The Diverse Aging Boomers: Who Are They?

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Who are the Boomers?

- Focus on three comparisons
  - Early vs. late boomers (by gender)
  - Race/ethnicity
  - Education
- Focus on processes that impact work decisions/capabilities
  - Life expectancy / Disability/Health
  - Work history / Wages
- Policy needs to account for this diversity

Defining the Boomer Generation

- Born between 1946 and 1964
  - First wave turns 60 this year
  - The youngest turns 42
- Currently 77 million people
  - Slightly more women than men
  - Gap should increase as the boomers age

Demographics of the Boomers

- Most are married (71.6%)
- Divorce is common (15.5% now)
- Many have not yet married (10.0%)
- Widowhood low (2.8%)
  - Will increase as the Boomers age
  - Affects more women than men

Source: 2005 Social Security Trustees’ report (year 2005 estimates)

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How do Early Boomers Differ from Late Boomers?

- Advantage Early Boomers?
  - Stronger career start for men
  - Lower levels of Disability Insurance
- Advantage Late Boomers?
  - More opportunities for women
    - Education/employment
  - Longer lives
    - At age 65, the latest Boomers can expect to live about 1.1 years longer than the earliest
  - Wage growth / technological change

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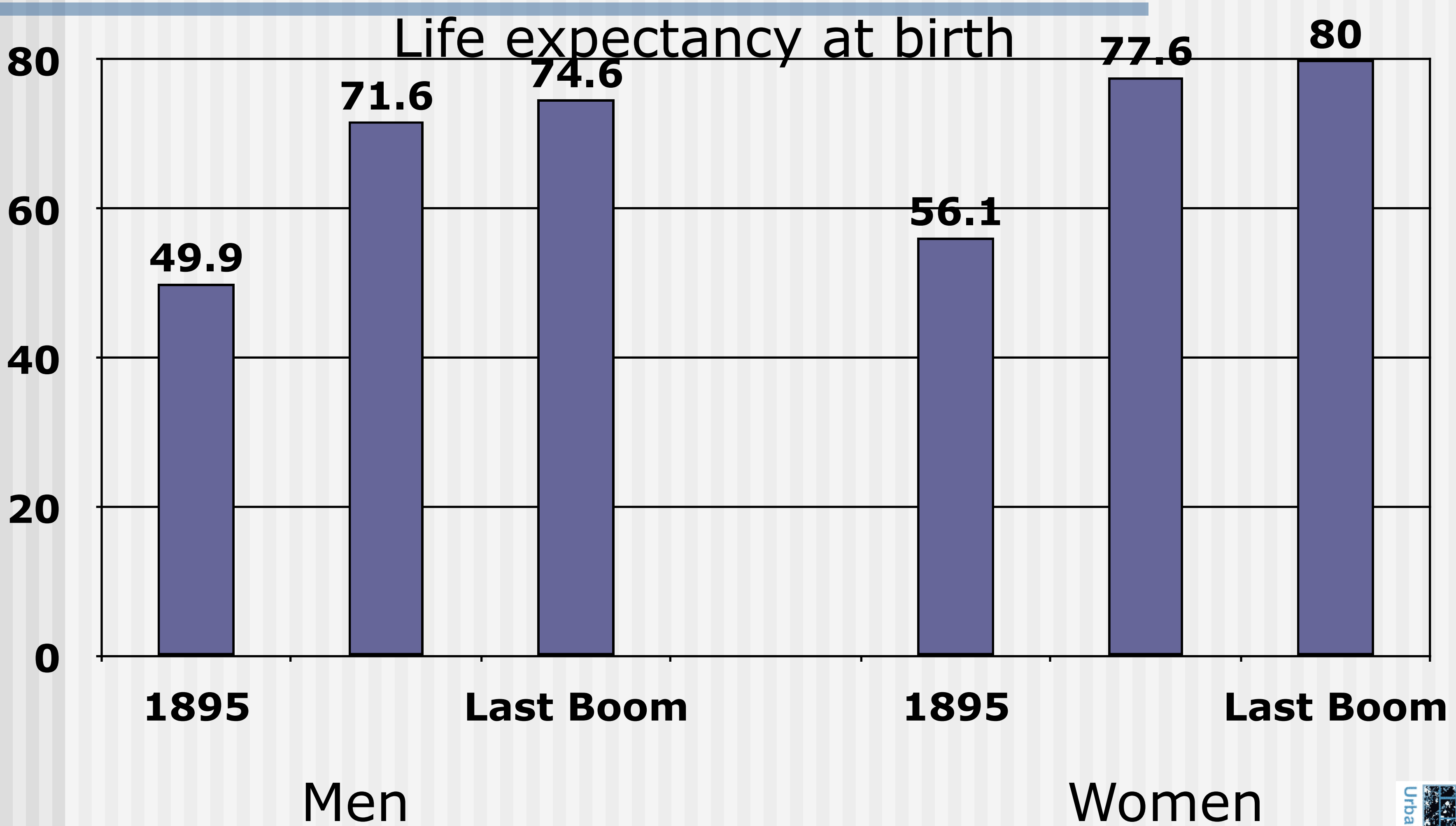
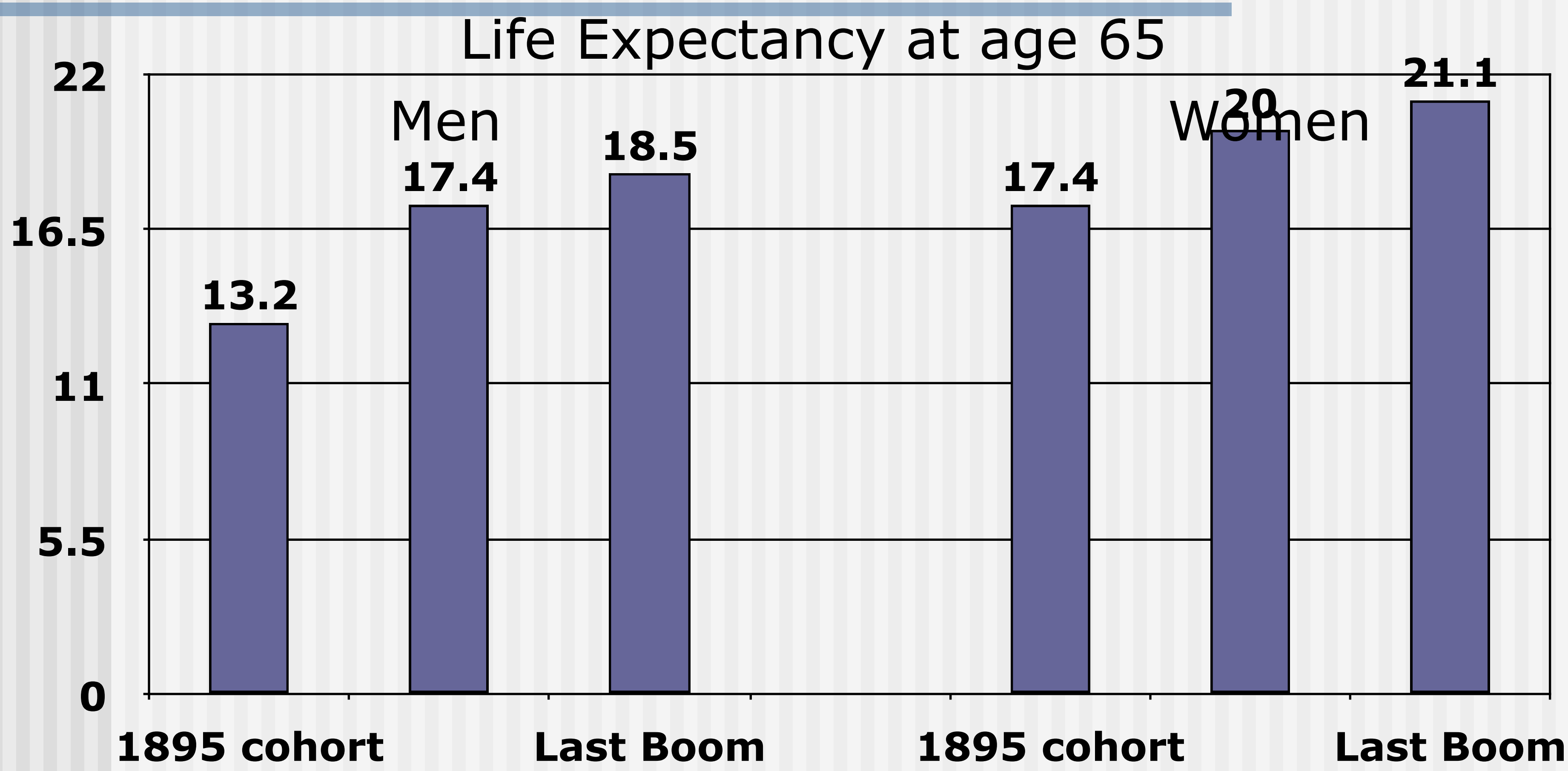
Late Boomers Can Expect to Live Longer



