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HOW ARE FEDERAL POLICIES AFFECTING SENIORS AND RETIREES IN A POST-COVID WORLD?

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Joshua Gotbaum [00:06:26] Good afternoon. I'm Josh Gotbaum. I'm a guest scholar in Economic Studies affiliated with the Brookings Retirement Security Project and formerly served in a range of federal agencies. We all know that COVID was a cataclysmic event. It killed 1 million people in the US alone. It led to the severest economic shutdown in our lifetime. The pandemic also led to some of the broadest and most diverse policy responses in the federal government in our lifetime as well. Some, like the CARES Act, were bipartisan. Some, like the American Rescue Plan, were not. Equally significant, in the past two years, there have also been major programs and major changes in other long-standing challenges in infrastructure and support for technology and the action to respond to climate change. These, too, were sometimes bipartisan and sometimes not.

At the Brookings Retirement Security Project, we focus obviously on seniors and retirees. We know that seniors are far likelier than others to be infected by COVID and to die from COVID. A recent analysis found that almost, almost 90% of all the Americans dying from COVID— that's still 300 a day— are over 65 years of age. Of course, the pandemic had other effects on seniors too. Many seniors lost their jobs and because of ageism and other factors, have trouble getting new ones. Many, quote, retired early and the dislocation and isolation from the pandemic has many consequences, some of which are only gradually becoming apparent.

A month or so ago, Ben Harris, the Assistant Secretary of Treasury for Economic Policy, called up. He suggested that among the many actions taken by the Congress and the administration in omnibus bills with myriad changes in federal policy, were many measures that help seniors but that weren't explicitly labeled as retirement policy or senior programs. Ben, who was a former deputy director of Brookings Retirement Security Project, suggested that there is more progress on these issues than has been generally perceived, and that they deserve a discussion of the effect of all these programmatic changes on seniors and retirees. Unsurprisingly, at the suggestion of the former deputy director of the Brookings Retirement Security Project, the Brookings Retirement Security Project agreed with the suggestion, and that's why we're here today.

Our format today is simple. Secretary Harris— I'm a traditionalist from the days when all assistant secretaries were also referred to as secretary— Secretary Harris will talk about the programs that he considers important, about their consequences, about some future policy directions. I should note that Ben, prior to joining Treasury, has written extensively on retirement issues. He will then be followed by Richard Frank, director of the USC-Brookings Schaeffer Initiative for Health

Policy. And Richard will talk about the health policy changes, about what's been accomplished and what's been, and what remains to be accomplished. After that, Louise Sheiner, policy director for the Brookings Hutchins Center for Fiscal and Monetary Policy, will talk about changes in working lives of seniors and about decisions whether or not to retire.

After that will all come up, I'll ask some questions, we'll have a discussion and I hope then to have some time to take questions from the audience or from our audience in cyberspace. And now, as a former assistant secretary of Treasury for economic policy, it gives me great pleasure to present the current Assistant Secretary for Economic Policy, Ben Harris.

Ben Harris [00:11:16] Thank you, Josh, for that warm introduction. I really appreciate it. And thank you to the Brookings Institution and Retirement Security Project for inviting me to speak on the important topic of retirement security and the well-being of older Americans. I consider this to be one of the most important issues in public policy and one that deserves special consideration in the wake of the pandemic. Even before Americans spent their first day in quarantine, seniors and retirees have faced substantial, long-standing challenges. Access to workforce pensions has been on a decades long decline, and the massive increases in wealth experienced in aggregate have been unevenly shared among retirees. Longer life spans and higher debt loads have led to more financial fragility in retirement. Family networks have weakened. As reported last month in the New York Times, an increasing number of seniors live alone.

Then the pandemic hit. As we all know too well, the death rates of seniors spiked much higher than for any other age group. Older Americans had a difficult time getting access to doctors and hospitals. Links between seniors and their families and communities were disrupted. Many retirees dealt with social isolation, particularly at the height of the pandemic. But as the economy rapidly adapted to pandemic life, silver linings have emerged. There are new ways to work, to purchase goods, to receive health care, to have fun, and to communicate with friends and family. These innovations have the potential to radically change what it is like to be an older American today. Policymakers have an obligation to meet the moment for seniors and retirees. There is a need to address long standing problems and pandemic induced challenges, particularly in health care and social isolation. And new investments must be made to take advantage of new opportunities.

The Biden-Harris administration and Congress has met this moment, perhaps because of legislation passed over the first two years of the Biden administration has been so wide ranging, the support that flowed to seniors and retirees has gained little notice. I'd like to correct that record in this speech and will draw attention to the historic actions that have been targeted to our nation's senior citizens and retirees. And of course, there's more to do, and I will discuss the path forward.

I'll start by setting the scene, by laying out some of the long-standing pre-pandemic trends relevant to retirement policy. Perhaps the most important trends are related to demographics, an aging of the population and expansion of life expectancy. 17% of the US population was aged 65 or older in 2019, almost double the share 60 years ago. Steadily increasing lifespans have meant a sharp increase in expected retirement. The average 65-year-old in 2019 expected to live an extra 20 years, six more years than an average 65-year-old lived in 1960. As retirement funds have needed to be stretched for more years, financial fragility has increased for some retirees. Defined benefit pensions have become much less common, and many Americans do not have access to defined contribution plans like 401ks. The evolution in the nature of retirement plans has changed the type of risk borne by workers and retirees, in particular retirees rather than employers now bear the risk associated with uncertain lifespans.

This change in workforce retirement plans has also led to serious implications for future retirees. According to a study by the Urban Institute, almost 40% of millennials born in the 1980s will not have sufficient income at age 70 to maintain their pre-retirement standard of living. The Millennials retirement readiness is lower than it was for the pre boomer and late boomer generations born between 1937 and 1964. Debt is also part of the story. The average real debt held by a 40-year-old millennial today is about twice the amount held by a 40-year-old three decades ago. According to a recent Gallup survey, almost, about half of the current non retirees do not be able, do not expect to be able to live comfortably in retirement, and the expected retirement age has moved up from 60 in 1995 to 66 in 2022.

Health care spending looms large in the retirement story; health care expenditures have risen for older Americans in the decades leading up to the pandemic. Seniors have faced increasingly high prescription drug bills, even for routine and common ailments. On average, out-of-pocket health spending for Medicare recipients was $6,500 in 2019, with some individuals obviously paying much more.

