

# POLICYNOTE

## THE RACIAL MORBIDITY GAP: IMPLICATIONS FOR RAISING THE RETIREMENT AGE

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### INTRODUCTION

To ensure equitable retirement reform policymakers must consider proposed retirement policies through the lens of morbidity—the onset of disease and health-related physical impairment.

Americans must wait until they are 70 to collect maximum Social Security benefits. Before then, 67 is considered the “normal” retirement age. However, individuals are eligible for benefits between ages 69 and 62, but receive smaller monthly payments prorated based on the age they retire.<sup>1</sup>

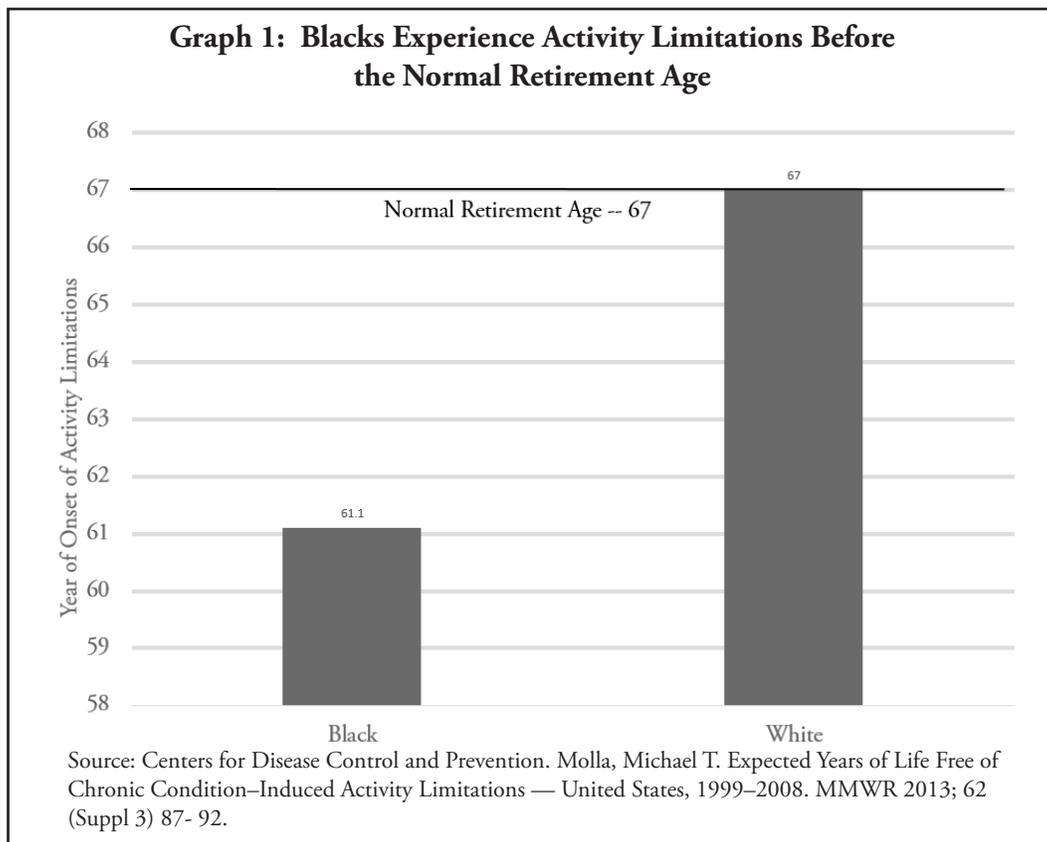
Proposals to further reduce benefits collected before age 70 argue that Americans on average are living longer and should therefore work longer. But averages across racial groups hide crucial differences in quality of life, ability to work and longevity.

For example, Blacks are more likely to develop adverse health conditions that limit their ability to work and to report declining health.<sup>2</sup> The average black American will experience physical limitations before the normal retirement age of 67. This means that cutting Social Security benefits by raising the normal retirement age would disproportionately affect the black community.

### BLACKS EXPERIENCE ACTIVITY LIMITATIONS BEFORE REACHING THE RETIREMENT AGE

While increasing the normal retirement age will make it more difficult for all Americans to experience a healthy and active retirement, Blacks will be disproportionately affected.