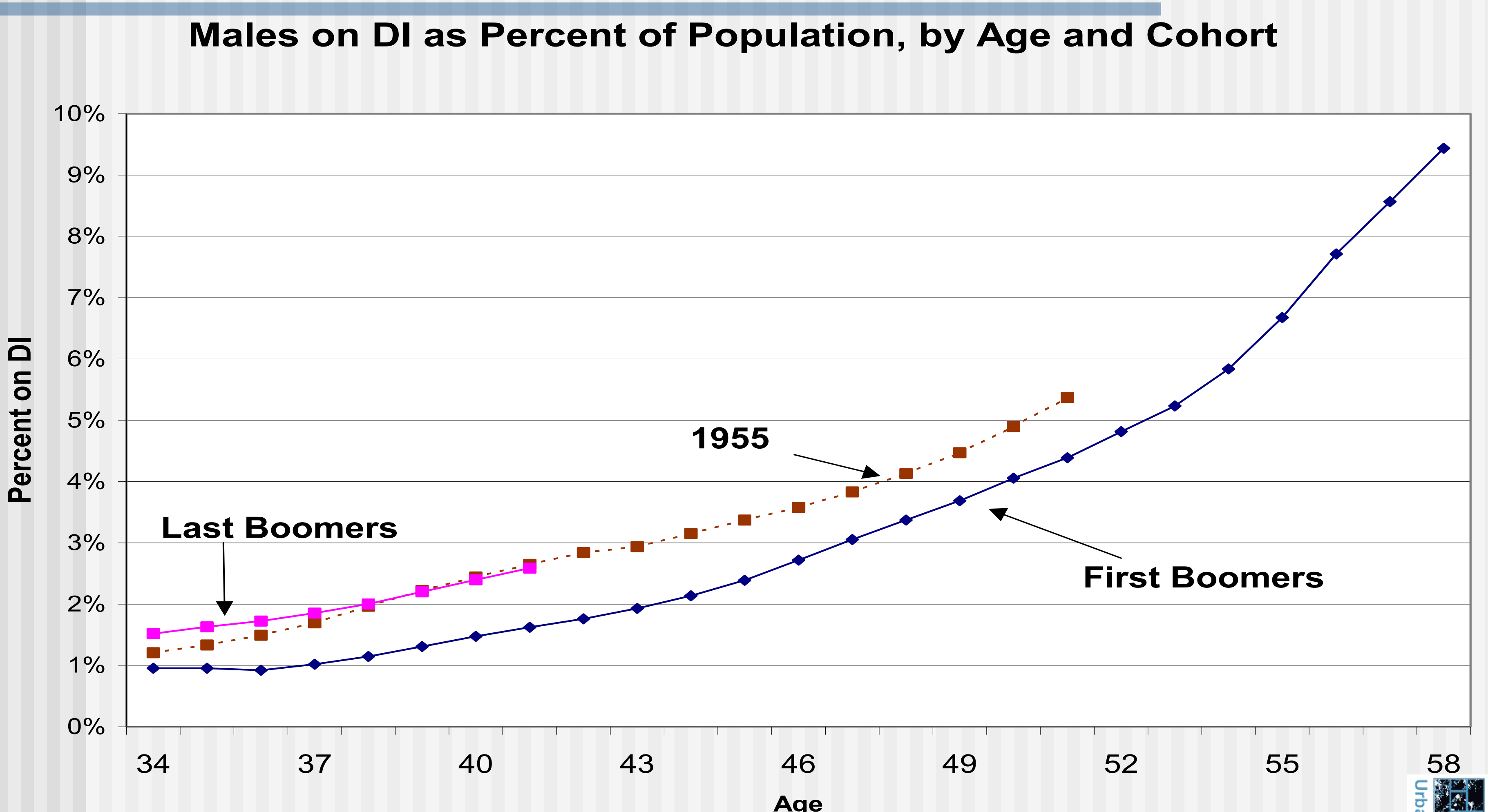
Source: 2005 Social Security Trustees' Report (cohort values)

Late Boomers Who Reach Age 65 Will Also Live Longer



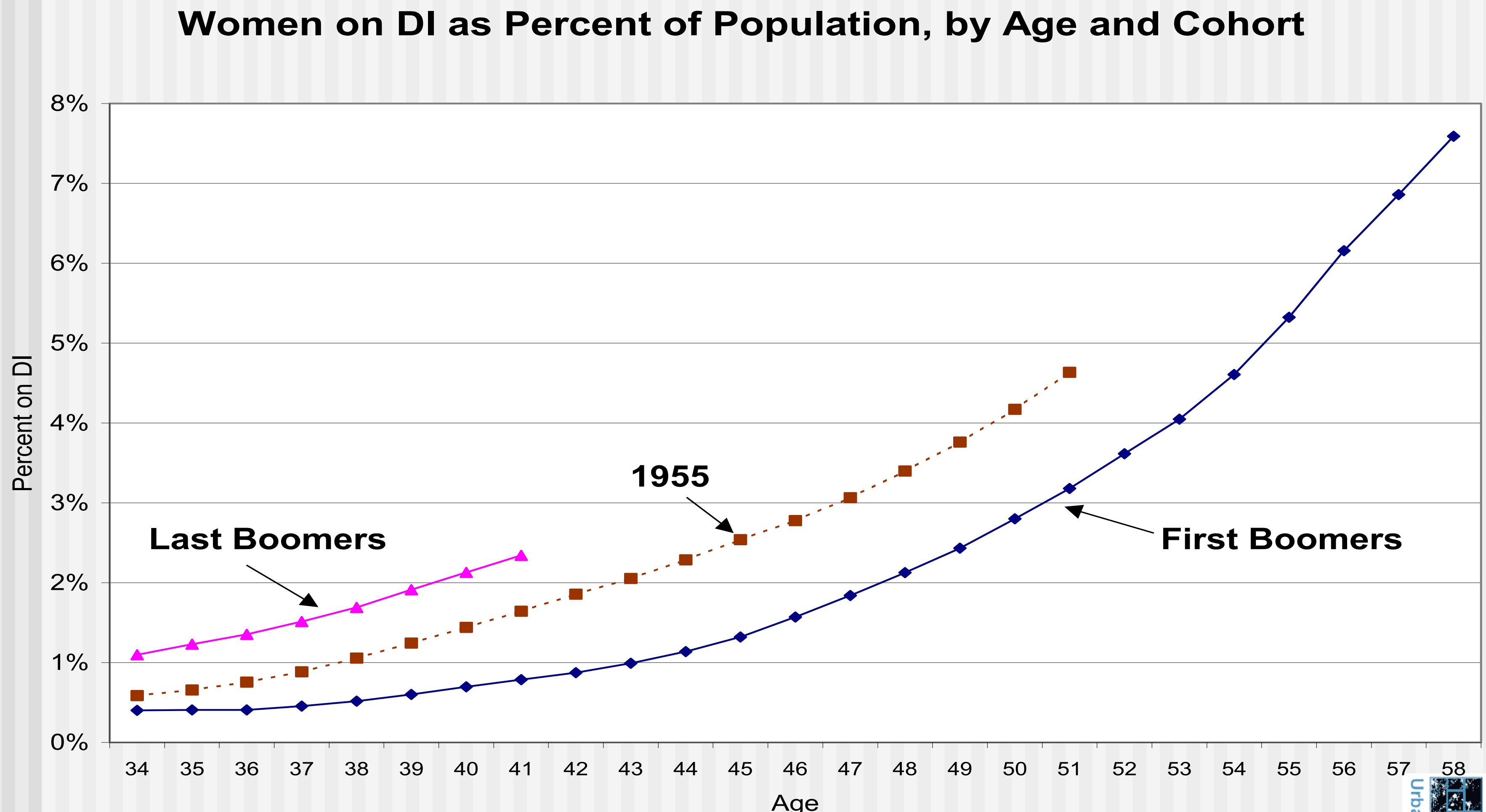
Source: 2005 Trustees' Report (cohort values)

