

Aging Population

CAN THE U.S. SUPPORT ITS GROWING RANKS OF ELDERLY?

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The oldest of the 78 million Americans born during the post-World War II baby boom generation are turning 65 this year, while the share of the population older than 85 is growing even faster. The flood of elderly Americans is putting severe financial stress on programs that benefit older citizens. The number of people covered under Medicare will increase by more than 30 million over the next 20 years. So far, congressional proposals for constraining Medicare spending have encountered stiff resistance. But economists say the country's deficits will become unmanageable if entitlement programs aren't scaled back. The United States is not aging as rapidly as other developed countries and will continue to have a growing population of working-age people. But as longevity and spending on health care increase, many seniors will outlive their retirement savings.

BY ALAN GREENBLATT

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Getty Images/John Moore

A hospice patient in Lakewood, Colo., releases a dove as part of an animal therapy program designed to increase happiness for terminally ill residents. The growing number of aging and elderly Americans is putting programs for the elderly under financial stress.

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MANAGING EDITOR: Thomas J. Billitteri tjb@cqpress.com

ASSISTANT MANAGING EDITOR: Kathy Koch
kkoch@cqpress.com

CONTRIBUTING EDITOR: Thomas J. Colin
tcolin@cqpress.com

ASSOCIATE EDITOR: Kenneth Jost

STAFF WRITERS: Marcia Clemmitt, Peter Katel

CONTRIBUTING WRITERS: Sarah Glazer, Alan Greenblatt, Barbara Mantel, Tom Price, Jennifer Weeks

DESIGN/PRODUCTION EDITOR: Olu B. Davis

ASSISTANT EDITOR: Darrell Dela Rosa

FACT CHECKER: Michelle Harris

INTERNS: Daniel Bauer, Benjamin Woody



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PRESIDENT AND PUBLISHER:

John A. Jenkins

DIRECTOR, REFERENCE SOLUTIONS:

Todd Baldwin

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THE ISSUES

James Kempthorne is running out of money. “He saved, or thought he was saving, for retirement,” says his son, Dirk, a former Republican governor of Idaho. “He thought he would be okay, even if he lived to be 90.”

But on the 4th of July, the senior Kempthorne turned 96. “His savings are gone, and his only source of income is Social Security—Social Security and a couple of sons,” Dirk Kempthorne says.

As the proud patriarch of a successful family, James Kempthorne isn’t happy about having to rely on his children for help. But he’s not alone. Nearly 10 million adult children over age 50 in the United States provide care or financial help to their aging parents.¹

Such numbers are only going to grow. The oldest members of the baby boom generation—78 million Americans born between 1946 and 1964—are turning 65 this year. The sheer number of them means that one will turn 65 every 8 seconds until 2030.²



Activists on Capitol Hill urge lawmakers on April 15 not to cut Medicare, the federal government's health insurance program for the elderly and disabled. The same day, however, the majority-Republican House approved a budget plan that would rein in Medicare costs. Democrats oppose the plan and intend to use it as a campaign issue in 2012. Economists say entitlement programs must be scaled back to control the country's deficit.

But the population of the “old old”—those over age 85—is growing, proportionately, faster. America has the largest number of centenarians in the world, at 72,000—a total that has doubled over the past 20 years and will at least double again by 2020, according to the Census Bureau.³

That's the result of good news: increased life expectancy that stems from improved medicine and nutrition and a drastic decline over recent decades in infant mortality.

“I assume that most people would like to live a long, full life, and that's increasingly possible,” says John Rother, policy director at AARP, the major advocacy group for seniors, formerly known as the American Association of Retired Persons. “Advances in health care make that more likely for people.”

Still, Rother acknowledges that a good deal of concern exists about the challenges posed by the aging population. The rapid growth in the number of seniors—which will be much higher than population growth among young and working age Americans—will lead to changes across society,

including pressures on the workforce and federal budget.⁴

That's despite the fact that the United States is aging less rapidly than other developed nations, such as Germany, Italy, Spain and Japan. By 2015, the population of working-age people—typically defined as those between ages 15 and 64—will begin to decline throughout the developed world, with the United States as the sole major exception.

“The demographics are obviously more favourable than just about anywhere else in the rich world,” says Richard Jackson, who directs the Global Aging Initiative at the Center for Strategic and International Studies, a think tank in Washington. “We have an aging population, but at the end of the day, when the last of the boomers have passed on to that great Woodstock in the sky, we'll be about as old as Japan and Italy are today. And we'll have a growing population and not a stagnant or a declining one.”

But the United States has a major problem those other countries don't have. Spending on health care is far greater here than in other developed countries and will only rise with the aging of the population.⁵

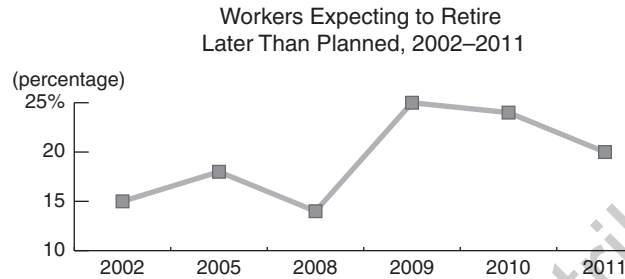
“We look as though our problem is very affordable, relative to other countries,” says Neil Howe, president of LifeCourse Associates, a demographics consulting firm in Great Falls, Va., and author of several books about demographics. “The big factor that pushes hugely in the other direction is health care. We are anomalous in that we have a system in which health care costs are growing uncontrollably even before the age wave.”

Total enrollment in Medicare, the federal government's health insurance program for the elderly, is expected to rise from 47 million today to just over 80 million by 2030.⁶ Richard Foster, Medicare's chief actuary, predicts the program's trust fund could be depleted by 2024.⁷

The growing number of aging Americans also will put enormous strains on Social Security and Medicaid, the state-federal health insurance program for the poor and disabled, which pays for

MORE AMERICANS EXPECT TO DELAY RETIREMENT

One-fifth of American workers say they expect to retire later than planned—a lower percentage than in 2009 and 2010, but higher than when the economy was stronger in 2002.



Source: Ruth Helman, et al., "The 2011 Retirement Confidence Survey: Confidence Drops to Record Lows, Reflecting 'the New Normal,'" Employee Benefit Research Institute, March 2011, www.ebri.org/pdf/surveys/rcs/2011/ebri_03-2011_no355_rcs-11.pdf.

more than 40 percent of nursing home care in the United States.

"What were long-term problems are now at our doorstep," says Maya MacGuineas, director of the Fiscal Policy Program at the New America Foundation and president of the nonpartisan Committee for a Responsible Federal Budget, which advocates greater fiscal discipline.

On April 15, the U.S. House of Representatives approved a budget plan that would attempt to rein in Medicare costs by converting it from an insurance program to a limited subsidy for seniors buying private insurance. The plan is unpopular with the public, according to polls, and Democrats not only oppose it but plan to use it as a campaign issue in 2012.⁸

"We will never allow any effort to dismantle the program and force benefit cuts upon seniors under the guise of deficit reduction," five Democratic senators wrote June 6 to Vice President Joseph Biden, who had been leading negotiations with members of Congress on debt reduction. "Our nation's seniors are not responsible for the fiscal challenges we face, and they should not be responsible for shouldering the burden of reducing our deficits."

But many policy analysts insist some changes to entitlements benefiting seniors, particularly

Medicare, will be necessary to bring down the federal deficit.

On average, says Richard W. Johnson, director of the retirement policy program at the Urban Institute, a centrist think tank in Washington, Americans are healthier than 30 years ago. But there's been an increase since the late 1990s in the number of Americans in their late 40s or 50s who are disabled or suffer ailments that make it harder for them to work.

"We're seeing increases in the number of handicapped people in late middle age, mostly because of obesity and sedentary lifestyles," says demographer Phillip Longman of the New America Foundation, a liberal think tank in Washington. "Here we have this generation that's physically unfit and has no savings and whose health care we can't afford at current prices."

Such health challenges are going to make it difficult for many Americans to work longer, which economists argue will be necessary to shore up not only Social Security but also personal retirement savings.

