RESEARCH REPORT

Social Security’s Earliest Eligibility Age
Evaluating Retirement and Disability Policies

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Social Security’s Earliest Eligibility Age

Bipartisan proposals to reform Social Security frequently include a provision to raise the full retirement age (FRA) to encourage workers to stay in the workforce longer and improve program finances. Some plans would only raise the FRA and maintain the earliest eligibility age (EEA) at age 62; others would raise both. Both approaches would have serious but different implications for millions of older workers who are unable to continue working because of poor health or poor employment prospects. Consequently, most plans include provisions intended to protect vulnerable members of this group.

In this report, we examine how well current proposals to protect older workers would work if they increased the FRA (both with and without also increasing the EEA), and we propose new ideas to alter Social Security Disability Insurance (SSDI) to address concerns about this group. We do not address the merits of proposals to raise the FRA or EEA; rather we focus on illustrating the challenges posed by such policies and the range of options that policymakers must consider to provide meaningful protection to older workers who would be adversely affected. Data and trends in health, longevity, mortality, and employment among older workers who would be affected by changes in the FRA and EEA suggest that millions could face serious consequences in retirement if such changes are not coupled with policies to protect those who have not shared in overall gains in longevity.

The report is structured as follows: In the first section, we review the data and trends in health, longevity, mortality, and employment of older workers. In the second section, we review the current Social Security retirement age rules and how benefits would change if the FRA were increased. We also consider how disability benefits interact with early retirement and how well SSDI benefits protect at-risk older workers. In the third section, we evaluate options to mitigate the negative consequences of an increase in the FRA, including changes in retirement eligibility, employment supports, and disability eligibility.

We find that many options to modify retirement benefits and eligibility for older workers who need to retire have shortcomings. Many options help address a portion of at-risk workers but fail to protect many others who have health or employment circumstances that prevent them from working past age 62. Some opportunities to improve employment supports for older workers hold promise, but these options also address only a portion of the problem. And as currently designed, SSDI would assist many but not all workers. However, we identify two potential expansions to SSDI eligibility that could provide the most meaningful protection for older workers who would be put at risk from an increase in the retirement age. A multipronged approach to addressing this issue may be most effective.
Health and Employment Prospects of Older Americans

Health of Older Americans

Measures of health status are important for assessing one’s ability to delay retirement (Johnson 2018). Improving self-reported rates of excellent and good health and declining rates of self-reported fair or poor health are common ways to estimate this preparedness. Examining trends is important because Social Security policy changes are usually phased in over time, and trends are the best indicators of what will happen in the future (though they are still imperfect).

But changes in rates of health statuses alone are incomplete evidence for two important reasons. First, when possible, it is important to look at disparities in changes and levels of measures of health because measures of central tendency often obscure the most disadvantaged (and advantaged) groups. In many instances, population means or medians obscure the variety of outcomes and changes in outcomes faced by many Americans.

Second, changes in measures of health can help predict whether a current generation is better or worse prepared for later retirement than an earlier generation but simultaneously omit how many total people are unprepared or unable to delay retirement. Small declines in the rates of an adverse condition may reveal the growing target inefficiency of a constant policy, such as one that correlates chronological age with need, but still disguise growing absolute prevalence of that condition within a growing population. If a population of interest grows faster than the rate of a measure of an adverse health condition declines, then the total number of people experiencing the adverse health condition will increase.

For these reasons, we will look at changes in the rates of measures of health, the total number of people currently experiencing the measures of health, and disparities in the measure of health across a range of different health measures.

By many metrics, population health has improved significantly since the last major Social Security reform in 1983. Improvement in many metrics was more pronounced in the 1980s and 1990s than after 2000, and some metrics have worsened since 2000, but the overall story of the health of older Americans has still been positive. On the other hand, modest improvements in the rates of health problems and disability are less encouraging than they appear, because the absolute number of near-elderly and elderly people with health problems and disabilities will increase in the coming years as the large Baby Boomer generation ages and the relative number of workers to support the growing aged population decreases.
Furthermore, long-term improvements in population-wide rates of health problems and disability have not been shared by everyone. The groups least likely to be forced into retirement have seen the biggest gains in quality of life and life expectancy; the groups most likely to be forced into retirement have seen little or no gains. As we will explore in this report, a nontrivial number of people near retirement age do not qualify for SSDI but are not able to continue working because of health or economic conditions. Many of these people currently claim Social Security retired worker benefits earlier than the FRA.

**FIGURE 1**  
Share of Older Americans with Self-Reported Poor or Fair Health, by Age (1972–2017)

![Figure 1: Share of Older Americans with Self-Reported Poor or Fair Health, by Age (1972–2017)](image)

Source: National Health Interview Survey.

**SELF-REPORTED FAIR OR POOR HEALTH**

One way to measure health is through self-reporting in surveys. In a review of 27 studies, Idler and Benyamini (1997) showed that self-rated measures of health are an independent predictor of mortality. As figure 1 and figure 2 demonstrate, the share of older Americans with self-reported fair or poor health has declined over the past four decades, but the number of older Americans with self-reported poor or fair health has increased. The share of adults reporting fair or poor health fell from 25.5 to 18.3 percent at ages 55 to 61 and from 28.6 to 19.1 percent at ages 62 to 65 between 1972 and 2017, according to data from the National Health Interview Survey (NHIS). Most of the change
happened before 2000. Using the same data, Martin and colleagues (2009) found similar changes from 1982 to 2006 for 60-year-olds, but they noted that the decline stalled or reversed from 1997 to 2006.

FIGURE 2
Millions of Older Americans with Self-Reported Poor or Fair Health by Age (1972–2017)

The total number of adults reporting fair or poor health increased from 3.5 million to 5.5 million at ages 55 to 61 and from 1.9 million to 2.9 million at ages 62 to 65, according to data from the NHIS.

HEALTH-RELATED WORK LIMITATION
Another way to measure the prevalence of health problems is through the presence of self-reported work limitations caused by poor health. As figure 3 and figure 4 demonstrate, the share of older Americans with self-reported health-related work limitations has held steady over the past two decades, but the number of older Americans with a self-reported health-related work limitation has increased.

From 1997 to 2017, the share of adults reporting a health-related work limitation fluctuated between 16.1 and 18.6 percent for people ages 55 to 61 and between 18.4 and 22.2 percent for people ages 62 to 65, according to data from the NHIS. During this same period, the groups ages 55 to 61 and ages 62 to 65 grew in size. From 1997 to 2017, the number of adults reporting a health-related work limitation increased from 2.8 million to 5.4 million for people ages 55 to 61 and from 1.7 million to 3.1 million for people ages 62 to 65, according to data from the NHIS. Looking at the Survey of Income and Program Participation from 1991 to 2010, Kaye (2013) found that work disability was stable or slightly increased.
FIGURE 3
Share of Older Americans with Any Work Limitation (1997–2017)

Source: National Health Interview Survey.

FIGURE 4
Millions of Older Americans with Any Work Limitation (1997–2017)

Source: National Health Interview Survey.
Rates of health-related work limitations improved before 1997. Crimmins, Reynolds, and Saito (1999) found that the share of men and women ages 62 to 69 with work limitations declined significantly between 1982 and 1993, according to data from the NHIS. In later work, Reynolds and Crimmins (2010) found much smaller declines for that age group from 1997 to 2007.

There are disparities in health-related work limitations by racial and ethnic background and education level. Johnson (2018) found that of people who were 62 to 65 in 2017, 27 percent of non-Hispanic black people and 26 percent of Hispanic people reported health-related work limitations, while only 19 percent of non-Hispanic white people reported health-related work limitations. Johnson also found that of people who were 62 to 65 in 2017, people who only completed high school were more than twice as likely as people with four or more years of college to have a health-related work limitation; people who did not complete high school were four times as likely.

