

Working Seniors Back Into the Fabric of Society

THERE'S BEEN A LOT OF TALK about the financial state of Social Security. Fiscal concerns about the system have been raised in reports issued by the Social Security Administration for years. And one of the most popular features of the Academy's website is the Social Security Game (www.actuary.org/socsec.asp), which allows players to choose among different reform recommendations in an attempt to keep Social Security solvent.

All of this debate is absolutely necessary to ensure that future generations have a level of security in retirement similar to what older Americans enjoy today. But we have largely ignored a danger that has already harmed the current retiree population and is poised to harm future generations as well.

I was talking with an older gentleman recently, and our conversation turned to good deeds. He mentioned how he had recently spent a considerable amount of time and effort to help someone he knew who was in need. "Would you believe," he said, his tone turning sad, "when the person thanked me, they said it as if they had done me the favor?"

This is an example of the unfortunate reality for seniors in our society. At best, the young are taught to interact with them as if it was their good deed for the day. At worst, seniors are separated from the general public, framed as having little to offer society as a whole. The workplace is no exception. Over the course of the past century, seniors have been systematically removed from working ranks, giving them little hope of finding paying jobs as an alternate source of income. This makes it difficult for them to actively participate in society. Even those who want to volunteer their time will often have difficulty finding an organization willing to take them on.

The Pew Research Institute conducted a study in 2006 on the expectations of the current workforce for working in retirement. In the study, entitled "Working After Retirement: The Gap Between Expectations and Reality," the institute reported that 77 percent of those in the cur-



rent workforce surveyed said they expected to work for pay in some capacity after their retirement. This contrasts sharply with findings in a 2006 retirement confidence survey, conducted by the Employee Benefit Research Institute and Matthew Greenwald & Associates. In that survey, just 27 percent of current retirees surveyed had ever worked for pay while in retirement.

The conclusion we can draw from these studies is twofold. First, the current workforce seems to be out of touch in its expectation of remaining active in retirement. While more than three-quarters of those surveyed expected to work for pay after retiring, the reality is that positions don't exist for them. Second, for current retirees who are struggling financially, there

seems to be little hope of getting back into the workforce in any paying capacity.

Providing Incentives for Work

So what can we do to change this situation? Viewed properly, seniors have a vast knowledge base built from their life experiences and an amazing amount to contribute to society. The question is, what can be done to tap into this resource and at the same time bring seniors back into their proper place as respected members of our communities?

A little less than 10 years ago, the government tried to implement a program for the disabled under the Ticket to Work and Work Incentives Improvement Act of 1999. In this program, Social Security beneficiaries with disabilities were to receive tickets that they could take to an approved service provider of their choice through what was called an employment network. The employment network (either a private organization or public agency) agreed to cooperate with the Social Security Administration in assisting the placement of disabled beneficiaries in paid employ-

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ment. As an individual achieved certain employment goals, the employment network would receive compensation from the government. The program ultimately failed (many feel this was because not enough disabled individuals wanted to participate), but while this program was designed to facilitate the return of disabled people to the workforce, the same idea could work to generate supplemental income for retirees.

At the heart of the proposal is the idea that the states and/or the federal government promote a system that would match the services of seniors with the needs of the general population. A portion of the tax proceeds generated into the Social Security system by this program could then be used to compensate the employment networks facilitating the process. The primary reason that the Ticket to Work and Work Incentives Improvement Act failed wouldn't apply. The retiree population is already very large in proportion to the whole and continues to grow. And, as the Pew study showed, retirees are anxious for the opportunity to remain active members of society.

It's my belief that a program such as this can be structured in a way that would greatly benefit society as a whole and be of financial benefit to the country's social insurance systems. It would also cost little or no money to implement and sustain. For example, the government could create a structure in which the employment networks are compensated based on a fixed proportion—say 15 percent—of the funds that they directly generate into the Social Security system. The remaining 85 percent would then remain in the system to help fund the trust for future retirees. Employment networks would enjoy ongoing compensation for subsequent years of employment because of funds being generated into the Social Security Trust Fund by seniors they placed. This would serve as an incentive for employment networks not only to place retirees but to follow up on their placements to ensure that the retirees remain employed.

Filling the Revenue Gap

To research this idea further, I worked with Ed Husted, an Academy member and a fellow in the Society of Actuaries, to ana-

Impact of the Proposal

	INTERMEDIATE	RANGE OF RESULTS
1. Current Gap*	1.70%	1.70%
2. Portion of Gap Filled Because of the Program	0.094%	.055%-.171%
3. Percent of Gap Filled (2/1)	5.52%	3.22%-10.07%

**Difference between the projected 75-year Social Security income and outgo as a percentage of covered payroll shares.*

lyze the effects that such a system would have on current Social Security funding levels. For many years, the reports issued by the Social Security Administration have projected a future deficit for the system. High, low, and intermediate sets of assumptions are used to generate the results for the report. Current projections using intermediate assumptions over a 75-year forecasting period are for a deficit of Social Security funding that is equal to 1.7 percent of the present value of covered payroll over that time. This is commonly referred to as Social Security's revenue gap.

Our study tried to measure the income that could be generated back into Social Security through a work incentive program as described above. We used the intermediate set of assumptions from the most recent Social Security Administration OASDI (old age, survivor, and disability insurance) trustees' report, including the following:

- › The number of projected retirees (worker and spouse) for years 2008 to 2085
- › The projected gross domestic product for years 2008 to 2085
- › The projected taxable payroll for years 2008 to 2085
- › The projected OASDI income for years 2008 to 2085
- › The projected OASDI cost for years 2008 to 2085.

In addition to the assumptions taken from the trustees' report, we developed the following assumptions for the purposes of this study:

- › The percentage of retirees working (broken down from ages 65 to 75, 75 to 85, and 85+)
- › The average annual earnings of these workers (from ages 65 to 75, 75 to 85, and 85+)
- › The annual cost of the program
- › The cost-of-living allowance (used for

future retiree earnings increases).

Following the format of the Social Security trustees' report, our study utilized high, intermediate, and low sets of assumptions. Under our intermediate set of assumptions, the results showed that a work incentive program could fill more than 5 percent of the projected revenue gap, as shown above.

Implications for Retiree Health

Another area of potential benefit is in the area of retiree health. It's my belief that a program such as this would have a positive impact on retiree medical costs. A quick look at some of the wellness studies released over past years will show the connection between inactivity and rising health care costs. Creating a more active and productive lifestyle for seniors could encourage a more physically and mentally healthful environment for them as well.

Of course, much work remains to fully analyze the effects of implementing a program such as this. Its risks must be defined and solutions designed to best mitigate or take advantage of those risks. Further consideration must also be given to any testing, formation, and implementation of a program such as this.

As with any discussion involving Social Security, the idea that I propose is open to debate. But debate over the pros and cons of this or any similar program would represent a great step forward in how our society confronts the demographic issues that we face.

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