Rother, the AARP policy director, stirred up a great deal of controversy with remarks quoted in *The Wall Street Journal* that suggested the seniors'

lobbying group, which had helped torpedo a plan to partially privatize Social Security in 2005, might be willing to accept benefit cuts in the program.⁹ The group immediately sought to downplay Rother's comments.

Still, the open debate about cutting entitlement programs, combined with losses in the stock market and the collapse of the housing bubble, have left elder Americans nervous about their financial futures.¹⁰ A "retirement confidence" survey by the Employee Benefit Research Institute found that the percentage of workers "not at all" confident they will be able to afford a comfortable retirement rose from 22 percent last year to 27 percent this year, the highest level in the 21 years the group has conducted the survey. (*See graph, p. 581.*)¹¹

And it's going to be harder for younger Americans to support the swelling population of seniors. Dowell Myers, a demographer at the University of Southern California, says the ratio of those over 65 to those between 25 and 64 has been constant for 40 years, with 24 seniors for every 100 working-age Americans. But that "dependency ratio" will spike by two-thirds over the next 20 years, to 38 seniors per 100 working-age adults, he says.

"When we come out of this recession, we're going to have fewer new workers and more boomers retiring," Myers says. "That's when we'll feel the changes."

As Americans contemplate the consequences of an aging population, here are some of the questions they're debating:

Should Americans Work Longer?

In March, the Centers for Disease Control and Prevention announced that the U.S. death rate had hit a new low while life expectancy had once again ticked up. A male born in 2009 could expect to live 75.7 years, while a female could expect to live to 80.6.¹²

Those numbers are a vast improvement over life expectancy in 1935, when Social Security was created. Life expectancy at birth then was just 58 for men and 62 for women.¹³

Those averages were held down by much higher rates of infant mortality. Most people who lived to adulthood could expect to live past 65, even then.

Still, people are living longer—and spending more years in retirement. Those two facts are putting additional strain on both Social Security and Medicare finances. "The typical beneficiary is expecting to receive benefits for almost nine years longer than when the Social Security program started," says Charles Blahous, a trustee of the Social Security program and research fellow at the conservative Hoover Institution at Stanford University.

Not only are people living longer, but they are retiring earlier. Most men worked, on average, just past 65 during the 1950s. Now, the average retirement age is 62, says Blahous, who was an economic aide to former President George W. Bush.

The age for retiring with full Social Security benefits is slowly rising to 67. Some politicians and economists believe it needs to be raised further. That was the recommendation of President Barack Obama's debt commission last year and is a policy direction lately followed in several European countries.

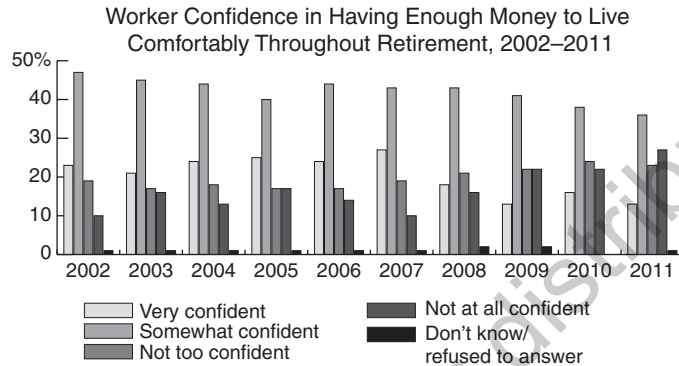
"What we really need to do is raise the early-entitlement age, which has always been 62 since it was introduced, in 1956 for women and in 1962 for men," says the Urban Institute's Johnson. "The problem with having the early retirement age relatively young is that it does send a signal that 62 is an appropriate time to retire. It's not good for society as a whole, and it's also not good for individuals."

Many people may not be able to retire early, regardless of the official retirement ages set by Social Security. Americans do a bad job of saving in general, and retirement accounts, in particular, are not as full as they should be. Many people have yet to make up recent stock market losses, and a weak housing market has largely dashed hopes of turning homes into assets that can offer support in retirement.

Fewer private employers are offering guaranteed pension benefits, and pensions and other retirement benefits for government workers are

WORKERS GLOOMY ABOUT RETIREMENT PROSPECTS

More than one-fourth of American workers are “not at all” confident that they will have enough money to last through retirement. That’s nearly a three-fold increase from nine years earlier. Fewer than one in eight workers is “very confident” about a comfortable retirement.



Source: Ruth Helman, et al., “The 2011 Retirement Confidence Survey: Confidence Drops to Record Lows, Reflecting ‘the New Normal,’” Employee Benefit Research Institute, March 2011, www.ebri.org/pdf/surveys/rcs/2011/ebri_03-2011_no355_rcs-11.pdf.

under political pressure as well.¹⁴ The result is that about half of U.S. households are at risk of not being able to maintain their living standards in retirement, according to the Center for Retirement Research at Boston College.¹⁵

More Americans might need to keep working, and market demand for them to do so may also rise, suggests MacGuineas, of the New America Foundation. “We’re actually going to be having labor-market shortages as baby boomers move out of the workforce,” she says.

A number of social scientists have speculated about whether boomers will keep working longer for that reason or perhaps out of a desire to keep mentally and socially active. Many have speculated that the next generation of older Americans will want to volunteer or work part time, if not stay in their same job past the normal retirement age. “There’s not going to be a shrinking entry-level workforce, but it’s not going to be growing” either, says Jackson of

the Center for Strategic and International Studies. “There may be demand for older workers.”

But not everyone is convinced that many more people will be able to keep working well into their 60s or even 70s. Robert H. Binstock, a professor of aging and public policy at Case Western Reserve University, notes that although people are living longer, they’re also afflicted with chronic diseases having for longer periods of time. “A lot of them can’t do their jobs anymore,” he says. “The whole notion that everybody is going to be able to keep doing their job until 70, it’s silly.”

Blahous, the former Bush administration official, dismisses such arguments. Social Security already makes provisions for disabilities, and people worked, on average, longer a half-century ago, he says. People take early retirement more often, Blahous says, “not because more people are physically breaking down. It’s because it’s financially beneficial.”

Cities Struggle to Meet Growing Needs of Elderly

“WE HAVE A COUNTRY THAT’S AGING EVERYWHERE.”

Rockford’s not doing well. The Illinois city, about 90 miles northwest of Chicago, was once a leading furniture-making center, but those jobs are mostly gone. As a result, Rockford’s unemployment rate was among the highest among U.S. cities during the recent recession.

Most jobs that remain are snatched up by workers 55 and older—about all that’s left of Rockford’s working-age population. Rockford Mayor Larry Morrissey, who is in his 40s, was elected on a platform of promising economic revitalization that would help bring young people—including natives who’ve left—back to town.

Without strong cultural amenities or a major university, it’s been a tough sell. Lack of jobs presents the biggest obstacle. Even entry-level jobs paying just above minimum wage that once would have gone to teenagers or people in their 20s are now largely held by workers in their 50s. “We have an aging population, and it’s getting poorer,” said James Ryan, Rockford’s city administrator.¹

Rockford may be an extreme case, but it’s not unique. Many former industrial cities in the Northeast and Midwest are growing both older and less affluent. Among the nation’s 100 largest metropolitan areas, the ones that have had the highest percentage growth of seniors are struggling places such as Scranton, Pa., Buffalo, N.Y., and Youngstown, Ohio.²

“They have higher concentrations of seniors,” says William Frey, a demographer at the Brookings Institution think tank who has analyzed 2010 census data on the location of seniors. “The younger people have left.”

There are metropolitan areas in Florida that have a high density of people over age 65. But the number of seniors and aging baby boomers who pick up and move to warmer climes in Florida and Arizona is relatively small. Most

people retire in their own homes, or at least their own counties.

“You can certainly find lots of upper-middle-class baby boomers who are coping quite well, moving into college towns where there are good social services available and good medical services,” says demographer Phillip Longman, a senior research fellow at the New America Foundation. “The vast majority of baby boomers, however, are often stuck underwater in postwar tract housing and more recent exurban construction. They can’t get out if they wanted to.”

Frey says it’s important for communities, particularly in the suburbs that were planned with younger populations in mind, to learn to adapt to aging ones. Every metropolitan area, he says, is seeing marked growth in its senior population—and will see more as boomers age. “The baby boom python keeps rolling along,” he says.

