

# U.S. Policy through an International Lens

Axel Börsch-Supan

Max Planck Institute for Social Law and Social Policy,  
Munich, Germany

OCTOBER 12, 2022 WEBINAR

# Leveraging International Differences in Policy Contexts

- Evaluating the broad array of policies on offer in other countries can provide insight into new possibilities and practices that could address policy goals within the U.S.
- Pro: Comparisons across countries can provide insight into the effectiveness of policies overall or of specific aspects of these policies, such as eligibility requirements or benefit structures
- Con: The context within which policies are enacted can vary across countries in ways that affect their effectiveness. Elements of context are traditions, culture, path dependencies, implementation lags. Hence, policy recommendation may not translate across contexts
- Both policy effectiveness and context needs to be analyzed with harmonized data. Harmonization is essential to avoid “comparison artefacts”. Investments in such data have been proven to be very productive (the “global aging surveys” HRS, ELSA, SHARE, ISTAR, CHARLS etc. with 42 countries)

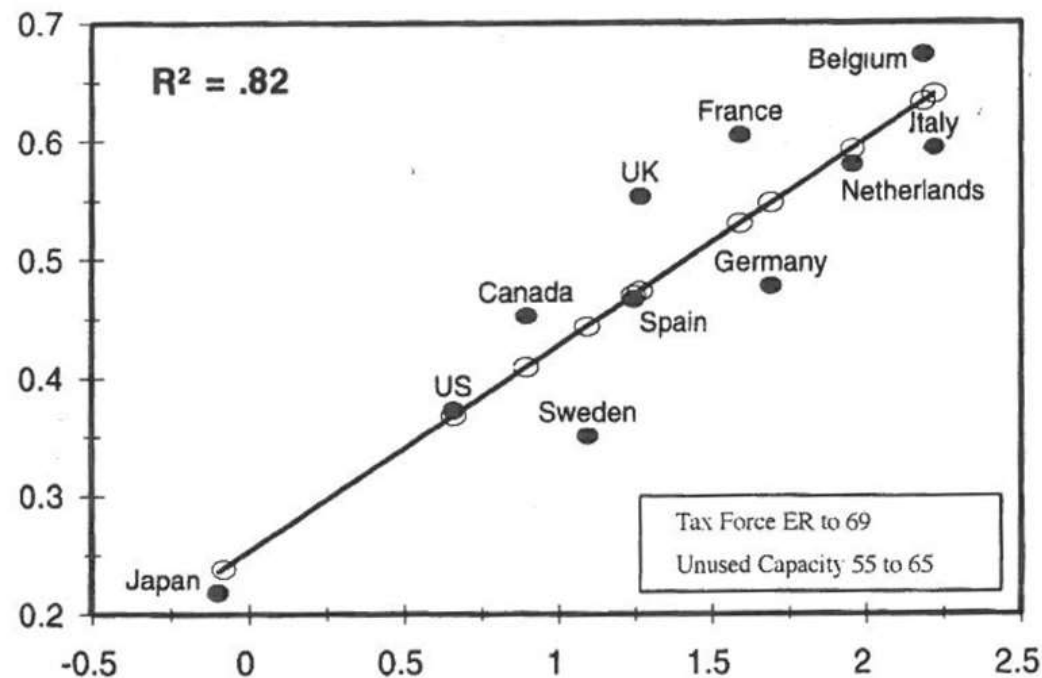
# International Social Security Project (ISSP)

- As a federal program that has changed little over time, Social Security in the US is harder to study than US policies that vary at the state-level
- Differences in provisions across countries create a natural laboratory that can be used to explore their effect on employment
- The ISSP is a collaboration among researchers in the United States, Canada, nine European countries and Japan
  - Research teams use a harmonized approach to conduct country-specific studies, whose results are combined to draw meaningful cross-country comparisons

# International Social Security Project (ISSP)

- The project established in its early phases that there is a very strong relationship between the country's social security provisions, and the country's share of older men not in the labor force

