

MRRC RESEARCHER

David Neumark discusses his MRRC-supported research.

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Do Stronger Age Discrimination Laws Make Social Security Reforms More Effective?

MRRC: What does this study tell us that we didn't know before?

The key innovation in the 2011 study is to explore whether stronger age discrimination protections for older workers can enhance the effects of Social Security reforms that aim to lengthen work lives. The particular focus of the study is on increases in the full retirement age, from 65 to 66, in the 2000s. (Further increases in the full retirement age – to 67 – are scheduled.) We have some evidence, already, that increases in the full retirement age have led older workers to push back their retirement. We also have evidence, from a larger body of work, that age discrimination laws increase employment of older workers. Our research uncovers new information that stronger age discrimination protections – in the form of state age discrimination laws that go beyond the federal Age Discrimination in Employment Act – do make it easier for older workers to remain at work and push back retirement in response to increases in the full retirement age.

MRRC: Social Security provides an incentive to workers to keep working after age 62 by increasing the monthly payout for later retirements. What percent of workers retire before their full retirement age?

The answer to this question depends, of course, on the period you are studying. And the concept of “retirement” is a little more fluid than commonly understood. Defining retirement as claiming Social Security benefits, for the sample from the Health and Retirement Study that we use in this paper, 69.5% of men claim Social Security benefits before the full retirement age.

MRRC: Do you find that people have a hard time keeping or finding work in their 60s?

We do not directly assess this question. However, our evidence indicates that older individuals living in states with stronger age discrimination protections were more likely to retire later and remain employed longer as the full retirement age increased. This suggests that stronger age discrimination protections make it easier for older people to remain employed or find new jobs; by extension, one might conclude that absent these protections older people face more difficulty remaining employed and finding new jobs. Our newer research we are conducting this year more explicitly addresses the question of the “dynamics” of older workers’ employment – for example, their transitions to new jobs or retention at their current jobs.

MRRC: Are there barriers for older workers in getting hired or keeping their jobs?

This is one of the biggest questions regarding older workers – do they face age discrimination in the labor market? Labor economists have been studying discrimination for decades, originally focusing on race and sex discrimination, but more recently turning attention to age discrimination. A large variety of types of evidence have been brought to bear on this question, and my interpretation of the evidence is that it is generally consistent with age discrimination – that is, there are barriers to older workers getting jobs and keeping their jobs. At the same time, in my view, the evidence is more nuanced and less clear-cut than is the evidence of discrimination against women and minorities. In large part, this is because it is simply more difficult to sort out the potential influence of discrimination from the fact that aging does have some effect on people’s labor market performance. However, these effects can arise at very different ages, and in varying degrees, for different individuals, and not all of these influences of aging are negative. For example, while physical strength, which is relevant to some jobs, diminishes with age, accumulated experience increases.

MRRC: Do you find that antidiscrimination laws make employers reluctant to hire older workers?

This is a conjecture that permeates the discrimination literature generally. We know that a large share of discrimination claims – whether on the basis of age or other characteristics – are for terminations. There is also a sense that antidiscrimination laws are not as effective at rooting out discrimination in hiring. As a consequence, it

seems plausible that these laws may increase the costs of terminating workers from protected groups, which could then discourage employers from hiring them (and if the laws are not effective at reducing discrimination in hiring, employers can get away with this). The 2011 study does not address this question, but our 2012 research will.

MRRC: Would it keep Social Security solvent if everyone waited until their Full Retirement Age?

The study does not delve into the finances of the solvency of Social Security. However, extending work lives results in workers paying Social Security payroll taxes for a longer period, and that clearly helps with solvency.

MRRC: Are there negative consequences for workers who report age discrimination?

In principle, workers are protected from adverse consequences of reporting age discrimination claims, as any retaliation or discrimination against someone who files a claim, testifies, participates in an investigation, etc., is outlawed by the Age Discrimination in Employment Act. However, that does not mean that the law is fully effective, nor does it mean that workers may sometimes resist filing a claim of age discrimination out of fear of retaliation or for other reasons.

MRRC: What is the most important thing to take away from your 2011 paper?

The results are rather striking, pointing to substantial differences in the response to increases in the FRA – both delaying claiming of benefits, and remaining employed – between states with stronger age discrimination protections than the ADEA, and states without these stronger protections. Indeed, the results indicate that the employment response – which is the key response with regard to Social Security solvency – occurs only in states with these stronger age discrimination protections. The implication is that stronger age discrimination protections appear to enhance, substantially, the responses to Social Security reforms that are intended to encourage older people to work longer.

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MRRC: What are your future plans for this line of research?

We are currently working on developing a better understanding of how age discrimination protections induce the observed changes in behavior when the full retirement age increases. This is important before we draw policy implications. For example, a simple conclusion based on the main results is that we should strengthen age discrimination protections everywhere, perhaps by amending the Age Discrimination in Employment Act. However, it is possible, as we've discussed, that age discrimination protections reduce hiring of older workers – in which case the employment increases must come from remaining at the same job. That is not necessarily a good outcome for older people, especially if their “career” jobs are physically demanding. And if we are contemplating more substantial increases in the full retirement age, simply compelling older workers to remain at their current jobs may become even more problematic. On the other hand, if stronger age discrimination protections actually make it easier for older workers to move to new jobs, then they can help older people accommodate to the need to work for more years. Thus, our ongoing research parses the effects of age discrimination laws on the different kinds of employment transitions older people can make. And it incorporates information on the physical limitations older workers face and the physical demands of their jobs, to understand how these physical challenges are accommodated as older individuals remain in the workforce longer. ■

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