In recent years, many local governments and nonprofit groups have tried to come up with programs, such as increased transit, that will help address the needs of populations that are “aging in place.”

About 40 localities, including Atlanta, Iowa City, Iowa, and Pima County, Ariz., have passed ordinances mapping out voluntary or mandatory design requirements for new-home construction that would accommodate the needs of seniors and the disabled, sparing more of them from moving to nursing homes. “We could save a lot of money if individuals could continue to live in their own homes and receive in-home nursing if they need it,” says Rep. Jan Schakowsky, D-Ill., who has introduced “inclusive home design” legislation at the federal level.

Helping seniors cope with chronic disease is another way to keep them out of nursing homes. That’s why Elder Services of Merrimack Valley in

Lawrence, Mass., has been working with seniors and physicians to help coordinate management of prescription drug regimens and other treatments. “We’re not a medical facility, but what we have is the ability to draw elders in and educate them on their health care,” says Rosanne DiStefano, the facility’s executive director.

DiStefano’s program has been widely imitated in Massachusetts, as have a number of other innovations designed to help residents adjust to old age. But such programs are having trouble attracting funding in the present budget environment.

Many local governments are providing exercise classes and nutrition assistance for seniors, but a survey by the National Association of Area Agencies on Aging found that finance and funding problems are the biggest challenge localities face in adjusting to an aging population. Thirty percent of local governments say that their overall revenues are in decline.³

“If you go community by community, sure, some have developed programs that are better than others,” says Robert H. Binstock, a professor of aging and public policy at Case Western Reserve University. “Overall, it’s a tremendous problem.”

It’s not just the lack of programming help offered by governments that is a problem for aging communities, but also a decline in basic services and amenities, Binstock says.

“You’ve got lots of places that are aging, and the young people are moving out, particularly in rural areas,” he says. “You’re going to have communities that aren’t even going to have grocery stores.”

Some states have a youth population that is growing more rapidly than the older population, notably in the Southwest, says Frey. But



AP Photo/Jake Roth

Eighty-year-old Ada Noda, of St. Augustine, Fla., developed health problems and couldn’t work, forcing her to declare bankruptcy. Aging trends are seen by many experts as a significant reason for the climb in health care costs. But health economists say medical costs are rising largely because of the increasing availability of expensive treatments.

aging populations are growing in many parts of the country not accustomed to accommodating them.

The localities where older residents are starting to predominate, such as Rockford, “are the ones that are going to be most severely hit,” says Frey. “We have a country that’s aging everywhere, but it’s only young in certain spots.”

—Alan Greenblatt

¹ Ted C. Fishman, *Shock of Gray* (2010), p. 235.

² For background, see Thomas J. Billitteri, “Blighted Cities,” *CQ Researcher*, Nov. 12, 2010, pp. 941–964.

³ “The Maturing of America: Communities Moving Forward for an Aging Population,” National Association of Area Agencies on Aging, June 2011, www.n4a.org/files/MOA_FINAL_Rpt.pdf, p. iii.

But putting aside arguments about whether people are physically capable of working longer, there’s also the question of whether they can find work. Alicia Munnell, director of the Boston College Center for Retirement Research, says

employers will never say they wouldn’t hire older people—“that’s against the law”—but they are “very ho hum” about the prospect. Her center has conducted surveys that show employers are worried about issues such as older workers’ stamina, ability

to learn new skills, and adaptability to changing technology.

Thus, although the economics of both entitlement programs and household finances would seem to dictate that more Americans will have to work longer, their chances of doing so might not be as good as they would wish.

“We see employers willing to keep older workers, but they are reluctant to hire [older] people who are new to the payroll,” says the Urban Institute’s Johnson. “We know that when older people lose their jobs, getting a new job is harder, and the periods of unemployment are longer.”

Will Spending on Health Care for the Elderly Bankrupt The United States?

Health care costs already consume more than double the share of the economy that they did 30 years ago. They are expected to consume \$2.8 trillion this year, or 17.9 percent of gross domestic product (GDP), according to the federal Centers on Medicare and Medicaid Services (CMS). That’s up from 8.1 percent of the economy in 1975.¹⁶

Medicare and Medicaid spending have grown at a similar pace. The two programs, which provide coverage for seniors and the poor and disabled, respectively, are on course to grow from about 4 percent of GDP in 2008 to nearly 7 percent by 2035.¹⁷

The 2010 federal health care law, known as the Affordable Care Act, was designed to cut Medicare costs by nearly \$120 billion over the next five years.¹⁸ But Medicare’s actuaries worry that savings from the 2010 law can’t all be relied upon. That’s because Congress has frequently canceled plans to lower Medicare fees for hospitals and physicians.¹⁹ As a result, the Medicare trust fund is on course to run out of money in 2024—five years earlier than previously predicted—according to Richard Foster, the chief actuary at CMS.

Rising health care costs are a burden not just for the government but for individuals as well.

“We’re spending about \$8,000 more annually for insurance for a family of four than we did in 2000,” says Paul Hewitt, vice president of research at the Coalition for Affordable Health Coverage, an advocacy group in Washington.

Experts say aging trends are a significant reason for the climb in health care costs and an important source of pressure on the federal budget. “It’s worth keeping in mind that a significant share of health care growth is demographically based,” says Jackson of the Center for Strategic and International Studies. “You’re looking at a steep rise in cost just because of the rise in the average age of the beneficiaries—the aging of the aged.”

But health economists say aging trends are far from the whole story. Medical costs are rising largely because of the ever-increasing availability of expensive treatments in the health care system—a system that treats young and old alike. “The real problem is not the aging of the population, but the rise of health care costs,” says Case Western’s Binstock, a former president of the Gerontological Society of America. “We don’t look at the elephant in the room here, which is the enormous profits of the medical-industrial complex.”

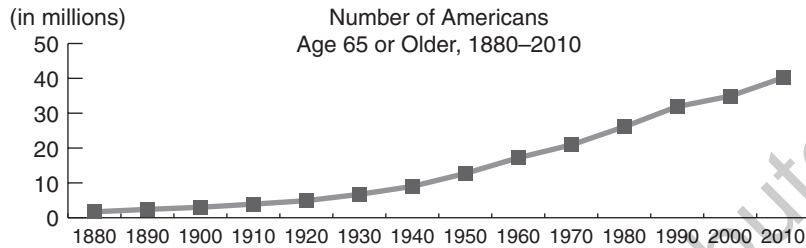
Most experts agree that major alterations are in order. Some are discouraged that the two major parties seem worlds apart on health care issues. “Both parties have to recognize the need to compromise,” says the Urban Institute’s Johnson.

That does not appear imminent. Republicans have pledged to repeal the 2010 health care law, considered one of Obama’s signature achievements, while Democrats intend to use the GOP’s controversial plan to turn Medicare into something resembling a voucher program against them in the 2012 elections.

Even as congressional Republicans seek to slash Medicare and other entitlements, they oppose the Independent Payment Advisory Board, established by the 2010 health care law, which is meant to make recommendations for Medicare spending cuts when its growth exceeds GDP growth by more than 1 percent.

U.S. POPULATION GROWING GRAYER

A record 40 million Americans are age 65 or older, nearly double the total four decades ago. The number of seniors has risen every decade since 1880.



Sources: “Life Expectancy for Social Security,” Social Security Administration, www.ssa.gov/history/lifeexpect.html; “Profile of General Population and Housing Characteristics: 2010,” U.S. Census Bureau, 2010, factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_10_DP_DPDP1&prodType=table.

“Cutting providers eventually cuts benefits because they are less available,” said Sen. Jon Kyl, R-Ariz., the minority whip. “You don’t have as many physicians, for example, to take care of Medicare patients, so either people have to wait a lot longer or they never get to see the physician they’d like to.”²⁰

But if a political deal is not reached, the consequences could be dire, experts warn. The Congressional Budget Office (CBO) says health care costs, on their current course, could swallow all of GDP by 2082.²¹

The risk of bankruptcy from health costs in particular, says Hewitt, are exactly what bond rating agencies have warned about when they have threatened recently to downgrade U.S. debt—meaning the federal government may not be able to borrow money as cheaply because there’s more risk that it won’t be able to cover its interest payments.

