



# KERI

## KENTUCKY ELDER READINESS INITIATIVE

*Anticipating the gifts and needs of older Kentuckians*

May 2009  
Data Briefing #3

### Economic, Social Changes Keeping Older Workers in Labor Force

For many years, demographers, fiscal analysts, retirement researchers, and other policy experts have likened the aging of the baby boom generation, the largest in U.S. history, to a looming demographic tidal wave that, in the absence of policy changes, will swamp government programs. Rising rates of dependency on entitlements, namely Social Security, Medicare, and Medicaid, many predict, cannot be supported by a labor force that is expected to grow at an anemic pace in years to come. But just as the front line of baby boomers approaches the age for traditional retirement, the worst economic circumstances since the Depression have besieged the nation. For policymakers, current economic circumstances and the consequences for elders pose potential problems and opportunities.

Clearly, the convergence of economic blows has left many current and would-be retirees more financially vulnerable, risk averse, and motivated to either keep working or, if possible, return to work. Nationally, the rate of bankruptcy filings among those 65 and older more than doubled between 1991 and 2008.<sup>1</sup> For Kentucky's older population, rising costs for health care, food, transportation, and utilities are undermining already inadequate incomes. Losses in the stock market and declining home values, typically the major asset of older Americans, present formidable obstacles to retirement for many. While Kentucky's foreclosure rate ranked among the lowest in the nation at 43rd in April 2009, the state unemployment rate had risen at a faster pace than the national rate, 3.9 percent compared with 3.4 percent nationally.<sup>2</sup> Thus, fewer jobs are likely to be available to older workers seeking additional income through employment.

Baby boomers also represent the front line of workers whose employers jettisoned costly defined-benefit pension plans for those defined by individual and employer contributions. By 2006, defined-contribution or 401(k) plans had become the primary employer-based retirement plan for 67 percent of the workforce, up from 30.9 percent in 1988. During the same eight-year time period, defined benefit plans as the primary plan fell 25.8 percentage points to 30.9 percent of the labor force.<sup>3</sup> Early research suggested that the investments most retirees were left to rely upon to help finance their retirement were less likely to provide adequate resources in retirement.<sup>4</sup> Now in the grip of a recession that has sent stock portfolios plummeting, estimated losses for 401(k)s ranged up to 25 percent in 2008 alone.<sup>5</sup> Further losses have followed, leading to record low levels of confidence among workers and retirees about having enough money for a comfortable, financially secure retirement.<sup>6</sup>

The declining availability of health care benefits alone, Employee Benefit Research Institute (EBRI) findings suggest, may be keeping many older workers on the job. The savings needed to fund health insurance and unmet health care expenses, particularly prescription drugs, has grown substantially. In 2008, EBRI estimated the savings needed to meet median prescription drug costs throughout retirement at \$64,000 for men and \$86,000 for women.<sup>7</sup>

In spite of the continued loss of jobs in the economy, workers aged 55 and older were experiencing lower unemployment rates than the total labor force, 4.9 percent compared to 7.2 percent, in January 2009. Older workers who become unemployed, however, tend to stay that way for longer periods of time.<sup>8</sup> For those who are employed, social forces keep many on the job, according to Joyce Manchester, a Congressional Budget Office analyst. High divorce rates mean that more boomers depend on one income to support a household, and some who delayed becoming parents still have children in college.<sup>9</sup> What's more, the health of older Americans has improved greatly with the advance of modern medicine, enabling older citizens to stay active longer. Too, more women are now in less physically demanding white collar jobs that are easier to sustain.<sup>10</sup> So while high living costs and changing circumstances compel many to remain employed, other would-be retirees are choosing to continue their careers beyond the traditional retirement age of 65 or seizing a post-retirement opportunity to discover a new path or revive a dream career. A recent national survey found that between 6 percent and 9.5 percent of adults between the ages of 44 and 70 are actively pursuing what San Francisco-based Civic Ventures calls "encore careers" defined by renewed purpose.<sup>11</sup> Regardless of the impetus, the cumulative effect is one of rising of labor force participation among older Americans. The implications for the fiscal future of federal and state programs that serve older citizens, a marketplace gearing up to cater to retired Americans, and the well-being of seniors are profound.