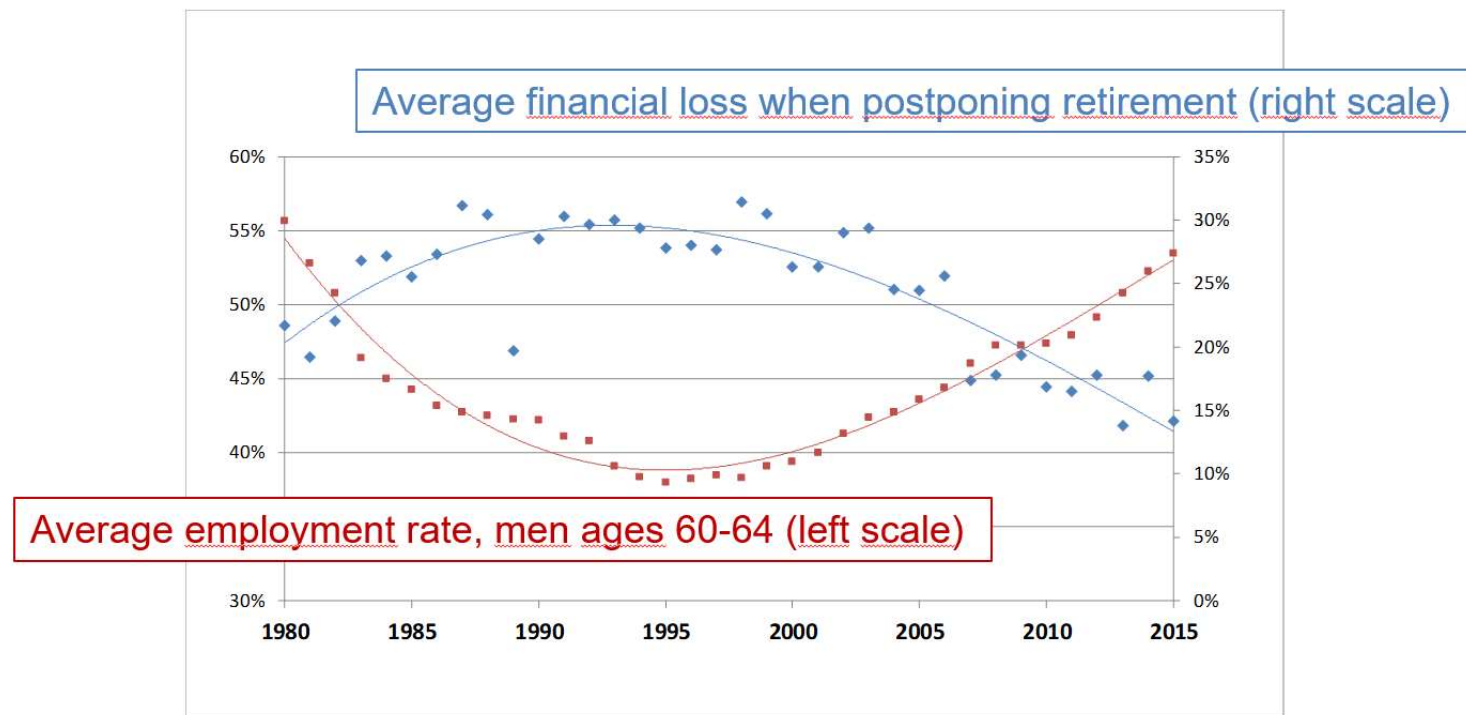
Figure 2: Tax Force and Unused Capacity, ISS Countries, 1990s



Source: Gruber and Wise (1999), Figure 17c.

