The Actuary Magazine

August/September 2014 – Volume 11, Issue 4

Editorial

HAVE YOU HIRED ANY 65-YEAR-OLDS LATELY?

BY JAMES RAMENDA

I ASK BECAUSE hiring older workers will be increasingly important to our economy for many years to come. We are at the nexus of the longevity boom and the baby boom. Also, we have been hearing for at least a decade that many people approaching traditional retirement ages have serious misconceptions about retirement, e.g., underestimating their expenses while overestimating their investment returns.

The oft-stated solution is that people will have to work longer to make up the retirement savings gap. It's a great solution: Working longer accumulates more savings dollars and also cuts the number of years of pure draw-down of savings. You don't need to be an actuary to figure this out. The problem is that it leads us back to the question in the title above.

So have you hired any 65-year-olds lately? Why not? Well, I suppose a "good news" answer might be that most of the 65-year-olds in and around financial services did well in their "normal" working years—well enough that they don't need a job of the type readers of this column may be offering. Also, the historical cohorts of normal-retirement-age workers were more likely to have pension plans. The "bad news" answers would include a couple of other possibilities.

1. White collar workers who are getting into their mid-60s may find a significant mismatch between the jobs available to them and the type of compensation that will maintain the trajectory of their incomes, particularly if they have not kept current with technology. As a result, they are likely to be underemployed relative to their previous positions.

2. Mid-60s blue- and gray-collar workers may find the physical demands of continuing similar work as they did in their normal working years to be difficult.

The problem of an employment gap really concerns everyone, not just those older workers left in the lurch. If wages cannot support the lifestyles of a large segment of the population, the necessity of unplanned reduction in their spending will affect the overall economy. And taking marginal or part-time jobs may keep entry-level workers from getting employment, although economists differ on this point.

The U.S. Bureau of Labor Statistics also indicates that a pay gap of nearly 20 percent in wages between 65-and-older workers and the general population has closed to just over 10 percent in the past three decades. This is a far cry from the news stories about former executives flipping burgers. However, we may want to consider that the data to date is just beginning to include the baby boomers, so the cohort of the population that has perhaps most "under-saved" will be making up the bulk of 65-and-over labor market participants before long. The underfunding of their retirements may force them into lower-paying jobs.

For actuaries, this means we will be dealing with a different type of workforce, i.e., not bifurcated into employment years vs. early/normal retirement years, but a significant element of "late" (vs. normal) retirement that may include a different compensation level and economic behavior. It will affect our workplaces and certainly will affect the work of actuaries involved in benefit plans.

Another dimension of the retirement gap stems from the nature of the medical quest for longevity. Having been a caregiver to a 92-year-old parent, I've seen the health care system for the elderly up close and personal, including the medical wonders that have boosted longevity. However, as becomes obvious at advanced ages, the vast majority of these medical advances are targeted toward prevention and/or treatment of heart attacks, strokes and cancer. This is understandable; these are the leading causes of death and attacking these is naturally the goal of any individual, caregiver or health care provider.

Yet as I spent more time around assisted living and nursing facilities, it became painfully obvious in a very literal sense that progress with respect to musculoskeletal-related capabilities, and forestalling the effects of dementia and Alzheimer's, did not seem to parallel the increases in longevity. Indeed, at advanced ages, some of the effects of medication seemed to diminish activity and mental acuity in ways that compromised the quality of life, even as "vital signs" were kept in desirable ranges. It was particularly striking to see people struggle with walkers, wheelchairs, etc., only to find they were there to visit their parents.

The actuarial aspect of this is unless medical science can achieve similar gains in areas like dementia, Alzheimer's, vision, hearing, arthritis, osteoporosis, etc., as it continues to achieve in the fight against heart disease and cancer, it may be impossible to assume a commensurately longer working life span (we'll leave the growing cost of long-term care for another day). If this is true, then pushing back retirement age in an actuarial model may simply not be a practical nor fair solution at some point. For example, moving the Social Security retirement age from 65-67, to perhaps 70 as is currently being discussed, may just be creating a waiting period for many people—a kind of deductible, really.

I believe we need to use data such as that underlying the retirement gap to inform medical research, specifically to guide it more toward sustaining mental and physical agility, not just pushing the limits of longevity. We've pushed longevity to 100 and beyond. Do we need to go beyond 110 before we think in these terms? 120?


James Ramenda

A system in which retirees take care of retirees is not sustainable. It's been said that 50 is the new 40, but (keeping the same percentage) 65 is not the new 52. Nor will it be until we are routinely hiring 65-year-olds for other than part-time jobs. For that to happen, we need advances in working longevity to catch up with age longevity.

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