Under the normal retirement age of 67, neither Whites nor Blacks are able to experience even a single year of retirement free from activity limitations, chronic conditions that limit a person’s ability to perform activities expected of someone their age. Examples



include bathing/showering, using the telephone and attending work.

The average white American can expect to experience the onset of these limitations at 67, coinciding with today's retirement age. In addition to having shorter lives,<sup>3</sup> Blacks face activity limitations caused by chronic conditions beginning on average at age 61. They either spend 5.9 years working with activity limitations or retire before the normal retirement age and receive reduced benefits.

### MORE BLACKS DEVELOP WORK-LIMITING HEALTH CONDITIONS THAN WHITES

Poor health increases the likelihood of involuntary early retirement.<sup>4</sup> Blacks have a 36% higher chance of developing a work-limiting health condition during their working careers than Whites (back and spine problems are the most common for both groups). Because retiring early reduces an individual's Social Security benefits, raising the retirement age would cause a greater reduction in benefits for those who, like black Americans with work-limiting health conditions, are at risk of retiring early.

### BLACKS REPORT POORER HEALTH OUTCOMES

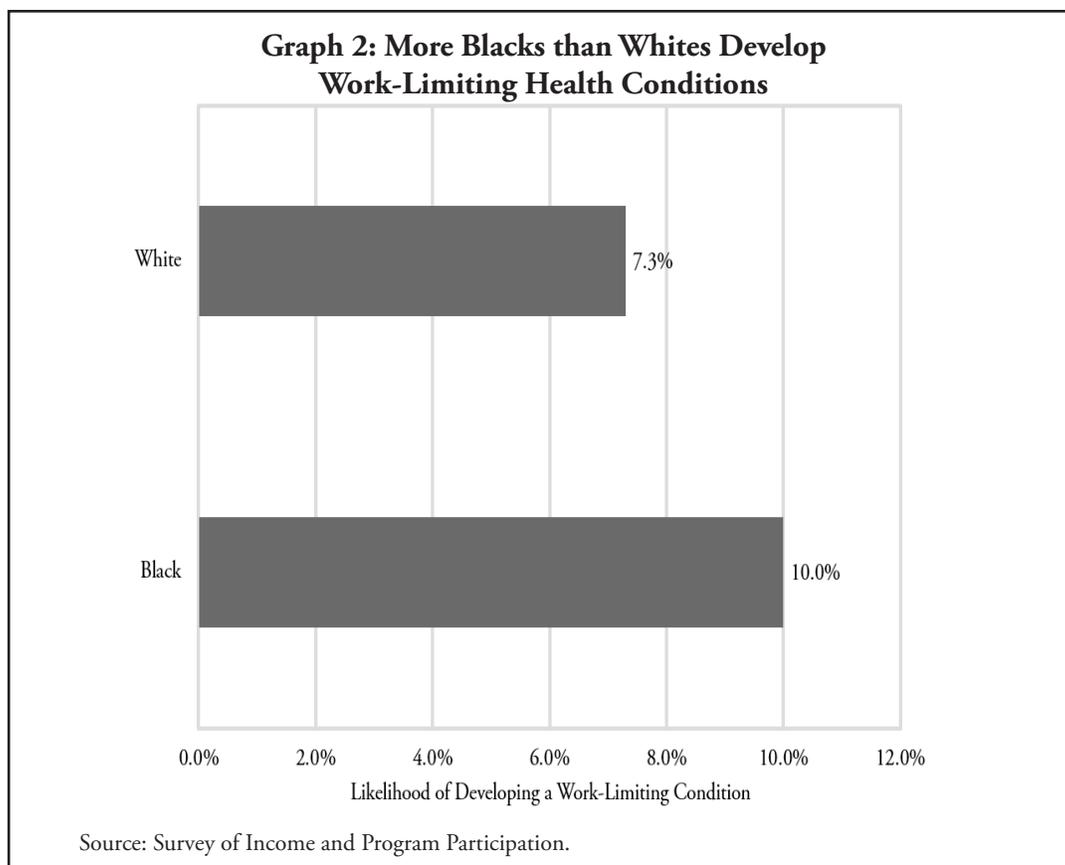
Blacks' health-related quality of life has worsened in recent years relative to Whites'. In the CDC's Behavioral Risk Factor Surveillance System, a telephone survey, health is reported across five categories - excellent, very good, good, fair, or poor. Between 2006 and 2010, the percentage of Whites who rated their health in the