**Long-Range Predictions.** Before the forces that are now discouraging many from retirement or encouraging them to return to work manifested in our economy, demographers saw a long-range threat to the future solvency of major U.S. entitlement programs in labor force trends. The growth of the U.S. labor force, which increased by 79 million participants between 1950 and 2000 at an annual rate of 1.6 percent, is expected to stall in coming years. Between 2000 and 2050, the annual rate of growth is projected to slow to 0.6 percent a year, adding an older, more diverse, nearly equal female, and substantially smaller number of participants,

51 million workers by 2050. This slowed growth rate is attributed to population factors, including the gradual departure of boomers from the labor force and a “baby bust” or low birthrates that followed the end of the baby boom (1946-1964) and lasted into the late 1970s. Also, female labor force participation, which has fueled growth for decades, averaged an annual growth rate of 2.5 percent a year over the last half of the 20th century. Over the first half of the 21st century, however, it is predicted to increase at a lower annual average rate of 0.7 percent as older women comprise a larger component of the female population and participation rates reach an anticipated threshold and even decline somewhat.<sup>12</sup>

With an expected slowing of labor force growth, programs such as Social Security, Medicare, and Medicaid, which are supported by the contributions of current workers, not those of current retirees, are predicted to be adversely affected by a precipitous drop in the covered-worker-per-beneficiary ratio. According to the 2008 report of the Social Security Trustees, the 3.3-workers-per-beneficiary ratio of 2007, which has been relatively stable since the 1970s, is expected to decline to about 2.2 by 2030 when most of the baby boom generation will have reached retirement age.<sup>13</sup> Sustained participation in the labor force among older workers, however, could change this scenario.

**Defying Expectations.** Nationally, in every age group over the age of 45 years, with the notable exception of the 45-to-49 age group, Bureau of Labor Statistics reports drawn from the Current Population Survey show an increase in labor force participation rates over the past decade. As shown in Table 1, the most pronounced gains are among the age group typically associated with early retirement (60-64 years) and that following the typical retirement age of 65 (65-69 years). Overall, participation rates among all civilian workers aged 45 and older have increased steadily over the past decade, rising from 51.1 percent in 1998 to 55.4 percent in 2007. Rates of participation rose in each age group except

Age Group	1998	2007	% Change
45-49	84.7%	83.4%	- 1.3%
50-54	79.9	80.4	0.5
55-59	69.5	72.0	2.5
60-64	46.8	53.3	6.5
65-69	22.5	29.7	7.2
70-74	12.5	17.2	4.7
75 and older	4.7	6.8	2.1

*Source: Current Population Survey data, Bureau of Labor Statistics*

those aged 45 to 49. Participation increased in every other age group, even among those who are 75 and older. During the first six months of 2008, the rate has continued to increase somewhat. As workers approach retirement age, those aged 55 and older, the trend is even more pronounced.

**Trends in Kentucky.** A recent Local Employment Dynamics report from the U.S. Census Bureau finds that between 2001 and 2004, 111 of Kentucky’s 120 counties experienced an increase in their 55-and-older workforce. In both metropolitan and nonmetro-

politan areas, these data show that 12.8 percent of the labor force is comprised of workers aged 55 and older. However, only 2.7 percent of Kentucky’s workforce was aged 65 and older.<sup>14</sup>

More recent data from a 2007 survey conducted by the Kentucky Elder Readiness Initiative (KERI) show that about half of Kentucky’s Baby Boomers plan to continue working after retirement. The inclination, not surprisingly, appeared far stronger among those younger than 62 years. In 2007, the youngest cohorts (44-52 years old and 53-61 years) were twice as likely to indicate plans to work in retirement as those 62 years and older, 66 percent and 64 percent compared with 32 percent, respectively. Recent changes in economic circumstances, however, have likely changed perspectives and plans for many.