HEALTH CONDITIONS
A third measure of health is the prevalence of specific health conditions. Martin and colleagues (2009) looked at health conditions among Baby Boomers approaching retirement using survey data from the NHIS. Of the nine self-reported health conditions for people ages 40 to 59 they examined, the prevalence of four significantly worsened, four remained the same, and only one improved from 1997 to 2006. The prevalence of the reports of obesity and of cardiovascular, lung, and diabetic conditions significantly increased, while the only decrease was in musculoskeletal conditions (Martin et al. 2009). The other four conditions did not significantly change. However, increased prevalence of diagnosed health problems does not necessarily indicate a decline in work ability or even a decline in health status. As the authors note, this trend may simply reflect improvements in diagnosis and treatment. It could also indicate declining rates of mortality among those surviving with the health condition.

FUNCTIONAL LIMITATIONS
A final measure of health is functional limitations and the need for assistance with common activities in life. In work with the NHIS, Martin and colleagues (2010) found that more than 40 percent of people ages 50 to 64 had trouble with at least one of nine physical functions1 without the use of special equipment in 2007. The overall share was stable, but four of the nine functions (stooping, bending, or kneeling; standing for two hours; walking a quarter-mile; and climbing 10 steps) significantly worsened, while none of the functions significantly improved. Over the same period, the rate of reports of use of special equipment such as a cane, wheelchair, special bed, or special telephone rose from 5.2 percent in 1997–99 to 6.8 percent in 2005–07. Overall, their evidence suggests increased prevalence of the rate of mobility-related lower-body difficulties.
Looking at the SIPP from 1984 to 2010, Kaye (2013) found modest declines in age-adjusted rates of functional limitations for mobility, hearing, and vision for community-resident, working-age adults. The declines coincided with increases in the age-adjusted rates of cognitive impairment and mental health disability. Kaye also found stagnation or modest increases in the rates of need for help in daily activities for community-resident, working-age adults from 1991 to 2010. He concluded, "the flattening of disability trends among the elderly is not good news, since it suggests the number of elderly people with disabilities will continue to increase in direct proportion to the growing size of the elderly population" (127).

Measures of self-reported fair or poor health, health-related work limitations, health conditions, and functional limitations suggest that many future retirees would be able to delay retirement. However, many of those same measures show a growing number of people who could struggle to continue working and distinct patterns of preparedness by income and race and ethnicity, with a high correlation between these last items.

**Mortality and Life Expectancy**

Life expectancy reflects population health and may predict work capacity at older ages. Increasing life expectancy without increasing the number of years worked increases the share of life spent in retirement. Likewise, increasing the retirement age when life expectancy is decreasing or constant decreases the share of life in retirement. This analysis is particularly important, because as the following section will show, different groups have seen different trajectories in life expectancy, and changes to Social Security will have distinctly different impacts on these groups.

In general, measures of life expectancy have improved over time. Between 1960 and 2014, life expectancy at birth increased 9.6 years to 76.3 years for men and increased 7.9 years to 81.1 years for women (Social Security Administration Office of the Chief Actuary 2018). During that same period, life expectancy at age 62 increased 5 years to 17.9 years for men and increased 4.5 years to 20.4 years for women. Measures of mortality have also generally improved over time. The mortality rate of 59-year-olds was 31 percent lower in 2005 than the mortality rate of 59-year-olds in 1982 (Martin et al. 2009). However, past progress is not a guarantee of future progress, and previous gains will not necessarily continue. Life expectancy at age 62 continues to improve, but younger generations have recently seen declines in life expectancies at earlier ages and increases in mortality. After increasing every year after 1993 (Arias and Xu 2018), life expectancy at birth declined in 2015, 2016, and 2017 (Kochanek et al. 2017; Murphy et al. 2018; Xu et al. 2016). All three years saw increases in deaths attributed to
unintentional injuries (including unintentional poisonings and transportation deaths) and suicides. Increased mortality has had the most pronounced effects on people ages 25 to 34 and ages 35 to 44 in the past few years. These cohorts are much younger than the EEA but will age into Social Security when the EEA could be increasing because of policy changes. Moving forward, it will be important to understand whether this decline in life expectancy is specific to people ages 25 to 44 or if it is specific to the cohort that is currently ages 25 to 44. If the increased mortality for this group arises from conditions and experiences that are unusually common among this generation, then this development may foreshadow increased mortality for this generation at later ages. Alternatively, if the risk factors are limited to people in their late 20s, 30s, and early 40s, then the development may not persist into older ages.

Improvements in mortality and life expectancy have also not been equally shared across income groups. Using projections that include linear trends in health and mortality and time trends in mortality dispersion, Auerbach and colleagues (2017) found stark differences in changes in life expectancy by income quintiles. Between the 1930 and 1960 birth cohorts, they project that life expectancy at age 50 will increase seven to eight years for the two highest income quintiles and little to none for the two lowest income quintiles. Chetty and colleagues (2016) found a negative and strengthening relationship between income and mortality rates between 2001 and 2014.

Similarly, improvements in mortality and life expectancy have not been equally shared by people with different educational backgrounds and race, and stark differences exist along those lines exist. Olshansky and colleagues (2012) found disparities by education and race. In 2008, the disparity between life expectancy at birth between white people with 16 or more years of education and black people with 12 or fewer years of education was 14.2 years for men and 10.3 years for women. The disparities grew between 1990 and 2008, though trends by education level are in part caused by simply examining people more likely to be on the negative tail of a distribution as people on average become more educated. They also found that white men outlive black men at every age and level of education, and white women outlive black women at every level of education and every age except 60. Finally, among the most educated group, black men and women live 4.2 years less than comparably educated white men and women. Among non-Hispanic white people, Case and Deaton (2017) found rising mortality for those who never attended college and no such increase for those who attended college.

Overall, the data indicate that American life expectancy and mortality have improved over the past few decades, but progress has recently slowed or reversed for some ages, and the gains have not been shared by all Americans. However, debate is ongoing as to what the future may bring, and policy should accommodate both past trends and alternative future trends.
Job Difficulty

Older Americans facing higher Social Security retirement ages may be able to work longer if the physical demands of jobs are decreasing. Over the past four decades, the share of jobs that are physically demanding has generally declined, but the number of workers in physically demanding jobs has increased.

Using census data matched to the US Department of Labor’s occupational requirements, Johnson, Mermin, and Resseger (2011) found that the share of jobs requiring workers to engage in moderate or strenuous physical activities fell from 57 percent in 1971 to 46 percent in 2006. During that same window, they found that the share of jobs requiring physical flexibility and dexterity fell from 36 to 26 percent.

In recent years, changes in the physical demands of jobs have been mixed. Using information from the Current Population Survey and Occupational Information Network, Bucknor and Baker (2016) found mixed changes from 2009 to 2014 in physical demands faced by older workers. They found no decline in the share of workers age 58 and up in jobs that were physically demanding and a moderate decline in the share of workers age 58 and up in jobs that were highly physically demanding. They found a substantial decline in the share of workers age 58 and up in difficult working conditions. Overall, during the same period, the absolute number of workers in such jobs grew as the number of older workers swelled because of an improving economy and Baby Boomers aging. The number of workers ages 62 to 65 in physically demanding jobs or jobs with difficult working conditions grew by 21 percent, from about 2.2 million in 2009 to about 2.7 million in 2014 (Table 1a and Table 1b).

Using data from the Health and Retirement Survey, which asks questions about the physical demands of work, Johnson (2018) found no decline in job demands. In 2014, 34 percent of workers ages 55 to 65 reported that their jobs require “lots of physical effort all or most of the time.” The share of workers ages 55 to 65 who reported that their jobs require heavy lifting increased from 13 percent in 1998 to 14 percent in 2014. The share of workers ages 55 to 65 who reported that their jobs require “stooping, kneeling, or crouching” increased from 25 percent in 1998 to 26 percent in 2014.