Financial health is only one factor that feeds into overall well-being. Happiness and life satisfaction is also affected by family and social connections. And over the past few decades, the number of older Americans living alone has risen rapidly as people are living longer and are more likely to be divorced, separated or never married than in previous generations. To be clear, not all pre-pandemic trends have been doom and gloom. Wealth has risen in aggregate, and many seniors have tapped into this wealth to finance travel and recreation in their retirement years. There appears to be more flexibility and agency for older workers to determine how and when they separate from their jobs. And then there have been promising trends with improved ways of delivering health care, some of which were accelerated by the pandemic. As I will discuss later in the speech, there are, these more positive trends linked to more promising opportunities.

But first, let me turn to the pandemic. Never has a generation felt such an acute change in mortality so suddenly. The death rates for Americans 65 and older in 2020 were more than 15 percentage points in excess of the rate seen in 2019. And even given the widespread vaccination effort, mortality rates remained elevated in 2021. There is no doubt that the impact of the virus was devastating to this generation. The delivery of health care for non-covid reasons stalled with institution-based health care faring particularly poorly during the pandemic. Nursing care was difficult to provide, and many seniors languished with subpar care. Excess deaths for reasons other than COVID spiked. Even now, older Americans are still reluctant to go to the doctor's office where germs may spread. The number of patients in nursing homes is well below 2019 levels, and home health care aides have been difficult to find in a tight labor market.

Mental health has suffered, too. In the height of the pandemic, social isolation peaked. Seniors living alone were cut off from family and friends. Grandparents could no longer visit their grandchildren. People that remained in nursing homes or had to go to hospitals were kept in isolation. A quarter of seniors reported experiencing anxiety or depression in the summer of 2020, and there were even higher rates of anxiety or depression reported by low-income seniors and those who were in fair or poor health.

Finally, early retirement surged, which would likely strain the finances for seniors who are not yet retirement ready. Pandemic concerns and family needs led to the spike in early retirements, and many 55 and older workers haven't come back to the workforce. Now that pandemic era stimulus has ended and the stock market has come back from its peak, those missed working years may be felt deeply by early retirees. But reentering the workforce after retirement can be difficult. And those workers who are permanently retired may be looking towards a future with a reduced standard of living compared to what they had planned before the pandemic.

Thus far, I have focused on the challenges, both old and new, for current and future retirees. Now I am pleased to turn to the opportunities. As I'll explain, there's quite a great deal to feel optimistic about. First, the changing nature of work has a potential to allow older Americans to extend their working years at the same time they lean into the benefits of retirement. Employers seeking workers in a tight labor market have used flexibility as a means to compete for workers and even draw more into the labor market, allowing them to choose their hours and intensity with which they work. Teleworking, which sharply expanded during the pandemic, may enable seniors with disabilities or health problems to participate in the labor market. While many flexible scheduling tools and most teleworking jobs require a level of computer comfort that seniors may have not had in previous generations, the timing is right to push those possibilities now.

With the explosion of smartphones and social media, familiarity with technology has grown sharply over the last decade. Smartphone ownership for people aged 65 and older grew from 13% in 2012 to 61% in 2021. And almost half of the older generation now own a tablet computer. And a smartphone and tablet ownership among 50- to 64-year-olds is much higher so that those entering retirement in the next ten years will be even better poised to take advantage of those opportunities. Matching would be retirees with flexible jobs could allow them to continue to build their savings while still tapping into the lifestyle they have worked their whole lives for. More time for travel and recreation, for their families and for their health. Older Americans working for longer would be a bonus for the economy as a whole as well. Elevated inflation, in part due to a mismatch between labor demand and supply, has led us to acutely feel the need for an expanded labor force.

The second opportunity for older Americans is new ways of delivering services and goods. Notably, the rise of telehealth services has allowed seniors to receive medical attention while limiting their exposure to COVID 19 and other communicable diseases with additional convenience as well. In 2020, Medicare telehealth visits jumped to 53 million, up from less than 1 million in 2019. At the same time, private equity funding of telehealth startups sharply increased, hinting at a long-lasting structural change in health care delivery. Of course, goods delivery has also changed, and e-commerce retail is up 60% from the levels seen in 2019. For seniors with health concerns, the delivery of groceries and basic needs is particularly valuable.

Finally, there are new ways to communicate, socialize and have fun. In 2020, the term 'family zoom' spiked on Google Trends and has stayed elevated since. Many seniors lean, learned to text with their grandchildren, and some grandparents became viral sensations overnight. Streaming platforms made it possible to watch movies and television from home. In the future, virtual reality can make it possible for homebound seniors to socialize more freely, and self-driving cars may increase mobility for seniors as well. While these economy-wide trends give rise to optimism about future retirement, it is critical to acknowledge the meaningful progress made over the first two years of the Biden administration. The Biden administration, along with Congress, has met the moment for seniors and retirees by passing a series of laws which collectively improve the livelihoods of older Americans across the country.

Let me outline some of the more consequential developments. First, the federal government provided unprecedented economic support during the pandemic and recovery. With this support, policymakers successfully staved off would have been a deep economic downturn. In fact, many households are now on a stronger economic footing than they were before the crisis. Even the average household in the bottom half of the income distribution holds more savings than they did before the pandemic. These savings, in turn, increase future retirement stability. In contrast, without the rapid recovery, extended unemployment and loss of income would have stunted retirement savings of an entire generation.

Second, vaccines were distributed at historic rates, and researchers found that in 2021, vaccines prevented 2 million deaths in the United States and 20 million deaths worldwide. Given the virus' disproportionate impact on the mortality of older individuals, it is safe to say that most of those lives saved were above the age of 65. I do not think it is hyperbolic to say that the vaccine distribution program of the last several years was the greatest lifesaving effort of my lifetime.

Third, in the American Rescue Plan, the Biden-Harris administration and Congress shored up multiemployer pensions with the largest infusion of resources into retirement plans in years. Millions of pensions were protected through this measure. That included provisions for storing and repaying pension benefits for thousands of workers and retirees that were previously cut. The ARP has singlehandedly put these plans on solid financial footing through 2051, shoring up retirement security for these hardworking Americans who depend on their promised benefits to sustain a decent life in retirement.

