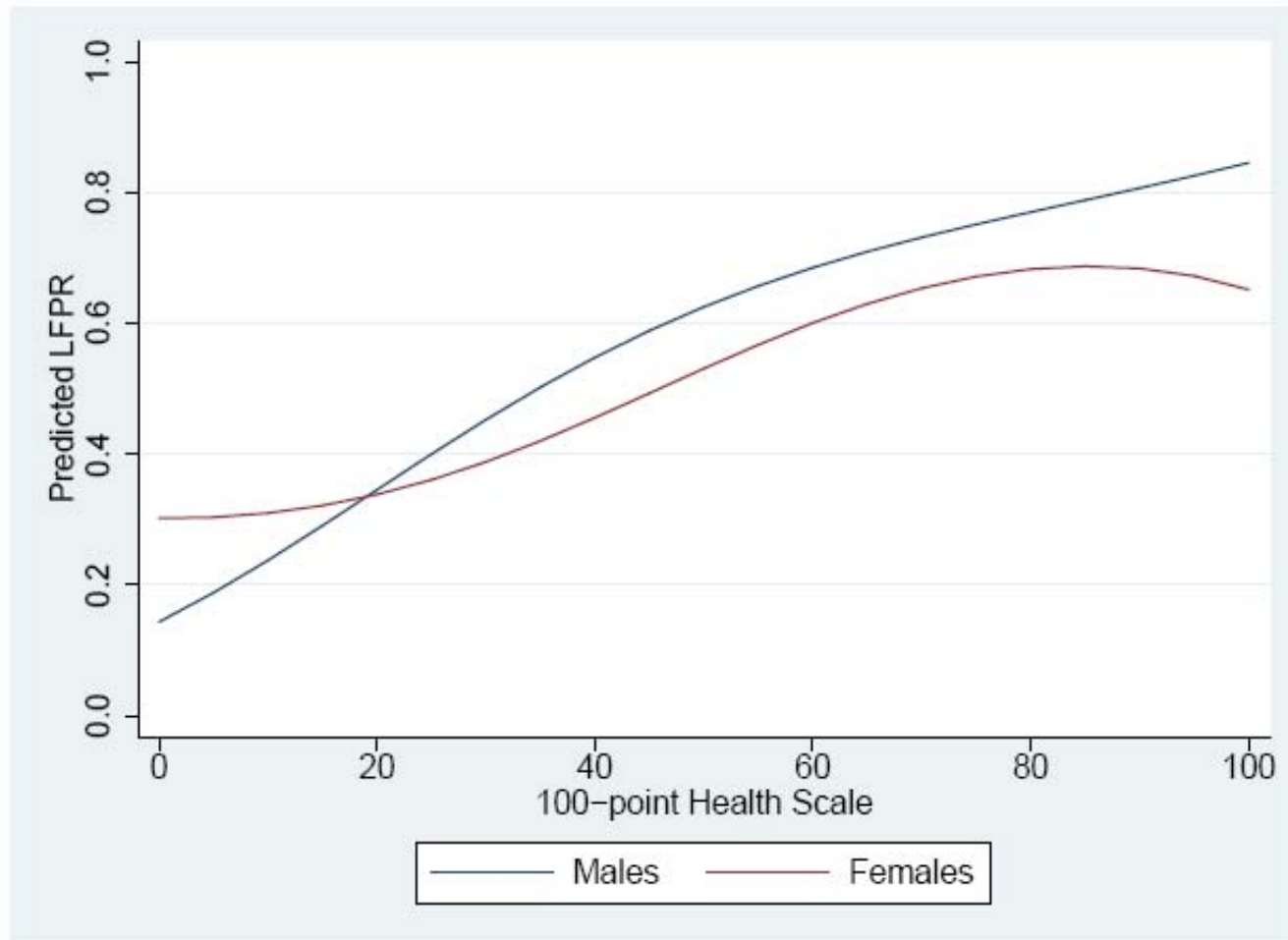
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1. Estimate multinomial logit models of likelihood of disability or retirement relative to work, among 57-61 year olds