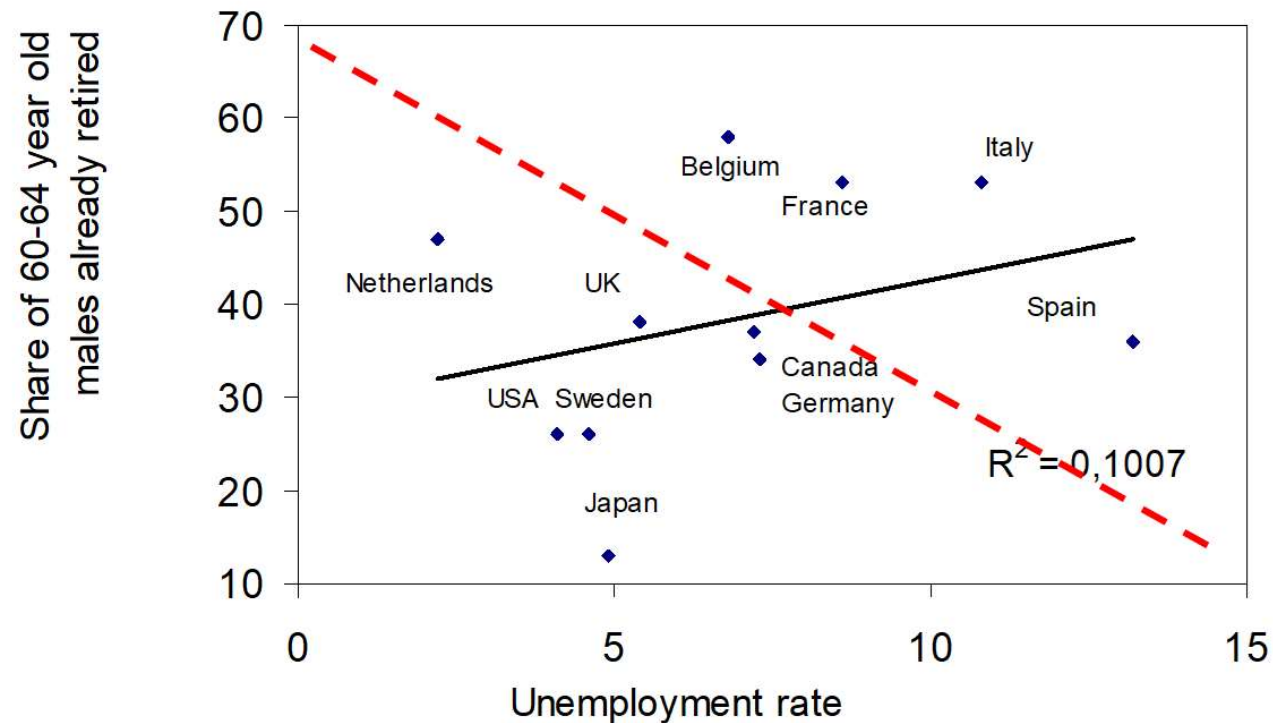
# International Social Security Project (ISSP)

- This has been confirmed most recently with a pooled time-series cross-national analysis which analyzed the many pension and social security reforms in the four decades since the 1980



# International Social Security Project (ISSP)

- The project also showed that the “lump of labor argument” (=if the old work longer then the young will have less chances for a good job”) is plain wrong – actually the opposite is the case since early retirement increases labor costs for employers



# Mandatory Retirement

- Although no longer present in the U.S. after the passage of the ADEA, mandatory retirement still in place in many high-income countries, including most of Europe
- Implicit still in the US as (hidden) age discrimination
- Ending these programs is often controversial
  - Employers argue that mandatory retirement improves the efficiency of their businesses, but the lack of objective measures of performance make this claim difficult to assess and verify
  - Convenient tool for dismissing workers when employment protections are rigid
  - Unsubstantiated belief that they benefit younger workers
- Age of mandatory retirement varies across countries
- Counterpoint: Japan's Elderly Employment Stabilization Law, which requires employers to provide continuous employment until the pension eligibility age