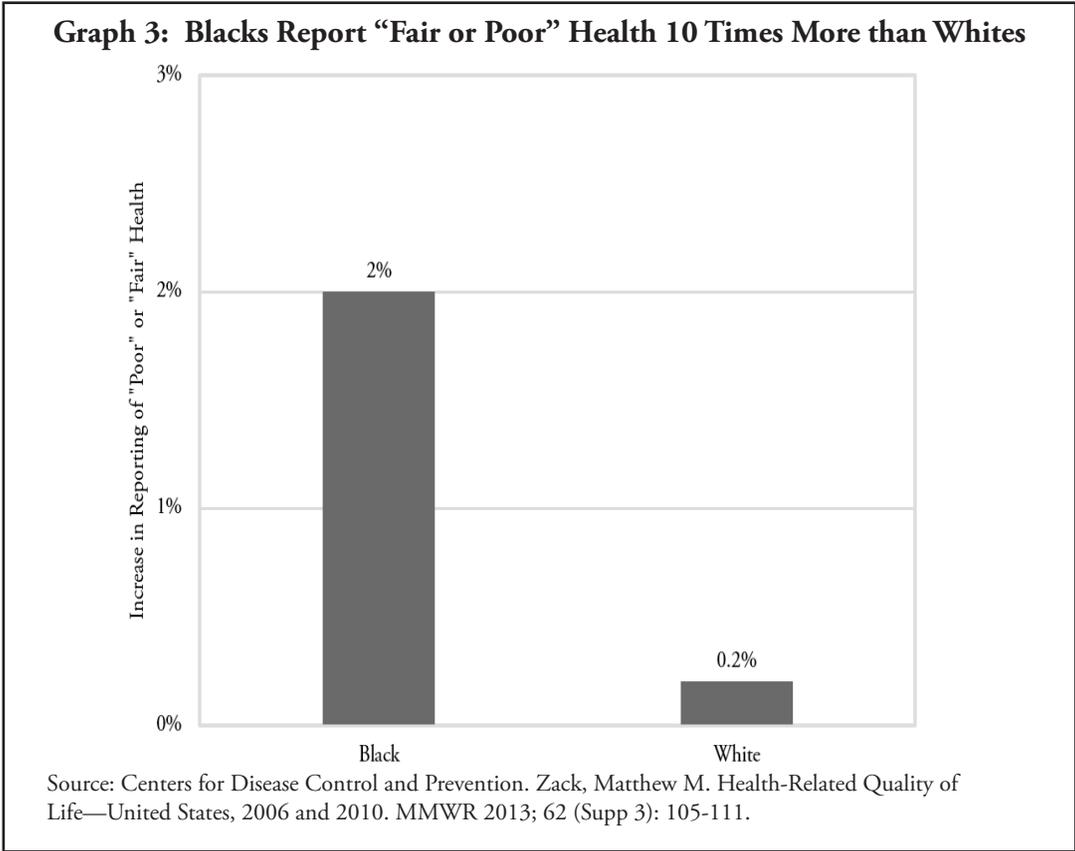
lowest categories - either fair or poor - grew only 0.2% from 13.1% to 13.3%, a statistically insignificant change. However, the percentage of Blacks who rated their health as either poor or fair grew by 2.0%, from 21.3% to 23.3%. This decline is 10 times the rate of Whites'.

### ADDITIONAL EVIDENCE FOR THE RACIAL MORBIDITY GAP

Living more years in poor health is a defining characteristic of disadvantaged racial groups' shorter lives.<sup>5</sup> On average, Blacks have the lowest longevity compared to all other groups and spend a high proportion of those years with chronic health issues. Crimmins and Beltran-Sanchez (2010) find that morbidity is not limited to the latest years of life, and that people who live longer lives tend to spend increased lengths of time in poor health. Even if Blacks were to live longer, there is no guarantee that their health-related quality of life would improve.