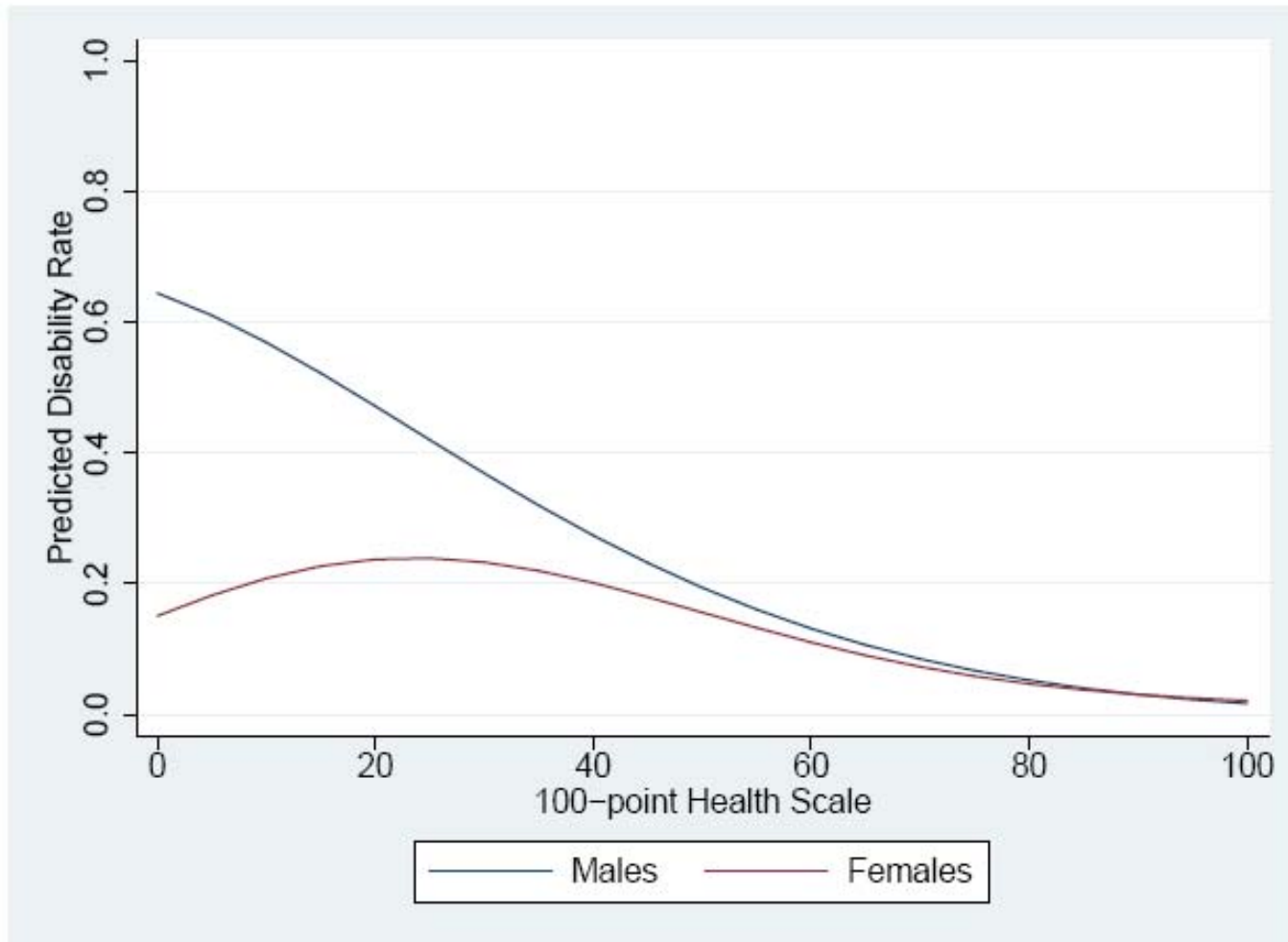
Covariates: health conditions, functional status (activities of daily living, instrumental activities of daily living), race/ethnicity, marital status, education

