Living Longer, Living Better: The Challenge to Policy Makers
An Overview

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The title of this Congressional Briefing is *Living Longer, Living Better: The Challenge to Policy Makers.* What exactly *is* the challenge to policy makers? It is not to add more years to the long lives Americans will be living in the 21st century but to add better years. To do that, it is important to take a hard look at the four major domains in which the U.S. Congress develops policies to affect the lives of older Americans -- work, income, health, and family. We need to assess where we are and where we need to go within each policy domain and then to examine the connections between these domains.

As we stand at the beginning of the 21st century and look forward, it is not hard to predict that the same four domains of life that were central to aging well in the 20th century will continue to be important. Maintaining an adequate income, having access to good health care, being able to make choices about work, and having the support of family or family-like friends and neighbors are important throughout adult life and especially in old age.

In the 20th century, we saw the role of government increase in the areas of work, income, health, and family. From the Social Security Act in 1935 authorizing Old Age Insurance to the legislation in 1965 enacting Medicare and Medicaid to the most recent legislation repealing the earnings limit on Social Security, the U.S. Congress has developed policies that improved the lives of older people. We have seen that government programs can do much to decrease poverty and inequality and to increase economic and physical well-being. Nonetheless, there remains much more that can and should be done. To make further progress requires recognizing where we've been, where we are, and where we need to go. That is the goal of the discussions that follow by Doctors Burtless, Smeeding, Moon, and Kutza.

In those presentations, we will learn much about four separate domains. The next challenge for policy makers and for researchers is to understand how policies in each of these domains interact to produce opportunities or constraints in the lives of older people. Currently we have separate legislation focussing on these different domains, but in the real world of "lives as lived," legislation is connected in the individual lives of older people who receive social programs. It is this *integrated* perspective on how policies and programs are interconnected in people's lives that we need to begin to understand more about.

Figure 1 provides a framework from which to begin to develop an integrated perspective. At the very center of our interest should be the older person. Revolving in overlapping circles around the person are the four domains that affect the quality of his or her life - family, health, work, and income. Policy makers and researchers need to understand the operations and effects of policies, programs, and the nexus where the person copes within the domains as they overlap in the real world in his or her life. Finally, affecting policies and programs about family, health, work, and income are macro societal factors of the demographics of an aging society, history, and the economy. At the bottom of the figure, a time line represents the simple fact that we must envision aging as a continuum over time in the 21st century.

In the next figure, this framework is taken apart. The past, of course, is a guide to the future, and we know we can expect both continuity and change in these four major domains that are so crucial to people across the life course.

Work. For decades, successive cohorts of men retired at younger and younger ages. In 1950, 72 percent of men aged 65 were in the labor force. In 1995, 30 percent of men aged 65 were in the labor force - a quite dramatic decline. Some men retired due to health factors; others due to a sense of financial security; still others were encouraged by retirement plans through their jobs. For women, the story was different. Whereas the proportion of men aged 55 to 64 in the work force dropped between 1960 and 1997 by 20 percent, the proportion of women aged 55 to 64 in the labor force increased by 14 percent from 37 percent to 51 percent. Between 1960 and 1997, the proportion of women aged 65 to 69 in the labor force ranged between 14 and 18 percent and is now at its highest level of about 18 percent.

What will work in the new century look like? The trend toward early retirement appears to be tapering off in the last few years, and both men and women are choosing to remain in the work force longer. More significantly, over 70 percent of baby boomers report they plan to continue working at least part time after age 65. Will they?

They will certainly have a new incentive to work longer. The U.S. House and Senate voted unanimously in Spring, 2000, to remove limits on how much money most Social Security recipients can earn without losing part of their retirement benefits. This legislation repealed the Depression era policy of discouraging the elderly from working. According to interviews reported in the *New York Times*, members of both parties said the earnings limit might have made sense at the time that Social Security was established in the Depression when the employment rate was 25 percent, many jobs entailed hard physical labor , and life expectancies were much lower than they are today. But they said it makes no sense now, with employment so low that companies cannot find enough workers, jobs are generally less physically strenuous, and actuarial tables lead people to plan for long lives after age 65.

Income. In terms of income, older adults in the 21st century will be better off on average than the elderly of past generations in the 20th century. The trend toward improved financial status is clear. In 1965, a third of all elderly persons had incomes below the poverty line. In 1998, 10.5 percent of all elderly persons were poor - a dramatic and significant decrease. We will probably not see such dramatic changes in the 21st century if the United States does not tackle the problem of child poverty more vigorously. In 1998, 19 percent of all children under age 18 lived in poor families. Seventeen percent of young people aged 18 to 22 are poor. To affect meaningful changes in the aged of the 21st century, we need to mount a campaign to reduce childhood poverty *now*.

The improvement of the financial status of the elderly in the 20th century was due to a number of factors, perhaps the most important of which were the increases in Social Security benefits and adding the cost of living adjustments (COLAs), Medicare and Medicaid, and the conversion of Old Age Assistance to Supplemental Security Income (SSI) in 1972. The vast majority of the elderly now receive Social Security - 91 percent compared with only 69 percent in 1962.