Fourth, the bipartisan infrastructure law, a historic investment in universal broadband through the bipartisan infrastructure law, a historic investment in universal broadband was put in place to expand Internet access. The $65 billion Internet for All initiative is designed to ensure that every American has reliable access to high-speed Internet and will unleash new work and leisure opportunities for homebound seniors. Given the centrality of Internet access to our post-pandemic lives, this policy is critical to ensuring a happy and healthy modern retirement for all.

Fifth, in the Inflation Reduction Act, the administration and Congress acted to reduce prescription drug costs by capping out-of-pocket expenditures and allowing Medicare to negotiate the cost of drugs. This legislation will serve to save seniors thousands of dollars per year. Given the high burden of prescription drugs for many older Americans, this policy represents nothing short of a sea change for these households. Finally, due to President Biden's executive order on promoting competition in the American economy, hearing aids are now thousands of dollars cheaper as well as accessible over the counter without a prescription required. The Food and Drug Administration estimates that this will help nearly 30 million Americans by lowering the average cost of hearing aids by as much as $3,000 per pair. I'll conclude by discussing the areas of policymaking that are central to helping older Americans achieve a healthier and more secure retirement.

To start, it's important to acknowledge the critical role of Social Security and Medicare in preserving retirement as we know it. These programs are the cornerstone of the American retirement system, and it is difficult to imagine either programs sustaining substantial cuts in resources without dramatically impacting millions of beneficiaries. There are a wide range of statistics that underscore this point, but I'll offer a simple one. Roughly half of retirement age households depend on Social Security benefits for all or almost all of their income. Cuts to Social Security would decimate their standard of living. Medicare carries equal weight in the retirement landscape, and any marked cuts to the program would undoubtedly mean undue suffering for the beneficiaries who depend on the program for critical health care. Both, both programs must be preserved and defended.

A second area that deserves attention is better provision of long-term care in home and community-based settings. The Build Back Better framework that passed the House in October 2021 included a reform that would have dramatically improved access to home-based care for millions of individuals with intellectual and physical disabilities and would also have improved access for a large swath of seniors relying on Medicaid for home, for long term care needs. As meaningful as this reform would have been, have been, it likely would not have been the last word on the topic. The pandemic exposed a deep-seated need to provide safe, affordable, long-term care to seniors in a range of settings, including institutional and community based environments. For the sake of both older Americans and their caretakers, we need better options for home-based care.

A third area of attention is addressing the racial wealth gap. As we have noted in recent, recent analysis at the Treasury Department, the United States continues to suffer from widespread and enduring inequities in wealth accumulation. In 2019, the median white family had almost five times the wealth of the median Hispanic family and eight times the wealth of the median Black family. Given the central role of accumulated wealth in retirement, more equality in wealth accumulation patterns across demographic dimensions is an important aspect of a healthy and adequate retirement system.

Lastly, it is imperative to continue to make progress on the older workforce. There is a persistent demand for labor in our economy and there are social, intellectual and financial benefits of working for some older individuals. Finding ways for more older workers to work would offer a win to employers, older households and the macro economy. Addressing obstacles to work likely requires addressing legal barriers, financial disincentives and practical harder, hurdles like reduced mobility at older ages. I'll end by noting that I have spent roughly 20 years studying retirement in one form or another. I never imagined that America's seniors would endure such a tragedy as they did since the onset of COVID. The pandemic will have changed American retirement forever, but it's up to us to ensure that will ultimately change it for the better. Thank you for having me here today. I look forward to the discussion.

Richard Frank [00:29:23] I guess I don't need this, I'm mic'd, right. I am going to be speaking about a set of policies towards older adults, mostly focused on health policies as they relate to Ben's remarks. I will touch on one area that I think is very important for the well-being of older adults that Ben touched on indirectly, but not directly, and hopefully we can draw that out in the discussion. So the three areas I'm going to speak about are, one, the Inflation Reduction Act, and in particular the provisions around prescription drugs. Two, support for affordable housing for older adults. And three, addressing the needs for long term services and supports or long-term care.

Let me start with the Inflation Reduction Act. There's a lot in there that helps older adults, and the prescription drug provisions sit on a three-legged stool. There's a negotiation provision which Ben talked about. There is a penalty for raising drug prices above the rate of inflation. And third, there is a benefit redesign that actually affects eligibilities, subsidies to the program and, and a catastrophic cap. And I'm going to touch on each of those. The negotiation of drug prices focuses on drugs that don't have any competition, that have been on the market for a long time, in fact, longer than typically you might expect were the normal patent expirations to take place. And, and then those drugs are sorted out over time. So there's ten in the first year, 15 in the second year then it goes to 20 and then it goes, it continues on 20 every year subsequently.

The second piece is the inflation rebate. If the price of a particular drug rises from its 2021 level at a rate that's faster than the rate of the Consumer Price Index, that difference has to be paid back as a rebate by the drug companies. Again, creating savings. Together, those two provisions will generate four and a half billion dollars in savings over ten years in premiums and out-of-pocket costs. Now, let me turn to the third leg of the stool, which is probably the one that is most related to the comments made in Ben's talk. Medicare has a phase-in of its redesign, which means putting in a cap of $2,000 on the out-of-pocket liabilities for drug payments. The phase-in begins in 2024, and it's fully phased in in 2025 with a $2,000 cap and it goes forward indexed by inflation. Now, there's, this is estimated to affect about 1.4 million seniors who are covered by Medicare with, spending over $2,000. Now for that segment of the enrolled population, they spend an average of $3300 roughly in out-of-pocket costs, and that's slated to decline by about 40% because of the cap. Okay. For you who don't want to do the math quickly, that's about $1.7 billion a year.

Second part of the redesign is a cap on insulin costs. And what that does is it limits cost sharing, out-of-pocket payments to $35 a month for people on insulin. And typically people spend about $54 a month out of pocket. Okay. So right off the bat, they're saving about $19 million, although there is considerable variation in the estimates that have been made projecting that. So overall, the savings in out-of-pocket payments are estimated to be about between about $800 million and $2.7 billion a year.