But, Late Boomer Men are More Likely to be on DI



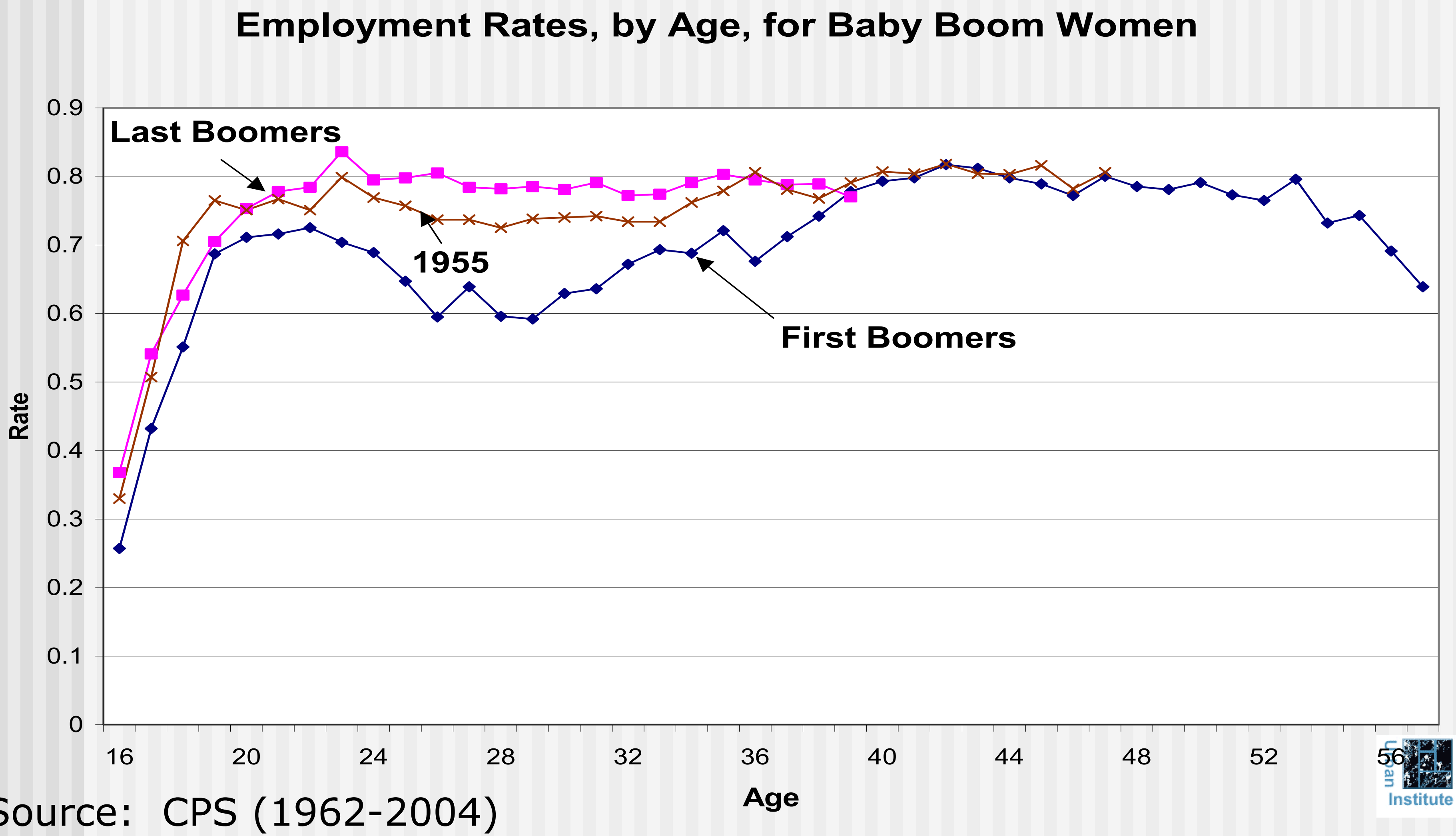
Source: OCACT data

Late Boomer Women are Also More Likely to be on DI



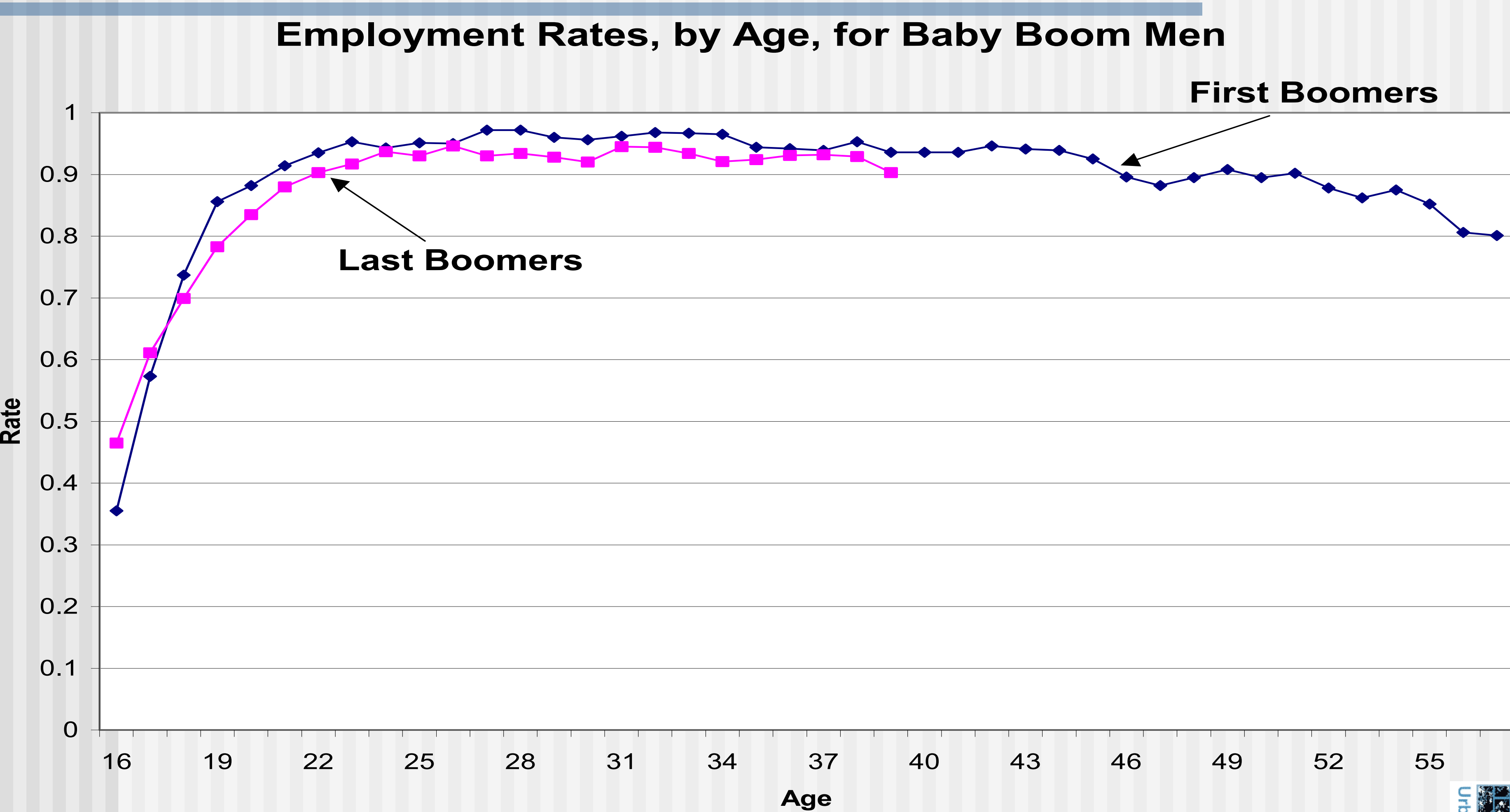
Source: OCACT data

More Late Boomer Women Stayed Employed during Childbearing Ages



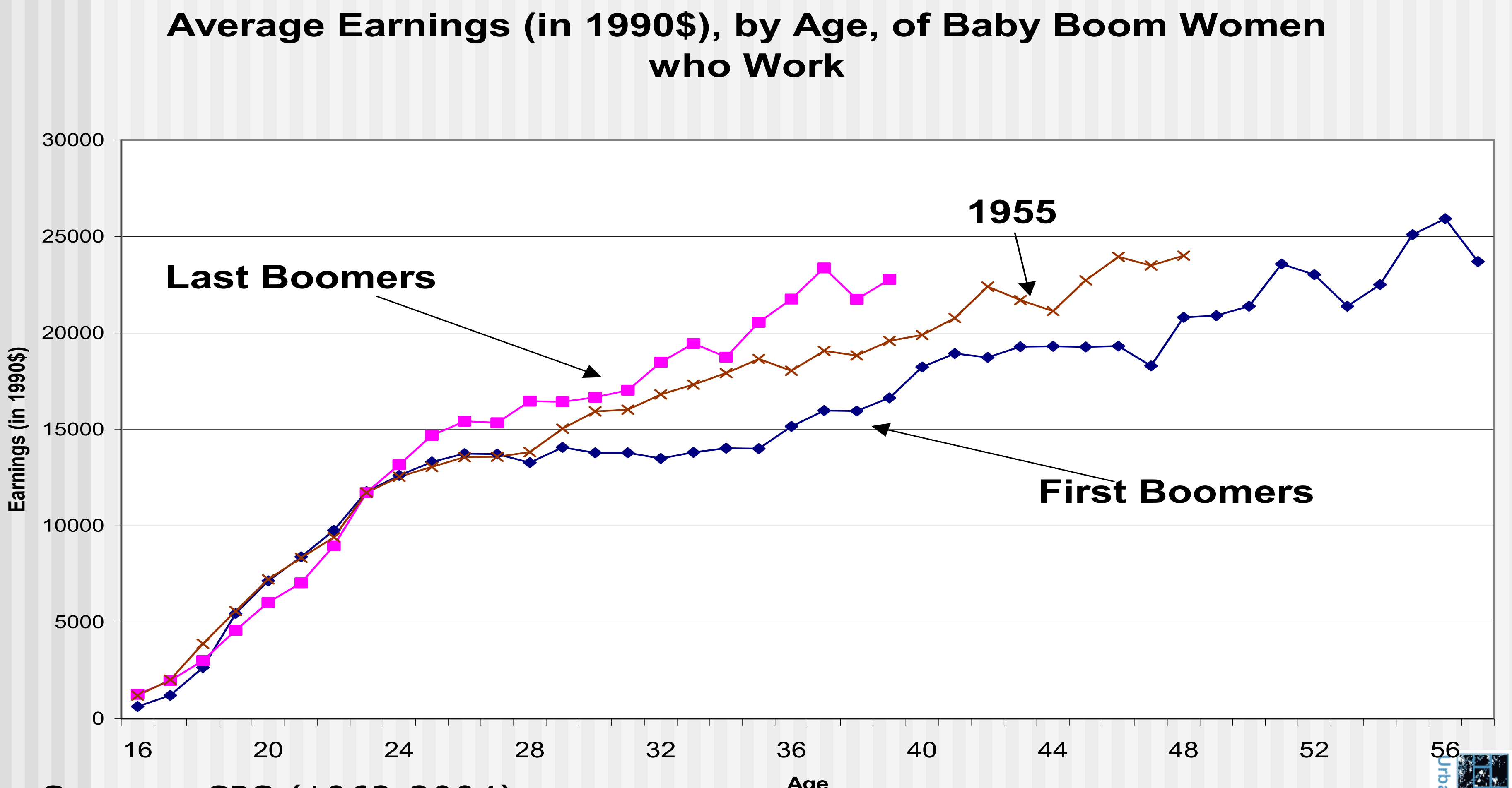
Source: CPS (1962-2004)