2. Predict work, disability, retirement of 62-64 year olds

# Adjusted probability of labor force participation, by health status

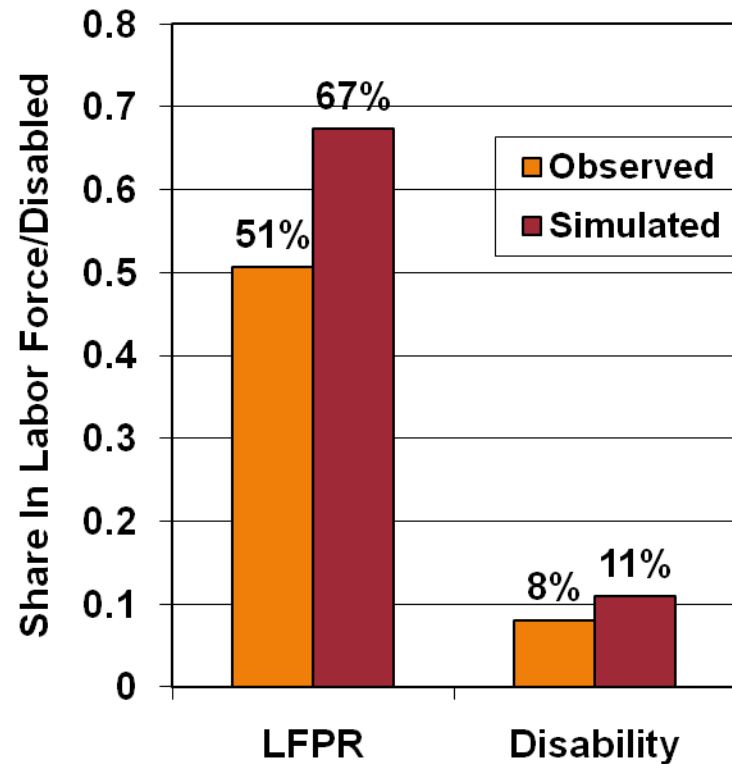


# Adjusted probability of disability, by health status

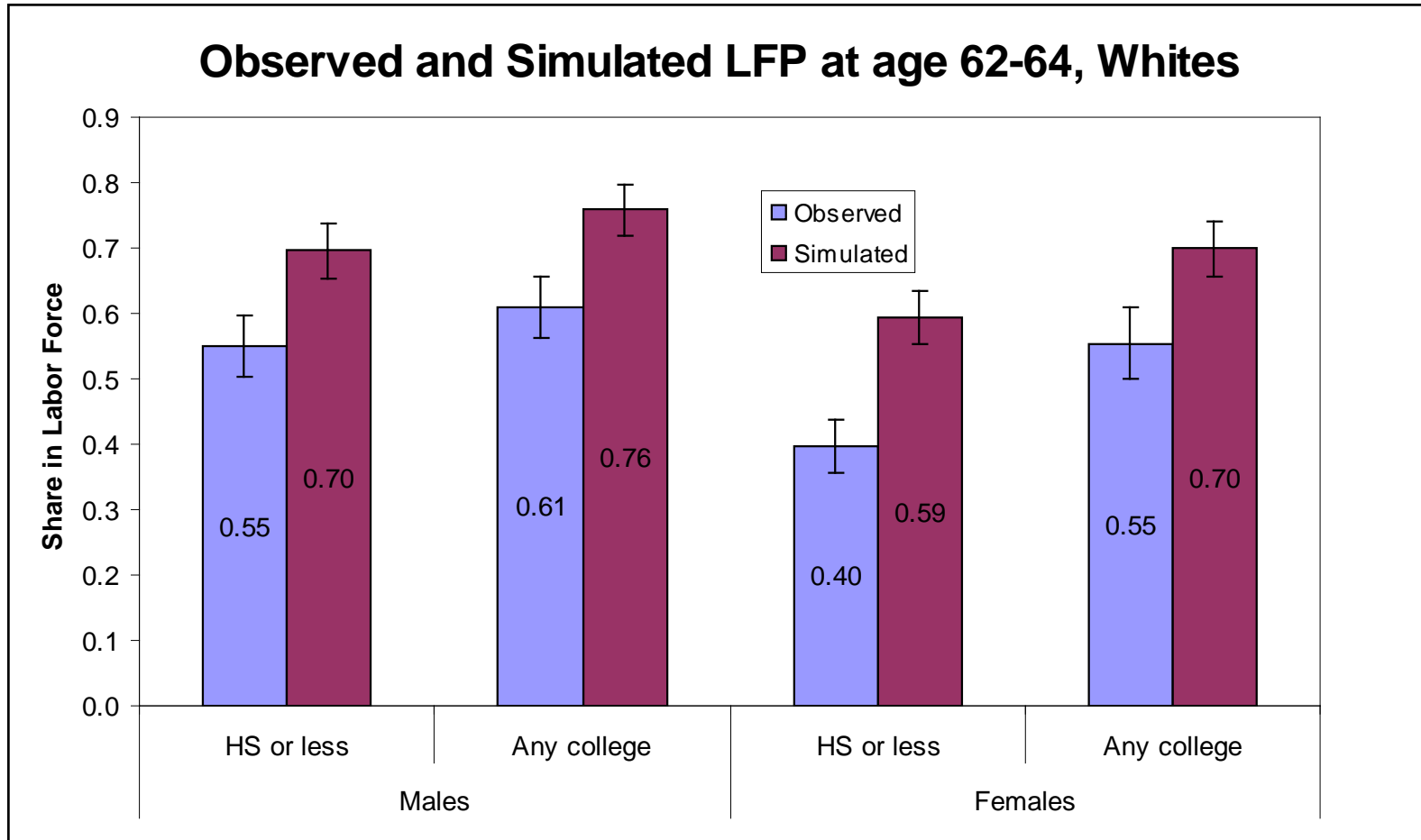


# Overall impact

- Large increase in LFPR and small increase in disability
  - However, disability rates would change dramatically for less educated males