Workers with low levels of education and low wages were most likely to have jobs with physical demands. Using the same Current Population Survey and Occupational Information Network data as above, Bucknor and Baker (2016) found stark differences across subgroups. Of workers ages 62 to 65, 82.6 percent without a high school diploma and 59.8 percent with only a high school education had jobs that were physically demanding or difficult work conditions while 31.3 percent of college graduates and 19.7 percent of workers with advanced degrees had jobs that were physically demanding or difficult.
work conditions (Bucknor and Baker 2016, 19). Of workers ages 62 to 65, 61.2 percent of workers in the bottom wage quintile and 21.3 percent of workers in the top wage quintile had jobs that were physically demanding or had difficult work conditions (Bucknor and Baker 2016, 24).

Over the long run, the physical demands of work have significantly declined. In recent years, the share of older workers in physically demanding jobs has also modestly declined, but the absolute number of workers in physically demanding jobs has increased.

**Employment Prospects**

An older American’s ability to extend his or her working life depends on labor market conditions and his or her ability to find and maintain employment. Overall, the labor force participation of workers ages 55 to 64 increased 4.1 percentage points from 1999 to 2016, from 57.7 percent to 61.6 percent, primarily because of increased employment by women (Abraham and Kearney 2018). Older workers are less likely to lose their jobs than younger workers, but outcomes after losing a job are usually worse for older workers than for younger workers.

**OLDER WORKERS FACE LONGER UNEMPLOYMENT**

After losing employment, older workers generally face longer unemployment than younger workers. Data from the Bureau of Labor Statistics show that in February 2019, unemployed people ages 55 to 64 had longer mean and median unemployment spells (27.1 weeks and 12.2 weeks, respectively) than any other age group. In that same month, unemployed workers ages 55 to 64 were 30 percent more likely to have been out of work for more than six months than those ages 25 to 44.

There are many possible reasons older workers face longer unemployment spells than younger workers. Employers may be hesitant to hire older workers because of higher health care costs, higher cost of training older workers relative to expected time before retirement, and skill obsolescence (Johnson 2007).

Another reason is age discrimination. Using field experiments, Lahey (2008) found that female workers ages 35 or 45 were 42 percent more likely than female workers ages 50, 55, or 62 to be offered an interview in Boston, Massachusetts, and they were 46 percent more likely to be offered an interview in St. Petersburg, Florida.

Survey data support this phenomenon. A 2017 survey by AARP found that 30 percent of job-seekers ages 45 and older said they had experienced age discrimination (Perron 2018). 24 percent of
workers ages 58 to 63 in the Health and Retirement Survey reported that their employer favors younger workers in promotion decisions (Johnson 2018).

It’s possible that older job-seekers are less qualified on average than younger job-seekers. Johnson, Favreault, and Mommaerts (2011) found that job seekers age 62 or older looking for reemployment were generally less educated, in worse health, and more likely to have worked part time in their previous jobs than their counterparts ages 25 to 61.

Finally, economic theory suggests that many workers age 62 and older will demand higher compensation to join or remain in the labor force because of current or near access to Social Security retirement benefits. This could lead to older job seekers deciding to not work or taking longer to find a higher-paying job because access to Social Security benefits increases the compensation they would need to accept an offer.

REEMPLOYED OLDER WORKERS TAKE PAY CUTS
After losing a job, older workers usually take a pay cut when returning to work. Johnson and Mommaerts (2011) found substantial declines in pay for displaced older workers when those workers found new jobs. They also found that median hourly wages for reemployed men were 20.1 percent lower on the new job than the old job for men ages 50 to 61 and 35.6 percent lower on the new job for men age 62 or older.

ADDITIONAL CHALLENGES
Job displacement for older workers creates additional challenges because older workers have less time to financially recover before retirement. As Munnell, Zhivan, and Sass (2009, 1) stated, “Once displaced, older workers are less likely to be reemployed, have less time to adjust their retirement plans, and are more likely to retire prematurely.” In other words, the challenge for most older workers isn’t employment, it’s reemployment after losing or leaving a job.

However, the job security advantages of older worker relative to younger workers is diminishing. Munnell, Zhivan, and Sass (2009) found that decreasing job tenure among older workers and increasing displacement of older workers in manufacturing jobs have contributed to this.

Employment and reemployment challenges are not unique to workers at older ages. People at all ages are left behind by the labor market, but the challenges of reemployment and the costs of unemployment are particularly acute for many Americans approaching retirement age.
Social Security Retirement Age and Disability Rules

Should Congress decide to raise the FRA, policymakers could take several different approaches to the EEA. Changes to the EEA also have implications for participation and eligibility for SSDI. In this section, we review current law and the impact of potential increases in the EEA and FRA.

The Social Security Earliest Eligibility Age

The Social Security reforms in 1983 increased the age at which future Social Security benefits could be claimed. The FRA was gradually increased from 65 to 66 for the cohorts of retirees born from 1937 to 1943. After an 11-year break, the FRA has resumed gradually increasing from 66 to 67 for cohorts born after 1954. For cohorts born in 1960 or later, the FRA will remain at age 67 unless Congress enacts further changes. Older workers can apply for SSDI benefits until they reach the FRA.

Individuals who retire before reaching the FRA receive a benefit smaller than their primary insurance amount—the benefit a person would receive if he or she claimed Social Security benefits at the FRA.

The 1983 Social Security reforms left the EEA, the earliest age at which Social Security benefits can be claimed, at 62. Although the EEA did not change, the monthly reduction in benefits associated with claiming Social Security at the EEA increased from 20 percent to 30 percent. This process, called an actuarial reduction, is a systematic reduction in monthly Social Security benefits for people who retire before the FRA that aims to keep lifetime Social Security benefits equal regardless of retirement age. For example, a woman who retires at age 62 will receive a reduced benefit for more years than if she retired at age 67, in expectation that she will receive the same total amount of Social Security benefits over the course of her life.

The increase in the FRA is not expected to leave the median Social Security beneficiary worse off than retirees from earlier generations, because the policy coincided with life expectancy increasing on average by about two years from 1983 to the time at which the increase in the full retirement age will be complete. Thus, the life expectancy increase on average offset the decline in lifetime benefits caused by the increase in the FRA. Moreover, cohorts retiring several decades after 1983 also received higher lifetime benefits because of the wage-indexing benefits.

Most retirees don’t end up getting benefits equal to their primary insurance amounts, because most retirees don’t retire at the FRA. Many adults retire at the EEA, especially when labor markets and the economy are weak. The flexibility to retire between the ages of 62 and 70 without changing the expected value of lifetime Social Security benefits is a positive feature of Social Security, but it isn’t without issue.

Should the FRA be increased, two distinct groups of retirees will be most at risk depending upon the EEA policy adopted:
- older workers who are unable to work past age 62 who do not qualify for SSDI
- older workers who can work past age 62 but are electing to take early Social Security benefits despite inadequate retirement savings

INCREASING THE FRA IN ISOLATION
Raising the EEA and FRA at the same time will put Americans who are unable to work past age 62 at risk. However, the other option, which is to increase the FRA but not increase the EEA, would also put many at risk later in life.

FIGURE 5
Monthly Benefit with a $1,000 Primary Insurance Amount, by Claiming Age

Source: Urban Institute analysis.
Note: EEA = earliest eligibility age; FRA = full retirement age. Under current law, benefits are reduced 5/9 percent for each of the first 36 months Social Security is claimed early, and then 5/12 percent for each additional month claimed early. This analysis assumes that each additional month is reduced 5/12 percent (5 percent per year).

Currently, with the FRA at 67 and the EEA at 62, the maximum actuarial reduction is 30 percent. If the FRA were increased to 69, the maximum actuarial reduction would likely be 40 percent. This is a significant reduction in monthly benefits that could lead to long-term challenges for people who claim at or near age 62 (figure 5 and figure 6). However, many workers who cannot continue working past age
62 will still claim benefits at this lower level to obtain financial relief in the near term. The trade-off, however, is lower benefits later in life, which could undermine income security at older ages. This is particularly true for workers who have inadequate retirement savings or expenses that are greater in their 70s and 80s than at age 62. In addition, these reductions carry through to the benefits claimed by spouses and survivors.