Late Boomer Men Are Less Likely to Work than Early Boomer Men



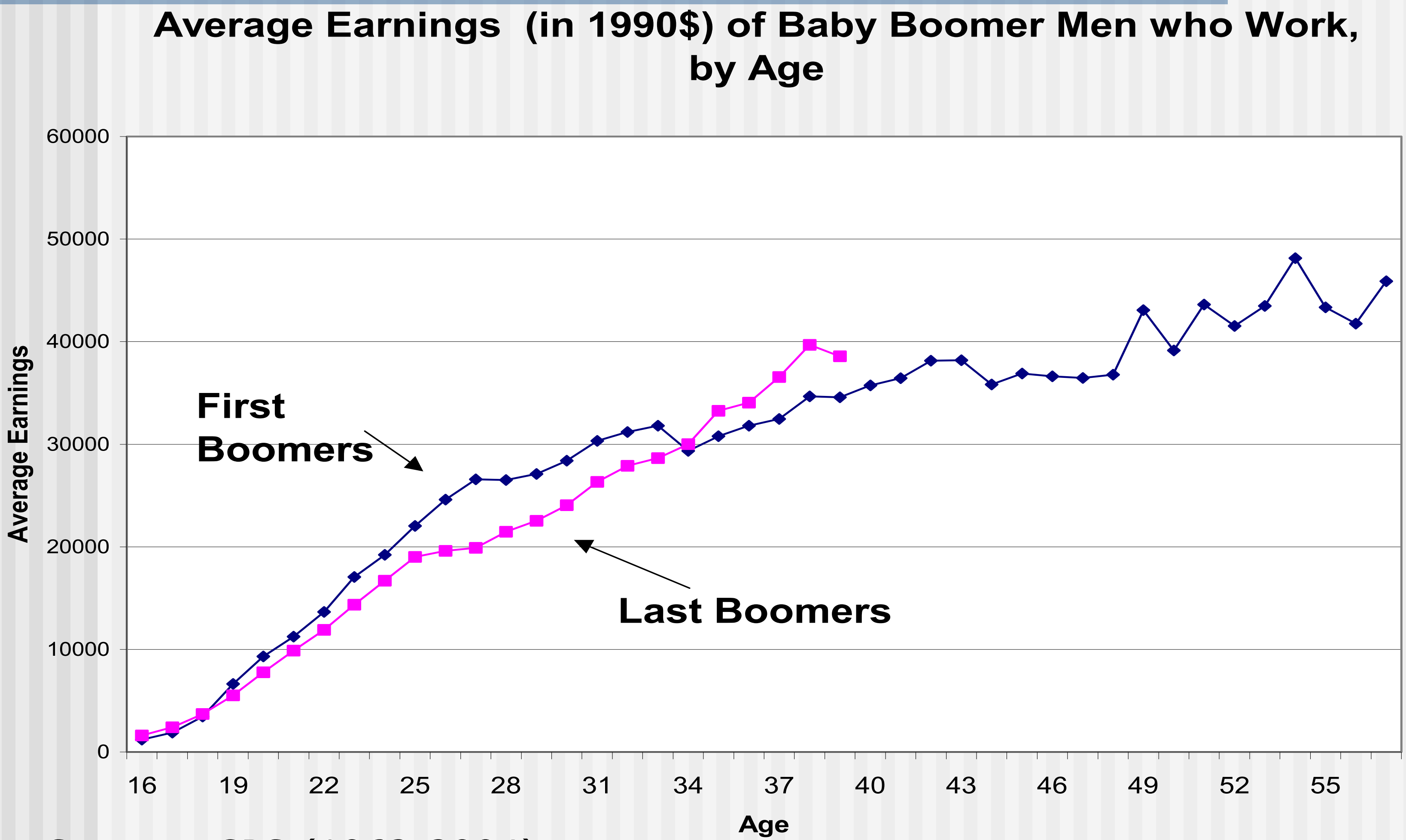
Source: CPS (1962-2004)

Late Boomer Women Have Earned More



Source: CPS (1962-2004)

Late Boomer Men Got off to a Slower Start in Earnings Terms



Source: CPS (1962-2004)

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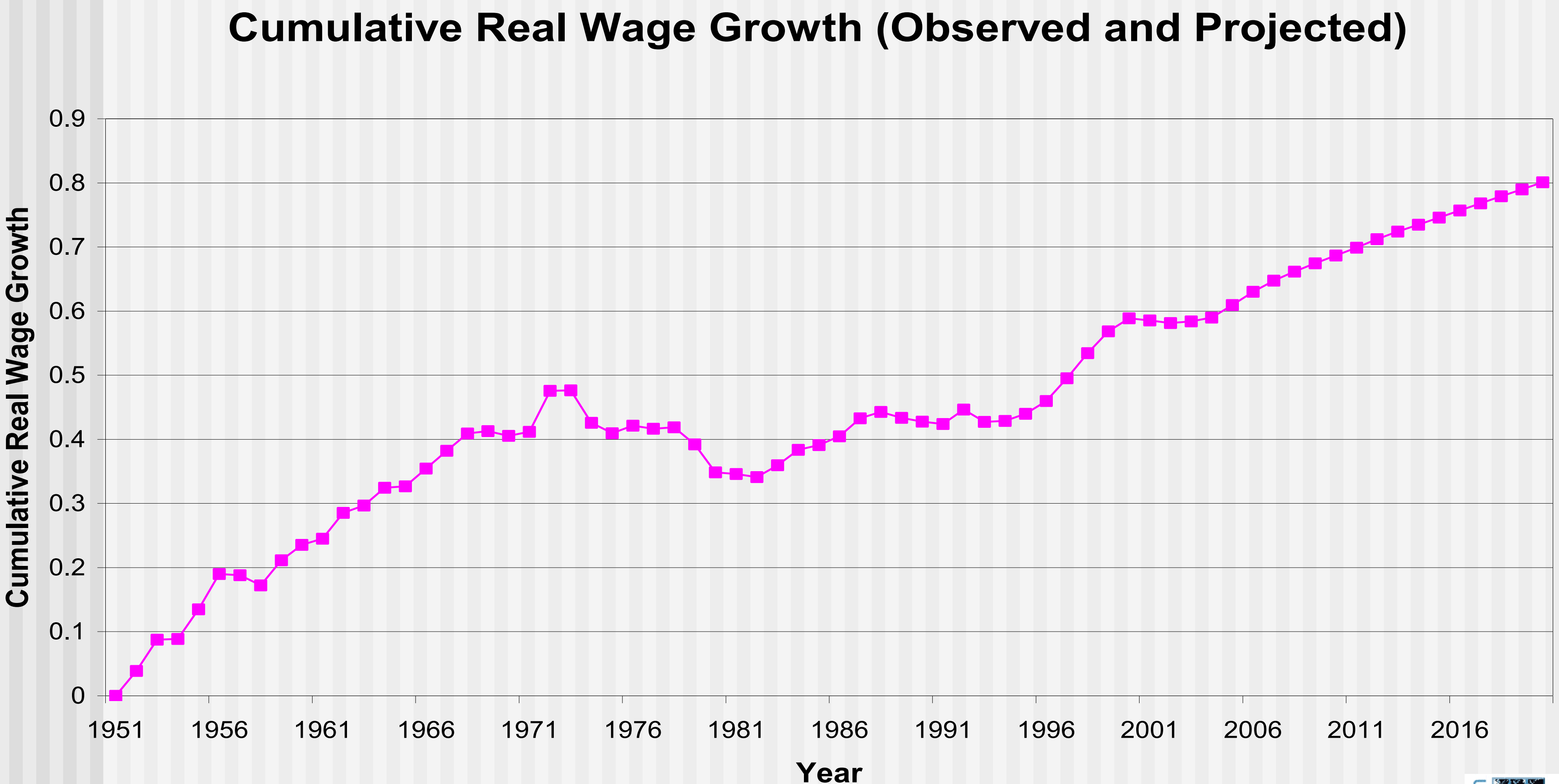
Timing of Wage Growth Impacted These Patterns



Source: CPS (1962-2004)

What Accounts for Differences between Early & Late Boomers?

- Timing of labor market entry
  - Later boomers faced greater competition
  - Technological change, productivity
- Rapid change in women’s roles, timing of life events
  - Married and had children later
- Policy
  - DI definitions / qualification rules

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How do Boomer Outcomes Differ by Race?

