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Viewpoints: Raising the retirement age increases inequality

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There's a lot of talk these days about raising the retirement age for younger workers. In Washington, Congress is considering further raising the eligibility age for Medicare and full Social Security benefits. In California, Gov. Jerry Brown's sweeping pension reform proposal includes an across-the-board increase in retirement age to 67 for most new state and local government employees.

These seem like sensible measures at first glance, given that average life expectancy in the United States has been increasing. But dig a little deeper and you find that a lot of people have not shared in this boon, making these proposals profoundly unfair to low- and moderate-income families and African Americans.

The truth is that almost all of the increase in life expectancy has been enjoyed by wealthier Americans. Between the generation that retired in the 1960s and the one that retired in the past decade, life expectancy at age 65 increased by 5.5 years to age 86 for men in the top half of the income spectrum. Their counterparts in the bottom half gained one year, to age 81.

The differences are greater when considering socioeconomic extremes among working-age adults. In California, a 45-year-old white male in the highest 20 percent in terms of socioeconomic status – defined through income and education – has a life expectancy 8.5 years longer than a white man in the lowest 20 percent. Working-class people are less likely to live to retirement age despite paying into Social Security, and will live fewer years past normal retirement age.

There are racial and gender differences to consider as well. A white man at 45 has, on average, 33 years ahead of him, while the average African American man at the same age can expect 29 more years. At age 45, women can expect to live nearly four years longer than men of the same age.

The age at which people can receive full Social Security benefits is already being raised to 67 for people born in 1960 or later. When this transition is complete in 2027, men in the bottom half of the income spectrum will have lost a few months in retirement compared to their fathers if current trends in life expectancy continue. Those in the top half will still enjoy a net increase. If retirement age were raised to, say, 70, Gen-Xers in the bottom half of the income spectrum would have one full year less retirement than their grandparents' generation, born before World War I.

In setting retirement age, we should also consider the age at which people enter the workforce and the physical demands of their occupations. People working in physically demanding jobs, which tend not to require higher education, are more likely both to enter and exit the paid workforce earlier than their more highly educated counterparts. People who at age 18 join the construction or housekeeping industries may be many years shy of full retirement benefits when their bodies give out after 40 years of work.

Furthermore, once they lose employment it can be very difficult for older workers, especially those with low education levels, to find jobs. Tellingly, older workers without a college education make up more than 40 percent of those Americans who have been unemployed for more than a year. For many, this becomes a de facto "early retirement."

Compare this to more highly paid workers, such as college professors and lawyers. These workers not only start their careers later after spending four or more years in higher education but are also able to sustain longer careers – often into their 60s and 70s – as the physical demands of a workday are far less strenuous.

With such a wide and growing gap in life expectancy, raising the full-benefit eligibility age for Social Security redistributes wealth upward, from those with lower incomes and shorter lives to longer-lived, higher-income households.

Raising the Medicare age is an even worse idea. In addition to the disparate class and race effects, it would increase the cost of health care overall. The Kaiser Family Foundation estimates that delaying entry into Medicare would cost states, employers and individuals twice as much as it would "save" the federal government.

Delaying retirement benefits for an aging population seems like a no-brainer, but it's not the simple solution it appears to be. We need to find ways to restore solvency to our retirement programs, but we can't settle for blunt, across-the-board policies that exacerbate our already alarmingly high levels of inequality.

Ken Jacobs is chairman of the UC Berkeley Labor Center. Nari Rhee is an associate academic specialist at the labor center.