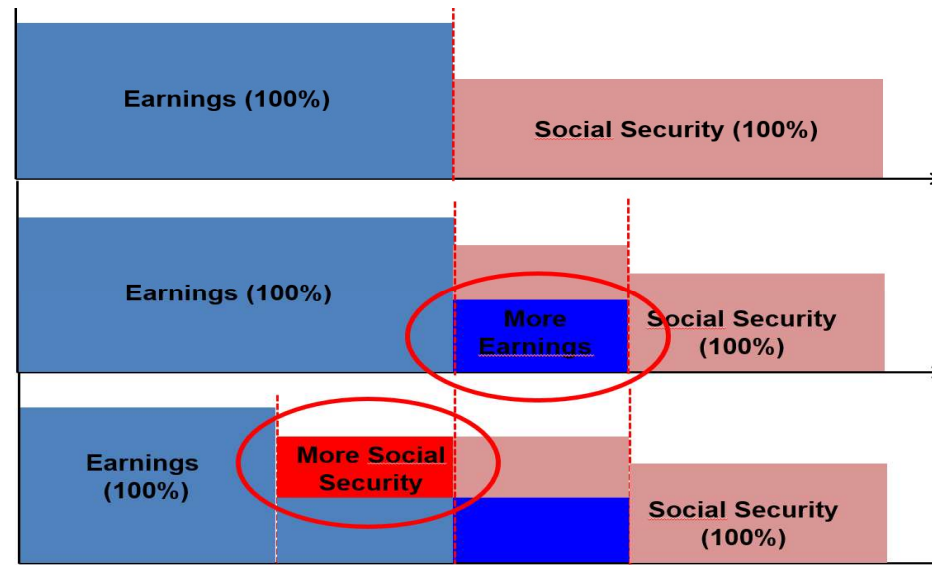
# Partial Retirement

- U.S. has no formal partial retirement policy, although Social Security allows individuals to continue working while collecting partial benefits
  - Research suggests that workers retire earlier when their other option is to continue working full-time
- Partial retirement policies exist in much of Europe
- Research suggests that these policies increase labor force participation among older workers, but decrease the number of hours worked such that overall labor supply is unchanged or lower

**Current**

**Hope**

**Danger**

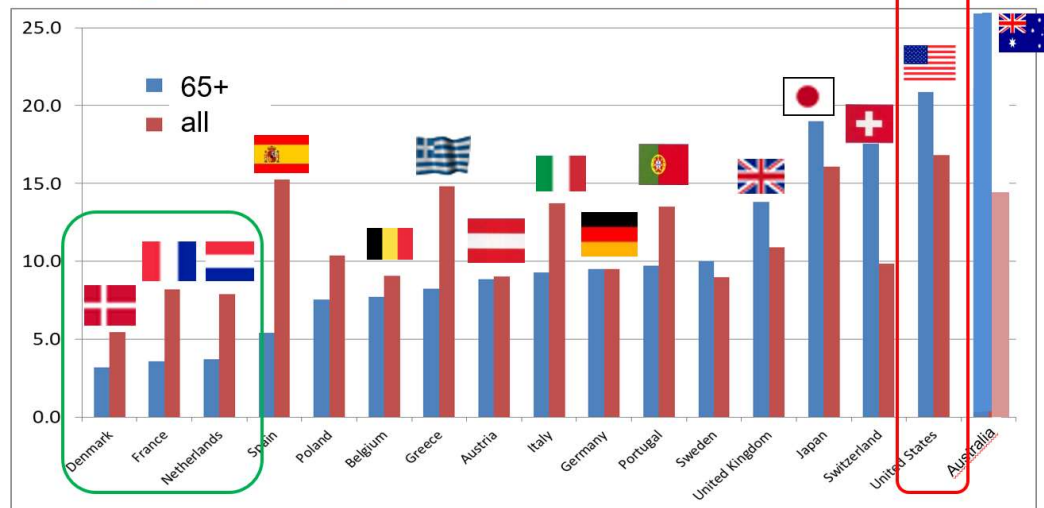




# Avoiding old-age poverty

- Most countries have minimum public pension programs have been introduced to alleviate poverty among older adults
- Unlike the U.S., most of these programs are universal or have few means-testing rules and cover a large proportion of older adults
- These programs have been very successful in reducing old-age poverty and inequality