- Fraction of non-whites with higher education and income has increased
- However, racial disparities persist in:
  - Health / Life Expectancy
  - Education
  - Earnings / Economic well-being
  - Marriage

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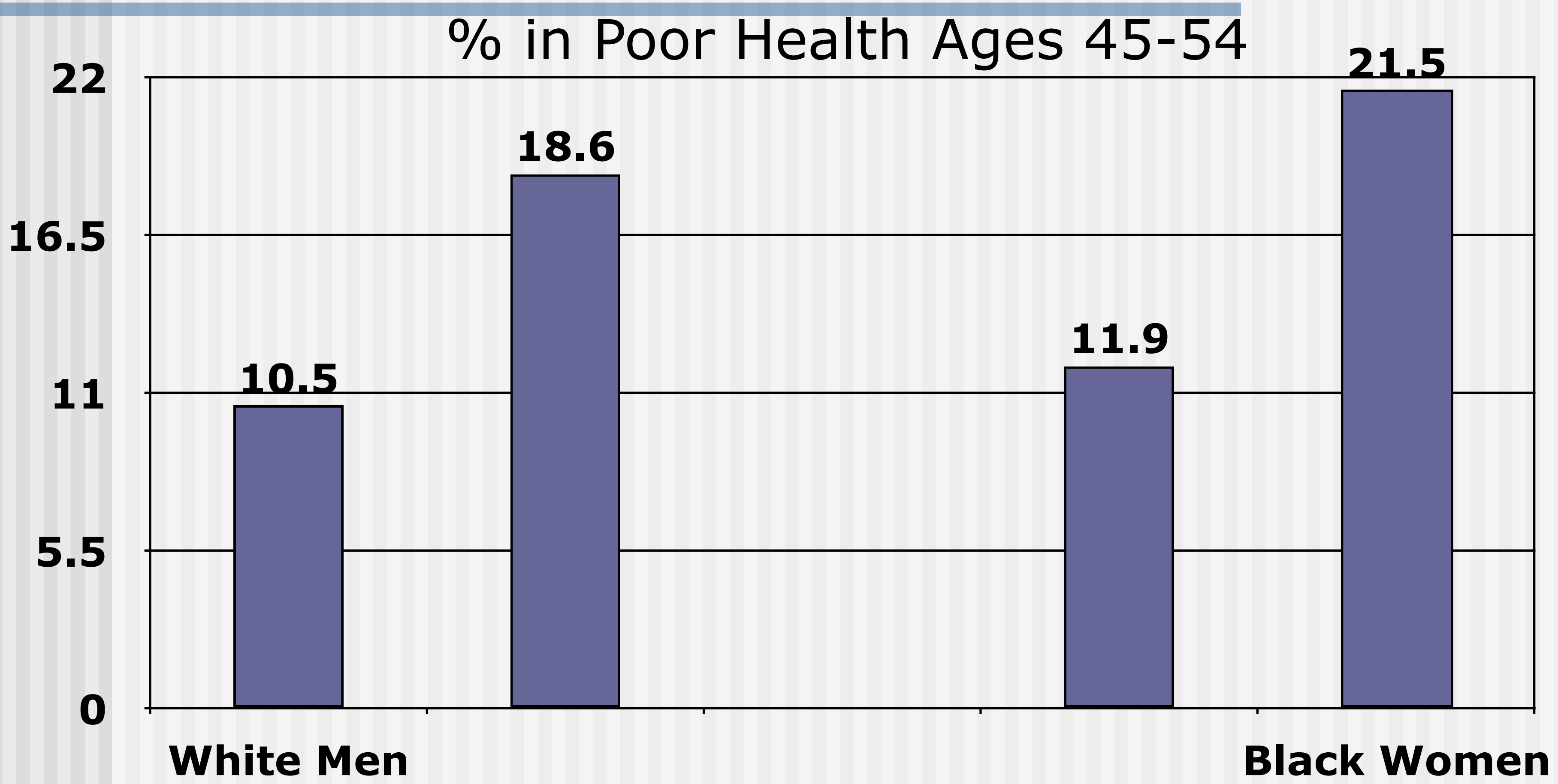
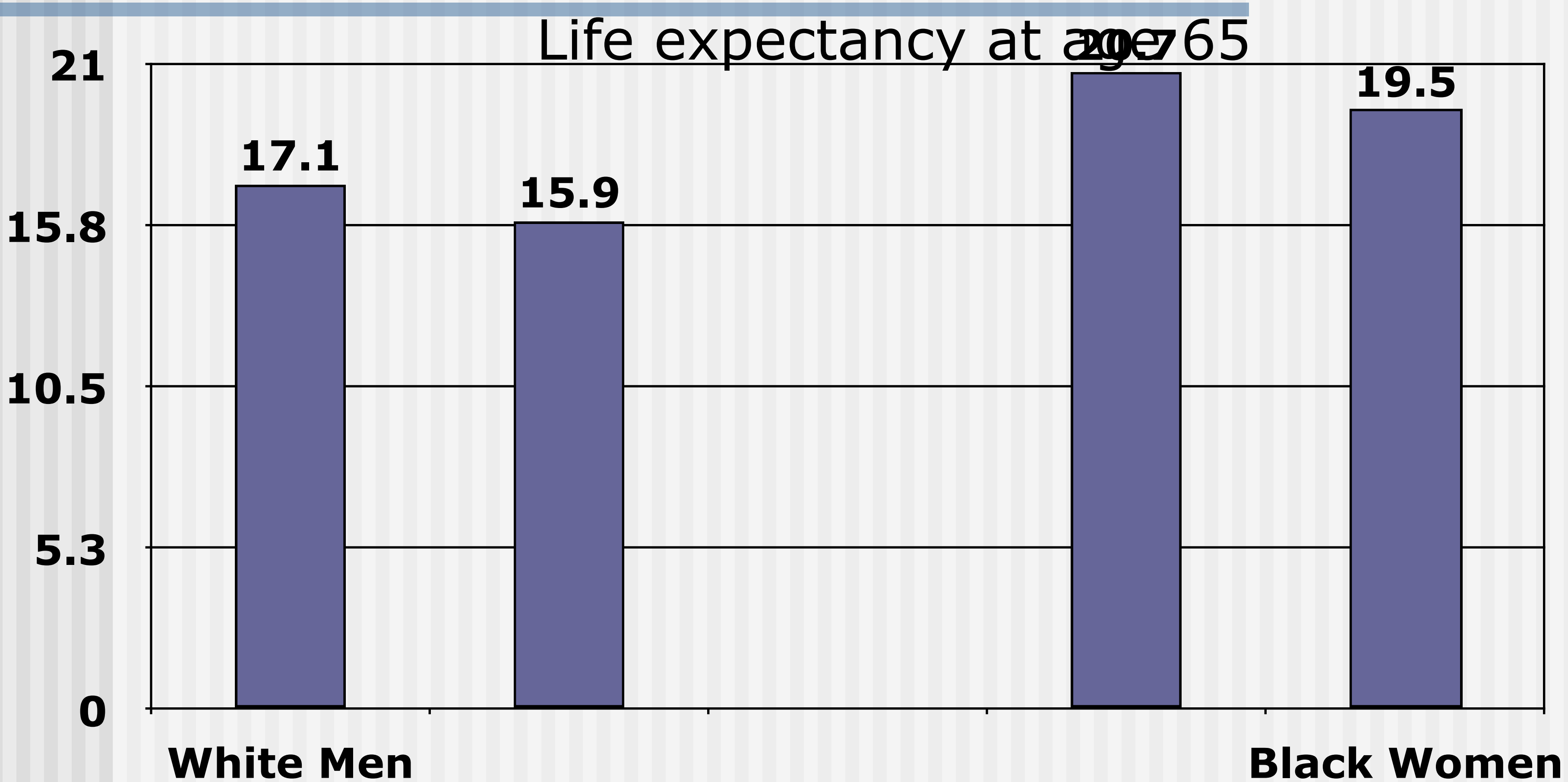
Boomers' Health Varies by Race



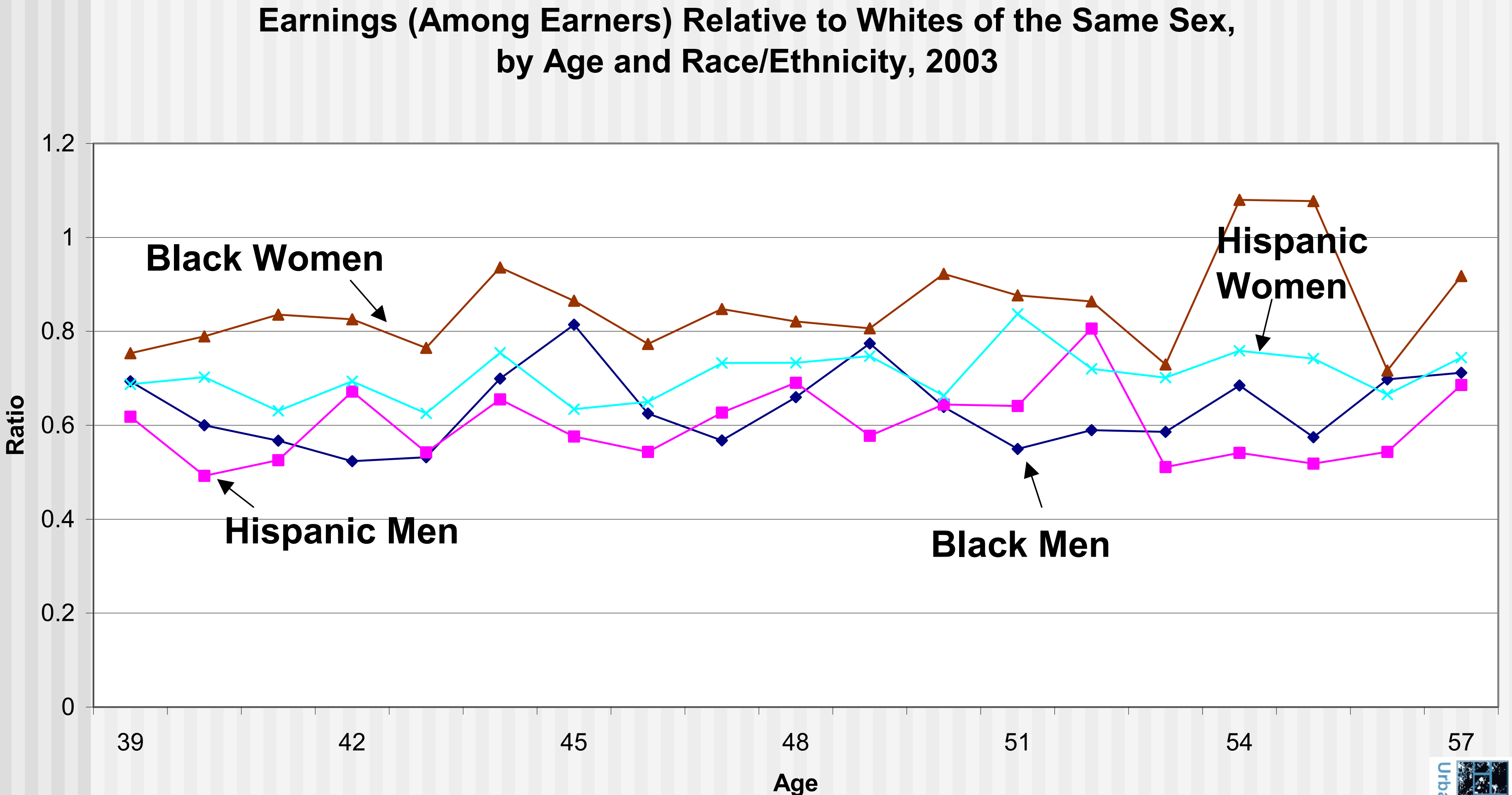
Source: NCHS (NHIS 2000-2005)

