Employment Support for the Transition to Retirement: Can a New Program Help Older Workers Work Longer and Protect Those Who Cannot?

David Stapleton of Mathematica Policy Research, Inc., proposes a new program that could help “break the deadlock” that stymies efforts to adopt policies that encourage later retirement. Summarized here, Stapleton’s proposal for Employment Support for the Transition to Retirement (ESTR) would provide assistance to workers who experience large involuntary earnings losses as they approach Social Security’s early retirement age.

Policies to extend working lives—and delay the claiming of Social Security benefits—are viewed as a necessity by many experts. One of the leading proposals to extend working lives is to increase the earliest eligibility age in Social Security. The major problem with raising the earliest eligibility age is that doing so would inflict very real hardship on some older workers.

In a research paper for the AARP Public Policy Institute, David Stapleton of Mathematica Policy Research, Inc., proposes a new program that could help “break the deadlock” that stymies efforts to adopt policies that encourage later retirement. Stapleton describes a program which he calls Employment Support for the Transition to Retirement (ESTR).

Stapleton envisions a program that would provide assistance to workers who experience large involuntary earnings losses as they approach age 62. He calls for a wide range of benefits, tailored to individual need—including wage subsidies and other work supports, health insurance subsidies, disability benefits, extended unemployment benefits, and employment counseling. The elements of ESTR are not new; they can be found in existing federal and state programs that benefit older workers. What is new is the idea of a substantial and coordinated expansion of these elements in the context of retirement policy reform.

A fundamental question about ESTR is whether it will be possible, in a practical, administrative context, to draw a line between voluntary and involuntary reductions in the worker’s earnings.

Who Would Be Eligible for ESTR?

A comprehensive set of wage and employment supports would be available to certain older workers beginning at age 55. Workers would qualify for support if they were fully insured for Social Security benefits and if they experienced adverse circumstances such as a long-lasting medical condition or disability that interferes with work, a change in the local labor market, or a substantial increase in the care needs of a dependent or immediate family member with a significant medical condition that interferes with work.

To qualify, a worker would have to demonstrate that, for reasons that are beyond his or her control, his or her annual earnings are below a threshold value—defined as a percentage of some measure of the worker’s past earnings.
How Many Would Be Eligible?

Stapleton estimates that 150,000 to 300,000 workers between the ages of 55 and 62 could be eligible for ESTR in a typical year. The number of eligibles who enroll is likely to be smaller, and will depend on the value of the benefits, time limits and administrative choices. If participation is high (e.g., 80 percent), there could be 125,000 to 250,000 program entrants each year. By comparison, 715,000 62-year-olds were receiving Social Security retirement benefits in June 2008, and another 326,000 were enrolled in SSDI.

What Would ESTR Cost?

The cost of ESTR will depend on how many people are eligible, how many enroll and what benefits they receive. Benefit costs could range from $3.75 billion to $7.5 billion per year. Administrative costs would be relatively high, thus total program costs could range from $4.5 billion to $9 billion. Stapleton suggests that an increase in the Earliest Eligibility Age or other retirement policy reforms could generate enough federal revenue to pay for a program at the lower end of this range, but perhaps not at the higher end.

How Would the Eligibility Determination Process Work?

Stapleton envisions a web-based application process, with eligibility determination based on Social Security administrative records and documentation of adverse circumstances provided by the applicant, qualified professionals, and employers. Given the likely complexity of the information requirements for determining adverse circumstances, the eligibility-determination process would require substantial application assistance.

How Would ESTR be Administered and Financed?

There are many options for administering and financing ESTR. Currently, several federal and state agencies are responsible for administering various components of ESTR benefits for other populations, with financing from a variety of revenue streams. A practical model might be one in which the Department of Labor has the lead responsibility, but other agencies deliver services in a manner that is consistent with their current responsibilities. Local One-Stop Employment Centers would serve as the single point of contact for workers.

What Benefits Would ESTR Provide?

Stapleton envisions a targeted program with a broad array of benefits tailored to individual circumstances. Benefits would depend on an eligible individual’s employment and earnings history, health care needs and access to insurance, and disposable income and available resources. Eight core benefits are described: (1) disability screening and expedited SSDI determinations; (2) employment and financial counseling; (3) wage subsidies; (4) subsidies for work-related expenses; (5) health insurance subsidies; (6) health risk reduction services; (7) extended unemployment benefits; and (8) Supplemental Security Income (SSI) benefits and Medicaid. Benefits are designed to support and subsidize older workers who can work, and to expedite entry into SSDI for those who cannot.

Conclusion

Arriving at the specifics of a policy to encourage and support longer working lives while protecting those who cannot work longer will require much additional analysis and debate. However, strengthening supports for older workers might be key to moving forward with retirement policy reforms.

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