## Old-age poverty (OECD definition)



Source: OECD PAG (Percentage with incomes less than 50% of median household disposable income)

# Conclusions



# Two Overarching Conclusions

## CONCLUSION I:

Older workers' preferences for work and specific work arrangements, their expectations about available work opportunities and financial stability, and the constraints on their work opportunities and behaviors ***all reflect the impact of both age bias and social and economic inequalities.***

They structure economic opportunities throughout the life course and lead to ***wide disparities in employment and retirement pathways*** at older ages.

## CONCLUSION II:

The experiences of ***vulnerable older populations***, including women; racial and ethnic minorities; immigrants; those with less education, low income, or limited savings and wealth; those living in rural or economically disadvantaged areas; and those with multiple intersecting vulnerabilities ***remain understudied*** within the current literature.

This limits our understanding of the ways in which inequality in retirement and work opportunities and outcomes contributes to broader social and economic inequality that affects the well-being of older adults.

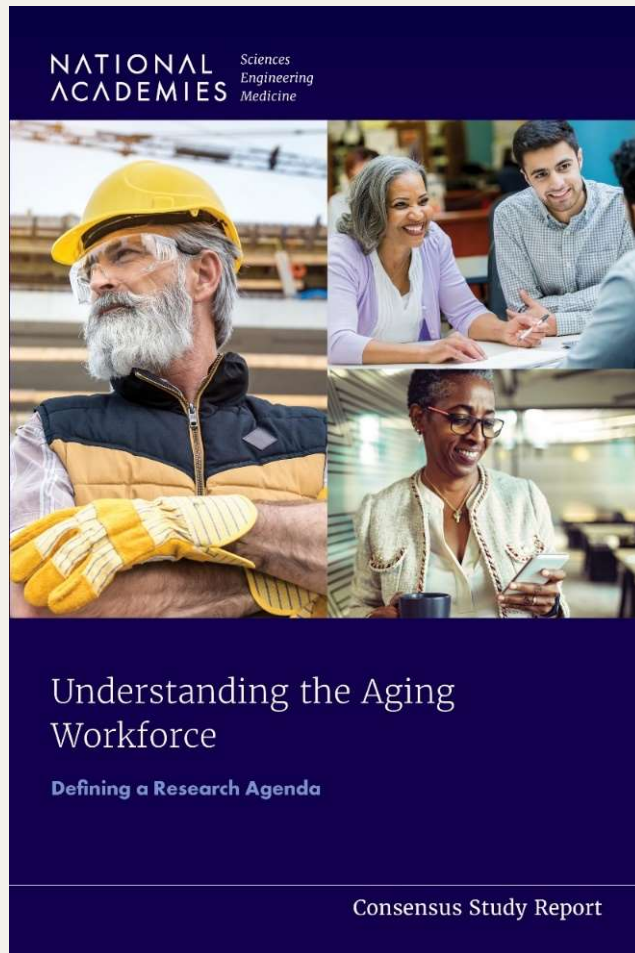
# Future Research

Our evaluation of the literature points to several areas in which *more research is needed*:

- the effect of **non-age-specific policies** on older workers;
- the adequacy of the **safety net for very-low-income elderly**;
- the **racial wealth gap**;
- the recent **decline in Social Security Disability Insurance enrollment**;
- the impact of **Medicare and the Affordable Care Act** on employment at older ages; and
- the use of policies to **weather the COVID-19** crisis.

But there is also a need to make *well-researched areas* better known to the public at large:

- **Financial incentives to work longer** have a strong impact to retire later
- Working longer **does not take away jobs for the young**



Thank you

For more information  
about this report, please  
contact:

Tara Becker  
([tbecker@nas.edu](mailto:tbecker@nas.edu))

Study Director