There are significant differences in quality-adjusted years of life expectancy between black and white Americans.<sup>6</sup> Quality-adjusted years of life expectancy is an index that combines life expectancy measures from the CDC with a survey that classifies self-reported health status across five dimensions (mobility, self-care, daily activities, pain, and anxiety/depression). Blacks suffering from both diabetes and visual impairment live 3.5 fewer quality-adjusted life years than their white counterparts. Blacks with neither diabetes nor visual impairment lived 3.4 fewer quality-adjusted years, while white survey respondents had better health in all categories.





Brown and Hargrove (2013) use a multi-dimensional approach to find significant disparities between Whites and minority groups in factors that predict the incidence of functional limitations. Being both female and non-white worsens morbidity, as women of color have significant social and economic disadvantages. Women’s incidence of functional limitations is only partially mitigated by controlling for social and economic resources. Black, Mexican, and white men are found to have similar levels of functional limitations when controlling for social and economic resources. This suggests that gender is significant in determining morbidity net of socioeconomic status.

Significant disparities in lung functioning, grip strength, and gait speed exist among older Americans.<sup>7</sup> These disparities can be attributed to differences in socioeconomic status, race, and ethnicity, and are mediated when adjusting for childhood and current adult health. Blacks remained worse off on all health measures even after adjusting for factors predicting health at older ages.

**POLICY RECOMMENDATIONS**

Retirement—the period at the end of one’s life normally recognized as free from the toil of work—has become an essential part of the American social contract. Raising the retirement age would diminish this period for all Americans, push the possibility

of enjoying a retirement free from activity limitations out of reach for the average white American, and keep it out of reach for black Americans.

Legislators considering changes to retirement policy should first consider the growing gaps in morbidity and quality of life between black and white Americans. Disparities in older workers’ capacities to work must be accounted for in any proposal to raise the retirement age. Reducing the black/white and male/female<sup>8</sup> disparities in health and quality of life requires policies that increase access to preventative care, stem the development of chronic conditions leading to activity limitations, and fund infrastructure improvements to increase accessibility in neighborhoods with high concentrations of elderly minorities.

To address the long-term solvency of Social Security, rather than cutting benefits by increasing the retirement age, policymakers should raise the cap on SSA taxable earnings from its current level of \$118,500.

At the normal retirement age of 67, racial disparities in morbidity and quality of life translate into decreased Social Security benefits for Blacks. Guaranteed Retirement Accounts—a tier of pension assets added to Social Security funded by workers, employers, and rearranged retirement subsidies—should be implemented to ensure that Blacks have adequate income throughout retirement should activity limitations and/or health conditions require them to retire before the normal retirement age.

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**ENDNOTES**

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- <sup>1</sup> The Social Security website explains that at the current normal retirement age of 67, a person's retirement benefits are neither reduced for early retirement nor increased for delayed retirement. Retiring before the normal retirement age reduces benefits by 5/9 of one percent for each month up to 36 months, then 5/12 of one percent for each additional month. The delayed retirement credit increases benefits by a fixed percentage per year after the normal retirement age up to age 70 according to a person's year of birth, ranging from 3% per year for those born between 1917 and 1924 to 8% per year for those born after 1943.
- <sup>2</sup> Between 2006 and 2010, Blacks' self-reported health declined at 10 times the rate that Whites' declined. Centers for Disease Control and Prevention. Zack, Matthew M. Health-Related Quality of Life—United States, 2006 and 2010. *MMWR* 2013;62(Supp 3): 105-111.
- <sup>3</sup> Ghilarducci, Teresa, and Kyle K. Moore. Dec. 2014. The Racial Longevity Gap Past Age 65: Implications for Raising the Retirement Age. Schwartz Center for Economic Policy Analysis.
- <sup>4</sup> Spriggs, William, and Jason Furman. African Americans and Social Security: The Implications of Reform Proposals. Rep. Center on Budget and Policy Priorities, 18 Jan. 2006.
- <sup>5</sup> Hayward and Heron (1999)
- <sup>6</sup> McCollister et al. (2012)
- <sup>7</sup> Haas, S.A., Krueger, P.M., & Rohlfen, L. (2012)
- <sup>8</sup> Further research should challenge a notion that men die sooner than woman should not be considered a biological inevitability. The gap between male and female longevity closes as income and wealth increases according to Burke and Bosworth (2014).

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