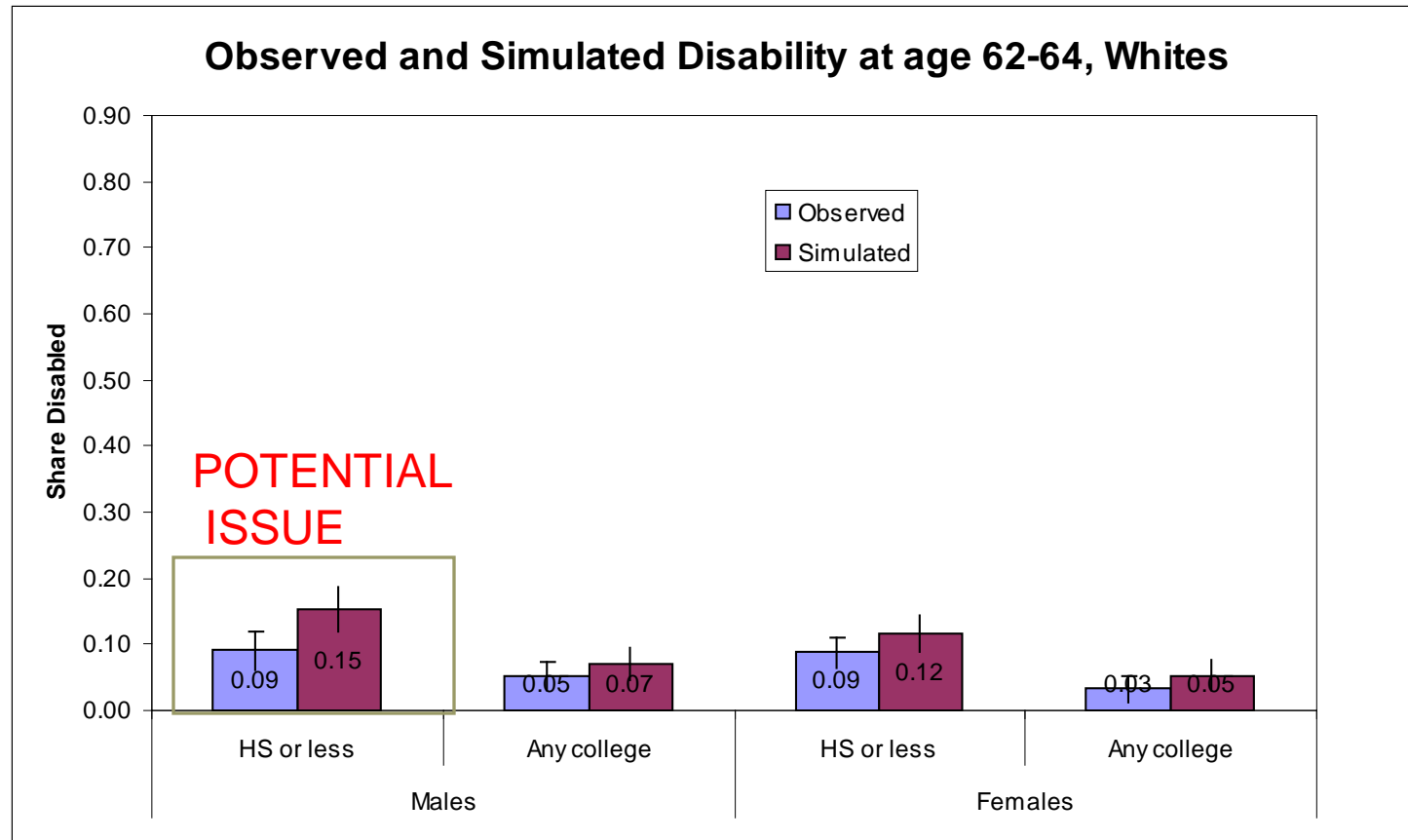
# Increase in predicted LFPR is 15-20 percentage points



Bars show 95% confidence intervals around estimated rates of LFP.



# Increase in disability is 2-6 percentage points



Bars show 95% confidence intervals around estimated rates of disability.

# What would they earn?

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- Impute wages to people aged 62-64 using relation between wages and health for people 57-61.
- Compare predicted earnings of current workers with predicted earnings of those with high probability of being in the labor force given a rise in early entitlement age.
- Result: Predicted earnings of potential workers are 90% or more of earnings of current workers.

# Summary

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- Capacity to work is very high among young retirees
  - Large increase in labor force participation if EEA is raised (15%)
  - The share of individuals who call themselves disabled would rise modestly, but most among less educated men
- Large differences across race and education groups need to be addressed