“Three-quarters of the projected deficits over the next 10 years are new health care spending, according to CBO,” Hewitt says. “If you could hold health costs at 2011 levels, you wouldn’t have any deficit of note in 2021.”

“There’s no question that we’re on course for health care costs to bankrupt the country,” says the

New America Foundation’s MacGuineas. “You can’t have anything growing faster than GDP forever, because it consumes more and more of the economy.”

That may be the greatest danger. MacGuineas, like other budget experts, predicts that some sort of change will be made in health care spending, because present trends are not sustainable. But the changes won’t come without pain and political difficulty. In the meantime, rising health costs may continue to squeeze spending on other programs.

Will the Young and Old Fight Over Resources?

When he unveiled his budget in February, New York City Mayor Michael Bloomberg warned that the city faced tough choices because of a budget shortfall of nearly \$5 billion. “Everybody expects you to do everything,” the mayor said. “That’s not the world we live in.”²²

Bloomberg felt he had no choice but to threaten layoffs of more than 4,000 school teachers. At the same time, however, his budget contained a new initiative: the construction of 10 “megacenters” for senior citizens.

Both ideas were ultimately rejected by the city council. Still, says the Urban Institute's Johnson, "That was striking. It seems to be the essence of the potential for intergenerational combat."

The idea that aging boomers will drain the nation's resources through entitlements such as Social Security and Medicare—and that younger generations are not just going to resent but protest it—has seeped into popular culture. It forms the premise, for example, of satirical novels such as Christopher Buckley's *Boomsday* and Albert Brooks' *2030*.

While older voters demand full funding for Social Security and Medicare, younger voters may worry that the growth of those expensive programs is crowding out spending on areas that benefit them more directly, such as education and transportation. Or the young might want to see entitlements cut in order to chop deficits that they'll eventually have to repay.

"I think it's amazing we've gotten this far without younger generations getting more agitated about constantly investing in seniors, with no similar promises made for productive investments for young people," says MacGuineas.

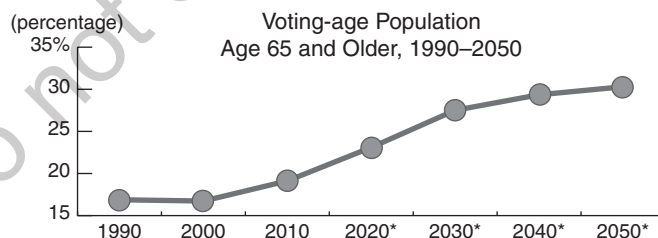
Voting schisms along generational lines have become apparent in some recent elections. "You had this overwhelming tilt of millennials to the Democrats and Obama in 2008," says Howe, co-author of *Millennials Rising*, about the generation born between 1982 and 2002. "Obama and McCain"—Sen. John McCain, Obama's GOP opponent—"were dead even among those 30 and over."

Older Americans voted disproportionately for GOP candidates in 2010. But Democrats won a special election in May in a traditionally Republican congressional district in upstate New York. The election was widely interpreted as a referendum on the House GOP's plan to turn Medicare into a form of voucher program, with seniors turning out in force to reject the idea and the Republican candidate.

"Over the years, until very recently, there's been very little evidence that older people vote on the basis of oldage benefits as a bloc," says Binstock at Case Western Reserve. "It's only in 2010 and the 26th District in New York that you begin to see some signs of this, particularly in relation to Medicare."

ELDERLY A GROWING SHARE OF ELECTORATE

The proportion of the American electorate age 65 and older has risen modestly over the past 20 years, from 17 percent in 1990 to 19 percent in 2010. But it is expected to grow sharply over the next 40 years, topping 30 percent by 2050.



* projected

Sources: "United States 1990 Census of Population," U.S. Census Bureau, www.census.gov/prod/cen1990/cp1/cp-1-1.pdf; "United States 2000 Census of Population and Housing," U.S. Census Bureau, November 2010, www.census.gov/prod/cen2000/phc-1-1-pt1.pdf; "Projections of the Population by Selected Age Groups and Sex for the United States: 2010 to 2050," U.S. Census Bureau, 2008, www.census.gov/population/www/projections/files/nation/summary/np2008-t2.xls.

Howe and others say boomers, throughout their adult lives, have not voted as a predictable bloc. If they start to in old age, however, they would be formidable. As the population ages, the electorate—the group of people actually voting—is growing older at a disproportionate rate.

The percentage of the voting-age population that is over 65 is expected to climb by more than 10 percent over the next 25 years.²³ (See graph, above.) And, because older voters tend to go to the polls more regularly, their share of the electorate will climb even more, Binstock predicts.

Some political scientists are skeptical that there will be a young person's revolt, or even noticeable friction between the generations. "I don't buy the generational-conflict theory," says Alan Abramowitz, a political scientist at Emory University. "Programs that benefit the elderly, such as Social Security and Medicare, also benefit their children and grandchildren. If you cut benefits for the elderly, one consequence will be to shift costs onto their children and reduce income available to pay for, among other things, education for their children."

Others echo this point, noting that old-age entitlements keep seniors from being a financial burden on their children, while older voters will want to see young people succeed through education—in part, to help pay the taxes that fund their entitlements.

"Older people really do care about their grand-children and obviously have a financial stake in having a productive workforce," says Rother, the AARP vice president. "Younger people need to look forward to a secure retirement, and they obviously can't vote to limit Medicare without having repercussions for them later."

Still, some observers say resentment among the young is only likely to grow as entitlements take up an increasingly large share of a strained federal budget. And some worry that the inter-generational compact may be frayed by the fact that the older Americans who receive entitlements are predominantly white, while the school and



Getty Images/John Moore

Walter Breuning celebrates his 113th birthday at a retirement home in Great Falls, Mont., on Sept. 21, 2009. At his death in April 2011 at age 114, he was the last American man born in the 19th century and one of the world's oldest people. The oldest of the 78 million Americans born during the post-World War II baby boom are turning 65 this year, while the share of the population over 85 is growing even faster.

working-age populations will be increasingly made up of minorities, including Hispanics and Asians. (See sidebar, p. 588.)

"Despite the rumblings, I think the population may come to appreciate that old-age benefits are actually things that benefit all generations," Binstock says. "However, I do think that the growing Latino population may very well come to resent paying taxes to support an older white generation."

BACKGROUND

Living Longer

For most of human history, journalist Ted C. Fishman points out in his book about global aging, *Shock of Gray*, people who lived past 45 had beaten the odds. Life expectancy barely budged from 25 years during the Roman Empire to 30 years at the dawn of the 20th century.²⁴

Until the Industrial Revolution, people 65 or older never comprised more than 3 or 4 percent of the population. Today, they average 16 percent in the developed world—and their share is expected

to rise to nearly 25 percent by 2030. 25 (The share of Americans over 65 will be nearly 20 percent by then.) Demographers call such shifts from historic norms the “demographic transition.”

A confluence of factors has led to the current transition. Aging was once largely synonymous with death. Older people were both rarer and more vulnerable to sudden death due to such things as infectious diseases and poor sanitation. But even as modern medicine has conquered diseases that afflict the old, it has done even more to address infant mortality.

With fewer people dying young, life expectancy has increased. And healthier babies have coincided with other societal and economic factors to bring birthrates down. As prosperity grows, death rates fall. And the advent of pensions and other social-insurance programs has meant that parents no longer have as great a need for large families to support them as they age.

Meanwhile, women’s roles have changed. Many now balance reproduction with concerns and responsibilities outside the home. Contraceptives are more widely available, while abortion has become legal and available.

Finally, as American society has urbanized, fewer families need to have multiple children to help work in the fields.

‘Fertility Splurge’

In the 1930s, demographers predicted that after a long period of decline in birthrates dating back to the Industrial Revolution, the U.S. population would stagnate and was unlikely to rise above 150 million by century’s end. But birthrates shot up immediately after World War II, quickly rising to more than 4 million births per year.