**FIGURE 6**
Actuarial Change to Monthly Social Security Benefit, by Claiming Age

![Chart showing the actuarial change to monthly Social Security benefit by claiming age.](chart)

**Source:** Urban Institute analysis.

**Note:** EEA = earliest eligibility age; FRA = full retirement age. Under current law, benefits are reduced 5/9 percent for each of the first 36 months Social Security is claimed early, and then 5/12 percent for each additional month claimed early. This analysis assumes that each additional month is reduced 5/12 percent (5 percent per year).

Data from the US Census Bureau tells us how important Social Security benefits are for many older Americans. In 2017, approximately 17.6 million people age 65 and over were lifted out of poverty because of income from Social Security (Fox 2018). Of course, many would have worked longer were the retirement age higher, and many receive benefits well beyond poverty levels, so only a fraction of these people would have fallen into poverty under alternative policies. A policy that leaves the EEA unchanged while increasing the FRA could lower poverty or near-poverty rates at early retirement ages (compared with a similar FRA policy that also increased the EEA), but it would also increase poverty at older ages.
INCREASING THE EEA AND THE FRA IN TANDEM

A policy to increase the EEA in tandem with the FRA, as demonstrated by figure 7 for retirees with a $1,000 primary insurance amount, would prevent workers who can work past age 62 from prematurely collecting benefits, and it would ensure they have a higher retirement benefit when they start collecting benefits. Without other changes, however, such a policy could create significant challenges for many older Americans with poor health, difficulty working, or poor employment prospects. If the EEA were to increase from 62 to 64, some older Americans ages 62 to 64 who are unable to work would apply for and receive SSDI benefits. These people will likely struggle without employment or access to Social Security benefits. Such a change would likewise affect older Americans who are younger than age 62 but are living off of savings or income from other family members until they reach age 62 and can claim Social Security benefits.

FIGURE 7
Monthly Benefit with a $1,000 Primary Insurance Amount, by Claiming Age

Source: Urban Institute Analysis.

Note: EEA = earliest eligibility age; FRA = full retirement age. Under current law, benefits are reduced 5/9 percent for each of the first 36 months Social Security is claimed early, and then 5/12 percent for each additional month claimed early. This analysis assumes that each additional month is reduced 5/12 percent (5 percent per year).
Disability Benefits for Older Workers

Some of the impact from increasing the FRA alone or in tandem with the EEA would be lessened by the availability of disability benefits, the most important being SSDI. Workers are awarded SSDI benefits because they have a severe disability and cannot do substantial work, which the Social Security Administration (SSA) defines as work generating a monthly wage of $1,220 or more in 2019. In 2017, 1.64 million SSDI beneficiaries (37 percent) were between age 60 and the FRA. In addition, individuals with very low incomes and assets can apply for SSI disability benefits up to age 65 and elderly benefits beginning at age 65. Veterans assistance, workers compensation, and temporary disability insurance can also help some workers.

As we discuss in this section, simply relying on SSDI alone with its current rules would not be sufficient to protect vulnerable workers. Below, we describe the protections offered by SSDI and where significant gaps exist for workers who would be affected by an increase in the EEA and FRA.

SSDI PROVIDES VITAL WAGE INSURANCE FOR MANY AT-RISK OLDER WORKERS

Many workers with serious health conditions qualify for SSDI. Older applicants are more likely than younger applicants to be awarded SSDI benefits (Rupp 2012). Overall, about two-thirds of new SSDI awardees in 2013 were 50 or older, and nearly 20 percent were 60 or older (O’Leary, Walker, and Roessel 2015). For the overall working age population in their long-range projections, the Social Security actuaries estimate 5.4 workers out of 1,000 will be awarded SSDI benefits each year, whereas they estimate that for men and women ages 60 to 64, 20.3 and 16.1 workers, respectively, will be awarded benefits (Social Security Administration Office of the Chief Actuary 2018). Someone who qualifies for SSDI avoids the reduction in monthly benefits that would otherwise result from claiming benefits before reaching the FRA. As a result, the increases in the FRA have increased the relative benefit of SSDI benefits compared with the receipt of old-age insurance in Social Security.

The gradual increase in the FRA was associated with an increase in SSDI awards, as would be expected given the increased financial incentive. Duggan, Singleton, and Song (2007) found the reduction to retirement benefits at early retirement led to an increase in the rate of receiving SSDI benefits of 0.6 percent of men and 0.9 percent of women ages of 45 to 64. Their analysis considered years up to 2005, when the FRA was 66 and the reduction for early retirement was 25 percent, and they predict the effect will continue to increase as the FRA reaches 67.

Some evidence suggests that SSDI awards to older workers effectively identify many workers whose health jeopardizes their retirement. As shown in table 1, the Social Security Office of the Chief
Actuary publishes life expectancies for all workers at age 62 and tables showing the life expectancy for workers who become eligible for SSDI at age 62. Men and women awarded SSDI at age 62 have seven- and eight-year lower life expectancies, respectively, than the overall population at that age. This suggests that SSDI is providing a vital role for at-risk older workers. The different life expectancies by social economic status can reduce the progressivity of Social Security retirement benefits. SSDI, by providing a higher relative benefit than the EEA benefit, could potentially improve equity for workers who on average will have a shorter time in retirement.

Some have argued the substantial difference between the SSDI and EEA benefits at age 62 justifies reducing the SSDI benefit at age 62 so it conforms with the EEA benefit (Warshawsky, and Marchand 2015). Former Senator Tom Coburn (R-OK) included this idea in one of his final legislative proposals before departing Congress. However, a policy of providing the FRA benefit when a worker applies for SSDI between age 62 and the FRA is consistent with the purpose of SSDI. The program provides wage insurance when someone is unable to continue working. An older worker who planned to work beyond the EEA and who must retire early because of a serious disabling condition is just as in need of the full SSDI wage insurance as a younger worker who experiences a serious disabling condition.

### TABLE 1
Life Expectancy at Age 62

<table>
<thead>
<tr>
<th></th>
<th>Average overall</th>
<th>Awarded SSDI at age 62</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>20.0</td>
<td>12.84</td>
</tr>
<tr>
<td>Female</td>
<td>22.8</td>
<td>15.07</td>
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</tbody>
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**Source:** Social Security Office of the Chief Actuary.

SSDI DOES NOT HELP MANY OLDER WORKERS WITH SERIOUS HEALTH CONDITIONS

Although SSDI helps many workers with serious disabilities, other workers with health problems do not receive SSDI and instead take early retirement with dramatically reduced monthly benefits. Johnson, Favreault and Mommaerts (2009) used responses to Health and Retirement Study questions to identify older people with disabling conditions. They found the probability of having a potentially disabling condition doubles as people age from 55 to 64, increasing from 21 percent to 43 percent. However, they also found fewer than half of those who report serious disabling conditions ever receive disability benefits, with 30 percent receiving SSDI and 16 percent receiving SSI.

SSDI only partially protects those who are forced to retire because of health issues. According to data from the Health and Retirement Survey, 3 out of 10 retirees reported taking an involuntary retirement between 1992 to 2011, with half of people attributing the decision to poor health (Seligman...
Moreover, these people who retired early because of a health issue were just as likely to be receiving retirement benefits as disability benefits. Similarly, Bound and Waidmann (2011) found that a substantial portion of early retirees who had health issues were very similar to those receiving SSDI or SSI.

A deeper understanding of how many older workers develop serious disabling conditions and do not receive SSDI can come from linking survey and administrative data. Leonesio, Vaughan, and Wixon (2003) matched 1990 Survey of Income and Program Participation responses with SSA records to estimate the distribution of people ages 62 to 64 by their health condition and program eligibility and simulate eligibility for SSDI and SSI among those not on the programs. Overall, they found of this age group, about half reported one or more health problems and a quarter had severe disabilities. Of those who reported severe impairments, nearly as many received retirement benefits as received SSDI or SSI, and one-fifth did not receive any of these benefits. The early retirees with health problems had median lifetime earnings of about 60 percent of early retirees without serious health problems. Those unlikely to be eligible for SSDI were much more likely to be female and have low levels of education. The authors concluded, “In summary, this study shows that Social Security’s early retirement program serves as an unofficial disability program for a substantial minority of early retirees (25 percent). Although they are reported to have disabilities that limit work, most of them are ineligible for benefits under DI or SSI.”