The third piece is elimination of cost sharing for adult vaccines. And, you know, this is directly a lesson from the pandemic. And recent data suggests that there were about four and a half million Medicare beneficiaries that took vaccines. Those vaccines typically cost about $57 a pop out of pocket or about $300 million in out-of-pocket costs. The increased take up of dropping the price to zero is going to mean considerably more people will get vaccinated. And so you'll have savings from that. You'll have savings, assuming that to continue, the existing rate continues, and you'll have savings because it's going to be reduced mortality and morbidity making claims in the health care system.

Finally, on the benefit redesign, the low-income subsidy, the, the qualifications for low-income subsidy in the Medicare drug program will increase, and that will help about 400,000 people. And that would save about $300 per person per year for that 400,000. So it's 120 billion roughly. Okay. So that's the good news. The unfinished business is that we're just at the beginning of the journey. The rules, the definitions, the guidances given to the industry have not been, have not come out yet. And there are some very important decisions that need to be made. And modest differences in how those calls get made can actually make pretty big differences in how that affects both the federal budget and consumers out of pocket burden.

Okay, let me turn to affordable housing now. This is one of the hidden gems that Ben didn't address directly. So next speech, he will no doubt. But what he did do is he pointed out the isolation and financial stress on people living alone. And it turns out in fiscal year 2022, the HUD 202 program, which is the program for low-income older adults, got a roughly 20% boost in appropriations. And until fairly recently, it hadn't grown at all since about, since the early 2000s. And so, in fact, that 20% boost is going to enable 2200 new affordable housing for older adults to come to bear. Now, the 202 program right now houses about 133,000 seniors with low incomes. 86% of them have incomes less than $20,000 a year. Okay. And HUD provides an average rent subsidy that covers roughly 60% of that. And so it makes a big difference.

Now, the unfinished business here is that this is an important first step. But at this point, we are faced with two kinds of disturbing trends. First is that by 2038, the number of people, of older adults with very low incomes is slated to double. And so there's going to be a great deal of pressure on that type of program. Currently, that program only serves a third of the people who would qualify based on income and assets. And so we've started to, you know, this administration and this Congress have taken a bite out of that and a significant bite, but it's going to be increased pressure going forward.

The third area and the final area that I'm going to touch on is long term care. Now, the Biden administration has raised the issue, particularly of nursing home quality, and that's very important. And it's one that hasn't been touched on a long time. The last time we revisited nursing home quality regulations was in 1997. Okay. So whether you like it, whether you need it or not, every 20 years, it's probably a good idea to revisit these kinds of regulations. The focal point of the Biden effort has been to propose increased staffing, and that was partly touched on in the Build Back Better point, greater accountability for quality of care and greater transparency. These are really important initiatives. And they are important initial steps that will be taken to improve the quality of care.

However, the increased staffing thing is of critical importance and the administration recognizes this, but it is extraordinarily hard to solve this problem on its own, and it likely requires more extensive policymaking than what we're talking about. And let me make two points. One is, it's important to recognize the urgency of focusing first on nursing homes, because 20% of those deaths among older adults happened at nursing homes. And the number of people in nursing homes is a very, very small percentage of the older adult population. So they took a very disproportional hit. Now, the two issues that have to be addressed are, one, the supply of workers that are willing to be direct care workers in nursing homes. You know, you need the availability of those people, and historically, we've relied heavily on immigration to do so. With recent immigration policy, we've cut out that avenue as a, at least a short-term fix. And our current immigration arrangements have limited that supply and therefore impose a very binding constraint on our ability to respond quickly.

The second thing is Medicaid payment policy. Right now, we're set up so that Medicare pays for post-acute care in nursing homes, and they somewhat overpay, and Medicaid pays for long term care in nursing homes and they underpay. And so that distorts the decision making. It also makes it very hard for nursing homes that have long stay people to get the revenue they need in order to hire the supply, the volume and the quality of workers that they need. So there need to be payment changes and regulatory actions that both limit gaming of existing rules, particularly around real estate, but also make it possible so that nursing homes can raise the, raise the wages of direct care workers and kind of meet that supply. But I think you're going to need both Medicaid changes and immigration policy in order to make all of this work. Thank you very much.

Louise Sheiner [00:42:19] Hello. Thank you so much for having me to discuss issues related to how older Americans are doing post-COVID. As Josh mentioned, my focus today is going to be on labor force participation and retirement security, as you can see from my first slide. So as Secretary Harris mentioned, following Josh's way of talking, there has been a big increase in the number of older Americans who have left the labor force. So this is the labor force participation rate of people 55 and older. And you can see that it fell dramatically in the spring of 2020 and then rose a little but has been quite persistently lower, a lot lower than it was before the pandemic. And so this raises a really a lot of very interesting questions that I'm going to touch on today. So, one, why did they leave, why did all the workers leave the labor force? Two, what happened to retirement security as a result of that? Three, what are the implications for the macro economy and four, how have structural changes since the pandemic affected future labor force participation? And Ben mentioned most of these, and I'm just going to delve into them a little bit more detail.

So I don't think we actually know the answer to any of these questions. So but I think it's helpful to, we can shed some light on them. So I think the first thing that's really helpful is to look into the details of who left the labor force. So this is the change in labor force participation relative to January 2020. These are actually 12 months, no, no, these are the seasonally adjusted BLS so these are just the change in labor force participation by month relative to January 2020. And the top two lines are 55- to 59-year-olds and 60- to 64-year-olds. And you can see that even though participation rates did fall during the pandemic, for those sort of younger, older workers, they are now have recovered. And they're basically at the level that they were in January 2020 and higher than they were in January 2019. So you can see that rates went up a lot during 2019. But if you look at the older workers, 65 to 69 are in the gray, 70 to 74 in the yellow, and 75 plus, there you see that participation fell sort of quicker and more deeply for them and just really has, has shown a little recovery but not much. Right. And so what you see is that's, those are the people who remain on the sidelines. Right.

So it's older workers, whereas the younger workers who, who you might think of, like who are able to retire for the first time are not, they're back into the labor force. So the other thing that I think is quite interesting is to look at within these age groups full time versus part time. So the change in employment, this is, now this one is the 12-month moving average because these data are not seasonally adjusted. So you have to look over longer periods of time to make, compare apples and apples. But this is a change in employment in November 2022 relative to January 2020. And the blue is full time, and the purple is part time. So you can see that part time employment has declined really sharply. Right. So the share of Americans who are in the workforce but working part time is much, much lower. And for every age group, except for 75 plus, it is really the predominant reason for the decline in participation. Okay.

