

Workplace Policies and Practices to Accumulate Assets

financial capability,
age discrimination and health promotion

Ernest Gonzales, Doctoral Candidate, Washington University,
George Warren Brown School of Social Work

OUTLINE

- I. Barriers to accumulate assets and need to work longer
 - i. Lack of financial capability and retirement insecurity
 - a. Limited lifetime pension participation
 - b. Financial literacy
 - c. Pension design
 - ii. Vulnerable groups as targets of discrimination:
attenuated health, job satisfaction, and retirement plans
- II. Implications for Policy & Practice
 - i. Financial Capability in the workplace
 - ii. Dismantle discrimination in the workplace
- III. Questions and Comments

FINANCIAL CAPABILITY: LIFE-TIME PARTICIPATION

- Limited life-time participation into pensions among 55-61 in percent; HRS, 2004

Characteristics	Without Pension	DB only	DC only	Both
Total	28.5	14.1	17.9	38.4
Men	23.2	15.2	17.7	43.2
Women	33.4**	13.1	18.0	34.0**
White	25.1	14.0	19.2	40.5
Black	35.1**	18.2	12.4**	33.5**
Other	38.3**	10.8	16.9	24.0
Hispanic	50.6**	11.7	12.1**	24.7**
<HS	60.8	10.7	12.8	15.0
HS	30.4**	13.9	16.5	38.0**
Some college	24.1**	15.4	21.2**	38.1**
College degree	15.8**	14.7	18.6**	49.8**

FINANCIAL CAPABILITY: LITERACY

■ Questions on interest, inflation, and risk

- Suppose you had \$100 in a savings account and the interest rate was 2% per year. After 5 years, how much do you think you would have in the account if you left the money to grow?
 - More than \$102
 - Exactly \$102
 - Less than \$102
 - DK
 - Refuse
- Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year, after 1 year, how much would you be able to buy with the money in this account?
 - More than today
 - Exactly the same
 - Less than today
 - DK
 - Refuse
- Please tell me whether this statement is true or false: "Buying a single company's stock usually provides a higher return than a stock mutual fund."
 - True
 - False
 - DK
 - Refuse

FINANCIAL CAPABILITY: LITERACY

■ Who is *somewhat* financially literate?

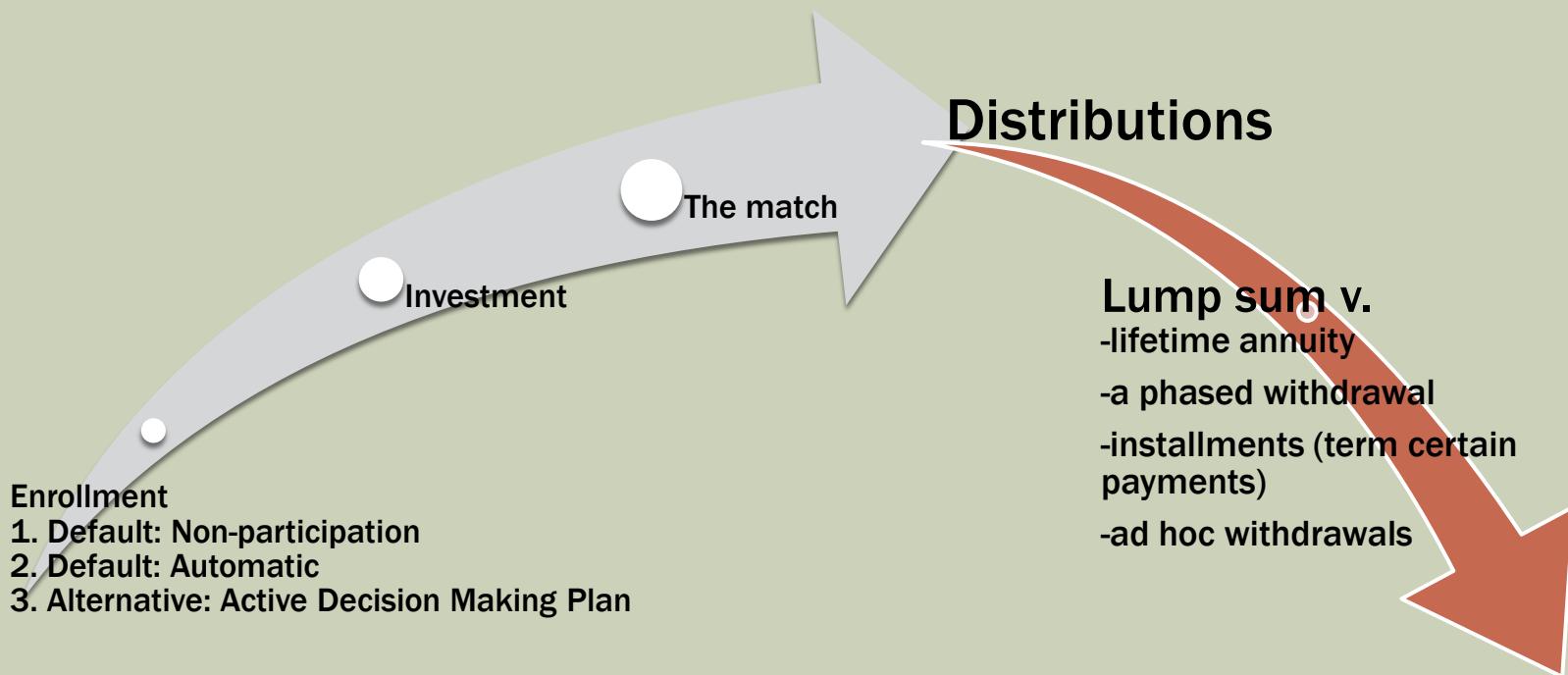
- Aged 51-65
- Men
- Whites and Asians
- Higher educated (post-graduate)