Using comparison data from the 2000 Kentucky Retirement Survey, however, we found that the major reasons cited for post-retirement plans to continue working changed little over the course of eight years, with one notable exception. The portion of Kentuckians 45 years and older who cited “to help support children or other household members” as a major reason to continue working after retirement nearly doubled between 2000 and 2007, rising from 10 percent to 19 percent. This shift is partly attributable to worsening economic conditions that have disproportionately adverse effects on younger workers, who are most likely to be in low-wage jobs and lack health insurance. In Kentucky, 55.4 percent of grandparents who lived in the same household as their grandchildren in 2006 were responsible for them, the eighth highest rate of this measure of intergenerational dependency among states. Also, many parents of baby boomers, who have high unmet living and medical costs, now depend on their children for support. These data suggest that the impact of changing economic circumstances, which have hit the economically vulnerable hardest, are being felt across extended families.<sup>15</sup>

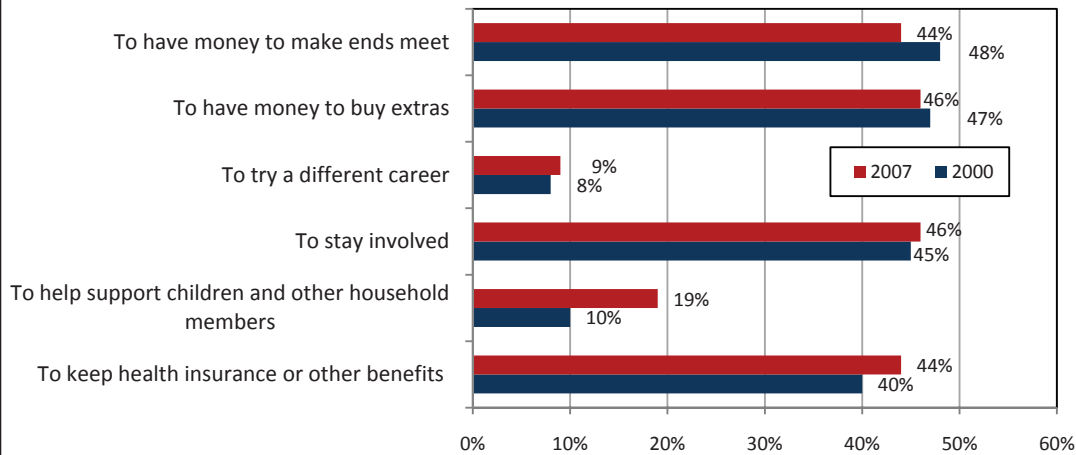
This growing concern about the well-being of family is seen in all age groups. When we examine these responses more closely, we find evidence of economic motivations that have shifted among each of the baby boom age cohorts examined. As shown in Table 2, even the youngest cohort of baby boomers believe that they will need to continue working to help lend support to their children or other family members. The largest increase in this level of economic discomfort, however, is found among those approaching retirement age, those aged 53 to 61 years old, 18 percent of whom cited support for family as either a minor or major reason to continue working. As either a major or minor reason, a 14 percent increase was seen in the other age groups.

Other categories of response also reflect a growing economic anxiety and, alternatively, an expressed, albeit minor, desire to stay

Age Group	Minor Reason		Major Reason	
	2000	2007	2000	2007
45-52 years	27%	32%	10%	19%
53-61 years	18%	26%	10%	20%
62 and older	12%	20%	10%	16%

*Source: Kentucky Elder Readiness Initiative 2007, the Kentucky Retirement Survey, 2000*

**FIGURE 1**  
Major Reasons Kentuckians, Age 45 and Older,  
Who Plan to Work After Retirement Cite for Their Plans, 2000, 2007