So what we have here really is a picture that I think is different than what most people think when they hear a surge in retirements. Right. It's not a bunch of 60-year-olds who left the labor market. It's people who were, you know, potentially working just part time. They might have had a full career and then have retired and then gone back and look, it's those people who are really it's not, not only that, but predominantly people like that who have not come back to the labor force. So that makes me a little less worried about the implications for sort of retirement security, for the declines in participation. It's not so much people who just leave the labor force early. It's more people who have already left, I mean, who are working part time, and so presumably some of them had been working full time before.

Now, more research is really needed to explain these trends. So the fact that the older workers are most affected seems like it's probably related to the fear of COVID, right? That seems to make sense. They're clearly affected the most. I don't know what the part time issue is about. I don't know if it's that the type of jobs that people who are working part time are the ones that are more sort of, you know, the Walmart greeter or sort of something that's very people focused, I don't really know. And that's something we really need to know about. Is it something that could be related to the strong financial conditions of households that Ben mentioned and that allows basically retired people not to work to supplement their income and maybe these people who didn't really want to be working but had to and then somehow got this cushion from the UI, from the checks that people got. We have a really tight labor market, right? So it's sort of hard to imagine in a way that the decline in participation is like the exit of discouraged workers. But it's still possible, right? So firms may not want to hire older workers. We're talking about seventy-year-olds. And so the workers who lost their job and got dislocated in the spring of 2020 may actually have a hard time finding another one suited to their abilities even in this tight labor market, we don't, we just don't really know. So we don't know how much of this is supply, we don't know how much of is demand. But it's a clearly a very nuanced story. Right.

The data on participation help explain another fact, which is looking at what's happened to Social Security. So the number of people you would have thought well, there's a lot of early retirements that must've been a whole bunch of people getting Social Security for the first time. But that's not what happened. In 2020, Social Security, these are new awards. And so the last number is 2021 and the one before is 2020, so in 2020, it kind of looked you know, rewards are going, are increasing because the baby boomers are retiring kind of look just like you expect. And then it actually fell in 2021. And that's not what happened in the Great Recession. In the Great Recession, we saw a surge in retirements. You can see a sort of accelerated surge in retirements because people use Social Security, you know, as a way of bridging unemployment or losses of income or loss of assets.

And so, so the participation data that I showed you before and the employment data kind of sheds light on why this might have happened. And one important reason is likely that the decline in participation was among people who are already getting Social Security, right. So those 70-year-olds, they're all getting social care. There's no benefit to delaying. So, you know, many of the 65- to 70-year-olds who are working part time may also already be on Social Security. So it's less the people who are not who are again, who are working full time and then retiring. And so that might be part of the reason. And so, so that's, I think, why we didn't see the, one of the reasons we may have sparked a rise in Social Security.

But it is also the case that that, you know, I showed you the picture during the height of the pandemic and before the vaccines came on, there were lots and lots of seniors who were out of the labor force. And you might have expected them to say, oh, well, since I'm out of the labor force, I'm going to use Social Security, I'm going to apply for Social Security and therefore have some way of financing this period. And I think that the reason that didn't happen was because of the unprecedented support from the federal government for unemployment and the checks. Right. So, you know, if you lost your job in a lot of normal times, unemployment insurance either not available to you or the replacement rates are quite low, that was not the case during the pandemic.

So the unemployment insurance really provided a means of getting through unemployment without having to go do something like applying early for Social Security. And that's really important for retirement security and for sort of two reasons. One, even in a system that is quote unquote, actuarially fair, which means that the present value of your benefits, what you're going to get over your lifetime doesn't depend on how old you are when you first get benefits. Even that system, if you go early, if you apply earlier, if you start taking benefits earlier, your monthly benefits have to be lower so that, you know, you get more benefits for a longer period of time. So that sort of just lowers your standard of living in the future.

But secondly, the system's actually not actuarially fair, and the expected present value of benefits is lower for people who retire earlier. Some estimates suggest that retiring at 62 yields benefits that are 6% lower than if you apply at 65 as a lifetime benefit. So using Social Security as a way of sort of supplementing UI or getting through a bad spell or lower income is costly, but it's, if if that's all you can do, that's what people have done in the past, they did not have to do that this time. Right. So these this this period of time, that's that when, when times were tough, where the federal government came in really prevented people from having to do that.

So I think that one of the big lessons that I take from the pandemic is that we can and should do better on our UI system. In normal times, UI replaces less than half of workers’ wages. Many, many, especially low-income workers, are ineligible. And people often do turn to other programs Social Security, but also disability insurance, if they're, if they can qualify as a way of sort of bridging the gap. And a stronger UI system is better. It's better for people that are more likely to go back into the labor force and it will enhance the retirement security of people who get unemployed even in non-pandemic times. So that that UI system that we had during the pandemic, those increases and that expansions over. But even in normal times people get unemployed, non-pandemic times and have these things. So I think just in normal times, a better UI system is really important.

Now, one possibly I haven't mentioned is something that might explain all this a little bit, is that during the pandemic, the Social Security field offices were closed. They were closed for two years. And that made it much harder for people to be able to go apply, especially for disability, but also for Social Security. A lot of people did shift to online, but some people may not have felt comfortable. It's not only just do you have a computer, but you feel like you can do something so important, you know, as putting an official date on a computer like you might text your grandkids, but, you know, it's not the same exactly. But I think, you know, the switch to more online government services is going to be a good thing in the long run. It's going to make things much easier, it's going to increase the efficiency of government services, but it's going to be important to ensure that the digital divide doesn't create inequities. So the Biden-Harris administration pushed to make broadband more widely available is really important that regard. And probably we're going to need to do more stuff too to make sure that people can have the handholding they need in some way using technology. Okay.

Let me quickly switch to like, what are the implications of this for the macro economy? So a lot of people point to the slow recovery in labor force participation as one of the reasons for the very tight labor market and for the increase in inflation during the pandemic. But, you know, the fact that many of the people who left the labor force were part time workers makes me think we have to think a little bit more carefully about it. So we need a better accounting, I don't have it, but it needs to be done, a better accounting, sort of the hours of work that have been lost as a result of this exit from the labor force rather than, you know, labor force participation just counts everybody the same, that it's not weighed by how many hours you would be working. And similarly, it would be good to have a sense of the wage distribution of the people who have left the labor force, because those things are all sort of telling you what's happening to GDP from this labor force participation.