All told, about 76 million children were born in the United States between 1946 and 1964, generally considered the period of the baby boom. (Several million have died, but immigrants have more than made up for those numbers, bringing the baby boom total to 78 million.) “Simply put, the baby boom was a ‘disturbance’ which emanated from a decade-and-a-half-long fertility splurge on the part of American couples,” concluded the Population Reference Bureau in 1980.²⁶

Childbearing long delayed—first by the Great Depression of the 1930s and then by war—was put off no longer. Women married younger and had their first babies at an earlier age than at any time in modern history.²⁷ The fertility rate, which refers to the average number of children born to women of child-bearing years, had averaged 2.1 children per woman during the 1930s but peaked at 3.7 in the late 1950s.²⁸

Chronology

1940s–1960s HIGH POSTWAR BIRTH RATES FUEL SUBURBAN GROWTH.

1946

First of the 78 million American baby boomers are born.

1956

Women are allowed to collect early benefits under Social Security at age 62. The same deal is offered to men in 1962.

1959

More than 50 million Americans are under age 14, representing 30 percent of the population.

1960

Sun City opens in Arizona, pioneering the retirement community idea.

1960

Seventy percent of women ages 20–24 are married.

1965

Forty-one percent of Americans are under age 20. . . . Medicare and Medicaid, the main government health programs for the elderly, poor and disabled, are created.

1980s–1990s BOOMERS SET ASIDE YOUTHFUL REBELLION TO TAKE A LEADING ROLE IN WEALTH CREATION AND POLITICS.**1983**

Congress approves a gradual increase in the age at which Americans can collect full Social Security benefits, from 65 to 67.

1986

The Age Discrimination Employment Act is amended to eliminate mandatory retirement ages.

1990

Proportion of married women ages 20–24 drops to 32 percent.

1992

Bill Clinton elected as the first boomer president.

2000s OLDEST BOOMERS, ENTER THEIR 60S, RAISING CONCERNS ABOUT THE COST OF THEIR RETIREMENTS.**2000**

For every American 65 or older, there are 3.4 workers contributing payroll taxes to Social Security—a ratio that will shrink to 2.0 by 2030.

2003

Congress passes an expansion of Medicare that offers a prescription drug benefit to seniors. . . . Pima County, Ariz., becomes the first local government to require all new homes to be designed to accommodate seniors and the disabled.

2005

The pregnancy rate of 103.2 per 1,000 women aged 15 to 44 years old is 11 percent below the 1990 peak of 115.8.

2006

President George W. Bush, one of the oldest boomers, turns 60. . . . The Pension Protection Act allows

workers to dip into their pensions while working past 62.

2007

Federal Reserve Chairman Ben S. Bernanke predicts Social Security and Medicare will swallow 15 percent of annual economic output by 2030. . . . The Federal Aviation Administration proposes increasing the retirement age for pilots from 60 to 65. . . . The nation's earliest-born boomer, Kathleen Casey-Kirschling, applies for Social Security benefits.

2010s THE NUMBER OF OLDER AMERICANS CONTINUES TO RISE, BUT THE U.S. ENJOYS MORE GROWTH AMONG SCHOOL AND WORKING-AGE POPULATIONS THAN OTHER RICH NATIONS.**2010**

The number of workers 55 and over hits 26 million, which is a 46 percent increase since 2000. Congress enacts the Affordable Care Act, designed to expand health coverage, including a doubling of the eligible population under Medicaid.

2011

March 16: The Centers for Disease Control and Prevention announces that life expectancy for Americans at birth increased in 2009 to 78.2 years. . . . April 15: The House passes a budget that would convert Medicare into a voucher program for those now under 55. . . . May 24: Democrats win a special election in a traditionally Republican district in upstate New York; the race is seen as a referendum on the House GOP Medicare proposal.

2015

Working-age populations are projected to start declining in the developed world, with the United States as the major exception.

2025

Population growth is expected to stall in every developed country except the United States, which is also expected to be the only developed nation with more children under age 20 than elderly over age 65.

Minority Youths Are Rising Demographic Force

TREND HAS MAJOR IMPLICATIONS FOR AGING WHITES.

White America is aging, while its young people are increasingly dominated by members of ethnic and racial minorities. As a result, the days when the United States will no longer be a white-majority nation are coming sooner than demographers had long expected.

That could lead to a political struggle over resources, some social scientists contend. There could be a generational battle over governmental priorities—one with racial or ethnic overtones.

Younger members of minority groups may not want to fund entitlement programs that chiefly benefit a mostly white cohort of older Americans. Conversely, the elderly—who hold disproportionate political power thanks to higher rates of voter turnout—may seek to protect such programs at the expense of investments in government programs that chiefly benefit the young.

“Over time, the major focus in this struggle is likely to be between an aging white population that appears increasingly resistant to taxes and dubious of public spending, and a minority population that overwhelmingly views government education, health and social-welfare programs as the best ladder of opportunity for its children,” political journalist Ronald Brownstein wrote in the *National Journal* last year.¹

In a number of places, minorities already outnumber whites—at least among schoolchildren. The population of white children declined by 4.3 million from 2000 to 2010, while that of Hispanic children rose by 5.5 million, according to the 2010 decennial census.

Indeed, the number of white children decreased in 46 states between 2000 and 2010. Whites now make up a minority among those younger than 18 in 10 states and 35 large metropolitan areas, including Atlanta, Dallas

and Orlando. In Texas, 95 percent of the growth of the youth population occurred among Hispanics.

“What a lot of older people don’t understand is that, to the extent we have a growing youth population, it’s entirely due to minorities,” says William Frey, a demographer at the Brookings Institution who has analyzed the 2010 census data on children. Twenty-three states have seen a decline in the total number of children. “In the baby boom generation, about 20 percent never had children, which is about double the rate of the previous generation of elders,” says Phillip Longman, a policy researcher at the New America Foundation think tank in Washington.

“Now, you’re talking about this aging population that doesn’t have any family support and doesn’t have any biological relations,” he says. “It’s not so much that they’re white as they forgot to have children.”

This opens one of the big questions regarding the differences between an older, white population and a younger population made up more from minorities. In his 2007 book *Immigrants and Boomers*, demographer Dowell Myers worried that there is little kinship—or sense of shared identification—between the groups.

But Longman says such concerns may be overstated. “Thirty years ago, I predicted that would be a big thing, the conflict between generations made even worse by the fact that it has an ethnic and racial component to it as well,” he says.

Longman argues now, however, that racial lines are getting blurrier. Just as the definition of who was “white” expanded in the first half of the 20th century to include groups such as the Irish and Italians, Hispanics will increasingly be

seen as “white,” Longman says. “I just think the melting pot continues,” he says.

Polls indicate that younger Americans are readier to embrace racial diversity than their elders, while more describe themselves as multiracial. Still, racial animosities and differences persist, and they may become exacerbated as the white population ages and the minority population grows larger.

The public-school system is one place where tensions could rise. Gaps on average reading and math test scores posted by Hispanics and non-Hispanic whites have been narrowing, but remain wide. “Despite the closing white-Hispanic gaps on civics performance, the fact is we’re still seeing gaps in the double digits,” said Leticia Van de Putte, a Texas state senator who sits on the board that oversees National Assessment of Educational Progress testing.²

Because school funding relies partly on property tax assessments in most places, such disparities may be perpetuated by racial segregation. Although the 2010 census showed a decline in residential segregation, black and Hispanic children are more likely to live in a segregated neighborhood than black and Hispanic adults, according to Frey.

“White parents with children may be more likely to locate in select neighborhoods and communities, perhaps those with better schools, or superior public amenities related to childrearing,” he writes.³

It will be in the interest of the aging white population to see that young people, including Hispanics and other minorities, fulfill their educational potential, says Myers. Otherwise, they will be caught short as the working-age population, which pays the bulk of the taxes that



Getty Images/Crisis Honduras

Minorities are fueling the nation’s growing youth population. Above, black and Hispanic students at the Harlem Success Academy, a New York charter school.

support programs that benefit seniors, is made up largely of minorities. “The person you educated 20 years ago, that’s who is going to buy your house,” he says.

—Alan Greenblatt

¹ Ronald Brownstein, “The Gray and The Brown: The Generational Mismatch,” *National Journal*, July 24, 2010, www.nationaljournal.com/magazine/the-gray-and-the-brown-the-generational-mismatch-20100724.