This analysis is based on old data, and two trends over the past several decades could affect the interaction between retirement and disability benefits. First, the FRA began increasing in 2000, which increases the number of people between the EEA and FRA at any given time who could be claiming benefits early as an unofficial disability program. Second, the number of women who are disability insured has increased, which should lower the number of people using early benefit claiming as an unofficial disability program. Historically, women have been less likely to have a long enough work history to be insured for SSDI, but the gap is closing as women’s labor force participation has increased. For the cohort of 60- to 64-year-olds in 1990, disability insurance rates were 51 percent for women and 78 percent for men. By 2018, the disability insurance rates were about 71 percent for women and 80 percent for men (Annual Statistical Supplement 1991, 2019).

Older adults with poor health or disabling conditions but who are not receiving SSDI are especially likely to be living below or close to the poverty level. Favreault, Johnson, and Smith (2013) estimate that 35 percent of this group have incomes below 100 percent of the federal poverty level, and another 9 percent have incomes less than 150 percent of the federal poverty level. By comparison, older workers on SSDI are less likely to have incomes at either of those levels.
Policy Options to Protect Older Workers

In the first section of this report, we examined the health and employment status of older workers and identified a substantial portion of workers who are unable to stay in the workforce by the time they reach age 62. In the second section, we found that relying on SSDI alone to absorb the impact of increases to the FRA and EEA would not be sufficient to protect vulnerable workers who cannot continue working. To protect these workers, many options have been proposed that would modify early retirement benefits, provide enhanced employment supports for older workers, or alter disability benefits. We describe key proposals in these areas and how well they would address the challenges faced by older workers.

Changes to the Social Security retirement age would most likely be made as one of many components of an overall Social Security financing package. Such a package would be designed to achieve many objectives. The Social Security benefit formula is progressive, and income inequality in the US has grown. Congress could decide in a package to make Social Security more progressive. In the next section, we evaluate standalone EEA policies solely in terms of how well they adequately insure the retirement security of workers who are unable to continue working past age 62.

Another set of income assistance proposals have implications for retirement-age policy as well as broader policy. A basic income benefit, universal or targeted to older workers, is one proposal. SSI elderly benefits are now available at age 65 and could be made available at an earlier age, such as 60 or 62. SSI benefits are means tested and so do not provide a broad-based social insurance protection. Either a new basic income or SSI policy could either overlap or complement the policies discussed in this report, though they are beyond the scope of our analysis.

Options to Modify Retirement Eligibility

ALLOW RETIREMENT BEFORE THE EEA FOR WORKERS IN DEMANDING OCCUPATIONS

One approach to protecting adults who cannot continue to work past age 62 from the consequences of an increased EEA is to exempt workers in specific demanding occupations.

Currently, Social Security treats workers in all occupations the same. However, some developed countries allow workers in “hazardous or arduous” employment to collect public retirement benefits at earlier ages than average (Zaidi and Whitehouse 2009). Some countries, such as Greece, Spain, and Russia, allow workers in certain occupations to retire earlier than other workers. Most nations that
offer this benefit specify a minimum service requirement. For example, a ballet dancer from Spain must have at least eight years of service to receive a full pension at age 60; the normal retirement age is 65 (Zaidi and Whitehouse 2009). Under this type of policy, the government specifies a list of occupations and allows older adults with a certain amount of service in those occupations to claim Social Security benefits before the EEA and with a lesser benefit reduction.

Compared with a program like SSDI, this type of policy is appealing in a couple of ways. First, administering benefits would be easier and cheaper than with SSDI because beneficiaries would not need to be evaluated in terms of their current health and ability to work. Second, it would cover many people who are unable to work but lack a well-defined medical condition.

The policy also has significant drawbacks. First, SSA does not have the data needed to make the type of occupational determinations needed for this approach. SSA maintains a lifetime earnings record for workers, but it has limited data beyond that. Employers do not report an employee’s occupation to SSA, and SSA does not have enough other information to attempt to impute the occupation. Even if SSA knew a person’s employer, that would not tell the agency which occupation the worker had within that company. For example, an employee with a company like Amazon could be a technology worker, a worker in warehousing and distribution, or many other positions. And many employees engage in several occupations even with a single employer.

Second, even if SSA knew an employee’s occupation, that occupation is not a direct proxy for whether or not a person can continue to work. Identifying and determining which occupations should be designated as hazardous or arduous would be highly subjective and could expand benefits to adults from certain occupations that are still able to work. Policymakers would face a trade-off between creating (1) broad eligibility criteria that protect most of the at-risk workers but that also protect a large number who are not at risk and (2) narrower eligibility criteria that fail to protect many of the disadvantaged adults who motivate the policy.

Third, it would treat people who are unable to work because of their occupations differently than people are unable to work for reasons unrelated to their occupation. Many work-limiting health conditions are caused by forces outside of work, such as genetics, caregiving activities, or plain bad luck. This policy would not help those people if their work experience was in occupations that are not designated as hazardous or arduous.

Fourth, exempting certain occupations from the EEA would subsidize hazardous or arduous work (Johnson 2018). Because of the subsidy, employers (who want subsidized labor) and employees (who
want the subsidies) of certain occupations would likely attempt to exert political influence to expand the list of exempt occupations.

LINK RETIREMENT AGE TO YEARS OF WORK
Another way to protect adults who cannot continue to work from the consequences of an increased EEA is to tie the EEA to the number of years a person works.

The idea is that less-educated workers enter the labor force earlier than workers who attend college, so they work additional years while others are in college. Moreover, many workers with lower levels of education work in jobs with greater physical demands and have worse job prospects at older ages. So a policy could allow workers with longer work histories access to retirement earlier than workers with shorter histories. Sometimes this access can also be conditional on low lifetime earnings.

Many developed countries already have this policy. Research from 2002 found that 7 of 23 Organisation for Economic Co-operation and Development countries allow workers with 40 years of covered employment to retire earlier than those with 30 years (Turner 2005).

This policy would be relatively easy to administer because it does not require individual evaluation, is easy to measure, and relies on data already collected by SSA. It would also shield many people who have long work histories but low lifetime earnings from an increase in the EEA.

Unfortunately, years of work is not a good way to target protections for workers who would experience hardship under an increased EEA. As Zhivan and colleagues (2008, 3) wrote, “while less educated workers enter the labor market early, it turns out that they do not have relatively long employment histories. Health impairments and lackluster demand for their labor, which would put such workers at risk if the EEA were raised, also result in less time spent in employment by age 62 than for workers not at risk.” Similarly, Favreault and Steuerle (2008, 40) concluded that a retirement-age policy based on years of service “is likely to meet goals of neither progressivity nor fairness.” Women, who spend more time caregiving and doing nonmarket work, would be far less likely to benefit from this policy change than men (National Academies of Sciences, Engineering, and Medicine 2016).

This policy has a principled motivation and would achieve admirable policy objectives, but its impact on people who are unable to work past age 62 but can’t qualify for SSDI benefits would be limited.
Several proposals would make a lower EEA available only to those workers with low lifetime earnings. Some of these proposals would limit the policy to those with substantial years of work, introducing both the strengths and weaknesses of the policy just discussed.

Instead of basing the EEA on years of work, Zhivan and colleagues (2008) recommended an “elastic” EEA based on average indexed monthly earnings. They argued that such an elastic EEA would be effective because workers at risk of hardship and with low life expectancy tend to have low lifetime earnings.