And another thing that I have not heard talked about, as people seem to talk about, is it's obvious that participation is about labor supply, but it's also about demand. Right. So if you're not working and you're not earning money, you are not a worker who's, who's able to support the economy, but you are also not going to have as much demand. And so to me, this obvious relationship between, you know, participation and inflation is is a little bit less clear cut than, than I hear. So let me quickly turn to the last thing is, which is what's going to happen in the long run? How long is it going to take participation to recover? What's going to happen to participation? You know, I don't know how long it's going to take participation to recover. We don't quite understand what's happened. So it's a little hard to know when it's going to reverse. If it's about COVID, you know, that depends on how people feel about COVID, what kind of technology, you know, what kind of, how well we start to learn how to deal with the illness, but also how people start to feel about it. And that's hard to know. And then I think the structural changes since the pandemic have occurred are really important.

And honestly, the thing that has surprised me the most about this post-pandemic recovery is how we have not seen the increase in labor force participation that I would have predicted based on this ease of working. If you can work remotely and you don't have to commute, like it just seems like that should be boosting labor force participation of people who want to work part time, it seems like a real efficiency. And we just have not seen the benefits of that yet. But I am hopeful that what we're seeing is still the result of these dislocations that occurred during the pandemic, and that once those clear up, we will see those benefits. So in summary, the reduction in participation is not well understood. But if you look at the patterns by age and part time, full time, you get a sense of, you know, what it is a little bit. And the generous fiscal support provided during the pandemic and some of the health initiatives that Richard and Ben discussed will leave households in reasonably good shape. So I am on the optimistic side. Thank you very much.

Joshua Gotbaum [00:55:35] Given the breadth of the agenda that you raised, there's lots to talk about. I, I'd like to start, though, Ben, with some of the issues that Louise raised about who works, seniors who work, don't work, etc. And you have thought in the past about how to keep seniors in the workforce and how to help them get back in, how to deal with discrimination, etc. Talk a little bit, if you would, and others feel free to join in about are there, what federal policies would make sense to facilitate this?

Ben Harris [00:56:20] So I'm happy to start. I mean, I will say I've had four stints at the Brookings Institution, and I don't know if it was my third or fourth, but I was here and Becky Blank was here— you know, wonderful Becky Blank— and we were working on a project, we tried to look at trends in older workers, labor force participation, and we're trying to group workers into different categories. You know, some would just retire for forever and then, you know, never come back. Some would sort of go into part time and gradually phase out. There were too many different paths for workers to reasonably categorize them. It's just everyone has such unique experiences with the labor market. You couldn't say like even if we got to like 15 different categories and has dropped the whole project.

So that's a long way of saying it's very complicated. Older workers, and you want to be in a situation where people don't have to work. I mean, there's, there's it's sort of this odd situation where there is some tragedy to someone being forced into work at older age after you've worked a whole lifetime, you deserve a dignified retirement. And I think President Biden's been very clear on that as a value. On the flip side, if someone wants to work and they can't, that's also a tragedy in and of itself.

So I think the approach we've taken with the Biden administration has been to try to take aim at obstacles to work. And before the pandemic, these obstacles were very clear, and particularly for the, you know, say, working age population, that's a little bit misleading. But for people who are more middle-ages, so things like child care, child care is a really big deal when it comes to work. So, you know, we, we pushed a very aggressive childcare agenda. The ITC, I think is one of the proven financial incentives to work. But for older workers it's a little different. And a little bit of that has to do with, of course, financial incentives, too. And so we had this EITC expansion in the ARP for older workers who previously were not eligible for what is arguably the biggest pro work policy we have in our arsenal. And it was great to see that included in ARP. But also things for older workers like discrimination is a really big deal. And, you know, on the stage a couple of years ago, we hosted an event before I was with the Biden administration where Seth Harris so you know no relation but laid out a very, you know, aggressive agenda for addressing discrimination.

So, you know, I think that I think that in general, there are sort of proven obstacles to work for older workers. And we've tried to take aim at some of those. But as Louise mentioned, you know, there may just be a different taste for working. And there are also new obstacles that are health related that we didn't have before this awful pandemic. And so there are new challenges. And, you know, our commitment to vaccine distribution and in broadband, we you try to take aim, but we'll continue to study those over time.

Joshua Gotbaum [00:59:13] Are there additional like, economic incentives besides the ITC that might help on the older worker side? For example, John Chauvin's suggestion that FICA should end at 62, or a suggestion that some folks have made that there ought to be mandatory Medicare enrollment, are any of those plausible in the discussion or—.

Ben Harris [00:59:40] So, I think. And, you know, Richard, Louise should please weigh in, too. But, you know, the things that John Chauvin had had talked about and he talked about the interaction between work and social support programs like Medicare and Social Security. You know, those are not part of our policy agenda, to my knowledge, this time. But there is a big macroeconomic element here and having strong wage growth, maintaining a healthy labor market. And in many ways it's a macro question. And I think that the ARP took aim at the macro economy and certainly left us in a much better spot.

I mean, can you imagine what life would have been like as an older worker or just an older person in the absence of the ARP. I mean, it would've been catastrophic, but that would have been true for everyone across age distribution. And so, you know, I think that one thing that we did was we, we took the macro approach with respect to workers and whether it was expanded unemployment insurance that Louise mentioned or whether it was additional buying power by consumers. You know, I think this, that, that's that was pretty impactful as well.

Joshua Gotbaum [01:00:47] Yes. Let's talk a little bit about mental health and health policy aside. I'm helped in this regard because Richard did an event this morning on behavioral health. And so it would be useful, perhaps, Richard, to talk for this audience and in this respect about the home care challenges, community-based care challenges and mental health challenges and what what could be on the policy agenda prospectively, what's been done within the, that the administration has acted on, etc. Because Ben already mentioned some.