² “State Senators React to Hispanic Achievement Gains,” *Hispanic Tips*, May 5, 2011, www.hispanictips.com/2011/05/05/state-senators-react-to-hispanicachievement-gains-on-latest-naep-civics-report-card-that-showed-substantialgains-in-the-performance-of-hispanic-students-at-grades-four-eight-and-12/

³ William Frey, “America’s Diverse Future,” The Brookings Institution, April 2011, p. 10, www.brookings.edu/-/media/Files/rc/papers/2011/0406_census_diversity_frey/0406_census_diversity_frey.pdf.

The number of babies being born certainly surprised the General Electric Co. in January 1953. It promised five shares of stock to any employee who had a baby on Oct. 15, the company’s 75th anniversary. GE expected maybe eight employees

would qualify. Instead they had to hand over stock to 189 workers.²⁹

The time was ripe, economically, for many more people to have children than had done so during the Depression. GDP expanded rapidly,

from \$227 billion in 1940 to \$488 billion in 1960. Median family income and wages climbed steadily because of tight labor markets, while inflation remained low. The Servicemembers' Readjustment Act of 1944, commonly known as the GI Bill of Rights, helped more people in the middle class buy their first homes and get college educations, significantly increasing their lifetime earnings. "Never had so many people, anywhere, been so well off," observed *U.S. News & World Report* in 1957.³⁰

The Baby Bust

Perhaps because of the advent of the birth control pill in 1960 and the fact that more women had careers, boomers were slower to become parents than their parents had been. Between 1965 and 1976—the era of the so-called baby bust—fertility among whites dropped below replacement levels.³¹

After just two decades of a "fertility splurge," Americans went back to marrying later and producing fewer children. In 1990, only 32 percent of women 20–24 were married, compared to 70 percent in 1960. Social scientists began to posit that it was the baby boom that was exceptional in American history, not the subsequent bust.³²

But the baby bust was followed by the uptick known as the "echo boom," when many boomers became parents, racking up 64 million live births between 1977 and 1993.³³

Meanwhile, boomers continued to dominate many aspects of American life and culture. Some criticized them as frivolous, blaming their personal habits and quests for self-fulfillment for every social ill from divorce rates to teen drug use. Others defended them for fighting for greater rights for women and gays, among others. The debate about boomers' values became a recurring motif in politics—especially after Bill Clinton, who would become the first boomer president, emerged on the national stage in 1992. Political scientists have noted that boomers failed to coalesce behind a single political party, with many growing more fiscally conservative during the 1980s but remaining socially liberal, with views on race, AIDS, drugs



McClatchy-Tribune via Getty Images/Jay Reiter

A nurse examines stroke victim Elvira Tesarek at her home in Warren, R.I., in May 2011. Nearly 1,300 elderly and disabled adults in the state have been able to return home under a pilot program designed to cut spending on Medicare.

and women's rights distinctly different from their parents' generation.

But the mere fact of their massive numbers made them hard to ignore—and created policy challenges as they aged. "This year, the first of about 78 million baby boomers turn 60, including two of my dad's favorite people, me, and President Clinton," President George W. Bush said during his 2006 State of the Union address. "This milestone is more than a personal crisis. It is a national challenge. The retirement of the baby boom generation will put unprecedented strains on the federal government."³⁴

Combined spending for Social Security, Medicare and Medicaid will consume 60 percent of the federal budget by 2030, Bush said, presenting future Congresses with "impossible choices—staggering tax increases, immense deficits or deep cuts in every category of spending."

Bush had spent a good chunk of 2005 touting a plan to revamp Social Security, meant to be the signature domestic achievement of his second term. But the plan—which would have allowed workers born after 1950 to put part of their payroll taxes into private investment accounts in exchange for cuts in traditional benefits—went nowhere. A *Washington Post*/ABC News Poll found that 58

percent of those surveyed said the more they heard about Bush's plan, the less they liked it.³⁵

More recent attempts to overhaul the major entitlement plans benefiting seniors have proved no more popular. A House Republican plan to convert Medicare from an insurance program into a credit that would help seniors buy private insurance is an example. A survey conducted in May by the Pew Research Center for the People & the Press found opposition to the plan was especially high among "people who say they have heard a lot about this proposal—fully 56 percent are opposed, while 33 percent are in favor."³⁶

"The politics of this is, the baby boom is a generation that's always been pretty willing to vote themselves good fiscal deals," says MacGuineas of the New America Foundation.

'Sandwich' Generation

Boomers will add to the rising number of seniors—but their parents, in many cases, will still be around. Those 85 and over now make up the fastest-growing segment of the U.S. population, according to the National Institute on Aging. That means that even as boomers enter what has traditionally been considered old age, they are "sandwiched" between still-living parents and their own children and grandchildren.

The percentage of adults who are providing personal or financial care to a parent has tripled since 1994, according to the MetLife Mature Market Institute. "Nearly 10 million adult children over the age of 50 care for their aging parents," said Sandra Timmermann, the institute's director. "Assessing the long-term financial impact of caregiving for aging parents on caregivers themselves, especially those who must curtail their working careers to do so, is especially important, since it can jeopardize their future financial security."³⁷

"Boomers are quite different from earlier generations as they're approaching this age," says William H. Frey, a demographer at the Brookings Institution, a centrist think tank in Washington. For example, boomer women "are much more

likely to have lived independent lives, been head of households and worked."

But there's a great deal of economic inequality within the baby boom generation, he notes, which means many retirees will have a hard time making ends meet.³⁸ In addition, Frey says, boomers didn't have as many children as their parents' generation, so they "can't rely on them for support."

Not everyone views the aging of America as bad news. An aging population, says Eric Kingson, a professor of social work at Syracuse University, is a sign that society has successfully fostered an economy that helps people lead long, prosperous lives. "Population aging is not just about the old," he says. "It's about how all of our institutions are going to change."

CURRENT SITUATION

Financial Insecurity

Even as federal officials debate the affordability of Social Security and Medicare as the population ages, individual Americans are increasingly concerned about their own ability to support themselves during retirement.

Even before the financial crisis of 2008, income and wealth inequality was growing among seniors. "Back in 2004, the top 5 percent of the baby boomers controlled more than half of the assets," says Diane Oakley, executive director of the National Institute on Retirement Security in Washington. "The bottom half had less than 3 percent of the assets."

She hopes lower-income Americans have been able to save more for retirement since then, but stock market losses and the collapse of the housing bubble make that unlikely.

In a recent poll, "78 percent say they can't save enough on their own to be secure in retirement," says Brian Perlman, president and CEO of Mathew Greenwald & Associates, a market research firm in Washington. "People's beliefs are that it's harder and harder to do that."

The risk for retirement has shifted more onto individuals, Oakley says. From 1980 to 2008, she

says, the percentage of private-sector workers covered by defined-benefit pension plans—which offer a guaranteed income throughout retirement—dropped from 38 percent to 20 percent.

Meanwhile, defined-contribution plans, such as 401(k) plans, have grown. These plans, which shift the burden for retirement savings onto individuals, have certain tax advantages, but like any personal savings account, they can be drained dry. Unlike defined-benefit plans, the money is gone once 401(k) assets are depleted.

Americans are not contributing enough to 401(k)s to build up sufficient retirement nest eggs. According to Towers Watson, a human-resources consulting firm, only 57.3 percent of Americans have enough in their retirement accounts to replace one year's worth of working salary. Only 10.9 percent had more than four times their current salaries saved up.³⁹

Because most people are going to be retired more than a few years, that presents a problem. For most, Social Security will represent the bulk of their retirement income, but benefits average only about \$14,000 per year.

“Only about half of workers are in any kind of retirement plan through their employers,” says the Urban Institute’s Johnson. “People don’t make the most of their 401(k) plans—they don’t contribute the maximum, or at all.”

Automatic Enrollment

Most workers have to sign up for 401(k) plans, but Johnson favors automatic enrollment. Automatic enrollment plans would allow employers to deduct part of each paycheck and put the money toward employees’ retirement, unless a worker made the express decision to opt out.

“We’ve run some simulations,” Johnson says. “If most people behave as we expect they would, based on past experience, automatic enrollment would increase retirement incomes for low- and moderate-income people by about 20 percent.”

The Obama administration supports the idea of automatic enrollment. The administration

would like employers, even if they don’t offer 401(k) accounts of their own, to enroll their workers in some kind of retirement account.