Source: 2007 KERI Survey and 2000 Kentucky Retirement Survey

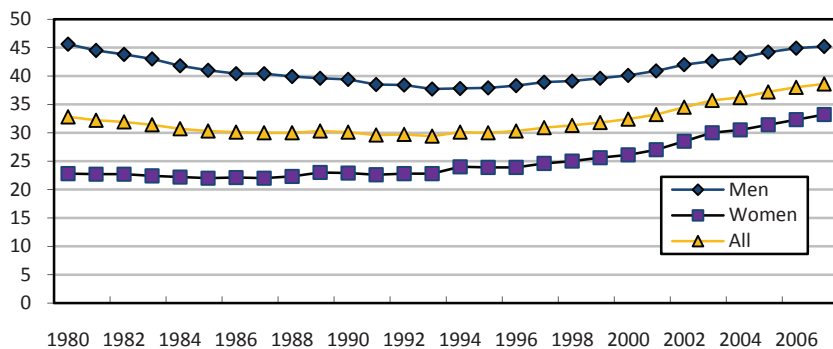
engaged in the workforce post-retirement. Those who said they planned to keep working to retain health insurance or other benefits increased 8 percent in the 45-52 and 62-and-older age groups, and 6 percent among those 53-61 years old. While working “to have money to make ends meet” either declined or remained unchanged as a major reason, an 8 percent increase among the youngest baby boomers was seen in those who cited it as a minor reason to keep working after retirement. Importantly, about the same percentage of respondents cited “to stay involved” or, to a much lesser extent, “to try a different career” as major reasons to continue working. As a minor reason, however, a 10 percent increase was found among the youngest cohort (ages 45-52) who said they would keep working “to stay involved” and an 8 percent increase among those ages 53-61 who cited “to try a different career” as a minor reason.

force well past expected retirement dates, in many cases, effectively displace opportunities for younger workers. Likewise, the anticipation of an increased demand for goods and services targeting individuals with years of leisure may have been misguided.<sup>16</sup> Consequently, many entrepreneurs who relied on these business models could be doomed for failure.

More positively, demography may not be destiny after all. Whether motivated by the desire to stay engaged through employment or by eroding personal and family incomes, older Americans in the labor force challenge longstanding assumptions about the unmet costs that an aging population will pose for government entitlements. The news is also good for employers. Contrary to stereotypes, workers 65 years and older express the highest levels of job satisfaction,<sup>17</sup> a characteristic associated with higher levels of productivity. At the same time, older workers can serve as positive mentors to new labor force entrants.

The challenge for employers and policymakers alike is to create more tiered retirement opportunities, gradually declining levels of part-time employment that permit some to disengage from the labor force as their health and finances permit. Such strategies enable older people to supplement inadequate retirement savings and income even as they continue to contribute to the very funds that will ultimately provide them with Social Security and health care.

**FIGURE 2**  
U.S. Civilian Labor Force Participation Rates,  
Aged 55 and Older, by Gender, 1980-2007



Source: US Bureau of Labor Statistics

**Implications.** Current labor force trends portend potentially good and bad news for the state’s economy. On the one hand, lost retirement savings will likely mean inadequate incomes for many seniors who cannot work, and dependency rates may escalate as a result. Past studies have shown that even the plans of those who intend to work beyond the traditional retirement age are often thwarted by health events. Those who do remain in the labor

<sup>1</sup> “AARP and Others Examine Bankruptcy Trends Among Youngest and Oldest Generations,” press release, 19 June 2008, at <<http://www.aarp.org>>.

<sup>2</sup> Kaiser Family Foundation, “Kentucky: Measures of State Economic Distress: Housing Foreclosures and Changes in Unemployment and Food Stamp Participation,” State Health Facts, April 2009, at <<http://www.statehealthfacts.org>>.

<sup>3</sup> Employee Benefit Research Institute (EBRI), “Workers’ Primary Retirement Plan Type,” Fast Facts 118, 2 April 2009, at <[www.ebri.org](http://www.ebri.org)>.

<sup>4</sup> See, for example, Olga Sorokina, Anthony Webb, and Dan Muldoon, “Pension Wealth and Income: 1992, 1998, and 2004,” Issue Brief, Center for Retirement Research (CRS), Boston College, 8-1 (Jan. 2008), and Alicia H. Munnell and Annika Sunden, “401(k) Plans Are Still Coming Up Short,” Issue Brief, CRS, 43 (March 2006).

<sup>5</sup> EBRI, “The Impact of the Recent Financial Crisis on 401(k) Account Balances,”

<sup>6</sup> Ruth Helman, Mathew Greenwald & Associates; Craig Copeland and Jack VanDerhei, “The 2009 Retirement Confidence Survey: Economy Drives Confidence to Record Lows; Many Looking to Work Longer,” EBRI, Issue Brief, 328 (April 2009), at <[www.ebri.org](http://www.ebri.org)>.