Richard Frank [01:01:30] Yeah, well, I mean, one of the things that actually Ben's talk is unique seldom do you hear an Assistant Secretary of Treasury talk about the mental health of elderly people. So kudos for that. Yeah, it's also interesting because the current crisis in mental health is driven largely by children. The only other group that has seen an increase in mental health problems is people like over 65 over 70, really. And so there's two consequences of that. One, it makes everything harder, but it also exposes some of the problems in Medicare. Medicare's mental health benefit is limited in a variety of ways. Providers are more underpaid than they are elsewhere, and therefore that makes it a little harder to get them into it. And then the Medicare Advantage program, which is growing rapidly, it's roughly 50%, has essentially almost no Medicare, almost no mental health accountability to it.

And actually, I know that this is a priority in the Biden administration and the Congress right now to sort of start to fix those things. But those are really important pieces that complement the kind of things we're talking about. The home care, again, a big part of the problem is workforce. And so going back to those comments I made about the nursing homes you have many of the same problems, and again, it would be some combination of payment policy and immigration policy that's going to let us make progress pretty quickly going forward.

Joshua Gotbaum [01:03:24] Got it. Makes sense. Let's talk about the, let's talk about the retirement programs at which, Ben, you have written for years. You mentioned that a fair number of people who are retiring have inadequate savings. Some have at this point no, don't have, don't have access to workplace savings, etc. So talk a bit, if you would— and I would have to get into full disclosure here, I share a program in Maryland that's trying to increase access to workplace workplace savings, etc.— but talk, if you would, about what are the kinds of initiatives that broaden that are likely to broaden participation so that when people retire, they are, they are in better shape.

Ben Harris [01:04:29] So, I mean, the narrow answer is things like automatic enrollment and the whole suite of options around auto programs that behavioral economics have highlighted over the past 20 years as far as improving access to saving. But I think that's, that's, that's certainly that's one promising avenue. But more broadly, for people during working years, it's just, it's more I would say it's costs, and it's I mean, nothing, nothing leads to better saving like a higher paying job. And so, you know, we can sometimes we get stuck in the retirement space and think with our sort of narrow toolbox, and there's only so much we can do. But I think sometimes it's important to take a broader perspective.

And so let me just talk about housing for a second. I mean, housing is a major cost, obviously, for for working age Americans. Today's CPI print, for example, I mean, housing was up by .7 or .8% last month, depending on whether you're looking at owner occupied homes or rentals while virtually everything else was down. And, you know, so housing continues to be this massive cost. Now, with the Biden administration, the approach we've taken has been kind of a supply first type of response where we've just acknowledged that, look, we have a major supply crisis when it comes to homes. You know, it's a little circuitous and maybe it feels like I'm dodging your question. But things like making housing more affordable is really important to improving retirement adequacy because it gives people much more disposable income that can then be directed into saving programs or, or other needs.

So I think sometimes it's just, it's just important to be a bit broader in our, in our thinking and think about sort of worker well-being and mitigating costs. Childcare is another one. I mean, people are often in their working years put in this awful situation where they've got to choose between, you know, childcare, health care and housing costs. And if they don't have that awful choice, then they'll, I think, you know, very likely be better off when it comes to retirement.

Joshua Gotbaum [01:06:42] You actually just remade the point that you started with, which is there are lots of policy advances which have consequences for seniors that weren't designed explicitly for seniors. But let's talk about, let's talk about one of those long, long-term care and long-term care costs, of which all three of you have some familiarity. What's, what is realistic? What might, what can be done? What can be thought about being done, what, what areas, at the moment, as you all know, long term care is something which is of limited availability and high cost. And Richard, you want to start off or—.

Richard Frank [01:07:31] Yeah, it may be expensive, but at least it's not very protective. Right. I think that it is really become the poster, long term, the private long term care insurance market is the poster child for market failure. And we've tried a lot and outside of some form of mandate and heavy subsidies, I don't see how you take a big bite out of it. You know, right now, just going back to the housing issue, most people's wealth is in housing when they hit 65. And as they get older, that percentage goes up. And one thing you could at least do a little bit to help is figure out ways to get greater liquidity more easily and less cost, costlessly as people's long-term needs develop. Because but, you know, the expected value of your long-term care needs is still less than your housing wealth on average in this country. And so there needs to be some form of long-term care insurance that's not Medicaid. And as I said, outside of a mandate with heavy subsidies, I don't see how we get there using the insurance tool.

Louise Sheiner [01:09:04] And other than Medicaid, because, because you don't think people should have to, you know, get rid of all their assets or be like, what more?

Richard Frank [01:09:13] So, yeah, it's a very inefficient form of catastrophic insurance. Right. It only protects you after you've lost everything so that you know, it's bad insurance for that reason. It also causes all kinds of distorted behavior. You know, it's a, it's the full employment act for a certain kind of lawyer. Yeah. And so I think that those distortions, you know, we could do well without. And so, you know, Medicaid should be there for people who their whole lives have had low income. But we should have other forms of insurance for people from, say, the 40th percentile of the income distribution.

Joshua Gotbaum [01:10:00] And are there federal policy debates, advances, etc., that suggest that we can make progress in recognizing that this one's hard?

Richard Frank [01:10:13] Well, yeah. The problem is, is that I mean, if you've looked at the last set of presidential, well, the, the presidential primaries on the Democratic side, a lot of people started off with long term care insurance plans in their proposals. And by the time they really got to the debates, they were all gone because it's just so incredibly expensive. And I don't think you'd get there without big revenue increases.

Ben Harris [01:10:46] It's, I mean, this, long term care, I mean, it's not, it's not rocket science, it's a really tricky issue. I mean, I remember sitting again on this stage with maybe, I don't know, six years ago, the CEO of Genworth was here and was talking about challenges in the market. And that was before we lived through an episode where mortality in nursing homes, as Richard mentioned, was through the roof. I mean, we had a massive long term care challenge even before COVID came. And now it's it's even more acute. I will say that through the Build Back Better Act that passed the House in October of 2021 had a $150 billion for reducing the waiting list for at home care for Medicaid. Now that a lot of that was for individuals with developmental disabilities, but some of that was for seniors as well. And that would have been I mean, that would not have solved the problem would have been really meaningful for people who didn't want to receive care or could not receive care in institutional settings, which let me just say, to digress for, for a quick moment, I think sometimes, you know, those of us who study retirement security have been pushed a little bit too much for thinking of things in financial terms.