“The basic idea is that an employer would simply do payroll deduction,” says J. Mark Iwry, senior adviser to Treasury Secretary Timothy Geithner. “When we do automatic enrollment in 401(k)s, the [participation] rate goes up from two-thirds or three-quarters to more than 90 percent.”

But the idea of enrolling workers automatically into retirement savings accounts may run into opposition in Congress because of budget concerns. Obama’s deficit commission last year recommended lowering the cap on annual contributions allowed to such retirement savings accounts.⁴⁰

Aside from putting more money aside for retirement, individuals will also come to rely more on income earned later in life—whether by staying in their old jobs longer or finding new ones after “retiring,” many economists believe.

“If people want to have a secure retirement, they really should work longer,” says Alicia Munnell, director of the Center for Retirement Research at Boston College. “There’s an enormous benefit in terms of what your Social Security benefits and 401(k) accounts will be. And then, you have [fewer] years over which to spread your savings. All we’re talking about, basically, is three to four more years. We’re not talking about into your 90s.”

Government Cutbacks

Most government workers can count on a relatively comfortable retirement. In contrast to private-sector employees, about 90 percent of state and local government workers are enrolled in defined-benefit programs.

But the disparity between the plans offered to government workers and those at private companies, along with severe budget problems confronting state and local government workers, is increasing pressure on retirement benefits in the public sector, too.

The gap between what states had promised to pay out in pensions and retirement health benefits

and the assets they have to pay them had grown to more than \$1.26 trillion by the end of the 2009 budget year, according to the Pew Center on the States.⁴¹ Some economists say the gap is even larger.

About a dozen states have altered their pension systems over the past couple of years, according to the National Conference of State Legislatures. Most have made moves such as putting new employees into 401(k)-style accounts, rather than enrolling them in defined-benefit plans.

“We are draining money out of services and pouring them into retirement benefits. However you define unsustainable, it’s unsustainable.”

—Mayor Chuck Reed San Jose, Calif.

Math and Politics

But some governors and lawmakers have sought changes in retirement coverage for current workers as well. The battle over retirement benefits has turned political, most notably in Wisconsin, where legislation to strip most public employees of collective bargaining rights led to weeks of large-scale protests at the capital.

State and local retirement accounts might be more than \$1 trillion in the red, but union leaders say it’s unfair to blame government workers because legislatures failed to make scheduled payments to pension funds over the years.

Better to blame Wall Street, they say, for racking up record profits even as large-scale investment losses have blown a hole through pension accounts. “They’ve blamed public employees for problems they’ve never caused in the first place,” says Randi Weingarten, president of the American Federation of Teachers.

Patrick O’Connor, an alderman in Chicago, agrees that unions have a point when they accuse government officials of not properly funding promised benefits. Still, he argues, cities and states have no choice but to cut back on benefits that are no longer affordable.

“Government can’t blame the unions in total,” O’Connor says. “Government is what put the

benefits in place. But I don’t think anybody who looks at pension plans thinks they can be funded at the levels they’re at.”

In San Jose, Calif., Mayor Chuck Reed declared a state of “fiscal emergency” in May, hoping he can persuade voters to give him additional powers that would allow him to change retirement-benefit formulas.⁴²

Reed warns that he will have to lay off two-thirds of the city’s work force if he can’t achieve significant savings in retirement-benefit costs. What consumed \$65 million of the city’s budget a decade ago already accounts for \$250 million and half the city’s current budget shortfall. Retirement costs could rise to as much as \$650 million annually over the next few years, Reed says.

In Reed’s mind, it’s simply a math problem. “We are draining money out of services and pouring them into retirement benefits,” Reed says. “However you define unsustainable, it’s unsustainable.”

Public-employee unions concede that Reed’s complaints are born out of real problems with San Jose’s finances. They don’t agree that his approach is the best way to address those problems, however. And union leaders in San Jose, like their colleagues elsewhere, think stripping public employees of promised benefits will undermine one of the few pockets of retirement security.

“It’s perfectly understandable that workers in the private sector are worried about their retirement security,” says John Liu, New York City’s comptroller. “But to scapegoat public employees will fuel a race to the bottom in our country.”

Yet further cutbacks appear inevitable, even for government workers who have long counted on benefits that would allow them to retire free of financial anxiety. State officials appear to have lost some of their initial enthusiasm for moving to 401(k)-style plans, however, because of the enormous upfront costs in switching from traditional pensions. In Kentucky, increased costs are estimated at \$8 billion over 15 years. Nevada would run through \$1.2 billion in just two years.⁴³

At Issue:

SHOULD THE RETIREMENT AGE BE RAISED?



ANDREW G. BIGGS
Resident Scholar,
American Enterprise
Institute
Written for *CQ Researcher*,
July 2011

Social Security's retirement age should not be increased for anyone on the verge of retirement, but there's a good case for doing so over coming decades, as the Baby boomers retire and the population ages.

In 1950, the average retiree claimed Social Security benefits at age 68.5 and lived to around 76. Today, a typical retiree claims benefits at 63 and will live an additional two decades. Americans today live almost one-third of their adult lives in retirement, supported by an increasing tax burden on their kids and grandkids. This isn't simply unfair to future generations. It is also a waste of human talent.

Are there some people who can't work longer? Of course. And for them, early retirement or disability benefits remain an option. But it would be strange in today's service economy if Americans, who work mostly in offices, could not work as long as prior generations who toiled in mines, mills, and farms.

Indeed, our longer lives are also healthier lives. According to the National Center for Health Statistics, among individuals ages 65–74 the share describing themselves as in fair or poor health dropped from 25.1 percent in 1983 to 18.5 percent in 2007. Overall, 75 percent of individuals over 65 report being in good, very good, or excellent health.

It's easy to scare people—for instance, President Obama's Commission on Fiscal

Responsibility and Reform would increase the retirement age to 69. But this would apply only to people who haven't even been born yet and at retirement would live on average to age 88—almost 10 years longer than they did when Social Security started in the 1930s.

It is true that life expectancies have risen faster for high-earners than for low-income Americans. This is why almost every reform plan that raises the retirement age also makes Social Security more progressive, by boosting benefits for low-earners while trimming them for the rich.

One option is to let the retirement age rise to 67 as scheduled, then increase it in future years as life spans rise. If life expectancies increase quickly, then the retirement age will follow; if life spans stay constant, the retirement age won't need to increase further. By itself, this would fix nearly one-quarter of Social Security's deficit.

Mathematically, we can't fix the entire entitlement deficit by raising taxes. And Medicare is far more likely to require tax increases than Social Security. So it only makes sense to reduce costs where we can. Increasing the retirement age is a reasonable response to longer lives.

NANCY ALTMAN AND ERIC KINGSON
Co-Chairs, Strengthen Social Security
Campaign
Written for *CQ Researcher*, July 2011

To reduce unemployment during the 1961 recession, and in recognition that many Americans were unable to work until age 65, Congress allowed men to claim reduced Social Security benefits at age 62, just as it



had for women in 1956. Speaking in support, Democratic Ohio Rep. Charles Vanik said that “if 2 million male workers eventually retire under this program, 2 million job opportunities will be created.”

Ironically, with unemployment topping 9 percent, many in Congress today favor increasing Social Security’s full retirement age. This is the wrong policy today, would have been wrong in 1961 and will be wrong in the future.

A retirement age increase is mathematically indistinguishable from a benefit cut, and ill-advised because benefits are too low. Congress has already increased the retirement age from 65 to 67, a 13 percent cut for people born after 1960. A further increase, from 67 to 69, would be another 13 percent cut for retired workers, no matter whether they claim benefits at age 62, age 70, or any age in between, and translates into lower benefits for many spouses and widow(er)s. Benefits are modest, averaging about \$14,000, and the retirement prospects for

persons in their 40s and early 50s are already dimmed by diminishing pension protections, shrinking 401(k) and IRA retirement savings, unemployment and declining home values.

Retirement-age increases especially burden lower-wage and minority workers, who often have no choice but to retire early. It is well-known that many workers must stop work because of serious health and physical challenges; still others face age discrimination and job loss. Sixty-two percent of Latino males and 53 percent of older black male workers are in physically demanding or difficult jobs, compared with 42 percent of their white male counterparts. By retiring early, they claim permanently reduced benefits. A hardship exemption for these categories of workers has never been found to be politically feasible or workable.