White Boomers Can Expect to Live Longer than Black Boomers



Source: U.S. Census Bureau Life Tables (2010 table)

Average Earnings Vary Greatly by Race/Ethnicity for Baby Boomers



Source: CPS (2004)

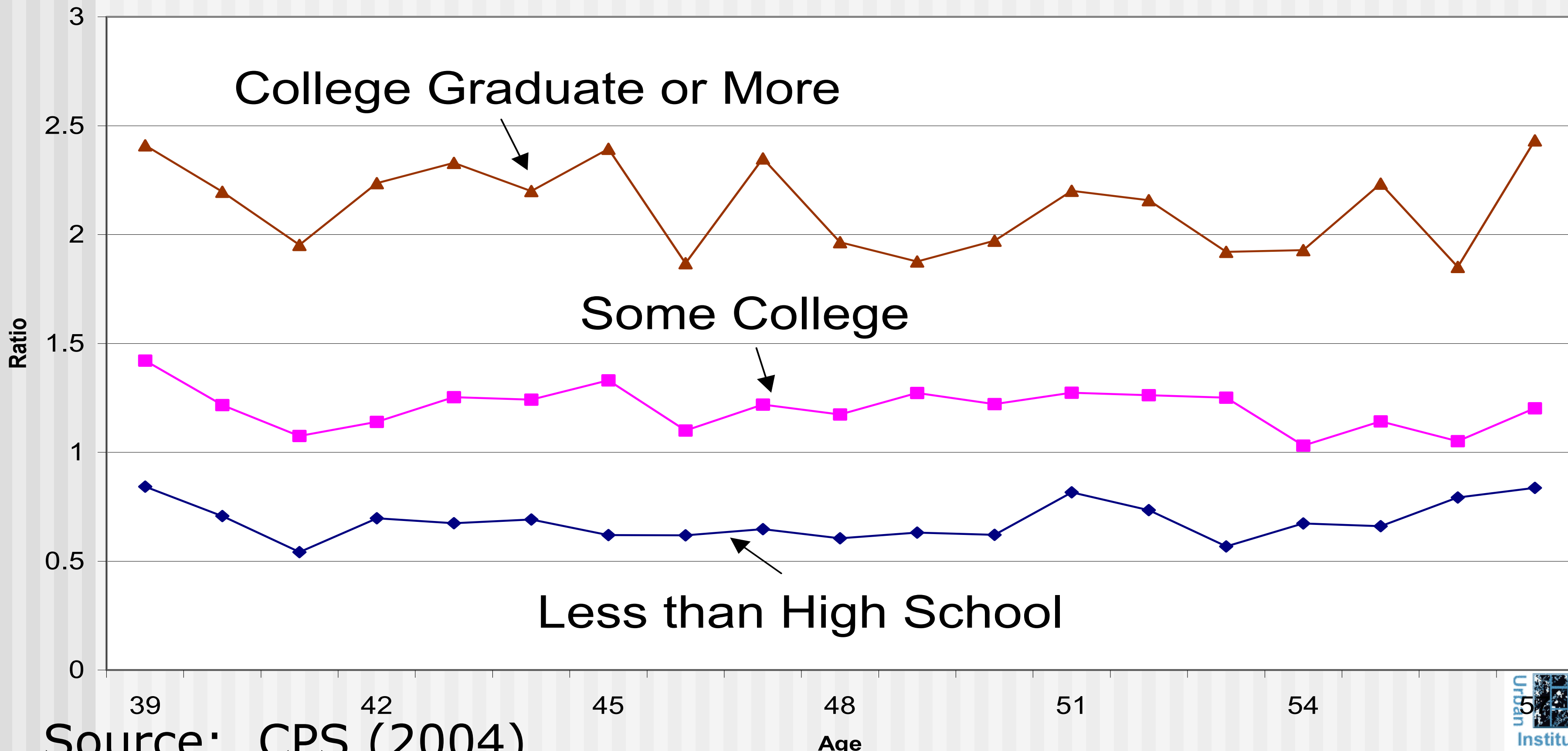
How do Boomer Outcomes Differ by Education?

- Fewer Boomers failed to complete high school than in previous generations
  - 11.9% of men, 10.3% of women
  - This is now a quite unusual group
- Those with the highest education are experiencing the greatest increases in well-being in recent years
  - 31.2% of men, 28.8% of women have college or more, gap narrows later

Source: CPS (2004)

Boomer Earnings Depend Highly on Education

Male Ratios of Earnings of Education Group Relative to High School Graduates, by Age (2003)



Source: CPS (2004)