The National Commission on a Fiscal Responsibility and Reform (2010), also known as the Bowles-Simpson Commission, recommended indexing the FRA and EEA in a way that would likely increase the FRA and EEA. They also included a proposal targeted at low earners with significant employment. They would allow individuals with low earnings and four covered quarters of employment for 25 years before age 62 to be exempted from the increase. The earnings threshold was 250 percent of the federal poverty level and phased out by 400 percent of the federal poverty level. By combining a substantial work history requirement with a low earnings requirement, this policy merges aspects of the work-history approach discussed previously with the low-earnings approach considered in this section.

By definition, these policies are targeted at a low-income population. Furthermore, eligibility decisions would be based on data already collected by the SSA and wouldn’t require individual evaluations that are difficult and subject to litigation. However, Waldron (2013) thoroughly analyzed these proposals and identified at least three major issues.

First, women have lower earnings than men and women have greater life expectancy than men, but Social Security policy is gender neutral. This means a policy aimed at the bottom 20 percent of the unisex earnings distribution would affect 12.9 percent of men born in 1940 and 27.8 percent of women born in 1940, even though men would need more protection as evidenced by life expectancy. The difference for later cohorts is almost certainly lower because of increased female labor force participation and earnings, but the difference likely persists. Waldron concluded “that proposal may miss its target by a wide margin if female life expectancy is higher than male life expectancy, but female lifetime earnings are lower” (Waldron 2013, 17).

Second, male lifetime earnings can capture adverse health effects because periods of reduced or no work are correlated with health shocks or chronic health problems for primary earners, who are predominantly male. For secondary earners, who are predominantly female, this correlation falls apart
because periods of zero work or low hours are often caused by differences in household roles and nonmarket work, such as caregiving.

Finally, lifetime earnings for primary earners (who are predominantly male) are strongly correlated with lifetime household income, but the correlation between lifetime earnings for secondary earners (who are predominantly female) and household lifetime earnings is much weaker. This means secondary earners with low lifetime earnings but a high standard of living because of spousal earnings would be offered better retirement options than many people with lower living standards.

Despite only looking at data for men, the authors of one of the proposals, Zhivan and colleagues (2008), found that significant assistance would flow to people who were classified at “not at risk” for hardship. Furthermore, this policy would likely require special rules, like the Windfall Elimination Provision, to limit workers with significant uncovered earnings from being treated the same as earners with low total earnings. Finally, this policy would help workers with low average indexed monthly earnings but would not help workers with moderate or high average indexed monthly earnings but who experience adverse health (Stapleton 2009).

By incorporating both a substantial work history and low average earnings requirement, the Bowles-Simpson Commission option more narrowly targets assistance and thereby avoids some of the weaknesses of using only one of these mechanisms. Unfortunately, the weaknesses of each of these mechanisms is not overcome by combining them: many vulnerable workers are protected while others are screened out. This option could be one aspect of a broader policy, but it would be inadequate in isolation.

ALLOW BENEFICIARIES TO COLLECT A PORTION OF EEA BENEFITS AT AGE 62 AND THE REST AT A LATER AGE WITH A LOWER ACTUARIAL REDUCTION

An alternative approach to mitigating the negative impacts of increasing the EEA is to give older Americans the ability to claim a steeply actuarially reduced benefit at age 62 and then delay claiming the rest of the benefit until later, when it would be subjected to a lower actuarial reduction.

The National Commission on Fiscal Responsibility and Reform recommended a version of this policy: “First, the Commission proposes allowing beneficiaries to collect up to half of their benefits as early as age 62, with applicable actuarial reduction, and the other half at a later age (therefore incurring a smaller actuarial reduction). This increased flexibility should provide for a smoother transition for those interested in phased retirement, or for households where one member has retired and another continues to work” (National Commission on Fiscal Responsibility and Reform 2010, 51).
If the FRA increases from age 67 to age 69, a policy to provide half of the EEA benefit at age 62 effectively caps actuarial reduction at 35 percent of the FRA benefit instead of 40 percent. It also gives beneficiaries the flexibility to access some benefits earlier, when they could be suffering from adverse health consequences or have difficulty finding employment, while protecting the size of monthly benefits later in retirement.

Like many other policies, it would be easier to administer because it doesn’t require individual evaluation and relies on data already available to SSA.

The average Primary Insurance Amount for a retired worker in December 2017 was $1,561. With a 40 percent actuarial reduction, that would convert to a $937 monthly benefit at the EEA. Half of that benefit is $468. Many of the people who are unable to work at age 62 who would be affected by changes to the FRA have below-average Primary Insurance Amounts and would receive less than $450 per month. Reducing the maximum actuarial reduction and offering flexibility are both positive changes over increasing the EEA or increasing the FRA without increasing the EEA, but the partial monthly benefit available at age 62 would be so modest that it would not be an adequate income for someone who can’t work past age 62 and can’t qualify for SSDI.

Furthermore, someone who can’t work but is able to receive SSDI will receive the entire primary insurance amount and accelerated Medicare benefits, which means people unable to work who can get through the SSDI process would receive substantially more than those who can’t work but are unable to get through the SSDI process.

**INCREASE THE PROGRESSIVITY OF SOCIAL SECURITY**

A final idea for mitigating the negative impacts of increasing the FRA is to increase the progressivity of Social Security. One example is changing the benefit formula so it replaces a higher share of earnings for retirees with low lifetime earnings. This could increase the Primary Insurance Amount at the FRA and increase benefits that have been actuarially reduced.

Increasing the progressivity of Social Security would likely have many positive impacts, like reducing old-age poverty. This could be achieved through adjustments to the benefit formula, such as changing the bend points, changing the replacement rates, and increasing Social Security minimum benefits (Favreault 2009; Herd et al. 2018).

However, if the FRA and EEA were both increased, then increasing the progressivity of Social Security would not help people unable to work past age 62 until they reached the new EEA. This is because people under age 64 wouldn't be able to claim any benefit regardless of its level.
Increasing the FRA but leaving the EEA at 62 would limit the negative consequences of a larger actuarial reduction at age 62. Larger actuarial reductions because of increasing the EEA will be less damaging if beneficiaries with low incomes have more generous Social Security benefits. This policy would help workers with low average indexed monthly earnings who are unable to work past age 62, but it would likely do little to help workers with moderate average indexed monthly earnings who are unable to work past age 62.

**Options to Expand Employment Supports**

Can programs outside of Social Security help at-risk older workers stay in the labor force longer and thereby mitigate concerns with raising the EEA? In this section, we first consider how effectively the US helps workers stay in the labor force, especially after a worker experiences a health shock. Next, we review and evaluate programs to help unemployed older workers find employment or develop new skills to find employment in a new field.

**HELPING OLDER WORKERS STAY IN THE LABOR FORCE**

Workers leave the labor force for many reasons. Could more effective programs reduce the frequency of involuntary, preventable job separations? Older workers are more likely to experience health shocks, and when they experience health shocks, they are more likely to leave the labor force (Johnson, Favreault, and Mommaerts 2009). Once unemployed, older workers have more difficulty finding a new job and are unemployed for longer periods than younger workers (Johnson and Gosselin 2019; Johnson and Mommaerts 2011). Avoiding unemployment in the first place is the most effective initial strategy to improve the labor force participation of older workers.

In the US, public programs do little to intervene early when a worker experiences a new potentially disabling illness or injury. Some US workers benefit from employer-financed disability management programs, though these are typically for higher-paid and higher-skilled workers. In other countries, government mandates on employers make these services much more universally available. Unfortunately, the voluntary approach to early intervention in the US leaves a gap in coverage for workers who are not employed by firms offering these supports. Federal and state programs usually assist workers only after a health condition has become very serious, often years after the initial condition has introduced new challenges at work (Smalligan and Boyens 2018). And many workers have scattered work histories or are self-employed.
Research suggests that further support in the US for early intervention services could help many at-risk workers and their employers work through a new health shock, identify appropriate accommodations, and avoid long-term unemployment. Although evidence from the US is somewhat limited because of the country’s reliance on voluntary, employer-based systems to provide early intervention services, a large body of evidence from other developed countries is relevant to the US (Smalligan and Boyens 2019).