■ Vulnerable groups:

- Younger than 50 and older than 65
- Women
- Hispanics, AA, Other
- Lower educated

Characteristics	Overall	
	3 Correct (%)	>1 DK (%)
<35	19.4	50.6
36-50	36.8	35.4
51-65	40.5	32.6
>65	26.2	51.2
Male	38.3	34.3
Female	22.5	50.0
White	34.7	41.7
African America	20.3	40.4
Hispanic	13.1	50.7
Asian	39.8	33.6
Other	24.7	42.2
<HS	12.6	59.6
HS graduate	19.2	53.8
Some college	31.3	40.6
College graduate	44.3	25.8
Post graduate	63.8	14.1

DESIGN OF PENSION PROGRAMS



RETIREMENT INSECURITY

- Employee Benefit Research Institute (2012)

- Of surveyed workers

- 56% they/spouse have not tried to calculate how much money needed to live comfortably in retirement
 - 60% report having <\$25,000 saved for retirement
 - 86% are not very confident that they will have enough money to live comfortably in retirement
 - Less confident about having enough money to pay for medical expenses and long-term care than paying for basic needs

- Of retirees

- Significantly more dependent on Social Security as major source of income

NEED TO WORK LONGER

Due to extended longevity, solvency of social insurance programs,
shortfalls of retirement wealth,
individuals will have to work longer:
particularly women, people of color, and lower educated.

Yet several areas of research have yet to be fully addressed:
namely, health promotion and age discrimination.

NORMATIVE DIALOGUE

■ How to promote longer working lives?

□ Social Security Policy

- Increase the early and normal retirement ages
 - Across-the-board cuts
 - Two-tiered system
 - More laborious jobs = earlier retirement age
 - Less laborious jobs = higher retirement age
 - Different rates of labor force participation and life-expectancy
 - Lower educated enter workforce earlier in life
 - Racial and ethnic minorities don't live as long, thus what's a *fair* increase with age eligibility criteria to collect from public pension programs?
- Provide financial incentives to work longer

WHAT'S NOT IN THE NORMATIVE DIALOGUE



AGEISM AT WORK

■ Mixed attitudes towards older workers

□ Positive

- Loyal, experienced, sources for institutional knowledge

□ Negative

- lack creativity/flexibility/willingness to learn; older workers are slower to adapt

□ Negative > Positive

- Negative age stereotypes wield stronger influence (approximately 3x greater) than positive age stereotypes (Meisner, 2012)

■ Ageism at work

□ EEOC

- Claims: 15,785 (1997) v. 23,465 (2011)
- Settlements: 642 (1997) v. 2,231 (2011)
- Monetary benefits: \$44.3M (1997) v. \$95.2M (2011)

AGEISM AT WORK

How does age discrimination
impact target's health (mental, physical), job satisfaction,
and work-retirement expectations?

Methods

- Representative sample drawn from HRS 1998-2010
- Working full-time (N=5,728)
- Pooled fixed effects for linear and logistic regressions
- Supervisor ageism:
"In decisions about promotion, my employer gives younger people preference over older people."
- Co-worker ageism:
"My co-workers make older workers feel that they ought to retire before age 65."
- Controls: Total assets

AGEISM AT WORK

How does the perception of age discrimination impact health (mental, physical), job satisfaction, and work-retirement expectations?

	Depression (CES-D)	Self-reported health	Medical conditions (e.g. high blood pressure, heart problems)	Job Satisfaction	Likelihood of working past retirement age
Supervisor ageism	1.92*	ns	ns	-10.90***	-1.80†
Co-worker ageism	2.41*	-3.79***	2.74**	-8.40***	-2.59**

Note: Betas for linear fixed effects regressions of outcomes on ageism from 1998-2010.

† $p < .10$, * $p < .05$, ** $p < .01$, *** $p < .001$

AGEISM AT WORK

- Discrimination
 - Blatant and covert forms undermine mental and physical health, reduces job satisfaction, and attenuates plans to work longer
- Ageism may also undercut
 - organizational culture (Pearson & Porath, 2004)
 - lowers firm performance (Kunze, Boehm, & Bruch, 2011)
 - higher health care expenses and turnover (Lim, Cortina, & Magley, 2008)
- Its effects may also burden society via health care costs and faster exodus into government-sponsored programs

IMPLICATIONS: POLICY & PRACTICE

1. Increase financial Capability within the workplace among vulnerable groups to accumulate assets for later life
 - Financial education within the workplace =
 - Reach: 138M workers
 - Employees benefit
 - higher levels of participation rates
 - larger contributions into pensions
 - May increase overall economic security for later life
 - President's Advisory Council on Financial Capability (2010)
 - "Should build a financially capable workforce and retiree community, which is necessary for a stable and globally competitive economy" (Key Themes of PACFC, 2012)
 - Research on design of pension programs

IMPLICATIONS: POLICY & PRACTICE

2. Promote personal capability/desire to work longer

- Promote health, job satisfaction, and social cohesion within the workplace
- Basic and intervention research needed
 - Dismantle discrimination within the workplace (ageism, sexism, racism, homophobia, able-ism)
- Extend legislation to protect older workers from subtle/covert to explicit forms of ageism

SUMMARY