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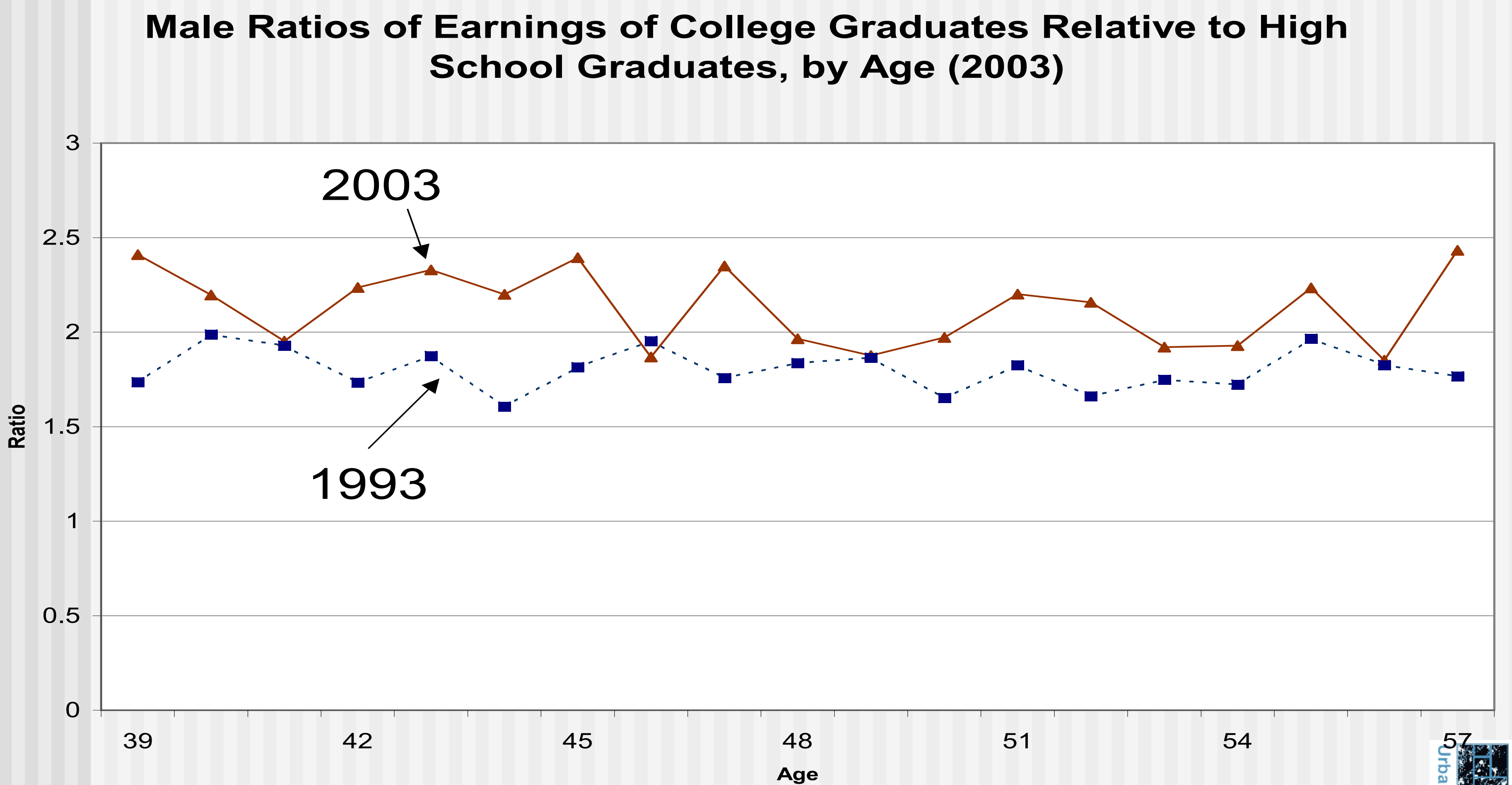
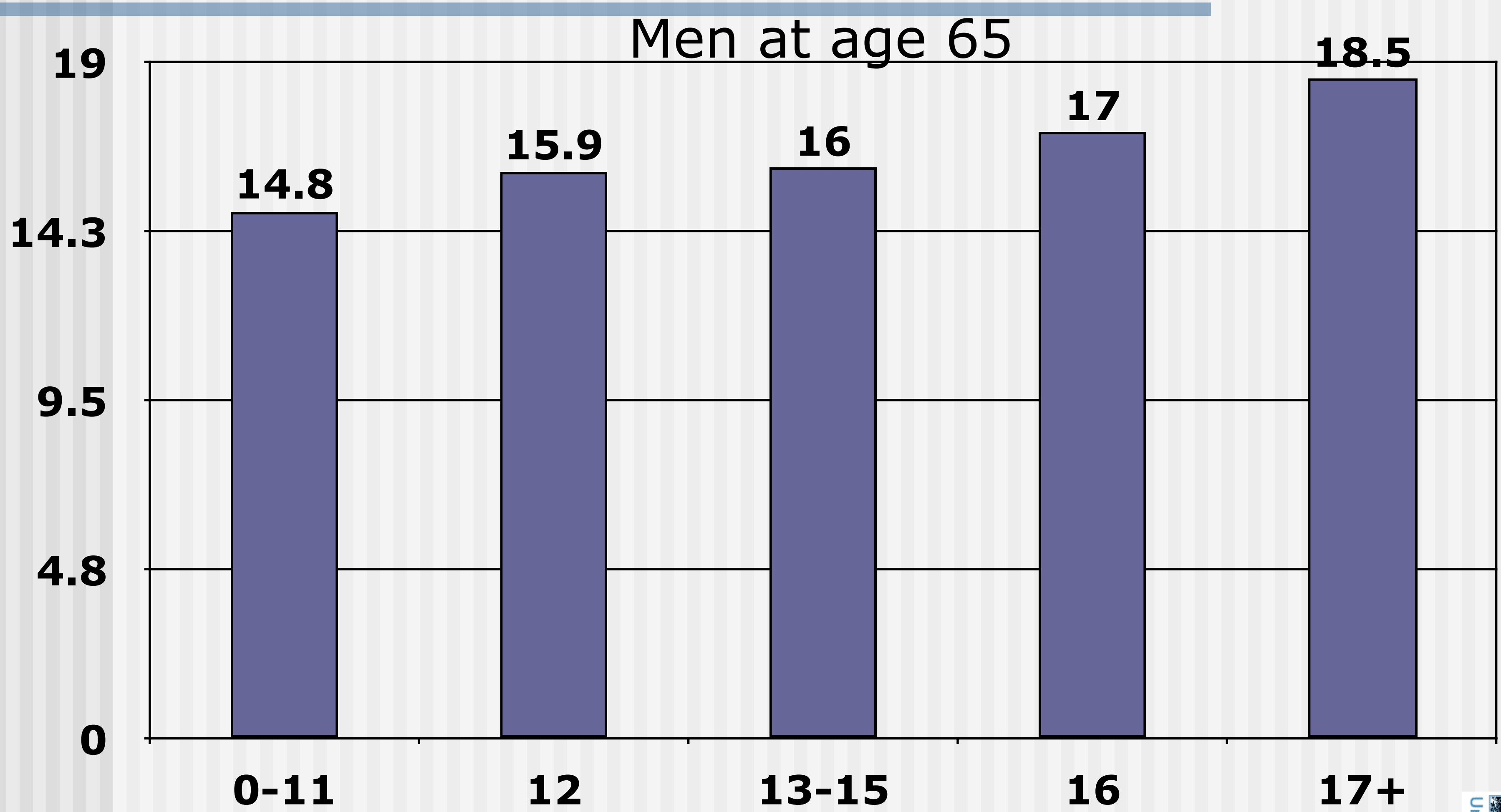
Earnings Dependence on Education is Increasing



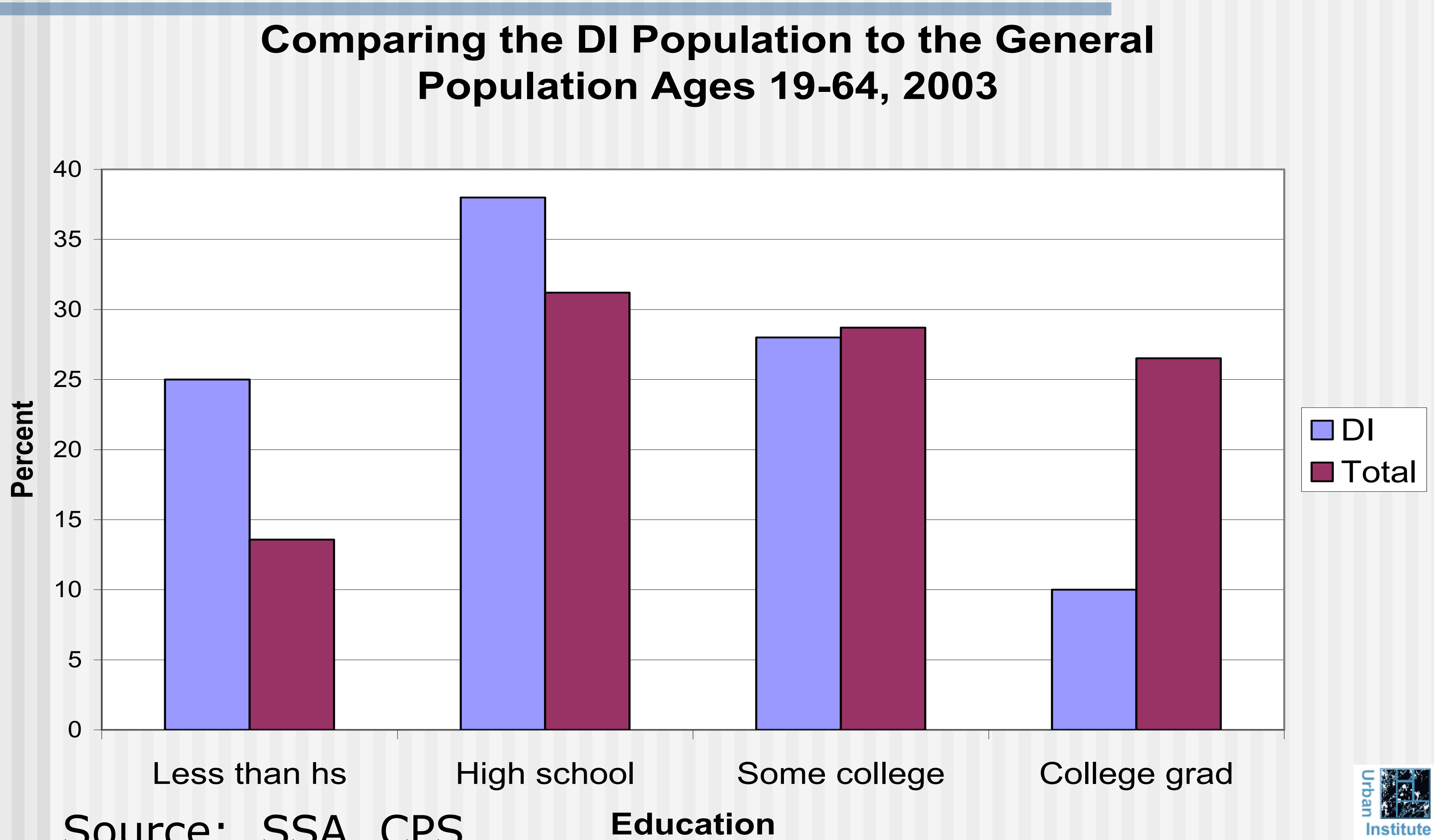
Source: CPS (1994, 2004)