Effective early interventions vary depending on a worker’s situation. They may involve an employer providing an accommodation to the employee for ongoing medical visits under the Family and Medical Leave Act, or a workplace accommodation under the Americans with Disabilities Act. Under the Americans with Disabilities Act, an employer has an obligation to provide reasonable accommodations. Hill, Maestas, and Mullen (2016) examined employer accommodations for workers with a new disability and found that only a quarter of newly disabled older workers in their 50s are accommodated by their employers in some way following onset of a disability. They estimate that if employer accommodations could be increased, workers with new potentially disabling conditions would be significantly more likely to delay leaving the labor force for up to two years.

Early intervention services can also address breakdowns or gaps in the delivery of health care services (Franklin et al 2015; Christian, Wickizer, and Burton 2016). Cutler, Meara, and Powell (2014) found that older workers who experience a health shock, such as a stroke or cancer, are twice as likely to transition onto SSDI if they also experience other adverse events, such as substance abuse or a breakdown in relationships or social networks. Levy and colleagues (2012) found that older people with positive perceptions about aging were 44 percent more likely to fully recover after a severe disability compared with people with a negative perception of aging.

Programs to help workers retain their existing job could be especially important for older workers. Charness and Czaja (2006) pointed out that older workers have had many years to find a “work niche” that best matches their skills and to develop skills specific to their jobs. Younger workers change jobs more frequently. Older workers who feel pressured to retire early may forfeit more job-specific “capital” than a younger worker.

Older workers who are managing a new health condition may also face implicit or explicit age discrimination from an employer. Age discrimination is a barrier to older workers both maintaining and securing employment (Harris et al. 2018). For workers in the labor force, age discrimination can take subtle forms if employers make assumptions about when a worker is likely to retire. If a workplace has a “socially expected duration” of work before retiring, employers may underinvest in retraining older
workers. With less retraining, older workers may become less productive and thereby reinforce the social pressure to retire (Ebbinghaus 2006). Early intervention services focused on older workers would also need to address this issue.

HELPING UNEMPLOYED OLDER WORKERS FIND EMPLOYMENT
A range of federal and state programs assist unemployed older workers secure employment. The Reemployment Trade Adjustment Assistance program (formerly the Alternative Trade Adjustment Assistance program) and the Senior Community Service Employment Program are specifically designed for older workers. The Wagner-Peyser Act Employment Services and the Workforce Innovation and Opportunity Act fund programs that are available for all workers. The specifically targeted programs have high per person costs and serve relatively few older workers, whereas the universal programs have low per person costs.

Experiments with basic, low-cost job search assistance have been shown to be cost effective. The Senior Community Service Employment Program has not been rigorously evaluated, and fewer than half of participants secure unsubsidized jobs after participating (Wandner, Balducchi and O’Leary 2018). The evidence base around more expensive, targeted programs is mixed, with some experts finding positive outcomes (Agbayani et al. 2016), but the high per participant cost make the programs difficult to scale. In terms of outcomes from training and other intensive services, older workers have more variability in their performance than younger workers, making it more difficult to know whether intensive services can be effective with at-risk older workers (Charness and Czaja 2006).

Programs that are effective at helping many unemployed older workers become reemployed may be ineffective for the highest-risk workers. Experts advise caution regarding retraining programs for older workers who begin with limited skills (Eyster, Johnson, and Toder 2008; Zhang 2011). Similarly, programs to help older workers become self-employed have shown promise, but they are most successful when targeting older workers with more experience and education (O’Leary, Eberts, and Hollenbeck 2011).

Workforce programs have an important role in helping older workers stay attached to the labor force. In particular, more focus is needed in helping older workers retain current employment when they experience health setbacks. More rigorous evaluations are needed to understand the potential impact of substantial new investments. With the labor force aging, existing programs are already under greater demand and warrant additional funding. The evidence suggests that workforce programs can help many workers. However, we don’t have enough evidence that these programs can adequately address the challenges created by increasing the early retirement age.
Options to Modify SSDI

If Congress decided to raise the EEA, SSDI would protect many vulnerable older workers. However, many would not be eligible for benefits. Changes in retirement policy could protect some of these workers, but the options have significant weaknesses. Similarly, employment supports can also play an important protective role, but these policies are also not sufficient. Instead of or in addition to these options, policymakers could modify SSDI eligibility rules so more older workers with serious health conditions could receive benefits. In this section, we provide background on SSDI eligibility and consider two policies that could address the needs of older workers.

Until recently, the SSDI trust fund reserves were only a few years away from being depleted. The Social Security actuaries now estimate that SSDI has adequate resources until 2052. Any proposals to expand SSDI eligibility must be considered in the broader context of overall Old Age, Survivors, and Disability Insurance solvency. A policy to protect older at-risk workers who are unable to work past age 62 is most relevant in the context of an overall change in Social Security retirement age policy. In 2010 and 2011, the National Commission on Fiscal Responsibility and Reform considered Social Security finances. The proposal put forward by the Commission to protect risk workers from an increase in the retirement age appears to have reduced the savings from the proposed retirement age policy 17 percent. Alternative SSDI policies should be evaluated in a similar context.

SSDI ELIGIBILITY CRITERIA

The Social Security Act defines work disability as the “inability to engage in substantial gainful activity.” SSA defines “substantial gainful activity” as the ability to earn $1,220 a month in 2019 (for nonblind individuals). Further, the inability to work at this level must be related to a “medically determinable physical or mental impairment.”

To operationalize the statutory definition, SSA uses a five-step sequential process and a listing of medical impairments. The first two steps are designed to disqualify applicants who are earning above the substantial gainful activity threshold or who do not have a severe impairment (or combination of impairments) that is expected to last 12 months or lead to death. If an applicant makes it past the first two stages, the third stage compares the impairment to a listing of impairments, for each major body system, that are considered severe enough to prevent a person from doing any gainful activity. If the applicant’s condition meets or equals a medical listing, he or she qualifies for disability benefits.

For applicants who have impairments that do not meet the listings, SSA assesses the person’s residual functional capacity. At the fourth stage, SSA considers whether the applicant’s impairments prevent him or her from doing past relevant work. Past relevant work relates to work above the
substantial gainful activity level that was performed in the past 15 years for a long enough duration to reach at least average performance level. If the applicant is found to be unable to do his or her past relevant work, SSA moves to step five.

In the fifth step of the process, SSA considers whether an applicant’s residual functional capacity prevents him or her from doing other work that exists in the economy. The Social Security Act requires SSA to factor in a worker’s age, education, and skills when considering whether he or she is able to perform “work that exists in the national economy.” SSA considers defines this as work that exists in significant numbers either in the region where the claimant lives or in several regions of the country. To operationalize this requirement, SSA in 1978 established the medical-vocational guidelines, also known as the “vocational grids” as well as medical vocational profiles. For people over age 50 who have a serious disabling condition that prevents them from performing their prior work, SSA’s rules consider an applicant’s education, literacy, skills, and physical capacity in determining eligibility. The guidelines ease the eligibility rules incrementally at ages 50, 55, and 60 based on the combination of these factors. At stage five, applicants are declared eligible for benefits if SSA finds that they cannot perform other work (Morton 2018).

SIMPLIFYING THE DISABILITY DETERMINATION RULES AT AGE 62
As discussed, the SSDI eligibility criteria already account for an applicant’s age in the determination process. One option would be to substantially simplify these criteria at age 62. Currently, the vocational grids used at step five do not have a significant evidence base (Mann, Stapleton, and de Richemond 2014). The vocational grids have gaps in important areas, such as regarding nonexertional impairments. Warshawsky and Marchand (2015) proposed eliminating the vocational grids so that all applicants at step five are evaluated using the more stringent criteria for younger applicants. The vocational grids have been extensively litigated, including before the Supreme Court (Dubin 2010). Step five is also controversial for relying on outdated occupational information. SSA has been working with the Bureau of Labor Statistics to update its occupational information but the effort is still under way. Consequently, any policy proposal to revise the eligibility of older workers for SSDI must into account for the controversies around step five of the determination process, and this greatly increases the complexity of any policy change.