<sup>7</sup> Paul Fronstin, Dallas Salisbury, and Jack Van Derhei, “Savings Needed to Fund Health Insurance and Health Care Expenses in Retirement: Findings from a Simulation Model,” Issue Brief, Employee Benefit Research Institute, 317: 2008.

<sup>8</sup> Sara E. Rix, “Little to Cheer About: Unemployment and the Older Worker—December 2008,” AARP Policy and Research, Jan. 2009, at <[www.aarp.org/research/work/employment/fs150\\_worker.html](http://www.aarp.org/research/work/employment/fs150_worker.html)>.

<sup>9</sup> Adam Aston, “That Wave of Retirees? Not So Big,” Business Week 26 May 2008: 050.

<sup>10</sup> Aston.

<sup>11</sup> MetLife Foundation and Civic Ventures, Encore Career Survey at: <<http://www.civicventures.org>> June 2008.

<sup>12</sup> Mitra Toossi, "A Century of Change: the U.S. Labor Force, 1950-2050," Monthly Labor Review May 2002: 15-28.

<sup>13</sup> "Projections of Future Financial Status," 2008 OASDI Trustees Report, at <<http://www.ssa.gov>>.

<sup>14</sup> Cynthia Taeuber and Matthew R. Graham, The Geographic Distribution and Characteristics of Older Workers in Kentucky: 2004 Local Employment Dynamics (LED) Older Workers Profile, LED-OW04-KY, U.S. Census Bureau, Washington, D.C., July 2008.

<sup>15</sup> U.S. Census Bureau, Table R1001, "Percent of Grandparent Responsible for Their Grandchildren: 2006," at <<http://factfinder.census.gov>>.

<sup>16</sup> Kevin P. Coyne and Shawn T. Coyne, "When the 'Silver Tsunami' Fails to Hit," at BusinessWeek.com, 21 May 2008, and Aston.

<sup>17</sup> Shankar Vedantam, "Older Americans May Be Happier Than Younger Ones," The Washington Post 14 July 2008: A-04.

## The Kentucky Elder Readiness Initiative (KERI) and Statewide Survey

The Kentucky Elder Readiness Initiative (KERI) was created in August 2005 and is a collaborative venture involving the University of Kentucky Graduate Center for Gerontology, the Kentucky Department for Aging and Independent Living of the Cabinet for Health and Family Services, all 15 of Kentucky's Area Agencies on Aging\* (AAA), and the Kentucky Long-Term Policy Research Center. The goal of KERI is to foster statewide awareness, dialogue, and insight into the challenges and opportunities provided by the aging of the "Baby Boom" population (persons born between 1946 and 1964) and to stimulate local and statewide initiatives to appropriately address the pending changes that will result. KERI is based on a positive philosophy of old age. Elders are viewed not as dependent but as a resource. KERI is part of a process of continuous planning; it is not a report to be placed on a shelf but rather a statewide movement to prepare for a better future. Widespread dissemination of findings and participation of the media in this movement is vital.

Initial KERI activities involved assembling background information on Baby Boomers and elders in Kentucky. In the summer of 2006, two focus groups (one with community leaders and one with service providers) and a community forum were conducted in each of the 15 AAA districts. Findings from the focus groups were incorporated into a statistically representative statewide survey conducted by the University of Kentucky Survey Research Center and sent to a stratified sample of 9,600 Kentucky households (640 randomly drawn in each AAA district in June and July of 2007). Information provided in this report was derived from responses received from 3,256 households representing a response rate of 33.9 percent. The margin of error on the statewide sample is  $\pm 1.7$  percent at the 95 percent confidence level. Further information on the survey and KERI is available at <<http://www.mc.uky.edu/gerontology/keri.htm>>.

\*Kentucky's Area Agencies on Aging coincide with Area Development Districts.

By Michal Smith-Mello ([michal.mello@lrc.ky.gov](mailto:michal.mello@lrc.ky.gov))

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**Kentucky Elder Readiness Initiative**  
303 Wethington Health Science Bldg.  
University of Kentucky  
Lexington, Kentucky 40536-0200