Lower-wage workers, on average, have seen little or no increase in life expectancy. Over the past quarter-century, the life expectancy of upper-income men increased by five years while life expectancy among lower-income men increased by only one year and that of lower-income women actually declined.

For all these reasons, Congress should follow the will of the American people, who reject increasing the retirement age. Congress should consider eliminating Social Security’s projected shortfall by scrapping the cap on earnings subject to Social Security’s FICA contributions, as the American people strongly favor.

Even the well-funded Pentagon is worried about whether it can afford to fund retirement benefits, including health care, at the levels soldiers and sailors have come to expect.

Retiree pay will cost the Department of Defense about \$50 billion next year, according to the Obama administration’s proposed fiscal 2012

budget. Military health costs, which have doubled over the past decade, will run even more, with a fair share going to coverage of military retirees.

“We in the Department of Defense are on the same path that General Motors found itself on,” retired Marine Maj. Gen. Arnold Punaro, who advises the Pentagon on financial operations,

told NPR. “General Motors did not start out to be a health care company that occasionally built an automobile. Today, we’re on the path in the Department of Defense to turn it into a benefits company that may occasionally kill a terrorist.”⁴⁴

Robert Gates, who stepped down as Defense Secretary June 30, said the military may have to consider moving to a 401(k)-style plan. Financial problems make some sort of change to the Pentagon’s pension and retirement health formulas inevitable, he told *Defense News*. “We are way behind the private sector in this.”⁴⁵

OUTLOOK

Political Prospects

Given the costs associated with aging—particularly those involving medical care—some economists are growing pessimistic about the country’s long-term budget health. By the time the last of the boomers have turned 65, in 2029, there will be nearly twice as many people enrolled in Medicare as there are today, according to AARP.

“Social Security has pretty much anticipated the aging population and built up a very large trust fund,” says Rother, AARP’s policy director. “Medicare is the place where the stress shows.”

Health care costs are bound to be driven higher by an older population. Some worry Congress won’t be able to agree on ways to significantly reduce growth in entitlement programs and thereby reduce the federal deficit.

“I just think the two parties are kind of locked in cement on this stuff,” says Hewitt of the Coalition for Affordable Health Care.

The question of whether Congress will change entitlements really depends on the attitudes of the voting public, he says. “I frankly don’t think that fiscal conservatives are going to be able to hold the line, because baby boomers in the end are going to decide they don’t want to defund their retirement,” Hewitt says.

Myers, the USC demographer, says politicians will need to appeal to older voters to make big

policy changes. Older Americans may love their entitlements, but they’ll have to be convinced that younger, working-age people need money left over for productive investments in areas such as education and infrastructure—and shouldn’t be saddled with crippling debt, Myers says.

“The only winning political strategy is not to fight [older voters] but persuade them it’s in their interest,” Myers says. “I believe they control the electorate for the next 20 years, and we don’t have 20 years to wait.”

Budget realities will force changes to entitlement programs in the next decade, says MacGuineas of the New American Foundation. And, she says, waiting until financial markets force fiscal changes, as has been happening in European countries such as Greece, won’t be pleasant.

“There’s no question that by 2020, changes will have been made,” she says. “What I’m worried about is that changes may have been forced upon us—changes made because of markets will be much more painful.”

Not everyone thinks some kind of fiscal crisis is inevitable. Blahous, the Hoover Institution fellow and Social Security trustee, says he’s pessimistic, but not because he worries the country will face “economic Armageddon.”

Instead, Blahous worries that continuing unbridled growth in major entitlement programs will mean “we’ll have more expensive government than we’ve ever had before,” he says. “People’s after-tax income will not have the growth we’ve seen in the past.”

There are some positive predictions. The Urban Institute’s Johnson says widowhood is becoming less common. “Men are living longer, and the differences between men and women’s mortality is lessening. Widowhood is still associated with poverty.”

Still, Johnson expects income inequality among the aged to continue to grow and more older Americans will need to work longer. Others say policy changes to health coverage are inevitable, despite the political opposition engendered both by President Obama’s 2010 health care-expansion law and the House GOP’s current effort to limit Medicare growth.

“We’re going to be moving more and more toward managed care,” says Binstock, the Case Western Reserve health policy professor, “in the sense that there’ll be a fixed budget in terms of care for older people.” Older people will be hurt as a result, Binstock contends.

But the New America Foundation’s Longman isn’t convinced. A move toward some form of managed care will lead to better health outcomes than the current U.S. health system, which is prone to ill-informed treatment and mistakes, he says.

“I would hope in 10 years, we have turned the corner on the health care thing,” Longman says. “The idea that we’re going to let people go get any care they want from anybody they want, that’s not going to work.”

Longman says the outlook is “gloomy” but that it won’t be impossible to turn things around. As long as health care is restructured and “as long

as today’s young people don’t forget to have children,” the U.S. should be able to care for its growing senior population, he says.

But fewer people are having children—and certainly fewer are having multiple children, notes Fishman, the author of *Shock of Gray*. “We’re about a generation away from children having no brothers and sisters, no aunts and uncles, no cousins,” he says. “People may be looking continuously for more family supports, but the family just won’t be there.”

The prospect of fewer children and longer life expectancy means the median age will continue to rise. No matter the difficulties posed by the aging of the baby boom generation, they won’t be solved by that generation’s passing.

“The boomers may seem like a large cohort of older people,” Fishman says, “but the median age is increasing and that won’t turn around.”

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ABOUT THE AUTHOR



Alan Greenblatt covers foreign affairs for National Public Radio. He was previously a staff writer at *Governing* magazine and *CQ Weekly*, where he won the National Press Club's Sandy Hume Award for political journalism. He graduated

from San Francisco State University in 1986 and received a master's degree in English literature from the University of Virginia in 1988. For the *CQ Researcher*, he wrote "Confronting Warming," "Future of the GOP" and "Immigration Debate." His most recent *CQ Global Researcher* reports were "Attacking Piracy" and "Rewriting History."

FOR MORE INFORMATION

AARP, 601 E St., N.W., Washington, DC 20049; (888) 687-2277; www.aarp.org. The largest advocacy organization for older Americans.

American Society on Aging, 71 Stevenson St., Suite 1450, San Francisco, CA 94105; (415) 974-9600; www.asaging.org. Founded as the Western Gerontological Society; offers programs and online learning for professionals in health care, social services, government and other fields who seek to improve the quality of life for older adults.

Boston College, Center for Retirement Research, Hovey House, 140 Commonwealth Ave., Chestnut Hill, MA 02467; (617) 552-1762; crr.bc.edu. Conducts research on issues related to retirement, particularly finance and health.

Center for Strategic and International Studies, Global Aging Initiative, 1800 K St., N.W., Washington, DC 20006; (202) 887-0200; csis.org/program/global-aging-initiative. Conducts research and education programs on long-term economic, social and geopolitical implications of demographic change in the United States and abroad.

Employee Benefit Research Institute, 1100 13th St., N.W., Suite 878, Washington, DC 20005; (202) 659-0670; www.ebri.org. Conducts research on employee benefits, including pensions and defined-contribution plans such as 401(k)s.

National Association of Area Agencies on Aging, 1730 Rhode Island Ave., N.W., 4th Floor, Washington, DC 20036; (202) 872-0888; www.n4a.org. Umbrella organization for local area aging agencies.

National Institute on Aging, Building 31, Room 5C27, 31 Center Dr., MSC 2292, Bethesda, MD 20892; (301) 496-1752; www.nia.nih.gov. Leads the federal government's scientific effort to study the nature of aging.

National Institute on Retirement Security, 1730 Rhode Island Ave., N.W., Suite 207, Washington, DC 20036; (202) 457-8190; www.nirsonline.org. Studies retirement-income issues such as pensions.

Urban Institute, Program on Retirement Policy, 2100 M St., N.W., Washington, DC 20037; (202) 833-7200; www.urban.org.

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THE NEXT STEP:

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Supporters of Medicare reform say the program is not sustainable in its current form; detractors say cost controls make drastic changes unnecessary.

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