Life Expectancy also Varies Greatly by Education, Especially for Men



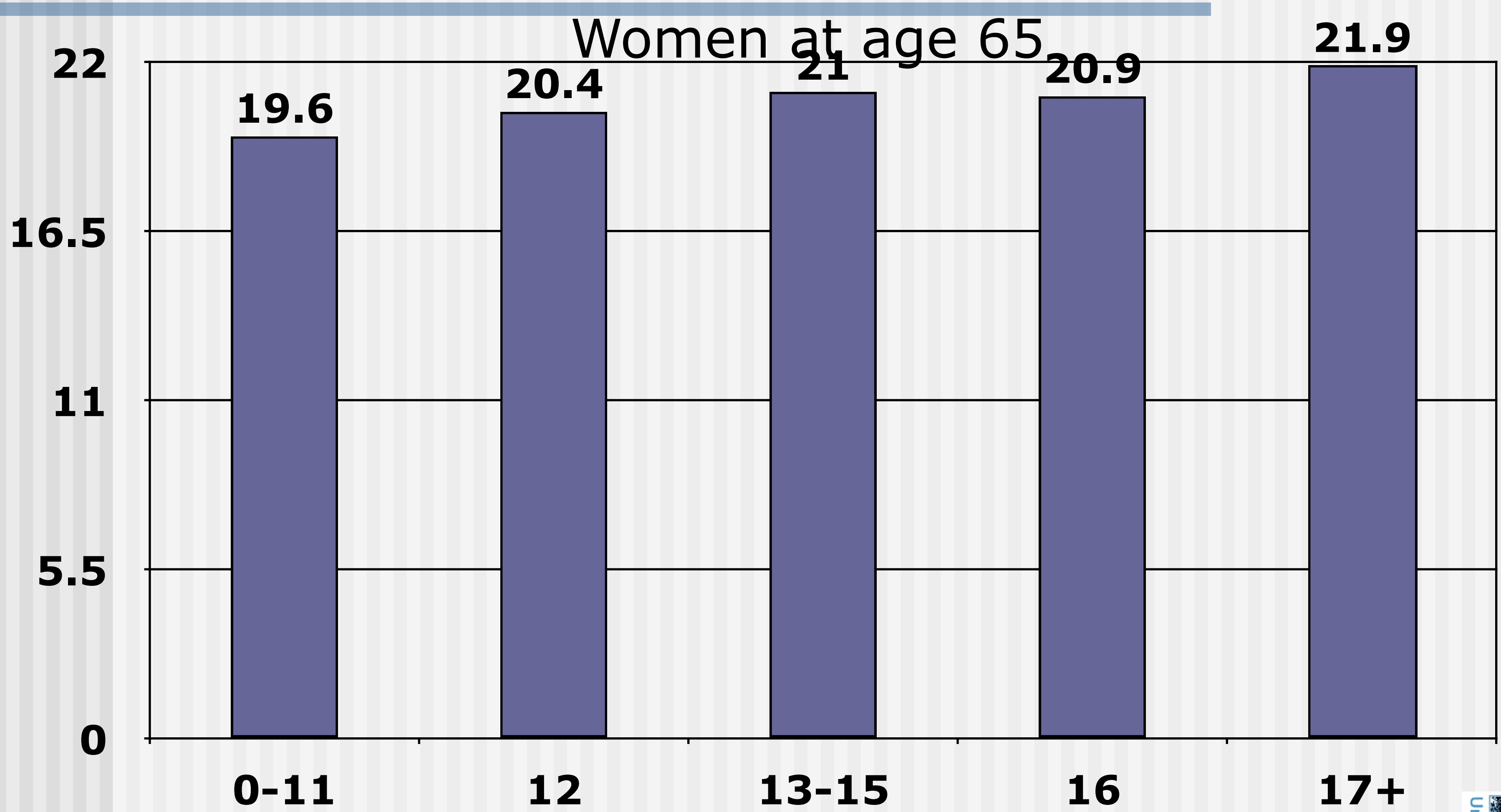
Source: Richards and Barry (1998, based on NLMS)

Health and Disability Vary Greatly by Education



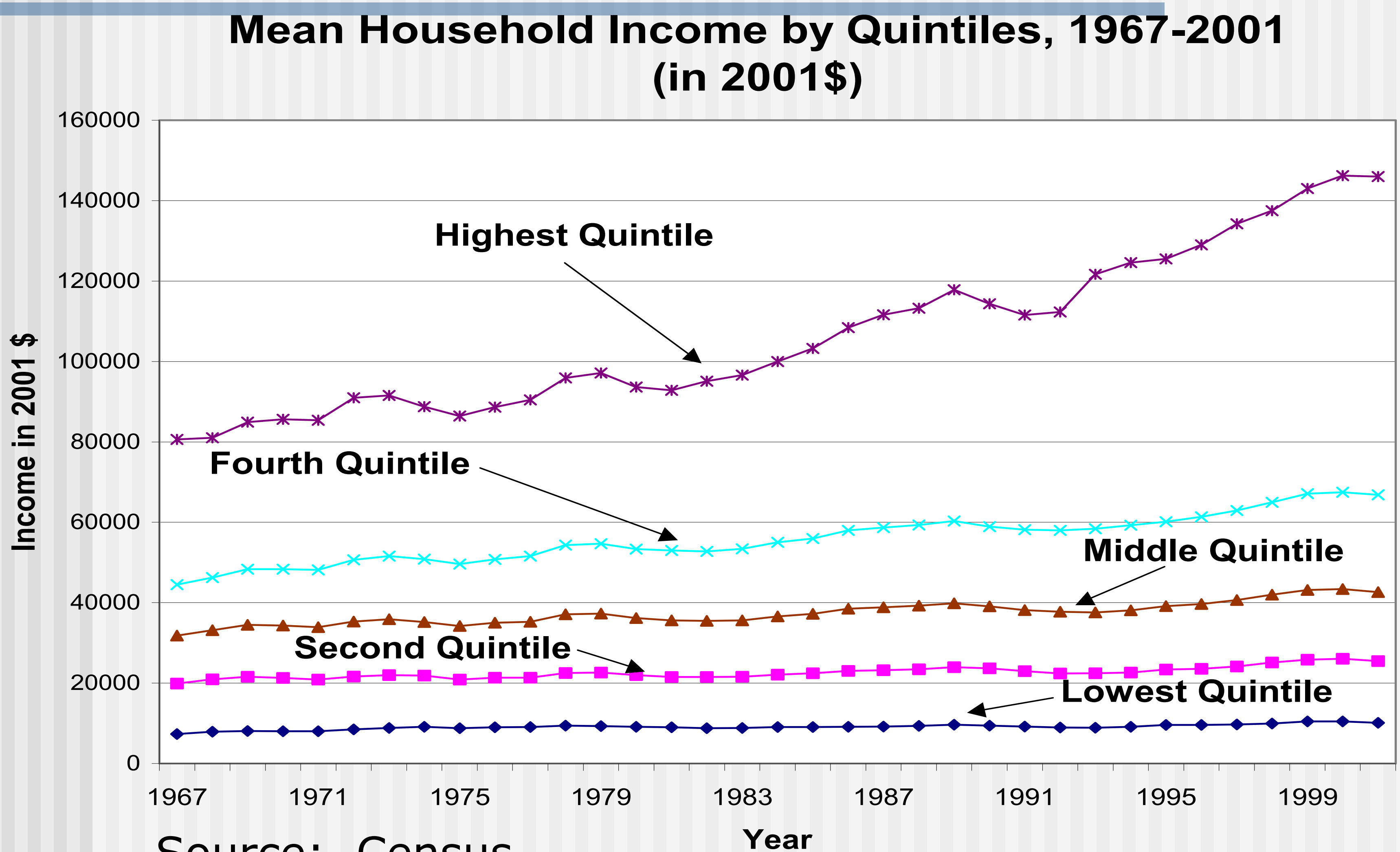
Source: SSA, CPS

Life Expectancy also Varies by Education, Though Less for Women



Source: Richards and Barry (1998, based on NLMS)

Income Inequality is on the Rise



Source: Census

Why are Disparities (Education/ Race) so Pervasive for Boomers?

- Differences in:
  - Human capital
  - Health care access / treatment
  - Risk behaviors (smoking, etc)
  - Household structure
  - Replacement rates for DI
- Disparate treatment in housing, labor markets
- Cumulative nature of (dis)advantage
- Increasingly global labor markets
- Wage growth differentials

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Vulnerability among the Baby Boomers

- Wage growth reduces overall risk
- Groups with highest risk of poverty in retirement (2025):
  - High school dropouts (30%)
  - Racial and ethnic minorities, especially unmarried, limited education
    - All blacks (14%)
    - Unmarried blacks (19%)
  - Immigrants (33%)

Source: The Urban Institute's DYNASIM

Vulnerability among the Baby Boomers

- Economic risks in later working years and retirement are associated with certain events
  - Widowhood
  - Onset / worsening of a disability
  - Job loss
  - Parental / spousal frailty
- Long-term fiscal risk

Source: Johnson, Mermin, Uccello (2005)

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No Single Policy Solution can Address Boomer Diversity / Risk

- Social Security/Medicare solvency
  - Earlier resolution means greater possibility for sharing across generations
    - Later Boomers arguably at higher risk
  - Protection at the bottom important
  - Reforms may increase retirement ages
    - Given life expectancy growth
- Tax policy
  - Can help address increasing inequality
  - Low returns to work at older ages

No Single Policy Solution can Address Boomer Diversity / Risk

- Health disparities (access/outcomes)
- Short-term, non-work disability gaps
  - Need for support to overcome short-term disabilities
- Stricter anti-discrimination enforcement in housing, employment

Conclusions

- Most Baby Boomers are well placed for successful late-life careers and retirement
  - Living longer, healthy, relatively well-educated
- Some boomers are at risk for insecurity in late-career and retirement
  - Less than a high school diploma, unmarried women (especially if raised children), disabled
  - Certain events trigger economic difficulties
- Economic inequality is increasing
  - Challenge is to balance the need for an adequate safety net for high-risk groups with appropriate incentives for those less at risk

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Notes

- Data come from a variety of sources
  - CPS (1960 through 2004)
  - Census
  - CDC/NCHS (NHIS)
  - Selected literature
  - Social Security Administration (OCACT, Policy)
  - Urban Institute's DYNASIM
- Be careful to consider age and cohort effects as distinct in comparisons
  - Many comparisons account for age to help disentangle