As we discussed, under current law, workers at any age can be denied SSDI even if they have a serious disability and cannot perform any work they have done in the past 15 years but can perform other work. In other words, a worker can be denied SSDI if he or she can work another job that earns at least $1,220 a month, even if obtaining the job would be difficult. One option would be to change the Social Security Act so that when a worker reaches age 62, SSA only considers whether a person can perform the work he or she has done in the past 15 years. This would eliminate step five of the
sequential determination process when workers turn 62 and allow all workers who pass through step four to receive SSDI.

This benefit expansion could be made on the grounds that a worker at age 62 who has a severe impairment should not be expected both to secure and become proficient in a new type of work. As we discussed, unemployed older workers already have a difficult time finding employment. The current rules implicitly expect that an employer will hire a 62-year-old worker with no recent relevant work experience. Morton (2018) summarizes expectations in step five as: “It does not matter whether the work exists in the immediate area where the claimant lives, whether a specific job vacancy exists, or whether the claimant would be hired if he or she applied for such work.” Step five is an important stage, and eliminating it at age 62 would be a substantial expansion in eligibility. Wixon and Strand (2013) broke out applications reviewed in 2010 and found that 43 percent of the 2.4 million applications reached step five, and only 39 percent of these applications were approved. Comparable rates specific to applicants 62 and older are not publicly available. However, if these allowance and denial rates are comparable for applicants who are 62 or older, this change in rules would very substantially increase the allowance rate.

Fully evaluating this option would require access to SSA administrative records but a significant consideration for relaxing the disability determination rules for older workers is that the employment outcomes of such workers who are denied benefits are poor. Hyde, Wu, and Gill (2018) looked at applicants over age 50 and older in the Health and Retirement Study and found that less than 20 percent of applicants denied SSDI at steps four and five had positive earnings in the five years after the decision.

ELIMINATING THE WORK RECENCY REQUIREMENT
Many older workers with serious health conditions have already left the workforce by their mid-50s. When workers apply to SSA for retirement benefits, SSA asks if they also want to apply for an SSDI benefit. Of course, this outreach is not meaningful for workers who have not yet reached age 62. However, to be eligible for SSDI, a worker must have recent employment, defined as work in 5 of the past 10 years. If a worker leaves the workforce in her mid-50s, either because of a potentially disabling condition or to care for another person, and only approaches SSA for retirement benefits at 62, she may no longer meet the work recency test. Leonesio, Vaughan, and Wixon (2003) looked at retirees age 62 to 64 who were receiving Social Security retirement benefits and estimated one-quarter have a work limitation that meets the SSDI standard. However, half of these retirees with a severe work limitation did not meet the work recency requirement.
Eliminating the work recency requirement for workers reaching age 62 would make many workers eligible for SSDI (Aaron and Callan 2011). For younger workers, SSDI provides wage insurance to workers recently attached to the labor force. This policy change would make the judgment that an older worker who has been attached to the labor force for decades should not be penalized for leaving the labor force in his or her mid- to late 50s. Johnson and Gosselin (2018) found that somewhat more than half of full time workers in their early 50s experience an employer-related involuntary job separation. Older unemployed workers have longer spells of unemployment than younger workers, so they are at greater risk of losing the SSDI insured status through the work recency rule.

Simplifying the determination rules and eliminating the work recency requirement interact with each other, and if they were implemented together, they would lead to even more allowances. Alternatively, to protect more at-risk older workers, a new and less generous disability benefit could be designed for workers age 62 who have serious health conditions but do not qualify for SSDI. Such a policy could be expensive to the program, costly to administer, and complex to design. Before considering such a controversial approach, these two options should be further evaluated using SSA administrative records and compared with other options for which more data has already been available. With SSA administrative data, analysts could identify prior applicants who were denied SSDI at step five or because of a lack of recent work and know how many of these applicants found employment and how many instead chose to take early retirement benefits. With that analysis, these options could be better compared with options to revise retirement eligibility or expand employment supports.

Conclusion

Americans are living longer. Some workers retiring in their early 60s may spend nearly as many years in retirement as they spent in the labor force. Consequently, many bipartisan proposals to reform Social Security include a proposal to raise the FRA. These proposals differ in whether and how to change the EEA.

Data on health, longevity, mortality, and employment among older workers suggests that a substantial number of them are not able to continue working until or past age 62. Many proposals considered to protect this group of workers have serious shortcomings. However, a multipronged approach warrants further exploration. A carefully designed retirement policy for low-wage workers could be paired with two additional policies.
First, more can be done to provide employment supports. When an older worker experiences a serious health shock, early intervention strategies should be used to reduce the risk of the worker developing a work disability, becoming permanently disabled, or facing long-term unemployment that forces them to retire earlier than planned. Effective programs can better help older workers and their employers identify workplace accommodations so workers can retain their current position, and policymakers could strengthen and improve the enforcement of laws to combat age discrimination.

Second, for older workers who can no longer keep working because of a serious health condition, an approach that modifies the eligibility criteria for SSDI benefits should be considered. Simplifying the eligibility standards and eliminating the recency of work requirement at age 62 could also significantly expand the protection SSDI provides. SSDI plays a vital role in supporting many at-risk workers, but many others are not protected under the current rules.

Raising the FRA, while either raising the EEA or maintaining it at age 62, is likely to be considered in conjunction with a comprehensive policy that addresses the vulnerability of older workers. Designing an early retirement or modified disability policy that is well targeted to at-risk older workers is difficult and may require changes to SSDI. Further analysis is needed before Congress addresses Social Security reform.
Notes

1 Stopping, bending, kneeling; standing for two hours; pushing or pulling large object; walking a quarter-mile; climbing 10 steps; sitting for two hours; lifting and carrying 10 pounds; reaching over head; and grasping small objects.

2 Physically demanding jobs require significant time standing, walking, running, handling and moving objects, making repetitive motions, or performing general physical activities.

Highly physically demanding jobs require dynamic, explosive, static, or trunk strength, stamina, bending or twisting of the body, kneeling, crouching, stooping or crawling, reaction time, or maintaining balance.

Difficult work conditions include cramped workspaces, exposure to contaminants, hazardous conditions, hazardous equipment, very hot or cold temperatures, whole body vibration, working outdoors, working indoors without environmental controls, or working with distracting or uncomfortable noise levels (Bucknor and Baker 2016).

3 Benefits are currently reduced five-twelfths of 1 percent per month at age 62, which is 5 percent per year. The Bipartisan Policy Center’s Commission on Retirement Security and Personal Savings increased the maximum benefit reduction for early claiming by 5 percentage points for each year that the FRA is increased (Commission on Retirement Security and Personal Savings 2016).


5 See tables 9a and 9b of Zayatz (2015).


7 See Supplement Tables 4.c2 and 4.c5 of US Social Security Administration (1990). 4089 divided by 5221 = 0.78, and 2944 divided by 5797 = 0.507.

8 See tables 4.c2 and 4.c5 of US Social Security Administration (2019): 7984/10033 = 0.795 and 7419/10462 = 0.709


References


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As director of the Education, Income Maintenance, and Labor Division, Smalligan was responsible for oversight and analysis of programs in the US Departments of Education and Labor, the Social Security Administration, and low-income assistance programs in the US Department of Health and Human Services Administration on Children and Families, US Department of Agriculture Food and Nutrition Service, and the US Treasury (earned income tax credit). Over 27 years, Smalligan served five administrations, working extensively on Social Security issues for four of them.

Smalligan developed policies that have been incorporated into many pieces of legislation, including the North Atlantic Free Trade Agreement of 1993, the Taxpayer Relief Act of 1997, and the American Recovery and Reinvestment Act of 2009. In 2012, he was a guest scholar at the Brookings Institution, where he analyzed the Social Security disability programs and with Jeff Liebman published recommendations that helped influence the Bipartisan Budget Act of 2015.

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