And so we basically say you're either adequate or you're not and you're adequate if you have some sort of replacement rate for your pre-retirement income. And we can debate, you know, what counts and what doesn't, but it's pretty binary. You're there, you're not. And, you know, I think one lesson of the pandemic is we need to think a little bit more in terms of welfare or utility if you're an economist, you know, I mean, someone who's living in a facility, maybe that's their only option in financial terms might be considered adequate. But it's really, it's not an adequate retirement, it's not the retirement they deserve. But I will say, I mean, when you look at how close we came to passing Build Back Better, we almost had $100 billion for long term care and that would have been meaningful.

Richard Frank [01:12:36] Yeah. And I think that, I think that was a, a very sad moment when that disappeared. So I agree that, you know, looking forward, there is a lot of room to sort of perhaps reduce it, continue to reduce the institutional population. On the other hand, the fastest growing portion of our population is people 85 and over. And the rates of dementia there are very high. And as you pointed out, as people live alone more, there isn't going to be a lot of opportunity to manage them outside of institutions. And I think, you know, we're going to have to sort of face up to that and kind of figure out both the money, but also the quality side of it.

Joshua Gotbaum [01:13:30] One of the one of the areas, Richard, you mentioned that Ben, as assistant secretary of treasury, you probably have some views on or at least some experience with is the question of if people have housing and they should be able to realize the value of housing over time. But our reverse mortgage markets are in are uncertain in terms of the quality of the product and regulation, etc. Are there, are there advances which could make it easier to achieve what Richard talked about so that people could, in effect, fund long term care out of, out of housing?

Ben Harris [01:14:21] So any answer I would give right now would be making up policy on the fly, which you never want to do when you speak at Brookings. So, I mean, I think there's scholars who have recognized that a lot of people use housing as a backup for long term care, where you say, look, I'll buy a house, I paid it off by the time or mostly paid off by the time I reach retirement, if I happen to be in long term care well, then I'll dig into my housing wealth, maybe sell my house or something else. And that's you know, you shouldn't have to choose between getting care and living in a home. So but I am unaware of, you know, any policy we have advanced that specifically allows you to dip into your housing equity or to fund retirement. So let me just say, it's an interesting area for further study.

Joshua Gotbaum [01:15:07] Okay. Okay. A question that was submitted through the, through the Internet. Louise, as you studied these questions, a couple of people have asked, okay, seniors who are women, seniors who are people of color. What's the, is their, is their circumstance, how different is their circumstance?

Louise Sheiner [01:15:35] So I don't know on people of color as I haven't looked, but it's a really good question and something I should look at. On the women I happen, I do have something you do see really big reductions in participation of older women more than of older men. But you sort of you know that of the 75 plus, because they're probably more likely to be working in the first place. But you see, you know, similar patterns, not exactly the same when you start to cut the data and, you know, the samples aren't that large, but similar patterns for women and men where you see that, you know, labor force participation has decreased most for the older ones. You see some women, 60, 61 did decrease, but they increased for 62 to 64. So, you know, the patterns are not radically different, right. You do see that it's mostly concentrated for both of them. The bigger decreases are for the older workers and not so much the younger old workers. So.

Joshua Gotbaum [01:16:28] Got it. We've got a couple of minutes left and I've started already taking questions from the audience. But do folks have questions they want to ask the panel, or I will continue. Yes, ma'am. Wait. Wait for a microphone, please.

Audience Member [01:16:48] This was terrific. I really think you all did a great job. My question has to do with the latest Census Bureau figures for poverty and the elderly, and older Americans. And that data seem to suggest that poverty was increasing in the latest census figures. So my question for you is, is this a trend, do you think, based on what you've studied, what you know, or is it a blip based on the pandemic and what's happened during the pandemic? And then also some of the research and policy and analytic implications of whichever you choose?

Joshua Gotbaum [01:17:46] Sounds like Louise, you should answer.

Louise Sheiner [01:17:49] I haven't looked at the poverty rates for the elderly, so I can't really answer the question. But I will say that one of the things that the census does very, very poorly at is figuring out unemployment benefits. So in 2020, if you look at the actual unemployment benefits were paid and you compare them to the unemployment benefits that were recorded in the CPS, because this is people who are answering, what did you get in unemployment, the CPS got only 40% of the benefits. So in a period where people have lost labor income but have had more substantial unemployment benefits, I worry about the income measure. I don't know how big of a deal that is. And I think we don't know because we don't know the distribution of where those lost benefits are in terms of poverty rates. But I do think it's an issue. And so that's kind of all I know.

Joshua Gotbaum [01:18:47] Other reactions.

Ben Harris [01:18:48] Yeah, I think.

Richard Frank [01:18:50] Go ahead. No. Please.

Ben Harris [01:18:52] Okay. So it's a great question. I don't have the numbers in front of me, so I don't have, you know, I will say that one of the nice things, one of the really unique things during the pandemic, in the recovery was because of the massive federal resources devoted to households, was you saw declines in things like poverty rates, which it was a very atypical recovery. And so, you know, we had this big plus up in child tax credits. And so child poverty rates were, were almost half by some measures, which was really unique for such a deep recession. And, you know, there are associated measures. Housing stability, for example, was very strong during the recovery when usually you would see housing instability, particularly, compared to the last recovery.

So I think that if you're taking sort of a narrow, short-term view of, you know, the past four years, a lot of the metrics you'd expect to see declining during recovery did not happen, and that was because of the massive federal support. But more broadly, I think that we do worry a lot about poverty in older ages. You know, the Biden administration sorry, the Biden campaign plan had a few specific proposals to address that. So, for example, one was a plus up for long lived, by long lived, people who'd been on Social Security for 20 years or more, there was a plus up in their beneficiary payment. And then also for widows and widowers, there is also a relative plus up. So there are some strategies that are out there, but it's certainly something which you worry deeply about because I think it's just one of the most vulnerable populations. So it's a great question. But like Louise said, I don't think there's any really clear answers on that.

Joshua Gotbaum [01:20:27] All right. We have come to our lapsed time. I think Ben you've made a considerable contribution by pointing out that there's a ton of policy making that isn't denominated as seniors and retirement that affect seniors and retirement. And, and I suspect that will, I hope that message gets across and forces us to rethink our sense of the, quote, the state of retirement policy. So thank you very much for coming.