But it is only part of the story to talk about the fact that conditions for the elderly as a whole have improved over the 20th century and that this trend is likely to continue. Some groups are still very vulnerable. If the total dollar income of the elderly population is divided into equal quintiles or 20 percent shares, we learn that the top 20 percent of all the elderly income is shared among just six percent of the elderly. The bottom 20 percent of elderly income is shared among 34 percent of the elderly.

What does the future hold for programs that help to insure that the elderly continue to fare well in the income domain? Much will depend on the fate of Social Security and the changes that Congress and the President choose to make. Under one scenario, Social Security will be partially privatized, and thus the strength of the stock market will become linked to levels of economic well-being the elderly can expect. Under a second scenario, Social Security will continue much as it is, strengthened by using the surplus to pay down the $3.5 trillion national debt by 2012 and then devoting the savings in interest payments ($200 billion annually) to Social Security.

Health. The major factor that determines whether older people are able to lead independent and active lives is their health. Functional limitations increase as people age. Only five percent of older people aged 65 to 74 living in the community have a need for assistance with one activity of daily living compared to 9 percent of people aged 75 to 84 and 18 percent of those aged 85 and over. Considering assistance with three or more activities of daily living, only two percent of persons aged 65 to 74 need assistance as compared to four percent of those aged 74 to 84 and 12 percent of those aged 85 and over.

What can we expect in the 21st century? It is hard to predict. Younger people today - the baby boomers and the generations that follow them - know more than ever before about the importance of good nutrition and exercise, and many will experience healthier old ages because they have put that knowledge into practice. But we also know that people do not always do what they know is good for them and that obesity is a worse problem now than previously.

In terms of policies in the health domain, Medicare and Medicaid are key. As with Social Security, two quite different options have been proposed. In the one scenario, Medicare would be turned into a kind of insurance subsidy, giving seniors money for private insurance and prescription drug coverage. In the other scenario, the current contours of Medicare remain in place with the addition of a prescription drug benefit.

Family. Family structure has changed considerably in the 20th century, and in the 21st century these trends are likely to continue. Specifically, roughly 25 percent of elderly persons lived with other relatives in 1960 whereas the 1990 Census showed only 13 percent living with other relatives. Conversely, the proportion of elderly people living alone increased by 12 percent - from 19 percent in 1960 to 31 percent in 1990. These changes are in part due to the elderly's success in the domains of income and health, for as more older people have had greater financial security, they felt that financial independence could result in independent living.

Throughout the 20th century, families have been the primary source of care. In 1997, 31 percent of informal caregivers to the elderly were sons or daughters and 28 percent were other relatives. In the future, this trend is likely to continue, but predictions are that the pool of potential caregivers will grow smaller. The reasons are well known: due to increased mobility, adult children are less likely to live nearby; smaller family sizes mean fewer children are available to help; more women are in the work force.

One piece of legislation that has some potential to help on the caregiving and family front is the Family and Medical Leave Act of 1992. This legislation allows workers to take time off to care for children, parents, or spouses without risk of losing their jobs, thus acknowledging the importance of the family caregiving role. The problem is that as currently structured, it leaves the caregiver in the difficult position of having the opportunity to take time off work with no guarantee that salary will be paid while the care giving occurs. For the FMLA Act to truly enable caregiving, employers need to have some obligation to maintain the salaries of caregivers. Further, in cases where the care recipient needs long term assistance, the act needs to be expanded to allow caregivers to draw on in-home, long term care providers such as home nurses and nurses' aides.

Integration. We usually look at each of these domains one by one and develop policies and programs to deal with problems separately in each domain. In this new century, we should envision the effects of aging policies as a product of the interaction of the policies operating in multiple domains of work, income, health, and family. As we make policies and develop programs in one area, it is important to examine their effects on other domains. For example, the domains of health and income are intimately related. The high cost of prescription drugs takes income from many older people who cannot afford it. This impoverishes some, while it causes others to forego medicine that they need because they simply do not have the money to spend. Still others borrow money from adult children or other relatives who can ill afford it. Adding some form of prescription drug coverage to Medicare would be a policy in the health domain that would have an effect in the domain of income.

So, too, the domains of family, work, income, and health are linked. For example, adult children often want to care for their elderly parents, but when health crises occur, adult children face a work-income-family dilemma. The Family and Medical Leave Act enables them to take time off from their jobs but does not require employers to pay them for such time nor does it provide any caregiving assistance. Enlarging the scope and coverage of the Family and Medical Leave Act would have ripple effects for health, income, and work as well as for family.

In the four presentations that follow, Doctors Burtless, Smeeding, Moon, and Kutza take a hard look at the domains of work, income, health, and family. The challenge to policy makers is to add better years to the long lives Americans will be living in the 21st century. They can do this by working to develop policies that, while targeted in one domain, have ripple effects that increase well being in other domains as well.

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